

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Series 2003 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes, except as described herein, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2003 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" herein.

MISSOURI DEVELOPMENT FINANCE BOARD

\$8,715,000

Infrastructure Facilities Revenue Bonds

(City of Independence, Missouri - Hartman Heritage Center Project Phase II)

Series 2003

Dated: September 1, 2003

Due: April 1, as shown herein

The Series 2003 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2003 Bonds. Purchases of the Series 2003 Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Series 2003 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2003 Bonds, as nominee of DTC, references herein to the bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Series 2003 Bonds. Principal of and semiannual interest on the Series 2003 Bonds will be paid from moneys available therefor under the Indenture (herein defined) by Commerce Bank, N.A., Kansas City, Missouri, as Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the bondowner, such payments will be made directly to such bondowner. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Series 2003 Bonds will be payable on each April 1 in the years shown on the Maturity Schedule located on the inside cover page. Interest on the Series 2003 Bonds will be payable on each April 1 and October 1, beginning on April 1, 2004.

See inside cover for Maturity Schedule

The Series 2003 Bonds are subject to optional and mandatory redemption as described herein. See "THE SERIES 2003 BONDS - Redemption" herein.

The Series 2003 Bonds will be payable solely from, and will be secured by, (1) an assignment and a pledge of Loan Payments made by the City, pursuant to the Financing Agreement (the "Financing Agreement") between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City"), (2) a pledge of PILOTS (as herein defined) and, subject to annual appropriation, Economic Activity Tax Revenues (as herein defined) deposited into the Special Allocation Fund established by the City for the Hartman Heritage Center Project described herein, and (3) on a parity with two other series of bonds as described herein, a second loss debt service reserve fund in the current amount of \$500,000. The PILOTS and EATS are also pledged on a parity basis to secure a prior series of bonds issued by the Board on behalf of the City as more fully described herein.

Payment of the principal of and interest on the Series 2003 Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the issuance of the Series 2003 Bonds.

Ambac

THE SERIES 2003 BONDS ARE NOT AN INDEBTEDNESS OF THE STATE OF MISSOURI OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE OF MISSOURI. THE SERIES 2003 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER DEBT LIMITATION OR RESTRICTION AND ARE NOT PAYABLE IN ANY MANNER BY TAXATION. THE BOARD HAS NO TAXING POWER.

The Series 2003 Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters related to this Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed on for the City by Allen Garner, City Counselor, Independence, Missouri and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Series 2003 Bonds will be available for delivery through DTC in New York, New York on or about September 25, 2003.

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Piper Jaffray®

Maturity Schedule

Missouri Development Finance Board
\$8,715,000
Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri - Hartman Heritage Center Project Phase II)
Series 2003

Serial Bonds

Maturity	Principal	Interest	
<u>April 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2005	\$135,000	2.00%	100.791%
2006	175,000	2.00	100.317
2007	200,000	2.25	99.898
2008	200,000	3.00	101.565
2009	300,000	2.875	99.469
2010	280,000	3.250	99.476
2011	305,000	3.50	99.280
2012	295,000	5.00	108.585
2013	300,000	5.00	107.680
2020	1,605,000	5.00	102.508
2021	2,675,000	5.00	101.803

\$2,245,000 Term Bond due April 1, 2019, 5.00% Price: 103.218%

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Board, the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information set forth herein has been obtained from the Board, the City and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board or the City since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2003 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2003 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SERIES 2003 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BOARD. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

U.S. Bancorp Piper Jaffray Inc. is an affiliate of U.S. Bank National Association. Nondeposit investment products are not insured by the Federal Deposit Insurance Corporation, are not deposits or other obligations of or guaranteed by U.S. Bank National Association or its Affiliates, and involve investment risk, including possible loss of principal amount invested.

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

\$8,715,000

Infrastructure Facilities Revenue Bonds

**(City of Independence, Missouri - Hartman Heritage Center Project Phase II)
Series 2003**

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Cover Page and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in Appendix C hereto.

Purpose of the Official Statement

This Official Statement including the cover page and the Appendices, sets forth certain information in connection with (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the "Board"), of the above-described series of bonds (the "Series 2003 Bonds"), (ii) the Board, (iii) the City of Independence, Missouri (the "City"), (iv) the financing of certain improvements in connection with the tax increment financing project known as the Hartman Heritage Center Project more fully described herein (the "Hartman Heritage Center Project or the "Project") being financed with the proceeds of the Series 2003 Bonds, and (v) Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation (the "Bond Insurer").

The Board

The Board is a body corporate and politic duly created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the "Act").

The City

The City of Independence, Missouri (the "City") is a constitutional charter city and political subdivision of the State of Missouri. See the caption "THE CITY" herein and "APPENDIX A: INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI."

The Plan of Financing

The proceeds of the Series 2003 Bonds are being loaned to the City pursuant to the Financing Agreement dated as of June 1, 1999, as amended by the Series 2003 Supplemental Financing Agreement dated as of September 1, 2003 (collectively, the "Financing Agreement") between the Board and the City to (1) finance a portion of the costs of the Project described herein, (2) reimburse the City for and pay additional debt service on the Series 2000A Bonds and a loan between the Board and the City in the amount of \$500,000 funded in 2001, (3) make a deposit into the interest account for the Series 2003 Bonds, (4) make a deposit into the Series 2003 Debt Service Reserve Fund and (5) pay the costs of issuing the Series 2003 Bonds.

On April 20, 2000, the Board issued its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Center Project), Series 2000A, in the original principal amount of \$11,850,000 (the "Series 2000A Bonds") pursuant to the Bond Trust Indenture dated as of June 1, 1999, as amended by the Series 2000A Supplemental Bond Trust Indenture dated as of April 1, 2000 (the "Master Indenture"). Proceeds of the Series 2000A Bonds were loaned by the Board to the City to fund an earlier phase of the Project as described herein. The PILOTS and EATS are pledged on a parity basis to secure the Series 2000A Bonds, the Series 2003 Bonds and all Additional Bonds. On June 16, 1999, the Board issued its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Bolger Square Project) Series 1999A in the aggregate principal amount of \$7,240,000, of which \$5,595,000 remains outstanding as of the date hereof (the "Bolger Square Bonds"). The Second Loss Reserve Fund (more fully described herein) is pledged on a parity to secure the Bolger Square Bonds, the Series 2000A Bonds and the Series 2003 Bonds.

The Project consists of public and private improvements related to the Hartman Heritage Center Redevelopment Project located in the City of Independence Missouri. The City has adopted a tax increment financing plan with respect to the Hartman Heritage Center Redevelopment Project pursuant to The Real Property Tax Increment Allocation Redevelopment Act, Section 99.800 et seq. of the Revised Statutes of Missouri, as amended (the "TIF Act"), and Ordinances adopted by the City (collectively, the "TIF Ordinances"), pursuant to which it has pledged the Incremental Tax Revenues (as defined herein) to secure its obligation to make Loan Payments pursuant to the Financing Agreement. The Incremental Tax Revenues consist of certain Payments in Lieu of Taxes or PILOTS hereafter made with respect to the property in the Hartman Heritage Center Redevelopment Area and, subject to annual appropriation by the City, Economic Activity Tax Revenues derived from the Hartman Heritage Center Redevelopment Area, all as described herein under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2003 BONDS." The portion of Incremental Tax Revenues consisting of Economic Activity Tax Revenues is subject to annual appropriation by the City. The pledge of Incremental Tax Revenues is in addition to the City's annual appropriation obligation to make Loan Payments under the Financing Agreement.

The Bond Insurer

The Bond Insurer has committed to issue, effective as of the date on which the Series 2003 Bonds are delivered, a financial guaranty insurance policy (the "Bond Insurance Policy"), which policy unconditionally guarantees the scheduled payments of principal of and interest on the Series 2003 Bonds as the same become due. See the caption "BOND INSURANCE" herein. A specimen of the Bond Insurance Policy is contained in *Appendix D*.

The Series 2003 Bonds

The Series 2003 Bonds are being issued pursuant to the Act and the Master Indenture, as supplemented and amended by the Series 2003 Supplemental Bond Trust Indenture dated as of September 1, 2003 (said Bond Trust Indenture, together with all amendments and supplements thereto, being referred to herein as the "Indenture"), between the Board and Commerce Bank, N.A., Kansas City, Missouri (the "Trustee"), for the purpose of providing funds to make a loan to the City, pursuant to the Financing Agreement, to be used to (1) finance a portion of the costs of the Project described herein, (2) reimburse the City for and pay additional debt service on the Series 2000A Bonds and a loan between the Board and the City in the amount of \$500,000 funded in 2001, (3) make a deposit into the interest account for the Series 2003 Bonds, (4) make a deposit into the Series 2003 Debt Service Reserve Fund and (5) pay the costs of issuing the Series 2003 Bonds, in consideration of payments by the City, which will be sufficient to pay the principal of, redemption premium, if any, and the interest on the Series 2003 Bonds, all as more fully described in the Financing Agreement and the Indenture. A description of the Series 2003 Bonds is contained in this Official Statement under "THE SERIES 2003 BONDS." All references to the Series 2003 Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture and the Financing Agreement.

Security for the Series 2003 Bonds

The Series 2003 Bonds and the interest thereon are special, limited obligations of the Board, payable by the Board solely from (1) certain payments to be made by the City under the Financing Agreement, (2) a pledge by the City of the Incremental Tax Revenues to secure such payments, and (3) certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series 2003 Bonds. Except as provided in the following sentence, all payments by the City under the Financing Agreement are subject to annual appropriation. As noted above and as more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2003 Bonds under the Financing Agreement is secured by Incremental Tax Revenues, a portion of which described herein as the PILOTS, are not subject to annual appropriation. Pursuant to the Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Series 2003 Bonds, substantially all of the rights of the Board in the Financing Agreement, including all Loan Payments payable thereunder.

As noted above, the Series 2003 Bonds are issued and secured on a parity (except as to the Debt Service Reserve Fund) with the Series 2000A Bonds. The Indenture also provides for the future issuance of additional bonds ("Additional Bonds"), which, if issued, would rank on a parity with the Series 2000A Bonds, the Series 2003 Bonds and any other bonds then outstanding under the Indenture which are issued on a parity with the Series 2003 Bonds and such Additional Bonds. See "SUMMARY OF THE INDENTURE" in *Appendix C* hereto. The Series 2000A Bonds, the Series 2003 Bonds and any future Additional Bonds issued on a parity with the Series 2003 Bonds under the Indenture are referred to collectively as the "Bonds."

The Series 2003 Bonds shall not constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The issuance of the Series 2003 Bonds shall not directly or indirectly obligate the Board, its officers, directors or employees, the State or any political subdivision thereof to provide any funds for their payment. The issuance of the Series 2003 Bonds shall not, directly, indirectly, or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Board has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS" herein.

Bondowners' Risks

See "BONDOWNERS' RISKS" for a discussion of certain risks associated with the Series 2003 Bonds. Except for that portion of the Incremental Tax Revenues which constitute PILOTS (as defined herein), payment of the principal of and interest on the Series 2003 Bonds is dependent upon the City's decision to continue to appropriate sufficient moneys to make Loan Payments under the Financing Agreement.

Continuing Disclosure

The City will execute an Amended and Restated Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of the owners of the Bonds, including the Series 2003 Bonds to provide certain annual financial information and notices of the occurrence of certain material events. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in *Appendix C*.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix C* of this Official Statement. Summaries of the Indenture, the Financing Agreement and the Continuing Disclosure Agreement are included in this Official Statement in *Appendix C* hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in

their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, N.A., Corporate Trust Department, 1000 Walnut, 6th Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, U.S. Bancorp Piper Jaffray Inc., at One Hallbrook Place, 11150 Overbrook Road, Suite 300, Leawood, Kansas 66211-2298 during the period of the offering and, thereafter, at the principal corporate trust office of the Bond Trustee.

THE BOARD

General

The issuer of the Series 2003 Bonds is the Missouri Development Finance Board (the "Board"), a body corporate and politic duly created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the "Act"). The Series 2003 Bonds will be authorized and issued by the Board under the provisions of the statutes of the State of Missouri, including the Act. Missouri law requires that the State shall not be liable in any event for the payment of the principal of or interest on any bonds of the Board or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Board and no breach of any such pledge, mortgage, obligation or agreement may impose any pecuniary liability upon the State or any charge upon the general credit or taxing power of the State.

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, nine of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor, the Director of the Department of Economic Development and the Director of the Department of Agriculture serve as *ex-officio*, voting members of the Board. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified.

Robert V. Miserez serves as Executive Director of the Board.

As of the date hereof, the members of the Board and the terms of appointed members are as follows:

Elizabeth T. Solberg, Chair, term ending at the pleasure of the Governor. Ms. Solberg is Regional President and Senior Partner of Fleishman-Hillard, Inc., Kansas City, Missouri.

John D. Starr, Vice-Chairman, term as a member expired September 14, 2003. Mr. Starr is CEO and President of Koch Equipment LLC., a worldwide distributor and manufacturer for the meat and food industry located in Kansas City, Missouri.

Susan Lauman Constance, Secretary, term as a member expired September 14, 2003. Ms. Constance is a financial consultant in St. Louis, Missouri.

Bill Burch, Treasurer, term as a member expired September 14, 2003. Mr. Burch is President of Burch Food Services, a vending and food service company headquartered in Sikeston, Missouri.

Paul S. Lindsey, term as a member expired September 14, 2003. Mr. Lindsey is the Chief Executive Officer for All Star Gas Corporation, Lebanon, Missouri.

James O'Mara, term as a member expires September 14, 2004. Mr. O'Mara is the Business Manager for Plumbers Pipefitters Local 562, St. Louis, Missouri.

Larry D. Neff, term as a member expires September 14, 2006. Mr. Neff is the President of Larry Neff Management and Development, Neosho, Missouri.

Richard J. Wilson, term as a member expires September 14, 2004. Mr. Wilson is the Executive Vice-President of Jefferson Bank of Missouri, Jefferson City, Missouri.

Nelson C. Grumney, Jr., term as a member expires September 14, 2004. Mr. Grumney is President and CEO of Neland Investment Management, LLC, St. Louis, Missouri

Joseph L. Driskill, *ex-officio* voting member. Mr. Driskill is the Director of the Department of Economic Development.

Peter Hofherr, *ex-officio* voting member. Mr. Hofherr is the Director of the Department of Agriculture.

Joe Maxwell, *ex-officio* voting member. Mr. Maxwell is the Lieutenant Governor.

Other Indebtedness of the Board

The Board has sold and delivered other bonds and notes secured by instruments separate and apart from, and not secured by, the Indenture securing the Series 2003 Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Board pledged under the Indenture, and the owners of the Series 2003 Bonds will have no claim on assets, funds or revenues of the Board securing other bonds and notes. The Board has never defaulted on any of its bonds or notes.

