Jackson County, Missouri
Revised Pension Plan

Jackson County, Missouri
www.jacksongov.org

Comprehensive Annual Financial Report
A Pension Trust Fund of
Jackson County, Missouri

For the Year Ended
June 30, 2005

Jackson County, Missouri
Revised Pension Plan

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A Pension Trust Fund of
Jackson County, Missouri

For the Year Ended
June 30, 2005

Prepared by:

Ken Bover
Accounting Supervisor

Under the Direction of:

Gloria Fisher
Director of Finance

Joanne Mossie
Director of Human Resources

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Revised Pension Plan
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Jackson County, Missouri
Revised Pension Plan

Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Jackson County, Missouri Revised Pensison Plan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ESTABLISHED 1826 JACKSON COUNTY MISSOURI

FINANCE DEPARTMENT

Website: jacksongov.org
Email: gfisher@jacksongov.org

JACKSON COUNTY COURTHOUSE
415 EAST 12TH STREET, ROOM 105
KANSAS CITY, MISSOURI 64106-2706

(816) 881-3126
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November 22, 2005

The Honorable County Executive
Members of the County Legislature
Members of the Jackson County, Missouri
Pension Plan Administration Committee

We are pleased to transmit to you the 2005 Comprehensive Annual Financial Report of the Jackson County, Missouri Revised Pension Plan for the fiscal year ended June 30, 2005. State law requires that all local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The object of this report is to inform the County Executive, Legislative body, and members of the Jackson County, Missouri Revised Pension Plan of the financial condition of the Plan.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, are accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Plan as measured by the financial activity of its fund, and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The financial statements of the Plan have been audited by the independent auditors of McGladrey & Pullen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Plan for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Plan's financial statements for the year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, prior year awards, a list of the County's principal officials, and a general governmental organization chart. The Financial Section includes the independent auditors' report, the Management's Discussion and Analysis, the Basic Financial Statements, Notes to the Financial Statements, and more detailed combining and budgetary statements. The Statistical Section includes multi-year financial and general information. Governmental accounting standards require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Jackson County, Missouri's MD&A can be found immediately following the report of the independent auditors. The accuracy and completeness of the data contained in this report is the sole responsibility of the management of the Plan.

Profile of the Plan

The Plan was created and established by ordinance of the Jackson County Legislature in 1967. The purpose of the Plan is to provide for the retirement of employees who become members of the Plan, to provide benefits for totally and permanently disabled members, and death benefits for spouses and beneficiaries of deceased members, subject to Plan provisions.

At year-end (June 30, 2005), the Plan had 1,642 active members and a total of 630 members or their beneficiaries currently receiving benefits. The Plan covers those employees of Jackson County, Missouri, the Little Blue Valley Sewer District, the Jackson County Board of Election Commissioners, the Kansas City Board of Election Commissioners, the Jackson County Law Library, Inc., the Jackson County Sports Complex Authority, and the Eastern Jackson County Multi-Jurisdictional Anti-Drug Task Force.

Local Economy

Jackson County, established in 1826 by the State of Missouri, is located in the state's northwestern quadrant bordered by the Kansas state line and the Missouri River. Its population approximates 660,773 with 17 incorporated municipalities including Kansas City and Independence, the County seat. Jackson County is the most populated county in the Kansas City Metropolitan area. Over 35% of the metro's population, 35% of its employment and 67% of its top 50 employers are located within Jackson County.

The economy in the metropolitan area has remained stable in recent years. As the Kansas City downtown area is being redeveloped, it has been attracting business from both the commercial and residential sectors. In addition, the suburban municipalities surrounding Kansas City continue to grow from rural areas of several years earlier to become independent developed cities within the county. Economic conditions are not expected to change dramatically in the future.

Long-term financial planning

The investment portfolio of the Plan is a major source of funds to the Plan. Net Investment Income from both long-term and short-term investments amounted to a gain of $7,769,440, representing 53.2% of total additions. The supporting schedules reflect the changes in the portfolio during the year. The total yield on investments was 7.13% up from the 2004 total yield of 11.84%. The Plan's investments are held by a bank-administered trust fund.

Employer contributions are subject to annual appropriation by Jackson County, Missouri. Annual contributions consist of the normal cost and a payment toward funding past service liability. The County has made significant progress over the last five years in its attempts to reach the actuarial recommended contribution level. Six year history of Employer/Employee Contributions as a percent of the actuarial recommended contribution level ranged from a high of 106.9% in fiscal year ended 2003 to a low of 89.9% in 2004. Employer/Employee contributions during this reporting period have increased to 97.6% of the actuarial recommended contribution level due in part to a 16.6% increase in the Employer/Employee contributions. The Administration is making every effort to significantly increase the Employer Contribution in future budgets.