With respect to additional indebtedness of the Board, the Board intends to enter into separate agreements for the purpose of providing financing for other eligible projects and programs. Issues that may be sold by the Board in the future will be created under separate and distinct indentures or resolutions and secured by instruments, properties and revenues separate from those securing the Series 2003 Bonds.

EXCEPT FOR INFORMATION CONCERNING THE BOARD IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED "THE BOARD" AND "LITIGATION – THE BOARD," NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOARD AND THE BOARD MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE CITY

Incorporated in 1849, the City of Independence, Missouri (the "City") is the county seat of Jackson County, Missouri and adjoins Kansas City, Missouri to the west. The City is the fourth largest city in Missouri. The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in April 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members, including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four-year terms and, in alternating elections, the four district council members are elected to four-year terms. Certain information describing the City is attached hereto in *Appendix A*.

PLAN OF FINANCING

General

The proceeds of the Series 2003 Bonds will be loaned by the Board to the City pursuant to the Financing Agreement. The City will use such proceeds to (1) finance a portion of the costs of the Project described herein, (2) reimburse the City for capitalized interest paid by the City on the Series 2000A Bonds and interest and principal, (3) make a deposit into the capitalized interest account for the Series 2003 Bonds, (4) make a deposit into the Series 2003 Debt Service Reserve Fund and (5) pay the costs of issuing the Series 2003 Bonds. Under the Financing Agreement the City is obligated (subject to annual appropriation) to make Loan Payments with respect to the Series 2003 Bonds which will be sufficient to pay the principal of, redemption premium, if any, and the interest on the Series 2003 Bonds, all as more fully described in the Financing Agreement and in the Indenture.

The Project

The Project consists of various public and private improvements related to a tax increment financing project located in the City of Independence, Missouri. In connection with the Project the City has adopted a tax increment financing plan pursuant to the TIF Act and the TIF Ordinances, pursuant to which it has pledged the Incremental Tax Revenues (as defined herein) to secure its obligation to make Loan Payments pursuant to the Financing Agreement. The Incremental Tax Revenues consist of certain Payments in Lieu of Taxes or PILOTS to be made with respect to the property in the Hartman Heritage Center Redevelopment Area and, subject to annual appropriation by the City, Economic Activity Tax Revenues derived from the Hartman Heritage Center Redevelopment Area, all as described herein under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2003 BONDS." The portion of Incremental Tax Revenues consisting of Economic Activity Tax Revenues is subject to annual appropriation by the City. The pledge of Incremental Tax Revenues is in addition to the City's annual appropriation obligation to make Loan Payments under the Financing Agreement.

Tax Increment Financing

Overview. Tax increment financing is a procedure whereby cities and counties encourage the redevelopment of designated areas. The theory of tax increment financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase. When tax increment financing is adopted for a redevelopment project area, the assessed value of real property in the redevelopment project area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property was unimproved land prior to the adoption of tax increment financing, the assessed value of real property in the redevelopment project area has increased above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a "tax increment" is produced. The tax increments, referred to as "payments in lieu of taxes" or "PILOTS," are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in a "special allocation fund." All or a portion of the moneys in the fund are used to pay directly for redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The TIF Act. The TIF Act was enacted in 1982 and was amended in 1990, 1991, 1996 and 1998. The constitutional validity of the TIF Act (prior to the amendments) was upheld by the Missouri Supreme Court in *Tax Increment Financing Commission of Kansas City, Missouri v. J.E. Dunn Construction Co., Inc.*, 781 S.W.2d 70 (Mo. 1989) (en banc). The TIF Act authorizes cities and counties to provide long-term financing for redevelopment projects in "blighted" and "conservation" areas (as defined in the TIF Act) through the issuance of bonds and other obligations. Prior to the 1990 and 1991 amendments to the TIF Act, such obligations were payable solely from PILOTS within the redevelopment project area. Under the amendments

to the TIF Act, such obligations are also payable from 50% of the increase in certain other tax revenues generated by economic activities within the redevelopment project area (including sales and utilities taxes but excluding personal property taxes, hotel/motel taxes, licenses, fees and special assessments). Such other taxes are referred to herein as "economic activity tax revenues." Although PILOTS may be irrevocably pledged to the repayment of bonds, Economic Activity Tax Revenues are subject to annual appropriation by the governing body of the city or county, and there is no obligation on the part of the governing body to appropriate Economic Activity Tax Revenues in any year.

The Redevelopment Plan

The Hartman Heritage Center Redevelopment Area. The Hartman Heritage Center Redevelopment Area is located in Eastern Jackson County within the corporate limits of the City and consists of approximately 60.29 acres of land located north of Interstate Highway 70 at its intersection with Little Blue Parkway and south of the Little Blue River. The Hartman Heritage Center Redevelopment Area is located within two miles of Jackson County's two fastest growing cities, Lee's Summit and Blue Springs.

Approval of Hartman Heritage Center Redevelopment Plan. Following public hearings by the TIF Commission of the City, the City Council adopted the TIF Ordinances approving the Hartman Heritage Center Redevelopment Plan and the Hartman Heritage Center Redevelopment Project and designating the Hartman Heritage Center Redevelopment Area as a "blighted area" under the TIF Act, and adopting tax increment financing for the Hartman Heritage Center Redevelopment Area.

The Hartman Heritage Center Redevelopment Project. The Hartman Heritage Center Redevelopment Plan provides for the construction of both public and private improvements within the Hartman Heritage Center Redevelopment Area in order to cure the blighted conditions that exist. The public improvements will consist of approximately \$12.5 million of public infrastructure. The private improvements will consist of a mixed-use development at an estimated cost of \$97.6 million, which includes approximately \$6,716,000 of costs which the City expects to either (i) reimburse with the proceeds of the Bonds or Additional Bonds secured on a parity with the Bonds, or (ii) reimburse on a "pay-as-you-go" basis with the proceeds of Incremental Tax Revenues which are not needed to pay the debt service on the Bonds. The first phase is expected to consist of at least 270,000 square feet of new retail/commercial space and a convention center hotel, including a full service restaurant. The second phase is expected to consist of up to 325,000 square feet of office space, approximately 40,000 square feet of restaurant and professional and financial office development, and possibly one or more additional hotels. The Developer of the project is Dial Realty Development Corp., a Nebraska corporation (the "Developer"), however, the Developer may enter into sale and lease agreements with third parties to complete the development.

Redevelopment Costs

The TIF Ordinances provide that the proceeds of the Loan will be used to pay a portion of the Redevelopment Costs, pay capitalized interest on the Bonds, fund a debt service reserve fund and pay the costs of issuance of the Bonds. "Redevelopment Costs" consist of City Reimbursable Project Costs in a principal amount not to exceed \$12,465,000, plus interest and financing costs and Developer Reimbursable Project Costs in a principal amount not to exceed \$6,716,000, plus interest and financing costs. Reimbursable Redevelopment Costs not paid from the proceeds of the Bonds (currently estimated at not less than \$12,366,240.43) will be reimbursed (i) from the proceeds of Additional Bonds secured on a parity with the Bonds, or (ii) on a "pay-as-you-go" basis with the proceeds of Incremental Tax Revenues which are not needed to pay the debt service on the Bonds.

The Hartman Heritage Center Public Project consists of the following improvements: (a) the acquisition of the right-of-way for and the construction of: (i) Jackson Drive from 39th Street south across the Little Blue River through the Redevelopment Area and east of Little Blue Parkway; (ii) necessary improvements to the intersections of Jackson Drive and 39th Street and Jackson Drive and Little Blue Parkway; (iii) landscaping the median of and the lighting of the Little Blue Expressway from I-70 to 39th Street, and (iv) any other improvements which are to be located in right-of-way or easements along the aforementioned portions of Jackson Drive; (b) improvements to the Little Blue Trace Park adjacent to the Redevelopment Area; (c) acquisition of right-of-way for and construction of sanitary sewer and water line improvements east of the Little Blue Expressway to serve a new Blue Springs elementary school; and (d) as the City determines to be necessary and appropriate, acquisition of right-of-way for and construction of improvements to the Little Blue Expressway north of 39th Street to the northern boundary of the Blue Springs School District.

Additional Funds

The Developer has agreed pursuant to the Hartman Heritage Center Redevelopment Agreement to construct or cause the construction of the Private Project and, on behalf of the City, to construct or cause the construction of the Public Project. The Developer has committed to provide funds from its own resources or from a loan arranged by the Developer in an amount sufficient, with the proceeds of the Series 2000A Bonds and the Series 2003 Bonds, to construct the Hartman Heritage Center Redevelopment Project.

Sources and Uses of Funds

<u>Sources of Funds:</u>	<u>Series 2000A Bonds</u>	<u>Series 2003 Bonds</u>
Principal amount of the Bonds	\$11,850,000.00	\$8,715,000.00
Board Contribution to Second Loss		
Debt Service Reserve Fund	500,000.00 ¹	(See footnote 2 below)
Original Issue Discount/Premium	(46,583.50)	208,385.90
Accrued Interest	<u>20,703.11</u>	<u>26,740.00</u>
Total sources of funds	\$11,856,585.81	\$8,950,125.90
<u>Uses of Funds:</u>	<u>Series 2000A Bonds</u>	<u>Series 2003 Bonds</u>
Deposit to the Hartman Heritage		
Center Project Fund	\$9,650,000.00	\$6,605,467.00
Debt Service Payments	564,393.64 ¹	1,108,332.00 ²
Deposit to Second Loss Debt		
Service Reserve Fund	500,000.00 ³	0.00
Deposit to Debt Service Reserve		
Fund	1,183,588.27 ⁴	871,500.00 ⁵
Costs of Issuance (including		
Underwriter's Discount)	437,900.79	338,087.22
Deposit to Debt Service Fund	<u>20,703.11</u>	<u>26,740.00</u>
Total uses of funds	\$11,856,585.81	\$8,950,125.90

¹ Along with interest earnings, represents approximately 18 months of interest payments on the Series 2000A Bonds.

² Includes payments and reimbursement of payments of debt service on the Series 2000A Bonds and the additional \$500,000 loan from the Board. Such amount also includes capitalized interest on the Series 2003 Bonds in the amount of \$404,559.

³ The Second Loss Reserve Fund was funded by the Board in connection with the issuance of the Series 2000A Bonds. Such fund is available as a second loss reserve for the Series 2000A Bonds, the Series 2003 Bonds, the Bolger Square Bonds and any Additional Bonds.

⁴ Secures only the Series 2000A Bonds.

⁵ Secures only the Series 2003 Bonds.

THE SERIES 2003 BONDS

The following is a summary of certain terms and provisions of the Series 2003 Bonds. Reference is hereby made to the Series 2003 Bonds and the provisions with respect thereto in the Indenture and the Financing Agreement for the detailed terms and provisions thereof.

General Terms

The Series 2003 Bonds are being issued in the principal amounts stated on the inside cover page, are dated September 1, 2003, will bear interest from the date thereof or from the most recent interest payment date to which interest has been paid at the rates per annum set forth on the inside cover page, payable on April 1 and October 1 of each year, beginning on April 1, 2004, and will mature on April 1 in the years shown on the inside cover page. The Series 2003 Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The principal of and redemption premium, if any, on the Series 2003 Bonds are payable at the principal corporate trust office of the Trustee. The interest on the Series 2003 Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Series 2003 Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of \$1,000,000 or more in aggregate principal amount of Series 2003 Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Series 2003 Bonds will be made in book-entry only form (as described immediately below), in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2003 Bonds will not receive certificates representing their interests in the Series 2003 Bonds purchased. If the specified date for any payment on the Series 2003 Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2003 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2003 Bonds, the Beneficial Owners of the Series 2003 Bonds will not receive or have the right to receive physical delivery of the Series 2003 Bonds, and references herein to the Bondowners or registered owners of the Series 2003 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2003 Bonds.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn,

is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2003 Bonds may wish to ascertain that the nominee holding the Series 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2003 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Redemption proceeds, distributions, and dividend payments on the Series 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Board or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2003 Bonds purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such Series 2003 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2003 Bonds, on DTC's records, to Tender Agent. The requirement for physical delivery of Series 2003 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2003 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2003 Bonds to Tender Agent's DTC account.

Discontinuation of Book Entry System. DTC may discontinue providing its services as depository with respect to the Series 2003 Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board, with the concurrence of the City, may decide to discontinue using the book-entry transfer system through DTC (or a successor securities depository). If the Board, with the concurrence of the City, discontinues use of the system, Series 2003 Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation, the City and the Underwriter believe to be reliable, but the Board, the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participant, as the case may be.

Transfer Outside Book-Entry Only System

If the book-entry only system is discontinued, the following provisions would apply. The Series 2003 Bonds are transferable only upon the Bond Register upon surrender of the Series 2003 Bonds duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in a form satisfactory to the Trustee. Bonds may be exchanged for other Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture. The Trustee may make a charge for every such transfer or exchange sufficient to reimburse the Trustee for any tax or other governmental charge required to be paid with respect to any such exchange or transfer.

Redemption

Optional Redemption. The Series 2003 Bonds maturing on or after April 1, 2013 are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after April 1, 2012, in whole at any time or in part on any interest payment date at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2003 Bonds maturing on April 1, 2019 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on April 1 in each of the years and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Year</u>	<u>Principal Amount</u>
2014	\$300,000
2015	345,000
2016	345,000
2017	400,000
2018	400,000
2019*	455,000

*Final Maturity

The Trustee shall, in each year in which the Series 2003 Bonds are to be redeemed pursuant to the terms of the Indenture relating to mandatory sinking fund redemptions, make timely selection of such Series 2003 Bonds or portions thereof to be so redeemed by lot in \$5,000 units of principal amount in such equitable manner as the Trustee may determine and shall give notice thereof without further instructions from the Board or the City. At the option of the City, to be exercised on or before the 45th day next preceding each mandatory redemption date, the City shall: (1) deliver to the Trustee for cancellation Series 2003 Bonds of the same maturity in the aggregate principal amount desired; or (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said Series 2003 Bonds of the same maturity from any owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Trustee shall use its best efforts to expend such funds for such purposes to such extent as may be practical; or (3) elect to receive a credit in respect to the mandatory sinking fund redemption obligation under the Indenture for any Series 2003 Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of the mandatory sinking fund redemption provisions of the Indenture) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under the provisions of the Indenture relating to mandatory sinking fund redemptions. Each Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Board to redeem Series 2003 Bonds of the same maturity on the next mandatory redemption date that is at least 45 days after receipt by the Trustee of such instructions from the City any excess of such amount shall be credited on future mandatory redemption obligations for Series 2003 Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2003 Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of the Indenture shall be reduced accordingly. If the City intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this paragraph, the City will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Trustee an Officer's Certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, and the Series 2003 Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Election to Redeem; Notice to Trustee. The Board shall elect to redeem Series 2003 Bonds subject to optional redemption upon receipt of a written direction of the City. In case of any redemption at the election of the Board, the Board shall, at least 45 days prior to the redemption date fixed by the Board (unless a shorter notice shall be satisfactory to the Trustee) give written notice to the Trustee directing the Trustee to call Series 2003 Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount and maturities of Series 2003 Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Indenture pursuant to which such Series 2003 Bonds are to be called for redemption.

The foregoing paragraph shall not apply in the case of any mandatory redemption of Series 2003 Bonds under the Indenture or under any Supplemental Indenture, and the Trustee shall call Series 2003 Bonds for redemption and shall give notice of redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Board or the City whether or not the Trustee shall hold in the Debt Service Fund moneys available and sufficient to effect the required redemption.

Notice of Redemption. Unless waived by any owner of Series 2003 Bonds to be redeemed, official notice of any such redemption shall be given by the Trustee on behalf of the Board by mailing a copy of an official redemption notice by first class mail, at least 30 days and not more than 60 days prior to the redemption date to each registered owner of the Series 2003 Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such registered owner to the Trustee.

All official notices of redemption shall be dated and shall state: (1) the redemption date; (2) the redemption price; (3) the principal amount of Series 2003 Bonds to be redeemed; (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (5) the place where the Series 2003 Bonds to be redeemed are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Trustee or other Paying Agent.

The failure of any owner of Series 2003 Bonds to receive notice given as provided in the Indenture, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2003 Bonds. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any owner receives such notice.

For so long as DTC is effecting book-entry transfers of the Series 2003 Bonds, the Trustee shall provide the notices specified in this Section to DTC. It is expected that DTC will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Trustee, DTC, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Selection by Trustee of Series 2003 Bonds to be Redeemed. Series 2003 Bonds may be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. If less than all Series 2003 Bonds are to be redeemed and paid prior to maturity pursuant to the Indenture, the particular Series 2003 Bonds to be redeemed shall be selected by the Trustee from the Series 2003 Bonds of such maturity which have not previously been called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions equal to \$5,000 of the principal of Series 2003 Bonds of a denomination larger than \$5,000.

The Trustee shall promptly notify the Board and the City in writing of the Series 2003 Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Deposit of Redemption Price. Prior to any redemption date, the Board shall deposit with the Trustee or with a Paying Agent, from moneys provided by the City, an amount of money sufficient to pay the redemption price of all the Series 2003 Bonds which are to be redeemed on that date. Such money shall be held in trust for the benefit of the Persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

Series 2003 Bonds Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Series 2003 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Board shall default in the payment of the redemption price) such Series 2003 Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Board at the redemption price. Installments of interest with a due date on or prior to the redemption date shall be payable to the owners of the Series 2003 Bonds registered as such on the relevant Record Dates according to the terms of such Series 2003 Bonds.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the redemption date at the rate prescribed therefor in the Bond.

Series 2003 Bonds Redeemed in Part. Any Bond which is to be redeemed only in part shall be surrendered at the place of payment therefor (with, if the Board or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Board and the Trustee duly executed by, the owner thereof or his attorney or legal representative duly authorized in writing) and the Board shall execute and the Trustee shall authenticate and deliver to the owner of such Bond, without service charge, a new Bond or Bonds of the same series and maturity of any authorized denomination or denominations as requested by such owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 (or other denomination) unit or units of principal amount called for redemption (and to that extent only).

Subject to the approval of the Trustee, in lieu of surrender under the preceding paragraph, payment of the redemption price of a portion of any Bond may be made directly to the registered owner thereof without surrender thereof, if there shall have been filed with the Trustee a written agreement of such owner and, if such owner is a nominee, the Person for whom such owner is a nominee, that payment shall be so made and that such owner will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such owner shall present such Bond to the Trustee for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond.

So long as DTC is effecting book-entry transfers of the Series 2003 Bonds, the Trustee shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Trustee, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Registration, Transfer and Exchange

In the event the Series 2003 Bonds are no longer held in book-entry form, the Series 2003 Bonds will be issued in fully registered form in denominations of \$5,000, and each Bond will be registered in the name of the owner thereof on the registration books maintained by the Trustee. The Series 2003 Bonds will then be transferable by the registered holder thereof or by such holder's attorney duly authorized in writing upon

presentation thereof at the principal corporate trust office of the Trustee. Any Bond may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2003 Bonds of the same maturity of other authorized denominations. The Trustee and the Board may charge a fee covering taxes and other governmental charges in connection with any exchange, change in registration or transfer of any Bond. The Trustee shall not be required to register the transfer of or exchange any Bond that has been called or selected for call for redemption or during the period of fifteen days next preceding the first mailing of notice of redemption.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2003 Bonds, but neither the failure to print such numbers on any Series 2003 Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2003 Bonds.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made by the Board, the City or the Underwriter as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof. Reference is made to *Appendix E* for a specimen of the Financial Guaranty Insurance Policy.

Payment Pursuant to Financial Guaranty Insurance Policy

The Bond Insurer has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Bond Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Financial Guaranty Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2003 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2003 Bonds, the Bond Insurer will remain obligated to pay principal of and interest on outstanding Series 2003 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2003 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2003 Bond which has become Due for Payment and which is made to a bondholder by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Financial Guaranty Insurance Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

- (1) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
- (2) payment of any redemption, prepayment or acceleration premium.
- (3) nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2003 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2003 Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of bondholder entitlement to interest payments and an appropriate assignment of the bondholder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the Series 2003 Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering bondholder's rights to payment.

Ambac Assurance Corporation

The Bond Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$6,789,000,000 (unaudited) and statutory capital of approximately \$4,043,000 (unaudited) as of June 30, 2003. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the bonds.

The Bond Insurer makes no representation regarding the Series 2003 Bonds or the advisability of investing in the Series 2003 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under the heading "Bond Insurance."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements and other information may be inspected and copied at the public reference room maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC

maintains an internet site at <http://www/sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

- (1) The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
- (2) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
- (3) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
- (4) The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
- (5) The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
- (6) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
- (7) The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
- (8) The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003;
- (9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;
- (10) The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003; and
- (11) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003 and filed on August 14, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS

General

The Series 2003 Bonds will be issued under and will be equally and ratably secured under the Indenture, which will assign and pledge to the Trustee (1) certain rights of the Board under the Financing Agreement, including the right to receive Loan Payments thereunder, (2) Incremental Tax Revenues deposited into the Special Allocation Fund, and (3) the funds and accounts, including the money and investments in them, which the Trustee holds under the terms of the Indenture as security for the Series 2000A Bonds, the Series 2003 Bonds and any Additional Bonds issued on a parity with such bonds, except for amounts in the Series 2003 Debt Service Reserve Fund which shall only secure the Series 2003 Bonds. Amounts on deposit in the Second Loss Debt Service Reserve Fund are also pledged on a parity to secure the Series 2000A Bonds, the Series 2003 Bonds and any Additional Bonds issued on a parity with such bonds.

The Series 2003 Bonds are issued and secured on a parity (except as to the Series 2003 Debt Service Reserve Fund) with the Series 2000A Bonds. The Indenture also provides for the future issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the Series 2003 Bonds and any other bonds then outstanding under the Indenture which are issued on a parity with the Series 2003 Bonds and such Additional Bonds. See "SUMMARY OF THE INDENTURE" in *Appendix C* hereto. The Series 2000A Bonds, the Series 2003 Bonds and any future Additional Bonds issued on a parity with the Series 2000A Bonds and the Series 2003 Bonds under the Indenture are referred to collectively as the "Bonds."

Special, Limited Obligations

The Series 2003 Bonds and the interest thereon are special, limited obligations of the Board, payable solely from certain payments to be made by the City under the Financing Agreement, Incremental Tax Revenues and certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. Except as provided in the following sentence, all payments by the City under the Financing Agreement are subject to annual appropriation. As noted above and as more fully described herein, the City's obligation to make Loan Payments under the Financing Agreement with respect to the Bonds, including the Series 2003 Bonds, is secured by Incremental Tax Revenues, a portion of which described herein as the PILOTS, are not subject to annual appropriation.

The Series 2003 Bonds shall not constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The issuance of the Series 2003 Bonds shall not directly or indirectly obligate the Board, its officers, directors or employees, the State or any political subdivision thereof to provide any funds for their payment. The issuance of the Series 2003 Bonds shall not, directly, indirectly, or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Board has no taxing power.

The Financing Agreement

Loan Payments and Other Payments. Under the Financing Agreement, the City is required to make Loan Payments to the Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Bonds, including the Series 2003 Bonds when due. Except as provided in the following paragraph, the City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan in the Special Allocation Fund as provided in the Authorizing Ordinance. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and

Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Notwithstanding the foregoing, Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged by the City pursuant to the Authorizing Ordinance to secure the Loan Payments and Additional Payments.

Annual Appropriations. The City intends, on or before the last day of each Fiscal Year, to budget and appropriate, moneys sufficient to pay all Loan Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The City shall deliver written notice to the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Loan Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Loan Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments under the Financing Agreement. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance is directed to do all things lawfully within his or her power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City's normal procedures for such decisions.

Loan Payments to Constitute Current Expenses of the City. The Board and the City acknowledge and agree that the Loan Payments and Additional Payments under the Financing Agreement shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing

Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2003 Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the Series 2003 Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Pledge of Incremental Tax Revenues to Secure Loan Payments. Under the TIF Ordinances, the City has pledged the Incremental Tax Revenues derived from the Redevelopment Area to secure its obligations to make Loan Payments under the Financing Agreement. "Incremental Tax Revenues" consist of (a) PILOTS derived from the Redevelopment Area, and (b) subject to annual appropriation by the City, Economic Activity Tax Revenues received by the City with respect to the Redevelopment Area. Economic Activity Tax Revenues consist of 50% of the City and County sales taxes generated in the Redevelopment Area.

PILOTS are those revenues attributable to the increase in the assessed valuation of real property within the Redevelopment Area over and above the initial assessed valuation of real property in the Redevelopment Area as of January 1, 1999, the year during which tax increment financing for the Redevelopment Area was adopted. Such increase is multiplied by the then current aggregate tax rate applicable to such property to determine the PILOTS. Such PILOTS have been irrevocably pledged by the City to the payment of the Bonds, including the Series 2003 Bonds.

Economic Activity Tax Revenues under the TIF Act are those revenues attributable to 50% of the increase in tax revenues (other than real property tax revenues) generated by economic activities within a redevelopment area, including sales and utilities taxes, but excluding personal property taxes, hotel/motel taxes, licenses, fees and special assessments. The expenditure of Economic Activity Tax Revenues is subject to annual appropriation by the City. There can be no assurances that the City will appropriate such revenues in any year and the ordinance does not obligate the City to do so.

Series 2003 Debt Service Reserve Fund

A Series 2003 Debt Service Reserve Fund is established pursuant to the Indenture and is required to be funded from proceeds of the Series 2003 Bonds in an amount equal to \$871,500. Amounts in the Series 2003 Debt Service Reserve Fund are to be used to pay principal of and interest on the Series 2003 Bonds to the extent of any deficiency in the Debt Service Fund and to retire the last Outstanding Series 2003 Bonds. Amounts on deposit in the Series 2003 Debt Service Reserve Fund are not pledged to secure any other Series of Bonds.

Second Loss Debt Service Reserve Fund

In connection with the issuance of the Series 2000A Bonds, a Second Loss Debt Service Reserve Fund was funded by the Board pursuant to the Indenture in an amount equal to \$500,000 (the "Second Loss Reserve Requirement"). Such amount is fixed and is not being increased as a result of the issuance of the Series 2003 Bonds. Amounts in the Second Loss Debt Service Reserve Fund are to be used to pay principal of and interest on the Bolger Square Bonds (as defined herein), the Series 2003 Bonds and the Series 2000A Bonds (including any Additional Bonds issued on a parity with such bonds) to the extent of any deficiency in the applicable Debt Service Fund and to retire the last Outstanding Bonds after using all amounts on deposit in the applicable Debt Service Reserve Fund. Pursuant to the Indenture, the Second Loss Debt Service Reserve Fund can be used by the Board and the City to secure other series of Bonds issued by the Board on behalf of the City.

The Indenture

Under the Indenture, the Board will pledge and assign to the Trustee, for the benefit of the bondowners, all of its rights under the Financing Agreement, including all Loan Payments and other amounts payable under the Financing Agreement (except for certain fees, expenses and advances and any indemnity payments payable to the Board) as security for the payment of the principal of and interest on the Series 2003 Bonds. See "SUMMARY OF THE INDENTURE" in *Appendix C* hereto.

BONDOWNER'S RISKS

The following is a discussion of certain risks that could affect payments to be made by the City with respect to the Series 2003 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2003 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in Appendix C, copies of which are available as described herein.

General

The Series 2003 Bonds are limited obligations of the Board payable by the Board solely from payments to be made by the City pursuant to the Financing Agreement and from certain other funds held by the Trustee under the Indenture. No representation or assurance can be given that the City will realize revenues in amounts sufficient to make such payments under the Financing Agreement with respect to the Series 2003 Bonds.

Risk Factors Relating to the City's Obligations to Make Loan Payments

General. Except as provided in the following paragraph, all payments by the City under the Financing Agreement are subject to annual appropriation. The City currently intends, but is not obligated, to make payments under the Financing Agreement even if the Incremental Tax Revenues are below the City's projections or insufficient to reimburse the City for such payments.

Pledge of Incremental Tax Revenues. The City's obligation to make Loan Payments under the Financing Agreement is secured by Incremental Tax Revenues, a portion of which described herein as the PILOTS, are not subject to annual appropriation.

Risk of Non-Appropriation. Except for the City's pledge of the PILOTS, the City's obligation to make Loan Payments under the Financing Agreement is subject to annual appropriation. Although the City has covenanted to request annually that the appropriation of the Loan Payments be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made, and the City is not legally obligated to do so.

No Pledge, Lease or Mortgage of the Project. Payment of the principal of and interest on the Bonds, including the Series 2003 Bonds is not secured by any deed of trust, mortgage or other lien on the Project or any portion thereof. The failure of the City to appropriate sufficient funds in any year would not result in the loss of use of any portion of the Project.

Risk Factors Relating to the Collection of Incremental Tax Revenues

The development, maintenance and management of the Redevelopment Project will be undertaken initially by the Developer and those parties contracting with the Developer. The Developer is under no obligation to continue to own and oversee the management of the Private Project for the term of the Bonds. If the Developer defaults in the performance of its obligations under the Redevelopment Agreement for any reason or for no reason, the Redevelopment Project is not likely to be completed, thereby directly affecting the Incremental Tax Revenues available to the City to make Loan Payments under the Financing Agreement. Additionally, if the Developer sells all or any part of the Private Project, the payment of debt service on the Bonds will be dependent on currently unidentified subsequent owners of the Private Project to provide the payment of PILOTS and sales taxes for deposit into the Special Allocation Fund.