Relevant financial policies

Jackson County is responsible for establishing and maintaining internal control designed to ensure the protection of assets from loss, theft, or misuses, also to ensure the accounting information generated is adequate to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. The design of internal control is to provide reasonable assurance, although not absolute, in achieving these objectives.

As a Pension Trust Fund of Jackson County, Missouri the Revised Pension Plan is subject to this internal control. In addition, the County and the Plan are subject to annual audits.

This report is prepared in accordance with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board. The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date.

The Pension Plan Administration Committee has set out the following investment objectives and policy guidelines.

Investment Objectives:

1. To preserve the principal of funds contributed to the Plan.

2. To provide a total return sufficient to equal an actuarial assumption of 7% and to maintain purchasing power of the principal through growth in values - a total return of at least GNP Deflator plus 4 ½%.

3. To provide an equity investment performance better than the S&P 500 Index and the top one-half of a broadly recognized equity manager universe.

4. To provide a fixed income investment performance better than the Lehman Brothers Govt. /Corp. Intermediate Index, and in the top one-half of a broadly recognized fixed income manager universe.

Policies:

1. The composition of investments of the fund will not exceed the range of 40% to 60% in equities and fixed income securities; any uninvested monies will be in cash or cash equivalents. Up to 10% of the equity portfolio can be invested in small capitalization and International equity issues. Small capitalization issues are defined as stocks with a market capitalization of less than $1 billion. Any deviation from these guidelines would be otherwise noted in writing at the next regular Pension Investment Committee meeting.

2. Short term investments (cash equivalents) shall be in obligations of the Federal government, securities with a Federal government guarantee, or issues of prime quality U.S. corporations.

3. Fixed income investments, other than cash equivalents, shall be obligations of the Federal government, securities with a Federal guarantee, G.I.C. contracts of high quality insurance companies, and corporate obligations having a S&P rating of "A" or better. The maximum maturity of any fixed income obligation will not exceed 15 years.

4. No single investment, except securities of the Federal government and securities with government guarantee, shall exceed 5% of the market value of securities in that category.

5. Other forms of investment strategies may be considered by the Pension Plan Administrative Committee at its regular meetings.

6. The investment manager will report quarterly as to the accomplishment of Investment Objectives and conformance to Policies. The manager will make recommendations quarterly for any changes in the objectives or policies.

Funding:

The bottom line for a retirement plan is the level of funding. The better level of funding, the larger the ration of assets accumulated and investment income potential. A better level of funding gives the participants a higher degree of assurance that their pension benefits are secure. The advantage of a well-funded plan is that the participants can look at assets that are irrevocably committed to the payment of benefits. Although the historical level of funding for the Plan is very good, we continue to make a constant effort of improving that level, thereby assuring the participants of a financially sound retirement plan.

Professional Services:

Professional consultants retained by the Plan, are essential to the effective and efficient operation of the Plan. The firm of Defined Benefits, Incorporated provides actuarial consultation. Various professional managers at United Missouri Bank provide investment counsel relative to the common stock and fixed income investments owned by the Plan. As of February 1, 2004,Trustee and Plan Administration is being provided by Marshall and Ilsley The Plan has retained Asset Consulting Group, Inc on April 1, 2005 to monitor the investment performance of the Plan.

Awards and Acknowledgments

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Jackson County, Missouri for its comprehensive annual financial report (CAFR) of the Jackson County, Missouri Revised Pension Trust Fund for the fiscal year ended June 30, 2004. This was the 12th consecutive year that Jackson County, Missouri has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate

Acknowledgements: The compilation of this report reflects the combined effort of the staff of Jackson County, Missouri, especially that of Ken Bover, Accounting Supervisor, Carmen Hayes, Supervisor of Benefits, Tim Bradley, Assistant to the Director and Joanne Mossie, Director of Personnel. The intent is to provide complete and reliable information as a basis for making management decisions, to present evidence of compliance with legal provisions and demonstrate responsible stewardship for the assets contributed by the members of their employers.

On behalf of the committee, I would like to express our gratitude to the staff, the advisors, and to the many people who have worked so diligently to assure the successful operation of the Plan. I would also like to personally thank the Members of the Jackson County, Missouri Pension Plan Administration Committee, whose work has helped assure the members of the Plan can rely on future benefits.

Respectfully submitted,

Gloria Fisher

Gloria Fisher
Director of Finance

Jackson County, Missouri
Revised Pension Plan
Plan Administration
June 30, 2005

County ordinance provides that the administration of the plan be vested in a nine member Pension Plan Administration Committee, comprised of:

(i) the Manager of Finance, as Chairman;

(ii) the Director of Human Resources, as Secretary;

(iii) an active Member of the Plan who is an employee of the Circuit Court, to be appointed from time to time by the Presiding Judge of the Circuit Court;

(iv) two (2) active Members of the Plan to be appointed from time to time by the County Legislature, not more that one member from any one department;

(v) four (4) independent business executives to be appointed from time to time by the County Executive, subject to disapproval of the County Legislature.

The Investment section, Schedule of Brokerage Commissions Paid provides information on Investment professionals who provide services to the Plan.

Jackson County, Missouri
Revised Pension Plan
Administration Committee Members
June 30, 2005

Chairperson:
Gloria Fisher
Director of Finance
Ex-Officio Member

Secretary:
Joanne R. Mossie
Dir. of Human Resources
Ex-Officio Member

Forrest R. Bertsch
Circuit Court Appointment

Jerry H. Green
County Executive Appointed
Independent Business Executive

Kelly R. Markham
Legislative Appointed
Active Member

Howie Krueger
County Executive Appointed
Independent Business Executive

Joseph F. Weinrich
County Executive Appointed
Independent Business Executive

Robert L. Burnett
County Executive Appointed
Jackson County Employee

Jackson County, Missouri
Revised Pension Plan
Consulting Services
June 30, 2005

Actuary
Defined Benefits Inc.
Joe Nichols
Savannah, Missouri

Auditors
McGladrey & Pullen, LLP
Certified Public Accountants
Tom Rourick, Partner
Kansas City, Missouri

Legal Counsel
Jackson County Counselors Office
Edward B. Rucker
Kansas City, Missouri

Investment Management Consultant
Asset Consulting Group, Inc.
Patricia M. Haffner, CFA
Kansas City, Missouri

Investment Manager
United Missouri Bank
James Moffett
Kansas City, Missouri

Pension Trustee
Marshall & Ilsley
Lance Zimmerman
Kansas City, Missouri

Jackson County, Missouri
Revised Pension Plan

Financial Section

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP
4801 Main St., Ste. 400, Kansas City, MO 64112-2543
O 816.753.0030 F 816.753.3299
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Independent Auditor's Report

To the Members of the Jackson County, Missouri
Pension Plan Administration Committee of the
Jackson County, Missouri Revised Pension Plan
Kansas City, Missouri

We have audited the accompanying financial statements of the Jackson County, Missouri Revised Pension Plan (the Plan), a pension trust fund of Jackson County, Missouri, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements present only a pension trust fund of Jackson County, Missouri and do not purport to, and do not, present fairly the financial position of Jackson County, Missouri as of June 30, 2005 and 2004, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Jackson County, Missouri Revised Pension Plan, as of June 30, 2005 and 2004, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplementary management's discussion and analysis on pages 12 through 16 and the supplementary schedules of funding progress and employer/employee contributions on page 25 are not a required part of the basic financial statements of the Jackson County, Missouri Revised Pension Plan, but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, other supplementary information, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Jackson County, Missouri Revised Pension Plan. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section, and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Kansas City, Missouri
November 10, 2005

Management's Discussion and Analysis

As management of the Jackson County, Missouri Revised Pension Plan, we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2005, and 2004.

Financial Highlights (In thousands)

- Plan net assets were $123,473, reflecting an increase of $11,175. The change in net assets reflects a decrease of $3,075 from the 2004 total of $14,250. The increase was largely due to the increased investments in Corporate Stocks and U.S. Government Securities. (Refer to page #17) The net assets are available to meet Jackson County's ongoing obligations to Plan participants and their beneficiaries.
- Revenues (Additions to Plan Net Assets) for the year were $14,591 which reflects a decrease of $2,791 from the 2004 total of $17,382. An investment gain of $7,769 reflects a decrease of $3,925 from the 2004 total of $11,694 due primarily to the decrease in Net Appreciation of Investments in Corporate Stocks. (Refer to page #18).
- Expenses (Deductions in Plan Net Assets) increased $283 from $3,133 in 2004 to $3,416. The primary reason for the increase was benefit payments which increased $282. (Refer to page #18).
- Pension benefits paid to retirees, survivors and disability claims was $3,379, an increase of $282. (Refer to page #18).
- Employer Contributions to the Plan were $6,761, an increase of $1,088 due in part to contributions for July, 2005 in the amount of $540 being paid in June, 2005. (Refer to page #18).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Jackson County, Missouri Revised Pension Plan. The financial section of the Jackson County, Missouri Revised Pension Plan is comprised of four components: (1) Fund Financial Statements, (2) Notes to Financial Statements, (3) Required Supplementary Information, and (4) Other supplementary schedules.