Even if the Private Project is fully developed and occupied, the payment of the PILOTS will continue to be dependent upon the Developer or any subsequent owner(s) of the Private Project. The default by any owner of the Private Project in the payment of such PILOTS would adversely affect the Incremental Tax Revenues available to the City to make Loan Payments under the Financing Agreement.

The leases for the Private Project provide or are expected to provide that the tenants are responsible for the payment of property taxes (including PILOTS) on the space occupied by the tenant. If any tenant defaults in the payment of such taxes, the Developer or any subsequent owner(s) of the Private Project will be responsible for such payments. Additionally, if any tenant defaults in the payment of retail sales taxes on sales made at the Redevelopment Project, the Economic Activity Tax Revenues will be reduced accordingly.

Upon the completion of construction of each phase of the Private Project, the assessed value thereof will be determined by the County Assessor. There can be no assurance that the assessed value of the Private Project upon the completion of construction will equal or exceed the assessed value projected by the Developer.

Even if the County Assessor's determination of the assessed value of the Private Project equals or exceeds the Developer's assessed value, the Developer or successor owners of the Private Project have the right to appeal such determination. If any such appeal is not resolved prior to the time when real estate taxes and PILOTS are due, the taxpayer may pay the taxes and PILOTS under protest. In such event, that portion of taxes and PILOTS being protested will not be available for deposit into the Special Allocation Fund until the appeal has been concluded. If the appeal is resolved in favor of the taxpayer, the assessed value of the Private Project will be reduced, in which event the PILOTS may be less than projected.

Any change in the current system of collection and distribution of real property taxes, PILOTS or sales taxes in the County or the City, including without limitation the reduction or elimination of any such tax, judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the availability of revenues to pay the principal of and interest on the Bonds, including the Series 2003 Bonds. There can be no assurances, however, that the current system of collection and distribution of the real property taxes, PILOTS or sales taxes in the County or the City will not be changed by any competent authority having jurisdiction to do so, including without limitation the State, the County, the City, the school district, the courts or the voters, and the TIF Ordinances do not limit the ability of the City to make any such changes with respect to City taxes and levies.

Any taxing district in the Redevelopment Area could lower its tax rate, which would have the effect of reducing the PILOTS or Economic Activity Tax Revenues derived from the Redevelopment Area. Such a reduction in rates could be as a result of a desire of the governing body of the taxing district to lower tax rates, taxpayer initiative, or in response to state or local litigation or legislation affecting the broader taxing structure within the taxing district, such as litigation or legislation affecting the primary reliance on ad valorem property taxes to fund elementary and secondary education in the State.

Revenues derived from Economic Activity Tax Revenues are contingent on the retail sale of certain tangible personal property, and may be adversely affected by a variety of factors within the Redevelopment Area, including without limitation economic conditions within the Redevelopment Area and the surrounding trade area and competition from other retail businesses, rental rates and occupancy rates in private developments in the Redevelopment Area, suitability of the Private Project for the local market, local unemployment, availability of transportation, neighborhood changes, crime levels in the area, vandalism and rising operating costs, interruption or termination of operation of the Private Project as a result of fire, natural disaster, strikes or similar events, among many other factors. As a result of all of the above factors, it is difficult to predict with certainty the expected amount of Economic Activity Tax Revenues which will be available for appropriation to the Economic Activity Tax Account of the Special Allocation Fund which in turn will be available to make the City's loan payments under the Financing Agreement. The retail sales industry is highly competitive. Existing retail businesses outside of the Redevelopment Area and the future development of retail businesses outside of the Redevelopment Area, which are competitive with retail businesses in the Redevelopment Area may exist or may be developed after the date of this Official Statement.

In addition to the foregoing, the partial or complete destruction of the Private Project, as a result of fire, natural disaster or similar casualty event or the temporary or permanent closing of one or more retail establishments in the Private Project due to strikes or failure of the business would adversely affect the Economic Activity Tax Revenues derived from the Redevelopment Area and thereby adversely affect the Incremental Tax Revenues available to pay the City's obligations under the Financing Agreement. Any insurance maintained by the owner of or the tenants in the Private Project for such casualty or business interruption is not likely to include coverage for sales taxes that otherwise would be generated by the establishment.

Enforcement of Remedies

The enforcement of the remedies under the Indenture and the Financing Agreement may be limited or restricted by federal or state laws or by the application of judicial discretion, and may be delayed in the event of litigation to enforce the remedies. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the Series 2003 Bonds will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases.

LITIGATION

The Board

There is not now pending or, to the knowledge of the Board, threatened any litigation against the Board seeking to restrain or enjoin the issuance or delivery of the Series 2003 Bonds, or questioning or affecting the validity of the Series 2003 Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board to enter into the Indenture or the Financing Agreement or to secure the Series 2003 Bonds in the manner provided in the Indenture or the Act.

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the Series 2003 Bonds by the Board, or questioning or affecting the validity of the Series 2003 Bonds or the proceedings of the Board under which they are to be

issued, or which in any manner questions the right of the Board's right to enter into the Indenture or the Financing Agreement or to secure the Series 2003 Bonds in the manner provided in the Indenture, the Act or the TIF Act or the City's right to enter into the Financing Agreement.

On August 9, 2000, St. Charles County ("St. Charles County"), Missouri filed a petition (St. Charles County v. City of St. Peters, Circuit Court of St. Charles County, Case No. 00CV127493) challenging the constitutionality of various provisions of the TIF Act in connection with a redevelopment project in St. Peters, Missouri. St. Charles County subsequently voluntarily dismissed this petition without prejudice. On October 4, 2001, St. Charles County filed a petition (St. Charles County, et al. v. City of St. Peters, et al., Circuit Court of St. Charles County) alleging, among other things, that the TIF Act violates the Missouri Constitution by permitting payment on obligations issued by the City of St. Peters from sources other than the lease or disposal of a financed facility; the lending of credit or the granting of public money or property to or in aid of a private corporation, association or individual; and the imposition of unauthorized taxes. The petition also challenges the application of the TIF Act in one St. Peters redevelopment. On May 1, 2003, the Circuit Court of St. Charles County granted various motions to dismiss and motions for summary judgment, rejecting the plaintiffs' challenges. The plaintiffs have appealed the ruling to the Missouri Supreme Court. It is not possible to determine the outcome of this litigation. However, if St. Charles County is successful on certain of the allegations in the petition, the PILOTS or Economic Activity Tax Revenues may not be available to pay principal of and interest on the Series 2003 Bonds, and the validity of the Series 2003 Bonds and the Indenture could be adversely affected. There would be a similar effect on other existing and pending tax increment obligations and projects throughout the State.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2003 Bonds by the Board are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion will be delivered with the Series 2003 Bonds. Certain legal matters will be passed upon for the Board by its counsel, Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by its counsel, Alan Garner, City Counselor. Certain legal matters relating to the Official Statement will be passed upon for the Board and the City by Gilmore & Bell, P.C., Kansas City, Missouri

TAX MATTERS

Opinion of Bond Counsel

Federal Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes. Moreover, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Series 2003 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Board and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2003 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003 Bonds. The Series 2003 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Original Issue Discount Bonds. In the opinion of Bond Counsel, subject to the conditions set forth above, the original issue discount in the selling price of each Bond purchased in the original offering at a price less than the par amount thereof (hereinafter referred to as the "OID Bonds"), to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the proposed original issue discount federal regulations will require them to include, for State and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Missouri Tax Exemption. The interest on the Series 2003 Bonds is exempt from Missouri income taxation.

No Other Opinions. Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2003 Bonds.

Other Tax Consequences

Prospective purchasers of the Series 2003 Bonds should be aware that there may be tax consequences of purchasing the Series 2003 Bonds other than those discussed under "Opinion of Bond Counsel," including the following:

(1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2003 Bonds or, in the case of a financial institution, that portion of such institution's interest expense allocable to interest on the Series 2003 Bonds.

(2) With respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2003 Bonds.

(3) Interest on the Series 2003 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.

(4) Passive investment income, including interest on the Series 2003 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income.

(5) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2003 Bonds.

Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2003 Bonds should consult their own tax advisors as to the applicability of these tax consequences.

RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., has given the Series 2003 Bonds the ratings shown on the cover page of this Official Statement. The Board has received a commitment from the Bond Insurer for the issuance of a municipal bond insurance policy on the date of issuance of the Bonds. Standard & Poor's currently rates all bond issues insured by the Bond Insurer "AAA." The rating reflects only the view of Standard & Poor's and its respective assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Standard & Poor's has also issued the underlying rating shown on the cover page of this Official Statement. Such ratings reflects only the view of Standard & Poor's, and any further explanation of the significance of such ratings may be obtained only from the rating agency. The ratings do not constitute a recommendation by the rating agency to buy, sell or hold any bonds, including the Series 2003 Bonds. There is no assurance that any rating when assigned to the Series 2003 Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of the rating when assigned to the Series 2003 Bonds may have an adverse affect on the market price of the Series 2003 Bonds.

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2002 excerpted from the City's Comprehensive Annual Financial Report are included in *Appendix B* to this Official Statement. These financial statements have been audited by KPMG, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in *Appendix B* hereto.

CONTINUING DISCLOSURE

The City will execute a Continuing Disclosure Agreement with respect to ongoing disclosure which will constitute the written understanding for the benefit of the holders of the Series 2003 Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A summary of the Continuing Disclosure Agreement is included in *Appendix C*.

UNDERWRITING

The Series 2003 Bonds are being purchased by U.S. Bancorp Piper Jaffray Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2003 Bonds pursuant to a bond purchase agreement entered into by and among the Board, the City and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase the Series 2003 Bonds at a purchase price of \$8,841,188.40 (which represents an underwriter's discount of \$108,937.50, plus a net offering premium of \$208,385.90 plus accrued interest in the amount of \$26,740). In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all of the Series 2003 Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2003 Bonds to the public. The City has agreed in the bond purchase agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Series 2003 Bonds are subject to various conditions contained in the bond purchase agreement.

MISCELLANEOUS

The references herein to the Act, the TIF Act, the Indenture, the Financing Agreement and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indenture, the Financing Agreement and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2003 Bonds will be on file at the office of the Trustee.

The agreement of the Board with the owners of the Series 2003 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2003 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2003 Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The City has supplied and reviewed the information contained herein which relates to it and the caption "PLAN OF FINANCING" and has approved all such information for use within this Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the City, and its use has been approved by the Board.

CITY OF INDEPENDENCE, MISSOURI

By: /s/ Larry N. Blick
City Manager

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

Incorporated in 1849, the City is the county seat of Jackson County and adjoins Kansas City, Missouri to the west. The City is the fourth largest City in Missouri.

The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in December 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members, including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four-year terms and, in alternating elections, the four district council members are elected to four-year terms.

The present Mayor and members of the Council, their occupations and terms are listed below:

<u>Councilmembers</u>	<u>Occupation</u>	<u>Expiration of Term</u>
Rondell F. Stewart, Mayor	Retired	2006
Jim Schultz	Insurance agent	2006
John Perkins	Butcher and Part-time Graduate Student	2004
Renee J. Paluka	Commodity Buyer	2004
Don B. Reimal	Carpenter	2004
Charles E. Rich	Retired	2004
Jason White	Assistant Director MAST (EMS Provider)	2006

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Larry Blick is the City Manager and has been serving as such since June 1993. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is currently held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. Alan Garner was appointed to this position in March 2003, and assumed such position in May 2003.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial and commercial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force in the Kansas City Metropolitan Area encompasses a wide variety of skills and occupations: management, professional and related occupations (32.5%), service occupations (14.5%), sales and office occupations (29.0%), farming, fishing, and forestry occupations (0.2%); construction, extraction and maintenance occupations (9.9%), and production, transportation and material moving occupations (14.0%).

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

	<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
1.	Health Midwest	Medical Care	1,470
2.	Alliant Tech Systems	Small Arms Ammunition	800
3.	GEHA	Medical Insurance Service Center	650
4.	Southwestern Bell Telephone	Communications	600
5.	Thomas J. Lipton	Instant Tea, Salad Dressings	280
6.	Burd & Fletcher	Folding Paper Cartons	275
7.	Space Center Distribution	Contract Distribution Center	180
8.	Sprint Relay Center	Communications	171
9.	The Examiner	Daily Newspaper, Printing	115
10.	Barbour Concrete Co.	Concrete	100

Source: Independence Council for Economic Development.

General and Demographic Information

The following tables set forth certain population information.

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2002*</u>
City of Independence	111,797	112,301	113,288	112,684
Jackson County	629,266	633,232	654,880	653,724
State of Missouri	4,916,776	5,116,901	5,595,211	5,647,111

Source: U.S. Census Bureau.

*Estimate: Source – Claritas, Inc.

Population Distribution by Age (2000 Census)

<u>Age</u>	<u>Jackson County</u>	<u>State of Missouri</u>
Under 5	45,894	369,898
5–14 years	95,309	810,978
15–24 years	87,359	782,794
25–34 years	97,129	738,733
35–44 years	106,336	887,569
45–54 years	86,200	742,462
55–64 years	54,672	507,398
65–74 years	42,655	393,226
75 years & older	39,326	362,153
Total	<u>654,880</u>	<u>5,595,211</u>
Median Age	35.2	36.1

Source: U.S. Census Bureau.

The following table sets forth unemployment figures for the last five years for the Kansas City MSA, Jackson County and the State of Missouri. These data are considered provisional and may be subject to change.

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002*</u>
<u>Kansas City MSA</u>						
Total Labor Force	953,082	968,800	977,689	1,005,032	1,009,012	1,129,779
Unemployed	35,227	36,853	28,998	32,972	44,160	664,450
Unemployment Rate	3.7%	3.8%	3.0%	3.3%	4.4%	5.3%
<u>Jackson County</u>						
Total Labor Force	359,840	358,620	354,786	372,797	378,796	386,874
Unemployed	15,223	15,327	12,641	13,670	18,618	255,906
Unemployment Rate	4.2%	4.3%	3.6%	3.7%	4.9%	5.5%
<u>State of Missouri</u>						
Total Labor Force	2,891,135	2,854,494	2,841,203	2,929,827	2,970,118	2,954,307
Unemployed	122,537	118,834	95,739	101,447	139,715	147,588
Unemployment Rate	4.2%	4.2%	3.4%	3.5%	4.7%	5.0%

*For 2002, preliminary data

Source: Missouri Works! website of the Missouri Department of Economic Development.

Income Statistics

The following table sets forth income figures from the 2000 census and an estimate for 2002.