Fund financial statements: (1) The Statements of Plan Net Assets is a snapshot of account balances at fair market value as of the end of the reporting period whereby Net Assets equals Assets less Liabilities at fiscal year end. It indicates the assets available for future payments to retirees. (2) The Statements of Changes in Plan Net Assets provide a view of current year additions to and deletions from the plan whereby the net change in net assets equals additions less deductions. Both statements are in compliance with all Government Accounting Standard Board Statements (GASB) pronouncements for state and local governments.

Notes to Financial Statements: Provides additional information not readily evident in the statements themselves. The notes are an integral part of the financial statements

Required Supplementary Information: Consists of a Schedule of Funding Progress and Schedule of Employer/Employee Contributions. The Schedules of Administrative Expenses, Investment Expenses and Payments to Vendors are presented immediately following the required supplementary information. These schedules provide historical and additional detailed information considered useful in evaluating the condition of the plan.

Financial Analysis

Investments

Defined Benefit Pension Trust Fund Changes in Net Assets

The investment policy is set by the Pension Plan Administration Committee. The policy states the composition of investments of the fund will not exceed the range of 40% to 60% in equities and fixed income securities. The chart below represents the composition of the Plan Net Assets at June 30, 2005, 2004 and 2003, respectively. Total Corporate Stocks were 56.2% of the portfolio while U.S. Government Securities accounted for 35.6%. The remaining funds were in Corporate Bonds and Short Term investments.

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS
(In Thousands)

	2005	2004	Change	%	2004	2003	Change	%
US GOVERNMENT SECURITIES	$ 43,724	$ 39,323	$ 4,401	11.2%	$ 39,323	$ 35,367	$ 3,956	11.2%
CORPORATE STOCKS								
COMMON STOCKS	48,126	45,931	2,195	4.8%	45,931	38,085	7,846	20.6%
REGIONAL STOCKS	10,401	9,939	462	4.6%	9,939	6,204	3,735	60.2%
INTERNATIONAL STOCKS	10,570	5,680	4,890	86.1%	5,680	4,463	1,217	27.3%
TOTAL CORPORATE STOCKS	69,097	61,550	7,547	12.3%	61,550	48,752	12,798	26.3%
CORPORATE BONDS & DEBENTURES	2,351	4,538	(2,187)	-48.2%4	,538	4,639	(101)	-2.2%
COMMERCIAL PAPER	1,627	282	1,345	477.0%	282	4,056	(3,774)	-93.0%
MONEY MARKET FUND	6,141	6,111	30	0.5%	6,111	4,692	1,419	30.2%
TOTAL MANAGEMENT INVESTMENTS	122,940	111,804	11,136	10.0%	111,804	97,506	14,298	14.7%
ACCRUED INTEREST AND DIVIDENDS	533	494	39	7.9%	494	542	(48)	-8.9%
NET ASSETS	$ 123,473	$ 112,298	$ 11,175	10.0%	$ 112,298	$ 98,048	$ 14,250	14.5%

(Continued)

Defined Benefit Pension Trust Fund Changes in Net Assets (Continued)
(In Thousands)

2005
Net Assets increased in value $11,175. The most significant factor was the increase in valuation of Corporate Stocks in the amount of $7,547. A change in Investment strategy that began in 2003 continues to focus more funds into Common Stock, International Stocks and Government Securities by reducing the amount of investments in Corporate Bonds and Short-Term Money Market funds.

2004
Net Assets increased in value $14,250. The most significant factor was the increase in valuation of Corporate Stocks in the amount of $12,798. In response to the continuing stock market rebound in 2003, especially in stocks, management revised the Plan's investment strategy to focus more funds into Common and International Stocks and reduce the amount of investments in Corporate Bonds and Short-Term Money Market funds. Investments in 2003 and 2004 have also emphasized an increase in the investments of Government Securities. The strategy yielded positive results.

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS
(In Thousands)

	June 30, 2005	June 30, 2004	$ Amount Change	%	June 30, 2004	June 30, 2003	$ Amount Change	%
NET APPRECIATION (DEPRECIATIO	$ 4,626	$ 9,161	$ (4,535)	-49.5%	$ 9,161	$ 1,346	$ 7,815	580.6%
INTEREST AND DIVIDENDS	3,366	2,727	639	23.4%	2,727	3,034	(307)	-10.1%
INVESTMENT EXPENSE	(223)	(194)	(29)	15.0%	(194)	(171)	(23)	13.5%
NET INVESTMENT INCOME (LOSS)	7,769	11,694	(3,925)	-33.6%	11,694	4,209	7,485	177.8%
EMPLOYEE CONTRIBUTIONS	61	15	46	306.7%	15	0	15	100.0%
EMPLOYER CONTRIBUTIONS	6,761	5,673	1,088	19.2%	5,673	5,380	293	5.5%
TOTAL ADDITIONS	14,591	17,382	(2,791)	-16.1%	17,382	9,589	7,793	81.3%
BENEFITS PAID	3,378	3,097	281	9.1%	3,097	2,915	182	6.2%
ADMINISTRATIVE EXPENSES	38	36	2	5.6%	36	46	(10)	-21.7%
TOTAL DEDUCTIONS	3,416	3,133	283	9.0%	3,133	2,961	172	5.8%
CHANGE IN NET ASSETS	$ 11,175	$ 14,249	$ (3,074)	-21.6%	$ 14,249	$ 6,628	7,621	115.0%
NET ASSETS HELD IN TRUST								
BEGINNING OF YEAR	112,298	98,048	14,250	14.5%	98,048	91,420	6,628	7.3%
END OF YEAR	$ 123,473	$ 112,298	$ 11,175	10.0%	112,298	$ 98,048	14,250	14.5%

2005
Net appreciation showed a marked decrease of $4,535 due to a decrease in fair value of investments, most notably in the Corporate Stock market value which reflected a negative net change of $5,811 from 2004 to 2005.

(Continued)

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS (Continued)
(In Thousands)

The negative change of $3,925 in Net Investment Income is due primarily to a reduction of $4,535 in net appreciation in fair value of investments. Corporate Stocks reflects the largest single reduction of $5,811 from 2004.

Employer Contributions to the Plan increased $1,088 and 19.2% in an on-going effort to reduce the amount of unfunded actuarial liability. This increase includes the Employer Contribution for July, 2005 in the amount of $540 which was paid in June, 2005. Excluding the payment of $540, the increase is $548 and 9.7%.

Benefits paid to retirees, survivors and disabilities increased $281 and 9.1%. Part of the cost increase was due to a net increase of 3.4% in participants receiving benefits during the reporting period and an average annual benefit increase of $.3 and 5.9%.

Administrative expenses were $38 for 2005, a increase of $2 from 2004. The increase was primary due to increased cost for Auditing and Actuarial Services.

Investment Service Expense increased $29 and 15% from 2004. Investment charges are based on asset market values which reflected an increase in asset market value of $11,136 and 10% from 2004.

2004

Net appreciation showed a marked increase of $7,815 due to the continuing market rebound in fair value of investments, most notably in the Corporate Stock market value which reflected a positive net change of $9,986 from 2003 to 2004.

The positive change of $7,486 in Net Investment Income is due primarily to the continuing market rebound in Corporate Stocks and the increased investments in that area by the Investment Portfolio Manager.

Employer Contributions to the Plan increased $293 and 5.5% in an on-going effort to reduce the amount of unfunded actuarial liability. Effective January 1, 2004 The Plan was amended to allow for a 4% Contribution for Elected County Officials. Under the new plan, Elected Officials receive a retirement benefit calculated at 4.167 of Average Monthly Earnings for each of the first twelve years of service versus 1.5% under the previous plan.

Benefits paid to retirees, survivors and disabilities increased $182 and 6.2%. Part of the cost increase was due to a net increase of 2.9% in participants receiving benefits during the reporting period and an average annual benefit increase of $197 and 7.0%

Administrative expenses were $36 for 2004, a decrease of $10 from 2003. The decrease was primary due to a billing of $9 charged in 2003 which was for the 2002 period.

(Continued)

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS (Continued)
(In Thousands)

Investment Service Expense increased $23 to $194. The increase was due to the increase in asset market value during the reporting period. Investment charges are based on asset market values which reflected an increase of $14,298.

Economic Factors (In thousands)

<u>2005</u>
Employer contributions to the Plan for the 2004-2005 fiscal year has been increased over 19.2% to cover increased payroll cost and support the ongoing efforts to reduce the unfunded liability of the Plan and meet the annual required contribution.