	<u>Per Capita</u>		<u>Median Family</u>	
	<u>2000</u>	<u>2002</u>	<u>2000</u>	<u>2002</u>
City of Independence	\$19,384	\$22,248	\$45,876	\$53,960
Jackson County	20,788	24,173	48,435	58,398
State of Missouri	19,936	22,636	37,934	52,191

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for the year 2002:

<u>Housing Type</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Single-Family	37,490	74.7%
Mobile Home	1,497	3.0
Multi-Family	11,163	22.2

The median value of owner occupied housing units in the area of the City and related areas was, according to the 2000 census and an estimate for 2002 by Claritas, Inc., as follows:

	<u>Median Value</u>	
	<u>2000</u>	<u>2002</u>
City	\$77,000	\$87,434
Jackson County	85,000	96,119
State of Missouri	89,900	92,601

Source: U.S. Census Bureau.

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<i>Residential</i>					
Number of Permits	751	616	647	596	
Estimated Cost	\$47,477,592	\$40,362,632	\$43,799,753	\$39,941,328	
<i>Non-Residential</i>					
Number of Permits	370	282	219	158	
Estimated Cost	\$36,386,117	\$72,399,536	\$61,394,644	\$47,467,165	

Source: City's Comprehensive Annual Financial Report dated June 30, 2002 and City Records.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate.

An annual budget is prepared under the direction of the City Manager and submitted to the City Council for consideration prior to the fiscal year commencing on July 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Manager is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2000 was performed by KPMG, Kansas City, Missouri. Copies of the audit reports for the past 5 years are on file in the City Manager's Office and are available for review.

Property Valuations

Assessment Procedure:

All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property	19%
Agricultural and horticultural real property	12%
Utility, industrial, commercial, railroad and all other real property	32%

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 1/2%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation:

The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2002, as equalized by the Jackson County Board of Equalization on August 16, 2002:

	<u>Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Actual Valuation</u>
Real Estate:			
Residential	\$599,989,193	19%	\$3,073,455,200
Commercial	215,278,062	32	609,298,431
Agricultural	1,058,558	12	9,081,075
Railroad and utilities	<u>10,796,040</u>	32	<u>19,173,912</u>
Sub-Total	\$827,121,853		\$3,711,008,618
Personal Property**	<u>250,941,169</u>	33.30%	<u>738,121,846</u>
Total	\$1,078,063,022		\$4,449,130,465

*As of January 1, 2002

*Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation:

The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2002	\$1,078,063,022	3.7%
2001	1,037,117,752	6.1
2000	977,928,272	1.3
1999	965,098,107	8.0
1998	893,405,364	0.9
1997	885,313,341	6.7
1996	830,079,209	2.4
1995	810,488,004	7.1
1994	756,611,010	1.8

Major Property Taxpayers:

The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of January 1, 2002.

<u>Name of Taxpayer</u>	<u>Local Assessed Valuation</u>	<u>Percentage of Total Local Assessed Valuation</u>
1. Simon Property Group LP	\$16,468,551	1.53%
2. Community Center Two, LLC	8,821,175	0.82
3. Space Center of Kansas City	8,290,435	0.77
4. Southern Union Company	4,856,878	0.45
5. Bradley Operating LTD PTP	3,840,000	0.36
6. Independence Apartments	3,675,082	0.34
7. Independence Regional Health	2,464,000	0.23
8. Butler Real Estate, Inc.	2,293,891	0.21
9. Wal-Mart Stores, Inc.	2,240,000	0.21
10. Noland Fashion Square Partners	1,683,230	0.16

Source: City's Comprehensive Annual Financial Report dated June 30, 2002. Listed values are real estate assessed values which provide the basis for property tax revenue.

Obligations of the City

General Obligation Debt

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "City purposes" not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate under a special election or four-sevenths under a general election, to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property. The additional indebtedness is allowed for the purpose of acquiring rights-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

The City had no General Obligation debt outstanding as of August 1, 2002.

Revenue Debt. The following is a summary of the City's Revenue Bond debt:

Power and Light Fund:

Balance Payable

\$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$1,260,000 to \$2,040,000 700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003, (as of September 1, 2003) \$18,070,000

\$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of \$435,000 to \$660,000 through June 1, 2014, interest at 2.0% to 3.65%, callable at par after June 1, 2012 (as of September 1, 2003) \$5,975,000

Water Fund:

\$36,000,000 Water Utility Revenue Bonds - Series 1986, principal due in annual installments of \$1,200,000 to \$5,010,000 through June 30, 2016, interest at approximately 3.85% to 5% callable at par \$32,195,000

Bonds Secured by the City's Annual Appropriation Powers

On June 16, 1999, at the request of the City, MDFB issued \$7,240,000 in Infrastructure Facilities Revenue Bonds, Series 1999A, due in annual installments of \$270,000 to \$835,000 through June 1, 2011 and bearing interest at rates ranging from 4.0% to 5.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to the Bolger Square project. The outstanding balance at September 1, 2003 was \$5,595,000. In addition to the incremental tax revenues pledged to secure such bonds, these bonds are secured by the City's general fund, subject to annual appropriation.

On April 12, 2000, at the request of the City, MDFB issued \$11,850,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of \$120,000 to \$1,235,000 through April 1, 2020 and bearing interest at rates ranging from 5.100% to 6.00%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Hartman Heritage project. The outstanding balance at September 1, 2003 was \$11,445,000. In addition to the incremental tax revenues pledged to secure such bonds, these bonds are secured by the City's general fund, subject to annual appropriation.

On May 17, 2000, at the request of the City, MDFB issued \$5,595,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of \$275,000 to \$800,000 through April 1, 2012 and bearing interest at rates ranging from 5.15% to 5.80%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase I project. The outstanding balance at September 1, 2003 was \$4,930,000. In addition to the incremental tax revenues pledged to secure such bonds, these bonds are secured by the City's general fund, subject to annual appropriation.

On June 28, 2000, at the request of the City, MDFB issued \$530,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of \$40,000 to \$65,000 through June 1, 2010 and bearing interest at rates ranging from 5.0% to 6.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used to pay for various capital improvement projects in buildings owned

by the City. The outstanding balance at September 1, 2003 was \$400,000. These bonds are secured by the City's general fund, subject to annual appropriation.

On November 16, 2000, at the request of the City, MDFB issued \$12,815,000 in Infrastructure Facilities Revenue Bonds, Series 2000B, due in annual installments of \$175,000 to \$2,180,000 through April 1, 2021 and bearing interest at rates ranging from 5.00% to 6.00%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase II project. The outstanding balance at September 1, 2003 was \$12,640,000. In addition to the incremental tax revenues pledged to secure such bonds, these bonds are secured by the City's general fund, subject to annual appropriation.

On June 28, 2001, at the request of the City, MDFB issued \$1,215,000 in Infrastructure Facilities Revenue Bonds, Series 2001, due June 1, 2004 and bearing interest at the rate of 4.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used to pay for various capital improvement to the Truman Memorial Building. The outstanding balance at September 1, 2003 was \$1,215,000. These bonds are secured by the City's general fund, subject to annual appropriation.

On August 22, 2001, at the request of the City, MDFB issued \$10,230,000 in Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Santa Fe Redevelopment Project), Series 2001, due in annual installments of \$165,000 to \$1,865,000 through April 1, 2023 and bearing interest at rates ranging from 4.375% to 5.25%. The proceeds of the bonds were loaned by MDFB to the City and used to pay for public and private improvements related to the Santa Fe Redevelopment Project located in the City. The outstanding balance at September 1, 2003 was \$10,230,000. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City, pursuant to a financing agreement between the Board and the City, which loan payments will be secured by a pledge of PILOTS and, subject to annual appropriation.

On August 22, 2001, at the request of the City, MDFB issued \$1,635,000 in Infrastructure Facilities Revenue Bonds, Series 2001, due in annual installments of \$160,000 to \$215,000 through June 1, 2010 and bearing interest at rates ranging from 4.25% to 4.40%. The proceeds of the bonds were loaned by MDFB to the City and used to pay for various capital improvement to City buildings and to provide the City with additional capitalized interest in the amount of \$500,000 which will be used to pay a portion of the City's loan payment to the Board over the next two years in connection with the Hartman Heritage Center redevelopment project. The outstanding balance at September 1, 2003 was \$1,315,000. These bonds are secured by the City's general fund, subject to annual appropriation.

On November 20, 2001, at the request of the City, MDFB issued \$1,425,000 in Infrastructure Facilities Revenue Bonds, Series 2001 due in annual installments of \$15,000 to \$160,000 through April 1, 2021 and bearing interest at rates from 2.40% to 5.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase III Project. The outstanding balance of the Bonds at September 1, 2003 was \$1,375,000. In addition to the incremental tax revenues pledged to secure such bonds, these bonds are secured by the City's general fund, subject to annual appropriation.

On November 14, 2002, at the request of the City, MDFB issued \$3,480,000 in Infrastructure Facilities Revenue Bonds, Series 2002 due in annual installments of \$75,000 to \$845,000 through April 1, 2022 and bearing interest at rates from 2.20% to 5.125%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase IV Project. The outstanding balance of the Bonds at September 1, 2003 was \$3,480,000. In addition to the incremental tax revenues pledged to secure such bonds, these bonds are secured by the City's general fund, subject to annual appropriation.

Summary of the City's Annual Appropriation Debt Secured by Tax Increment Revenues

As detailed above, the City currently has outstanding a total of \$52,625,000 of bonds issued for its benefit by MDFB which are secured by both the City's annual appropriation obligation and tax increment revenues.

With the exception of the Hartman Heritage Tax Increment Financing Project and the Santa Fe Project described in the following two paragraphs, all of the City's other tax increment projects are generating sufficient tax increment revenues to provide for the payment of the debt service on the loans attributable to such bonds.

In April of 2000, MDFB issued bonds in the amount of \$11,850,000 and loaned the proceeds to the City to pay for certain public and private improvements at the Hartman Heritage Center. Because Hartman Heritage Center is a redevelopment project under the Missouri Real Property Tax Increment Allocation Redevelopment Act, the loan was expected to be repaid by the City from incremental sales and real estate taxes resulting from projected development within the project area. However, certain development within the project area was initially delayed resulting in the City receiving less revenue than expected. The City determined that revenues from the project area would be approximately \$740,000 less than needed for the loan payments through April 2003. This amount was funded by an August 22, 2001 MDFB loan in the amount of \$500,000 and a \$240,000 loan from the City's General Fund. The \$240,000 loan from the General Fund will be fully repaid from this issue. Revenues from the project area are expected to be sufficient to repay the \$500,000 MDFB loan.

In August of 2001, MDFB issued bonds in the amount of \$10,230,000 and loaned the proceeds to the City to be used to pay for public and private improvements related to the Santa Fe Redevelopment Project. Proceeds of the bonds are being used to fund capitalized interest on the bonds through August of 2004. As of the date hereof, an automobile dealership is the only business to open within the project area. It is not yet known when incremental sales and real estate taxes resulting from projected development within the project area will be sufficient to pay loan payments with respect to the bonds.

Capital Leases

Capital leases payable at June 30, 2003 consist of the following:

\$783,223 CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006. A lease utilized for Johnson Controls contract to renovate the HVAC of City Hall. No restrictions. The balance due at June 30, 2003 was 277,238.

\$419,069 First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005. A lease utilized to purchase a fire truck, three vehicles, various rescue equipment, a pick-up truck and a telephone system. The balance due at June 30, 2003 was \$129,550.

Caterpillar Financial Services Corporation, interest at 6.25%, annual installments through December 2003. A lease utilized to purchase a Caterpillar backhoe loader and a front-end loader for the Sanitary Sewer Fund. The balance at June 30, 2003 was \$34,277.

Emergency One, interest at 4.84%, annual installments through May 18, 2005. A lease utilized to purchase two fire pumper trucks and rescue unit. The balance due at June 30, 2003 was \$189,432.

Ford Motor Credit Company, interest at 6.39%, annual installments through May, 2005. A lease utilized to purchase sewer cleaning equipment. The balance due at June 30, 2003 was \$70,363.

IBM Corporation, interest at 4.64% to 4.94% annual installments through 2005, a lease to purchase an IBM AS/400 and related equipment and software. The balance due at June 30, 2003 was \$63,567.

Emergency One, Inc., interest at 5.84%, annual installments through March 2006; a lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus. The balance due at June 30, 2003 was \$95,693.

Emergency One, Inc., interest at 6.31%, annual installments through October 2007; a lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus. The balance due at June 30, 2003 was \$197,003.

IBM Corporation, interest ranging from 4.76% to 5.52% monthly payments through January 1, 2004; a lease purchase to purchase additional disk space for an IBM AS/400 for the Police Department. The balance due at June 30, 2003 was \$31,966.

Overlapping or Underlying Indebtedness Debt

The following table sets forth overlapping and underlying general obligation and lease indebtedness of political subdivisions with boundaries overlapping the City as of June 30, 2002, and the percent attributable (on the basis of assessed valuation figures for calendar year 2002) to the City. The table was compiled from information furnished by the jurisdictions responsible for the debt, and the City has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds, the amounts of which cannot be determined at this time.