The assets of Jackson County exceeded it's liabilities at the close of fiscal year 2004 by $252,175 (net assets). Of this amount $58,453 (unrestricted net assets) may be used to meet the County's ongoing obligations to its citizens and creditors.

The total debt of Jackson County decreased by $7,501 and 4.4% in the fiscal year 2004. The main factor in this decrease was payment on previously issued debt in conjunction with no new debt issuance during the fiscal year.

Real and Personal tax assessed value of $8,135,547 in 2004 reflected an increase in the base of $151,725 and 1.9% from 2003. Revenue for Jackson County in 2004 was $165,532, an increase of 2.1% from 2003.

<u>2004</u>
Employer contributions to the Plan for the 2003-2004 fiscal year has been increased over 5.5% to cover increased payroll cost and support the ongoing efforts to reduce the unfunded liability of the Plan and meet the annual required contribution.

The County received an Aa3 rating from Moody's Investors Service in 2003. The County's sound financial operations has allowed the County to post operating surpluses in 2002 and 2003 despite weak regional and national economic conditions.

The County has made progress on the Strategic Planning initiative, distributing resources in such a way that the County is improving services to citizens, better utilizing technology and responsibly maintaining and improving our infrastructure, strengthening both planning and accountability throughout the enterprise.

Real and Personal tax assessed value of $7,677,381 in 2003 reflected an increase in the base of $617,986 and 8.8% from 2002. Revenue for Jackson County in 2003 was $162,094, an increase of 1.9% from 2002.

Jackson County, Missouri
Revised Pension Plan
Statements of Plan Net Assets
June 30, 2005 and 2004

		2005		2004
Assets:				
Investments at Fair Value (cost $ 109,034,044 for 2005 and $ 98,799,564 for 2004) (note 3):				
U.S. Gov't Securities	$	43,724,490	$	39,323,230
Corporate Stocks		69,096,673		61,549,736
Corporate Bonds & Debentures		2,350,533		4,538,272
Commercial Paper		1,627,030		281,307
Money Market		6,140,742		6,111,105
Total Investments		122,939,468		111,803,650
Accrued Interest and Dividends		533,198		494,201
Net Assets Held in Trust for Pension Benefits	$	123,472,666	$	112,297,851

(A schedule of funding progress for the plan is presented on page 25)

See Notes to Basic Financial Statements.

Jackson County, Missouri
Revised Pension Plan
Statements of Changes in Plan Net Assets
Years Ended June 30, 2005 and 2004

	2005	2004
Additions:		
Net Investment Income:		
Net appreciation (depreciation) in fair value of investments:		
U.S. Gov't Securities	$ (150,001)	$ (1,016,798)
Corporate Stocks	4,756,599	10,567,235
Corporate Bonds and Debentures	1,451	(283,396)
Commercial Paper	18,274	(105,916)
	4,626,323	9,161,125
Interest and Dividends	3,366,525	2,726,635
Investment Expense	(223,408)	(193,363)
	3,143,117	2,533,272
Net Investment Income	7,769,440	11,694,397
Employee Contributions (note 4)	60,745	15,006
Employer Contributions (note 4)	6,760,945	5,672,839
Total Contributions	6,821,690	5,687,845
Total Additions	14,591,130	17,382,242
Deductions:		
Benefits paid directly to participants	3,378,565	3,096,597
Administrative Expenses	37,750	35,923
Total Deductions	3,416,315	3,132,520
Change in Net Assets	11,174,815	14,249,722
Net Assets Held in Trust for Plan Benefits:		
Beginning of Year	112,297,851	98,048,129
End of Year	$ 123,472,666	$ 112,297,851

See Notes to Basic Financial Statements.

Jackson County, Missouri
Revised Pension Plan
Notes to Financial Statements
June 30, 2005 and 2004

(1) Description of the Plan

The Jackson County, Missouri Revised Pension Plan (the Plan) is considered a single-employer defined benefit plan providing for retirement, disability and death benefits for all eligible employees of Jackson County, the Little Blue Valley Sewer District, the Jackson County Board of Election Commissioners, the Kansas City Board of Election Commissioners, the Jackson County Sports Complex Authority, the Jackson County Law Library, Inc., and the Eastern Jackson County Multi-Jurisdictional Anti-Drug Task Force. The benefit provisions are provided under the authority of Revised Missouri section 50.337. The County, as administrator of this single-employer plan, has agreed to voluntarily contribute such amounts as are necessary to provide assets sufficient to meet benefits to be paid to Plan members. Other political subdivisions also make contributions to the Plan. The Plan is included in the County's financial reports as a Pension Trust Fund, however, these financial statements present only the pension trust fund. The County has the right under the Plan to discontinue such contributions at any time and terminate the Plan. In the event of Plan termination, the Plan's net assets are to be distributed in the following order:

1. To provide for the distribution of non refunded participants contributions.
2. To provide for the continuance of benefits to those receiving such prior to plan termination.
3. To provide benefits for those eligible, but not yet receiving benefits as of plan termination date.
4. To provide benefits to participants at normal retirement date eligible for termination benefits whether or not they have actually terminated, without reference to the order they shall reach normal retirement date.
5. To provide for subsequent normal retirement benefits for members upon reaching normal retirement date.