Jurisdiction	General Obligation Bond Issues Outstanding	Amount Available Debt Service Funds	Net Debt Outstanding	Percentage Applicable to City of Independence	Amount Applicable to City of Independence
City of Independence	\$ 0	\$ 0	\$ 0	0	\$ 0
Jackson County	0	0	0	0	0
Jackson County School Districts					
Metropolitan Junior College	0	0	0	0	0
Independence	59,505,000	0	59,505,000	100.00%	59,505,000
Kansas City	0	0	0	0	0
Blue Springs #4	78,887,149	6,819,415	72,067,734	21.78%	15,696,352
Fort Osage #1	<u>26,170,777</u>	<u>0</u>	<u>26,170,777</u>	12.50%	<u>3,271,347</u>
TOTAL	\$164,562,926	\$6,819,415	\$157,743,511		\$78,472,699

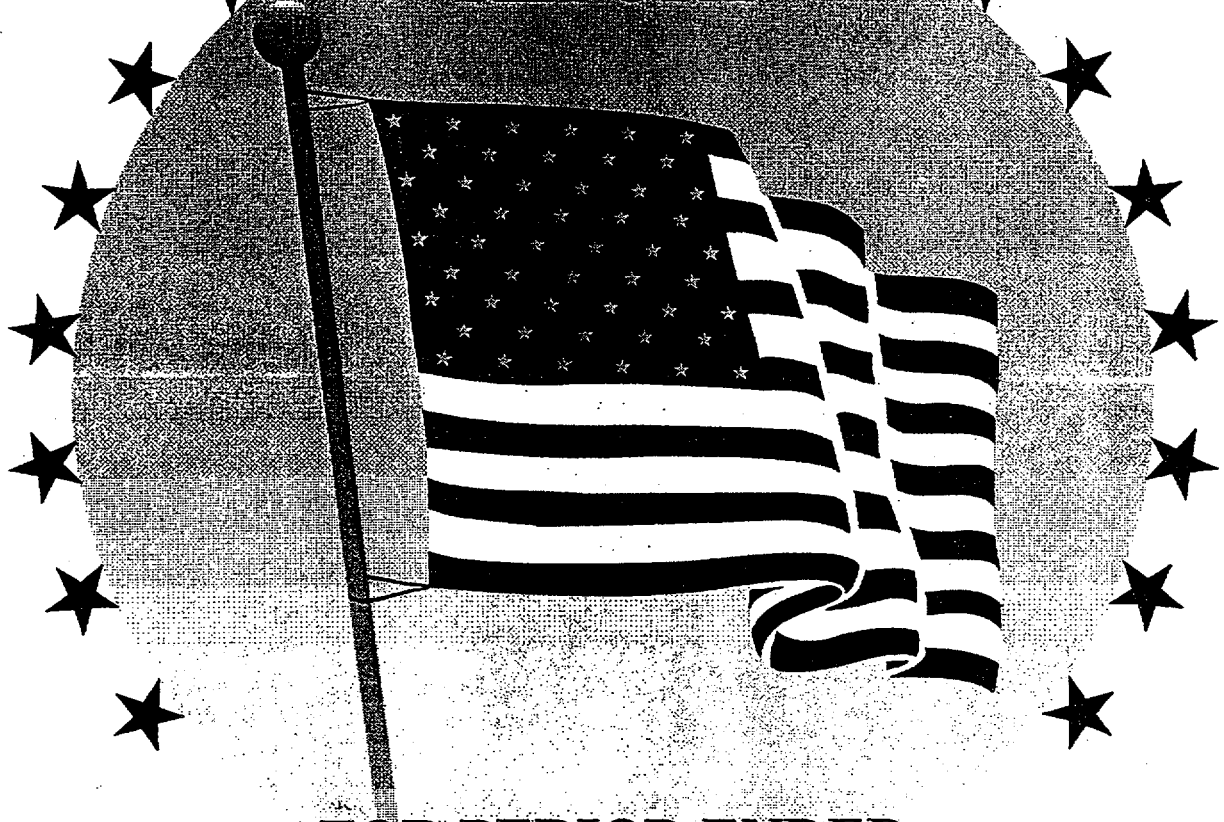
APPENDIX B

**FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDING JUNE 30, 2002**

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CITY OF INDEPENDENCE

FINANCIAL AND OPERATING REPORT



FOR PERIOD ENDED

June 30, 2002

**PREPARED BY
FINANCE DEPARTMENT**

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City of Independence

111 EAST MAPLE • P.O. BOX 1019 • INDEPENDENCE, MISSOURI 64051-0519

www.ci.independence.mo.us • (816) 325-7000

July 26, 2002

Honorable Mayor
Members of the City Council
City Manager & Department Directors

Re: June 2002 Un-audited Financial Report

The Un-audited Financial Report of the City of Independence for the period ended June 30, 2002, is submitted herewith. This report reflects 100% of the 2001-2002 fiscal year operations for the funds represented.

General Fund estimated revenues increased by \$7,596,528. Of this amount, \$925,967 is from the debt issue for the HVAC improvements and Fire software. Funds for these items were spent last year and reduced undesignated fund balance at the end of the fiscal year. Projected revenues also increased \$3,675,000 to reflect clean-up cost reimbursements from FEMA. The rest of the increased revenues are primarily grant related and are offset by increased appropriations. Revenues are \$876,979 or 1.5% less than what we projected in the adopted budget plus budget changes approved to date. Detail by revenue category can be found in the table below. Sales tax is down \$890,841 or 5.1% of the amount budgeted. Due to the recent down turn in the general economy and specifically retail sales we will pay very close attention to sales tax revenue.

Utility fees are down \$985,141. We did not receive the license tax on wireless telephone service from all the providers. The mild winter has had a negative impact on the sale of electricity and natural gas.

General Fund Revenues					
	Original Est. Revenue	Adjusted Est. Revenue	Actual	Variance of Proj. to Adj.	%
Taxes	40,419,926	40,419,926	38,474,587	(1,945,339)	-5.1%
Licenses & Permits	3,611,166	3,611,166	3,645,327	34,161	0.9%
Grants	5,785,578	11,123,459	12,318,909	1,195,450	9.7%
Charges for Services	1,256,210	1,587,673	1,416,694	(170,979)	-12.1%
Interfund Services	2,696,800	2,696,800	2,791,637	94,837	3.4%
Fines & Forfeitures	3,433,330	3,437,285	3,199,906	(237,379)	-7.4%
Interest	225,000	225,000	188,980	(36,020)	-19.1%
Other Revenue	377,485	517,884	706,173	188,289	26.7%
Debt Proceeds		1,782,830	1,782,830	0	0.0%
Total	<u>57,805,495</u>	<u>65,402,023</u>	<u>64,525,044</u>	<u>(876,979)</u>	<u>-1.5%</u>

These items are down \$491,334. Business licenses including permits are up \$59,767. Grants are up \$1,195,450. Detail information regarding General Fund revenue can be found following this transmittal letter.

The fiscal year to date expenditures for the General Fund is \$62,409,423 and encumbrances are \$2,455,675. The total is \$64,865,098. This represents 98.9% of the adjusted budget. The departments have under spent appropriations by \$734,771. We have also transferred \$466,115 of appropriations related to grants in the Police and Health departments to the next fiscal year.

General Fund Expenditures & Encumbrances				
	Adopted Budget	Adjusted Budget	Actual	%
General Government	\$6,281,947	6,683,117	6,590,835	98.6%
Public Safety	30,907,375	33,814,605	33,578,547	99.3%
Public Works	6,638,941	6,912,974	6,774,085	98.0%
Health	1,962,053	2,215,421	2,168,204	97.9%
Parks & Recreation	2,000,678	2,187,007	2,169,170	99.2%
Other	10,352,308	13,786,745	13,584,257	98.5%
TOTAL	\$58,143,302	65,599,869	64,865,098	98.9%

Projected Financial Position - June 30, 2002:

The chart on the right is the fund balance account for the General Fund for Fiscal Year 2001-2002. Most of the change reflected in fund balance is due to costs associated with the clean-up following the ice storm.

Fund Balance at June 30, 2001	<u>\$7,969,013</u>
Fiscal Year 2000-2001	
Revenues	64,525,044
Transfers In	
Expenditures	63,881,609
Transfers Out	<u>1,518,245</u>
Excess Sources Over Uses	<u>-874,810</u>
Fund Balance, June 30, 2002	<u>\$7,094,203</u>

Projected Undesignated Fund Balance June 30, 2002

Of the \$7,969,013 of fund balance reported above for June 30, 2001 the undesignated portion is \$3,509,067. The difference represents reserved and designated fund balance components. The undesignated portion decreased by \$1,543,447 to a June 30, 2002 undesignated fund balance of \$1,965,620. In preparing the FY 2001-2002 Budget we expected undesignated fund balance to be \$3,137,437. This is a negative variance of \$1,171,817 or 37.4%. The change from the year's beginning balance can be attributed to the items identified in the chart to the right.

Operating Results	
Undesignated Fund Balance, June 30, 2001	<u>3,509,067</u>
Excess of Revenues over Expenditures	643,435
Transfers In	
Transfers Out	1,518,245
Increases	284,713
Decreases	953,350
Undesignated Fund Balance, June 30, 2002	<u>1,965,620</u>

City Council Goals Account

The following is an analysis of the City Council Goals Account. The chart shows the amounts allocated to the various projects.

City Council Goals Account Summary			
Description	Allocation Amount	Expended or Encumbered	Balance
2000-01 Balance	\$ 397,161		
2001-02 Authorization	400,000		
	<u>\$ 797,161</u>		
<u>Carry-Over Allocations from 2000-01:</u>			
Neighborhood Park Matching Grant	4,450	4,450	
Youth Summer Basketball & Teen Center	3,049	3,049	
Ash Street Bridge	35,700	35,700	
Neighborhood Matching Grant (non-CDBG)	15,000		15,000
Curbside Pick-up of Trash in Sys. Code Area	50,000	22,103	27,897
Demolition of Dangerous Buildings	5,647	5,647	
Mowing & Refuse Clean-up on Private Prop.	40,000	39,950	50
Neighborhood Park Matching Grant	25,000	19,758	5,242
<u>2001-2002 Allocations:</u>			
Little Blue Parkway - R.D. Mize to US 24	250,000	213,398	36,602
Tree Trimming & Dead Tree Removal	50,000	46,284	3,716
Demo. Of Dangerous Bld. & Property Clean-up	40,000	33,780	6,220
Youth Summer Basketball & Teen Center	10,000	1,538	8,462
Crysler Stadium Scoreboard	10,000	10,000	
Old Mill Office Building, Windows	11,000	11,000	
Aquatic Feasibility Study	15,000	15,000	
Transportation Costs, Police Memorial	1,500	1,500	
Council Chamber A/V Modifications	55,800	55,000	800
Police Academy Scholarship Program	20,000		20,000
Total for 2001-2002	<u>\$ 642,146</u>	<u>\$ 518,157</u>	<u>\$ 123,989</u>
Unallocated Balance	<u>\$ 155,015</u>		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is \$312,205 and interest is \$6,996 and undesignated fund balance is \$296,378.

Street Improvements Sales Tax Fund

The Street Improvement Sales Tax Fund has been set-up to account for the portion (three-quarters) of the one-half cent capital improvements sales tax identified for streets and bridges. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The fund balance for June 30, 2002 has increased \$210,249. The fund balance for June 30, 2002 is a negative \$44,900. As with previous years we borrowed from the Missouri Development Finance Board to approve an overlay contract that extended through two fiscal years. This year's borrowing was \$2,460,000.

<u>Street Improvement Sales Tax Fund</u>				
	Actual As Of June 30, 2001	Budget	2001-2002 Actual	Variance
Revenues:				
Sales Tax	\$6,051,478	\$6,529,320	\$6,185,076	-344,244
Interest & Other	61,286	20,000	52,644	32,644
Total Revenues	<u>\$6,112,764</u>	<u>\$6,549,320</u>	<u>\$6,237,720</u>	<u>(\$311,600)</u>
Expenditures:				
Operating	13,559	32,923	15,141	-17,782
Capital *	6,679,358	8,635,627	5,998,693	-2,636,934
Total Expenditures	<u>6,692,917</u>	<u>8,668,550</u>	<u>6,013,834</u>	<u>(2,654,716)</u>
Excess of Revenues Over (Under) Expenditures	(580,153)		223,886	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out	1,021		13,727	
Total Other Financing	<u>(1,021)</u>		<u>(13,727)</u>	
Fund Balance:				
Encumbrances	1,218,276		2,161,653	
Designated for Cap. Proj.	3,206,230			
Undesignated	(4,679,655)		(2,206,643)	
Total	<u>(255,149)</u>		<u>(44,990)</u>	

* Appropriations (Budget) for capital expenditures include the unexpended balance from previous years and the current year.

Park Improvements Sales Tax Fund

The Park Improvements Sales Tax Fund has been set-up to account for the portion (one-quarter) of the one-half cent capital improvements sales tax identified for parks and recreation. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The fund balance for June 30, 2002 is \$1,980,181. This is a decrease from the previous of \$943,562.

<u>Park Improvement Sales Tax Fund</u>				
	Actual As Of June 30, 2001	Budget	2001-2002 Actual	Variance
Revenues:				
Sales Tax	\$2,017,160	\$2,176,440	\$2,062,025	-114,415
Interest	125,622	39,000	65,956	26,956
Total Revenues	<u>\$2,142,782</u>	<u>\$2,215,440</u>	<u>\$2,127,981</u>	<u>-87,459</u>
Expenditures:				
Operating	137,232	617,903	377,699	-240,204
Capital *	1,434,997	3,079,975	2,689,268	-390,707
Total Expenditures	<u>1,572,229</u>	<u>3,697,878</u>	<u>3,066,967</u>	<u>-630,911</u>
Excess of Revenues Over (Under) Expenditures	570,553		(938,986)	
Other Fin. Sources (Uses)				
Debt Proceeds	1,215,000			
Transfers In				
Transfers Out	340		4,576	
Total Other Financing	<u>1,215,660</u>		<u>(4,576)</u>	
Fund Balance:				
Encumbrances	1,531,639		380,132	
Designated for Cap. Proj.	2,756,131		15,842	
Undesignated	(1,364,027)		1,584,207	
Total	<u>2,923,743</u>		<u>1,980,181</u>	

* Appropriations (Budget) for capital expenditures include the unexpended balance from previous years and the current year.

Central Garage

The garage realized a net income of \$47,893 for the fiscal year. The Public Works Director should look at the extreme fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after twelve months of operation.

<u>Central Garage Operating Statement</u>		
	<u>Current</u>	<u>FY 2001-02</u>
<u>Revenue:</u>		
Repairs & Other Income	<u>92,343</u>	<u>\$1,237,103</u>
<u>Operating Expenses:</u>		
Personal Services	35,184	518,405
Other Services	24,193	246,697
Supplies	(19,944)	433,527
Depreciation Expense	<u>(6,227)</u>	<u>(3,882)</u>
Total Expenses	<u>33,206</u>	<u>1,194,747</u>
<u>Net Income from Operations</u>	<u>59,137</u>	<u>42,356</u>
<u>Other Income/Expense:</u>		
Interest Income/Expense	205	3,680
Misc. Income		<u>1,857</u>
<u>Net Income/(Loss)</u>	<u>\$59,342</u>	<u>\$47,893</u>
Fund Equity, Beginning		171,183
<u>Operating Trf-Gen Fund</u>		
<u>Fund Equity, Ending</u>		<u>\$219,076</u>

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. On this analysis the amount shown as Due from Federal Government represents receivables from the Missouri Department of Transportation for work performed on the Little Blue Expressway Phases I and III. The amount for Due from Other Local Government represents receivables from the County Urban Road System (CURS). The amount for Unexpended Appropriations shows Street funds that have been appropriated to specific projects but have not been expended yet. The Hub Drive Special Assessment is money that is expected to be received over the next ten years and is not readily available to be spent at this time. The Noland Road Neighborhood Improvement District is money, which will be available once obligations are issued.

<u>Street Improvements Fund</u>		
<u>Assets</u>		
Cash		\$0
Special Assessment Receivable		101,201
Neighborhood Improve. Dist Receivable		916,035
Due From Federal Government		239,474
Due From Other Local Government		750,759
<u>Liabilities & Credits</u>		
Accounts Payable		121,901
Due To Other Funds		932,121
Deferred Revenue		<u>872,981</u>
<u>Fund Balance</u>		80,467
<u>Other Activities:</u>		
Unexpended Street Improv. Appr.		156,272
Other Resources/Commitments		
Total Available Funds		<u>(\$75,805)</u>
<u>Other Resources:</u>		
Gas Tax Transfer		
Hub Drive Def. Revenue (10 Yrs.)		\$101,201
Noland Road Neighborhood Improv. Dist.		\$916,035
Interest		
Total Funds Available		<u>\$941,431</u>

Stay Well Health Care Plan

The Stay Well Health Care Plan is the City's self-funded health care plan for employees and retirees.

The plan year for this benefit is October through September. However, the reinsurance policy is obtained on a fiscal year basis. For the month ending June 30, 2002, the Plan's disbursements exceeded the Plan's receipts by \$41,120. This resulted in the Plan's cash balance decreasing to \$684,313 at June 30, 2002.

This decrease in the Plan's cash balance is a result of:

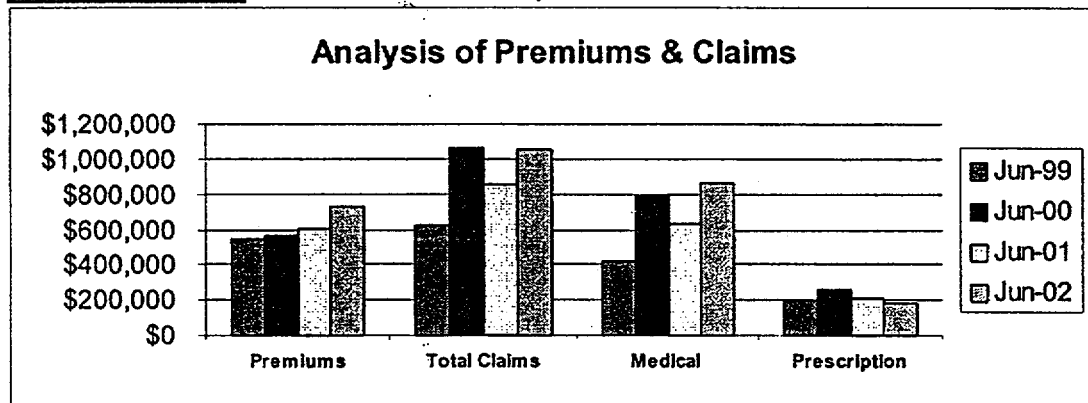
1. Increased utilization by members;
2. Payment of 5 claims between \$10,000 and \$61,000 totaling approximately \$195,000 or 23% of June's medical benefit disbursements.
3. Receipt of a reinsurance reimbursement of approximately \$311,000 helped offset the high disbursement costs.

Stay Well Health Care Plan						
June 30, 2002			Plan Year To Date			
	Last Year	This Year	Change	Last Year	This Year	Change
Claims Paid	3,473	3,808	9.6%	24,961	21,805	-12.6%
Participants	1,184	1,226	3.5%	1,182	1,228	3.9%
(Participants are an average.)						
Receipts	\$636,410	\$1,054,992	65.8%	\$5,686,784	\$6,933,247	21.9%
Disbursements:						
Benefits	850,122	1,054,476	24.0%	6,960,215	6,278,363	-9.8%
Administration	10,916	10,926	0.1%	93,779	99,080	5.7%
Reinsurance	39,401	23,984	-39.1%	163,766	216,595	32.3%
PPO	5,032	6,135	21.9%	40,002	55,280	38.2%
Refunds	0	0		49,128	35,753	-27.2%
Other	324	591	82.4%	3,627	6,539	80.3%
Total	\$905,795	\$1,096,112	21.0%	\$7,310,517	\$6,691,610	-8.5%
Ending Cash Balance				56,027	684,313	
Accrued Reinsurance Reimbursements				852,015	0	
Accrued Liabilities				-735,314	-745,108	1.3%
Ending Reserve				\$172,728	-\$60,795	-135.2%

For the month ending June 30, 2001, the Plan's disbursements exceeded the Plan's receipts by \$269,385.

The following information summarizes and compares the financial activity of the Plan and is provided to assist in the explanation of the Plan's financial position for the first nine months of the 2001-02 plan year.

Claims Processed - CoreSource issued 3,808 medical and vision claim checks in June or 1% less than

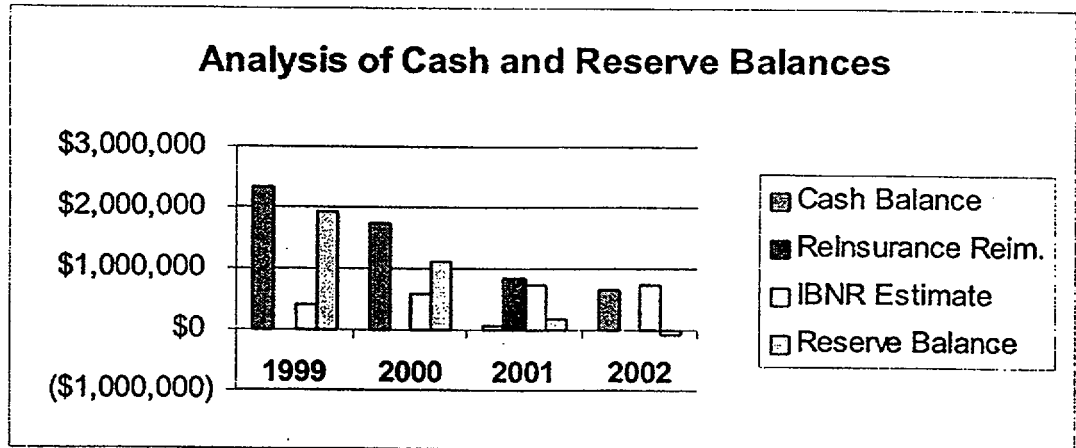


the 3,827 claim checks issued in May. In comparison of June 2001 to June 2002, CoreSource issued 3,473 medical and vision claim checks in June

2001 or 10% less than the 3,808 checks issued in June 2002.

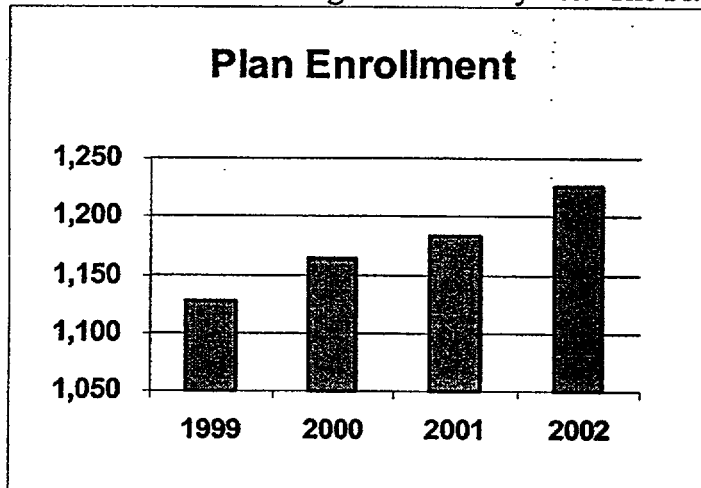
Cash Balance, IBNR & Reserve Balance - The Stay Well Health Care Plan's estimated reserve

balance decreased during June by approximately \$468,000 to (\$60,795). This decrease in the Plan's reserve balance is due to June's receipts being approximately \$41,000 less than



June's disbursements and the receipt of \$311,471 in reinsurance reimbursement for a claim that exceeded the Plan's \$125,000 specific stop loss limit during the prior policy period. The reinsurance reimbursement was shown as a receivable. The incurred but not reported (IBNR) amount is based on a report generated by CoreSource to reflect one month's worth of IBNR claims

Plan Enrollment - The Plan has experienced annual growth in the number of employees and retirees enrolled in the Plan during the last four years. The Plan's enrollment has increased by 98 participants



during the last four years. In June 1999, there were 1,128 employees and retirees enrolled in the Plan. As of June 30, 2002, there were 1,226 participants enrolled in the Plan.

Premiums and Benefit Disbursements -

During June the claim disbursements were approximately \$110,000 more than in May. Benefit disbursements during June 2002 were approximately \$204,000 more than in June 2001. Premiums for June 2002 increased approximately 20% over the previous year. The increase in premiums is due to premiums increasing 15% on October 1, 2001, along with

an increase in enrollment. Total claim disbursements during June 2002 were 24% more than in June 2001.

Projected June 30, 2002 Cash Balance On July, 16, 2001, the City Council approved a 15% increase in the monthly premiums for the plan year October 1, 2001 through September 30, 2002 and the City providing a \$323,056 cash infusion for the Plan. Based on this information, staff projected the Plan's June 30, 2002, cash balance to be \$447,993. The Plan's actual cash balance at June 30, 2002 was \$684,313.

The Finance Department will continue to monitor the Plan's financial results and provide information to the City Manager and the Stay Well Health Insurance Advisory Committee regarding funding and plan benefit options for their consideration.

Power and Light

Total operating revenue of the Power and Light Fund of \$72,278,838 reflect a decrease of \$7,103,148 over fiscal year 2000-01 total operating revenues of \$79,381,986 or 8.9%. The decrease in revenue is due to decrease in sales to other utilities of \$1,275,028, decrease in retail sales of \$5,754,454 and decrease in other operating revenues of \$81,456.

Total operating expenses of the Power and Light Fund of \$66,138,401 reflect a decrease of \$5,823,730 over fiscal year 2000-01 total operating expenses of \$71,962,131 or 8.1%. The decrease is primarily due to lower supply costs of \$5,770,915, lower payment in lieu of taxes of \$677,917, which were offset by higher depreciation costs of \$424,077 and higher personal service costs of \$279,990.

Water

Total operating revenues of the Water Fund of \$15,224,353 reflect an increase of \$299,143 from fiscal year 2000-01 total operating revenues of \$14,925,210 or 2.00%. The revenue increase is the result of customer increases between this year and last year.

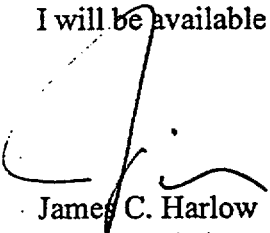
Total operating expenses of the Water Fund of \$13,852,542 reflect an increase of \$195,428 from fiscal year 2000-01 total operating expenses of \$13,657,114 or 1.43%. While total operating expenses haven't risen significantly, there have been increases in chemical costs, customer records and collections costs, employee benefits, outside services employed, and maintenance of water treatment plant. These increases have been offset by reductions in meter reading expenses and in the maintenance of water mains and reservoirs.

Sanitary Sewer

Total operating revenues of the Sanitary Sewer Fund of \$12,652,848 reflect a decrease of \$214,921 from fiscal year 2000-01 total operating revenues of \$12,867,769 or 1.67%. This decrease is attributable to a decrease in commercial and contract waste revenues.

Total operating expenses of the Sanitary Sewer Fund of \$11,992,519 reflect a decrease of \$30,741 from fiscal year 2000-01 total operating expenses of \$12,023,260 or 0.3%. This decrease is attributable to decreased depreciation expenses and decreased PILOT costs.

I will be available to discuss any questions you may have regarding this information.



James C. Harlow
Director of Finance & Administration

City of Independence, Missouri
Analysis of General Fund Revenues - Actual Plus Estimated

Description	Original Budget	Revised Budget	Actual Revenue Through #N/A	Estimated Revenue To Year End	Total Projected Revenue	Variance To Budgeted Revenues	Notes
Property Taxes:							
General Property Taxes:							
Real Estate	6,017,151	6,017,151	5,956,418		5,956,418	-60,733	
R.R. & Other Utility	39,200	39,200	45,912		45,912	6,712	
Total Property Taxes	6,056,351	6,056,351	6,002,330		6,002,330	-54,021	
Sales and Use Taxes:							
Local Option Sales Tax	17,411,522	17,411,522	16,520,681		16,520,681	-890,841	
Cigarette Tax	610,000	610,000	594,665		594,665	-15,335	
Total Sales and Use Taxes	18,021,522	18,021,522	17,115,345		17,115,345	-906,177	
Utility Franchise Fees:							
Water	23,000	23,000	19,291		19,291	-3,709	
Gas	3,334,902	3,334,902	3,231,762		3,231,762	-103,140	
Telephone	3,070,000	3,070,000	2,495,029		2,495,029	-574,971	a
Electricity	175,000	175,000	239,907		239,907	64,907	
Cable Television	527,204	527,204	559,104		559,104	31,900	
Total Utility Franchise Fees	7,130,106	7,130,106	6,545,093		6,545,093	-585,013	
Payments in Lieu of Taxes							
Power & Light in Lieu of Taxes	7,254,247	7,254,247	6,866,053		6,866,053	-388,194	
Water Service in Lieu of Taxes	889,434	889,434	896,170		896,170	6,736	
Sanitary Sewer in Lieu of Taxes	1,068,266	1,068,266	1,049,596		1,049,596	-18,670	
Total Payments in Lieu of Taxes	9,211,947	9,211,947	8,811,819		8,811,819	-400,128	
Total Taxes	40,419,926	40,419,926	38,474,587		38,474,587	-1,945,339	
Business Licenses & Permits:							
Occupation Licenses	1,383,116	1,383,116	1,311,074		1,311,074	-72,042	
Liquor Licenses	78,588	78,588	80,938		80,938	2,350	
Planning Exam & Licenses	41,500	41,500	70,926		70,926	29,426	
Fin - Other License/Permits	51,762	51,762	57,441		57,441	5,679	
Building Permits, Com. Develop.	1,111,500	1,111,500	1,033,543		1,033,543	-77,957	
Construction Permits, Public Works	380,400	380,400	507,593		507,593	127,193	
Nursing Home Permits	800	800	800		800		
Day Care Permits	4,500	4,500	5,882		5,882	1,382	
Food Handler's Permits	35,000	35,000	46,538		46,538	11,538	
Massage Therapist Appl	1,300	1,300	2,490		2,490	1,190	
Other Food Permits	70,700	70,700	86,014		86,014	15,314	
Ambulance Permits & Licenses	5,000	5,000	31,494		31,494	26,494	
Plan Reviews - Health Dept.	12,000	12,000	1,200		1,200	-10,800	
Subtotal Bus. Licenses & Permits	3,176,166	3,176,166	3,235,933		3,235,933	59,767	
Non-business Licenses & Permits:							
Motor Vehicle Licenses	435,000	435,000	409,394		409,394	-25,606	
Subtotal Non-bus. Lic. & Permits	435,000	435,000	409,394		409,394	-25,606	
Total Licenses & Permits	3,611,166	3,611,166	3,645,327		3,645,327	34,161	
Intergovernmental Revenue:							
Federal:							
Emergency Management	37,000	37,000	41,807		41,807	4,807	
Public Health Nursing	208,000	211,988	192,929		192,929	-19,059	
Community Health ed	27,500	27,500				-27,500	
Dial-a-ride	25,300	26,521	26,614		26,614	93	
Other	223,029	5,385,292	5,925,619		5,925,619	540,327	
Total Federal	520,829	5,688,301	6,186,969		6,186,969	498,668	