Normal Retirement

The Plan calls for the normal retirement benefit at age sixty-five of 1.5% of the average monthly earnings for each year of credited service (computed average monthly earnings for the highest thirty-six consecutive months, from the previous one-hundred twenty months). Effective December 15, 1997 the plan was amended to also provide a normal retirement benefit to those active employees who have reached the age of fifty-five and whose years of age and credited service total eighty years.

(Continued)

(1) Description of the Plan (Continued)

Normal Retirement (Elected Officials)

Effective November 5, 2003 the plan was amended to provide a benefit schedule applicable to Elected Officials. The Plan allows for a normal retirement benefit calculation of 4.167% of the Average Monthly Earnings for each year of first twelve years of credited service plus 5% of Average Monthly Earnings times years of credited service from year 12 to 16. The elected official is required to contribute 4% of salary to the plan.

Early Retirement

Early retirement is available at age fifty-five and five years of service, subject to certain reductions from the normal benefit. No benefits are available before age fifty-five, exclusive of disability benefits.

Disability Retirement

The participant shall receive the accrued benefit, if the participant has five years of service and the disability is total and permanent as defined by the Social Security Act.

Pre-retirement Death Benefit

If any active member should die being vested in the plan, a lump sum death benefit equal to the deceased member's current benefit at the time of death shall be payable.

Vesting

The participant is 100% vested after five years of service. No partial vesting is allowed. Employees become eligible for the plan on the January 1st after completion of one year of full-time service.

As of June 30, 2005 and 2004, the Jackson County, Missouri Revised Pension Plan membership consisted of:

	2005	2004
Retirees and beneficiaries currently receiving benefits	630	609
Terminated employees entitled to benefits but not yet receiving them	868	836
Current employees:		
Vested	1,131	1,088
Non Vested	511	519
	3,140	3,052

Jackson County, Missouri
Revised Pension Plan
Notes to Financial Statements
June 30, 2005 and 2004

(2) Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Basis of Presentation

The Jackson County, Missouri Revised Pension Plan (The Plan) uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Plan's fund is classified as a Pension Trust Fund of fiduciary fund type. Pension Trust Funds account for assets held by the Plan in a trustee capacity or as an agent on behalf of others and are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when paid and the employer has made a formal commitment to provide the contributions. Interest and Dividend income are recorded when earned. Expenses are recorded when the corresponding liabilities are incurred. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investment Valuation and Income Recognition

Investments are recorded at fair value. If available, quoted market prices are used to value investments. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or national pricing services. Investments that do not have an established market are reported at estimated fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from these estimates.

Concentration of Investments

At June 30, 2005, no individual investment represented more than 5% of the net assets held in trust for pension benefits. At June 30, 2004, the Money Market Fund is the only individual investment that represents more than 5% of the net assets held in trust for pension benefits.

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Administrative Expense

Actuarial, investment management and bank trustee fees and expenses are included in the Plan's expenses when paid.

New Pronouncements

GASB Statement No. 40, The Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rate risk.

The GASB has issued the following statements:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the Plan beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in same manner.

GASB Statement 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Plan beginning with its year ending June 30, 2007. This Statement establishes uniform financial reporting standards for other post-employment benefit (OPEB) plans and supersedes existing guidance.

GASB Statement 44, *Economic Condition Reporting: The Statistical Section*, issued May, 2004, will be effective for the Plan beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*, issued June 2004, will be effective for the Plan beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other post employments benefits expenses and related liabilities or assets, note disclosures, and, if applicable, required supplementary information in the financial reports.

(2) Summary of Significant Accounting Policies (Continued)

GASB Statement No. 46, *Net Assets Restricted By Enabling Legislation*, issued December 2004 will be effective for the Plan beginning with its year ending June 30, 2006. This Statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the Plan beginning with its year ending June 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

The Plan's management has not yet determined the effect these Statements will have on the Plan's financial statements.

(3) Investments

The Plan's investments are held by a bank-administered trust fund. The bank has been granted discretionary authority concerning purchases and sales of investments in the trust fund, within the limits of the Plans' objectives and policy guidelines. Short-term investments (cash equivalents) shall be in obligations of the Federal government, securities with a Federal government guarantee or issues of prime quality U.S. corporations. Equity securities are limited to 60% of total investments. Fixed income investments, other than cash equivalents, shall be obligations of the Federal government, securities with a Federal guarantee, G.I.C. contracts of high quality, insurance companies, and corporate obligations, having a Standard & Poor's rating of "A" or better. Investment performance is reviewed quarterly by the Pension Plan Administration Committee and a professional investment performance analyst.

(A) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Plan investment policy, the Plan minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet

(Continued)

(3) Investments (Continued)

cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the Plans investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plans investments by maturity:

Security Description	Current Market Value	Investment Maturities (in years) Less Than 1	1-5	6-10	Greater Than 10
US Agencies	42,848,625	612,762	5,649,420	11,160,875	25,425,568
Municipal Bonds	852,652			852,652	
Money Market	6,140,743	6,140,743			
Treasury Note	637,488		637,488		
Corporate Bonds	3,363,288	1,012,755	957,828	738,075	654,630
	53,842,796	7,766,260	7,244,736	12,751,602	26,080,198

As of June 30, 2005 the Plans investments were rated as follows:

Security Description	Moody's	Standard & Poor's
US Agencies	NOT RATED	NOT RATED
Municipal Bonds	AA1	AA+
Money Market	NOT RATED	NOT RATED
Treasury Note	NOT RATED	NOT RATED
Cooper Industries	A3	A-
Private Export FDG Corp	NOT RATED	NOT RATED
Smith Enron Cogeneration LTD	NOT RATED	NOT RATED
Snap On Inc	A2	A
Sysco Corp	A1	A+
Wisconsin Electric Power	A1	A-
May Dept Stores	BAA1	BBB
Norfolk Southern Railway	AA3	A+
En Boat LLC	NOT RATED	NOT RATED
Ensco Offshore Co	NOT RATED	NOT RATED

(Continued)

(3) Investments (Continued)

At June 30, 2005 and 2004, the Plan's corporate bonds, stock investments, United States government securities and commercial paper are categorized as Category 2, which is uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in the name of the Plan. The Short-term money market funds are not categorized. The Plan's investments during the years ended June 30, 2005 and 2004 did not differ significantly from these at the respective year-ends in amounts or level of risk.

At June 30, 2005 and 2004, all of the Plan's investments were stated at fair value as determined by quoted market prices, with the exception of certain Notes and Mortgages valued at estimated fair value. These investments are included in United States Government Securities and were valued at $24,153,134.79 and $16,719,192, respectively.

(4) Contributions Required and Contributions Made

Employer contributions are subject to annual appropriation by Jackson County, Missouri, and other related political subdivisions. The only employee contributions are the 4% required to be contributed by elected officials. No other employee contributions are allowed. The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded. The actuarially determined minimum contribution recommendation, including amortization of past service liability over 30 years amounted to $6,986,310 and $6,328,397 for 2005 and 2004 respectively.

Required contributions (including amortization of the unfunded actuarial liability over thirty years) amounted to $6,986,310 and $6,328,397 or 10.87% and 10.84% of covered payroll for the years ended June 30, 2005 and 2004, respectively. The 2005 and 2004 required contributions consisted of $3,774,331 and $3,771,175 or 5.87% and 6.46% of covered payroll for normal cost and $3,211,979 and $2,557,222 or 5.00% and 4.38% of covered for payroll for amortization of the unfunded actuarial liability.

Actual contributions totaling $6,821,690 and $5,687,845 or 10.62% and 9.75% of covered payroll were made for the years ended June 30, 2005 and 2004 respectively.

The 2005 and 2004 contributions consisted of $3,774,331 and $3,771,175 or 5.87% and 6.46% of covered payroll for normal cost and $3,047,359 and $1,916,670 respectively or 4.74% and 3.28% of covered payroll for amortization of the unfunded actuarial liability.

(Continued)

(4) Contributions Required and Contributions Made (Continued)

Administrative costs of the pension plan are financed through investment earnings when incurred.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the Individual Entry Age Normal Method.

Six-year historical trend information is intended to help users assess Jackson County Revised Pension Plan Funding status on a going concern basis, assess progress made in accumulating benefits when due, and make comparisons with other public employment retirement systems.