City of Independence, Missouri
Analysis of General Fund Revenues - Actual Plus Estimated

Description	Original Budget	Revised Budget	Actual Revenue Through #N/A	Estimated Revenue To Year End	Total Projected Revenue	Variance To Budgeted Revenues	Notes
State:							
Financial Institutions Tax	22,000	22,000	31,592		31,592	9,592	
Gasoline Tax	3,035,765	3,035,765	3,128,765		3,128,765	93,000	
Motor Vehicle License Fees	553,440	553,440	543,897		543,897	-9,543	
Motor Vehicle Sales Tax	766,791	766,791	902,656		902,656	135,865	
Other		139,575	678,743		678,743	539,168	
Total State	4,377,996	4,517,571	5,285,654		5,285,654	768,083	
Other:							
Jackson County Drug Task Force	522,658	533,767	486,019		486,019	-47,748	
Jackson County Dare Program	334,095	334,095	333,276		333,276	-819	
Mid Am Reg Council	30,000	30,000	25,000		25,000	-5,000	
Other Misc. Grants		19,725	1,992		1,992	-17,733	
Total Other	886,753	917,587	846,287		846,287	-71,300	
Total Intergovernmental Revenue	5,785,578	11,123,459	12,318,909		12,318,909	1,195,450	
Charges for Current Services:							
General Government:							
Planning & Zoning Fees	40,000	40,000	37,199		37,199	-2,801	
Board of Adjustment Fees	3,600	3,600	6,671		6,671	3,071	
Sale of Maps, Books, Plans	18,500	18,500	11,674		11,674	-6,826	
Sale of Police Reports	64,143	64,143	43,845		43,845	-20,298	
Sale of Fire Reports	900	900	1,160		1,160	260	
Computer Service Charges	31,000	31,000	24,398		24,398	-6,602	
Health:							
Animal Shelter Fees	50,000	50,000	48,512		48,512	-1,488	
Animal ID Tags	400	400	560		560	160	
Public Safety:							
Reimb. For Police Services	278,847	530,239	285,647		285,647	-244,592	
School Resource Officers	141,570	173,702	170,195		170,195	-3,507	
Alarm Charges - Police	56,250	56,250	53,700		53,700	-2,550	
Alarm Charges - Fire	2,000	2,000	6,775		6,775	4,775	
Recreation:							
Class Fees	45,000	45,000	39,051		39,051	-5,949	
Park Concessions	15,000	15,000	1,543		1,543	-13,457	
Pool Fees							
Sermon Center	22,000	22,000	13,776		13,776	-8,224	
Recreation Rentals	50,000	50,000	54,270		54,270	4,270	
National Frontier Trails Center:							
NFTC - Admissions & Rentals	41,000	41,000	35,952		35,952	-5,048	
NFTC - Gift Shop	38,000	38,000	39,048		39,048	1,048	
Cemetery:							
Sale of Cemetery Lots	40,000	40,000	44,450		44,450	4,450	
Sale of Monument Bases	5,000	5,000	14,392		14,392	9,392	
Grave Opening Charges	65,000	65,000	57,550		57,550	-7,450	
Other Charges:							
Sale of Street Signs	2,000	2,000	4,549		4,549	2,549	
Special Assessments	20,000	20,000	121,384		121,384	101,384	
Sale of Recycled Material	44,000	44,000	55,569		55,569	11,569	
Solid Waste Disp Fees	42,000	42,000	21,247		21,247	-20,753	
Miscellaneous Charges	140,000	187,939	223,576		223,576	35,637	
Total Charges for Current Services	1,256,210	1,587,673	1,416,694		1,416,694	-170,979	

City of Independence, Missouri
Analysis of General Fund Revenues - Actual Plus Estimated

Description	Original Budget	Revised Budget	Actual Revenue Through #N/A	Estimated Revenue To Year End	Total Projected Revenue	Variance To Budgeted Revenues	Notes
Fines and Court Costs							
Fines & Forfeitures	2,931,988	2,935,943	2,719,142		2,719,142	-216,801	
Court Costs	352,140	352,140	342,786		342,786	-9,354	
Police Training	56,409	56,409	55,179		55,179	-1,230	
Domestic Violence	56,867	56,867	54,816		54,816	-2,051	
Dwi/drug	35,926	35,926	27,983		27,983	-7,943	
Special Warrant Collection							
Total Fines and Court Costs	3,433,330	3,437,285	3,199,906		3,199,906	-237,379	
Interest Income							
Interest	170,000	170,000	103,193		103,193	-66,807	
Special Assessments - Interest	10,000	10,000	5,191		5,191	-4,809	
Interest - Other	45,000	45,000	80,597		80,597	35,597	
Total Interest Income	225,000	225,000	188,980		188,980	-36,020	
Interfund Chgs. For Supp. Serv.	2,696,800	2,696,800	2,791,637		2,791,637	94,837	
Other Revenue:							
Sale of Land							
Sale of Fixed Assets	40,000	40,000	168,381		168,381	128,381	
Rents	136,485	136,485	146,220		146,220	9,735	
Damage Claims	20,000	49,325	16,270		16,270	-33,055	
Contributions	50,000	153,808	97,987		97,987	-55,821	
Housing Auth. In Lieu of Taxes							
Cash Over/Short			(544)		-544	-544	
Discounts Taken	1,000	1,000	631		631	-369	
Misc. Non-operating Revenue	130,000	137,266	277,228		277,228	139,962	
Total Other Revenue	377,485	517,884	706,173		706,173	188,289	
Total Revenue	57,805,495	63,619,193	62,742,214		62,742,214	(876,979)	

Notes:

a. Budgeted revenues include \$570,000 for wireless communications. At this time we have only one company paying the franchise for the sale of this product in the City.

City of Independence, Missouri
Balance Sheet
Governmental Funds
June 30, 2002

Assets	General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 6,940	10,468,017	10,474,957
Receivables:			
Taxes	2,696,478	1,788,125	4,484,603
Accounts	197,597	1,297,098	1,494,695
Special assessment principal and accrued interest	570,265	1,017,236	1,587,501
Accrued interest	-	1,730	1,730
Due from other funds	2,242,767	399,940	2,642,707
Due from other governments	3,486,449	2,948,602	6,435,051
Restricted assets	812,963	11,408,366	12,221,329
Advance to other funds	76,502	-	76,502
Total assets	<u>\$ 10,089,961</u>	<u>29,329,114</u>	<u>39,419,075</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	\$ 490,756	2,500,440	2,991,196
Due to other funds	-	3,070,841	3,070,841
Accrued items	1,259,318	26,637	1,285,955
Other current liabilities	370,182	2,460,000	2,830,182
Deferred revenue	678,489	954,343	1,632,832
Liabilities payable from restricted assets:			
Deposits and court bonds	197,010	-	197,010
Advances from other funds	-	122,569	122,569
Total liabilities	<u>2,995,755</u>	<u>9,134,830</u>	<u>12,130,585</u>
 Fund Balances:			
Reserved for:			
Encumbrances	2,543,500	6,773,873	9,317,373
Debt service	-	-	-
Domestic violence	13,491	-	13,491
Other purposes	224,953	6,924,497	7,149,450
Unreserved, reported in:			
General fund	1,965,621	-	1,965,621
Special revenue funds	-	2,242,457	2,242,457
Capital project funds	-	(368,377)	(368,377)
Other	-	7,966	7,966
Designated general fund	2,346,641	-	2,346,641
Designated special revenue funds	-	135,211	135,211
Designated capital project funds	-	4,473,657	4,473,657
Designated other	-	5,000	5,000
Total fund balance	<u>7,094,206</u>	<u>20,194,284</u>	<u>27,288,490</u>
Total liabilities and fund balance	<u>\$ 10,089,961</u>	<u>29,329,114</u>	<u>39,419,075</u>

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending June 30, 2002

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 29,662,768	16,046,854	45,709,622
Licenses and permits	3,645,327	312,206	3,957,533
Intergovernmental	12,318,909	3,693,710	16,012,619
Utility payments in lieu of taxes	8,811,819	-	8,811,819
Charges for services	1,416,694	77,495	1,494,189
Interfund charges for support services	2,791,637	-	2,791,637
Fines, forfeitures, and court costs	3,199,906	-	3,199,906
Investment Income	188,980	568,892	757,872
Sale of property, plant, and equipment	168,381	-	168,381
Other	537,792	799,310	1,337,102
Total revenues	<u>62,742,213</u>	<u>21,498,467</u>	<u>84,240,680</u>
Expenditures:			
Current:			
General government	6,477,775	-	6,477,775 ✓
Public safety	31,290,454	-	31,290,454 ✓
Public works	6,214,221	12,950	6,227,171
Health and welfare	2,193,035	-	2,193,035 ✓
Culture and recreation	2,153,537	820,178	2,973,715
Community development	2,156,956	1,358,670	3,515,626 ✓
Storm Water	320,173	495,481	815,654
Nondepartmental/other	10,794,758	-	10,794,758 ✓
Capital outlay	1,365,432	27,890,249	29,255,681
Debt service:			
Principal	733,947	1,006,584	1,740,531
Interest and fiscal agent fees	181,321	2,554,786	2,736,107
Total expenditures	<u>63,881,609</u>	<u>34,138,898</u>	<u>98,020,507</u>
Excess (deficiency) of revenues over expenditures	<u>(1,139,396)</u>	<u>(12,640,431)</u>	<u>(13,779,827)</u>
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	1,782,830	11,655,000	13,437,830
Operating transfers in	-	1,686,134	1,686,134
Operating transfers out	(1,518,245)	(317,974)	(1,836,219)
Total other financing sources (uses)	<u>264,585</u>	<u>13,023,160</u>	<u>13,287,745</u>
Net change in fund balances	(874,811)	382,729	(492,082)
Fund balances, beginning	7,969,013	19,811,559	27,780,572
Fund balances, ending	<u>\$ 7,094,202</u>	<u>20,194,288</u>	<u>27,288,490</u>

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Revenues
General Fund
For the Twelve Months Ending June 30, 2002

	Original Estimated Revenue	Amended Estimated Revenues	YTD Actual Revenue	Variance Actual To Original
Taxes:				
Property Taxes	6,056,351	6,056,351	6,002,330	<54,021>
Local Option Sales Tax	17,411,522	17,411,522	16,520,681	<890,841>
Cigarette Tax	610,000	610,000	594,665	<15,335>
Utility Franchise Fees	7,130,106	7,130,106	6,545,093	<585,013>
Total Taxes	31,207,979	31,207,979	29,662,769	<1,545,210>
Licenses and Permits	3,611,166	3,611,166	3,645,327	34,161
Intergovernmental Revenue:				
Federal	520,829	5,688,301	6,186,969	5,666,140
State	4,377,996	4,517,571	5,285,654	907,658
Other	886,753	917,587	846,287	<40,466>
Total Intergovernmental Rev	5,785,578	11,123,459	12,318,910	6,533,332
Payments In Lieu of Taxes				
P & L In Lieu of Taxes	7,254,247	7,254,247	6,866,053	<388,194>
Water In Lieu of Taxes	889,434	889,434	896,170	6,736
Sewer In Lieu of Taxes	1,068,266	1,068,266	1,049,596	<18,670>
Total In Lieu of Taxes	9,211,947	9,211,947	8,811,819	<400,128>
Charges for Current Services	1,256,210	1,587,673	1,416,694	160,484
Interfund Charges	2,696,800	2,696,800	2,791,637	94,837
Fines & Forfeitures	3,433,330	3,437,285	3,199,906	<233,424>
Interest	225,000	225,000	188,980	<36,020>
Other Revenue	377,485	1,581,401	2,489,003	2,111,518
Total General Fund Revenue	57,805,495	64,682,710	64,525,045	6,719,550

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Twelve Months Ending June 30, 2002

	Total Original Budget	Total Revised Budget	YTD Expend. Current Budget	Encumbr. Against Current Budget	Expend. Against Prior Year Budget	Total Expend- itures
General Government:						
City Council	342,824	351,253	348,513	2,145	563	349,076
City Clerk	412,530	434,966	420,022	9,995	6,161	426,183
City Manager	739,870	781,642	759,984	5,487	9,874	769,858
National Frontier Trails	305,027	313,863	306,137	2,581	7,390	313,527
Information Technology	1,435,189	1,516,018	1,492,913	10,513	11,930	1,493,189
Municipal Court	547,522	588,565	583,971	4,586	595,901	595,901
Law Department	659,813	738,231	668,226	69,991	668,226	668,226
Finance Department	1,397,239	1,487,094	1,461,610	25,483	28,407	1,490,017
Personnel Department	441,933	461,485	417,588	1,140	7,290	424,878
Total General Government	6,281,947	6,683,117	6,458,964	131,871	71,891	6,530,855
Public Safety:						
Community Development	2,090,141	2,190,155	2,100,185	20,196	56,771	2,156,956
Police Department	16,410,950	19,235,598	18,653,056	170,328	387,390	19,040,446
Fire Department	12,406,284	12,800,467	12,557,587	77,195	214,754	12,772,341
Total Public Safety	30,907,375	34,226,220	33,310,828	267,719	658,915	33,969,743
Public Works						
Storm Water	6,371,255	6,588,018	6,093,614	361,929	120,607	6,214,221
Health Department	1,367,686	2,324,956	310,762	7,780	9,411	320,173
Parks and Recreation	1,962,053	2,269,921	2,110,998	57,206	82,037	2,193,035
Non-Departmental	2,000,678	2,187,007	2,134,621	34,549	18,916	2,153,537
Council Goals	6,445,738	10,095,065	10,295,360	128,288	53,241	10,348,601
Debt Service	400,000	741,461	217,262	239,571	87,166	304,428
Capital Outlay	103,504	241,054	241,053	1,226,762	4,180	245,233
Total Other	3,483,066	2,709,165	1,235,961	2,056,085	365,822	1,601,783
Total Expenditures & Encumb.	58,143,302	66,065,984	62,409,423	2,455,675	1,472,186	63,881,609

City of Independence, Missouri
Balance Sheet
Proprietary Funds
June 30, 2002

Assets	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Current assets:					
Pooled cash and investments	7,285,138	22,165,082	9,832,448	39,282,668	1,916,350
Receivables:	0	0	0	0	0
Taxes	0	0	0	0	0
Accounts (net of allowance of \$689,780)	4,731,549	1,208,223	1,012,749	6,952,521	0
Unbilled Revenue	5,654,715	795,991	809,085	7,259,791	0
Special assessment principal and accrued interest	0	107,776	331,684	439,460	0
Accrued interest	213,117	106,136	11,467	330,720	3,016
Other	0	124,108	0	124,108	0
Internal balances	102,300	0	325,834	428,134	0
Due from flexible benefit plan	0	0	0	0	0
Due from other governments	4,696,334	1,196	501	4,698,031	0
Due from employees	0	0	0	0	0
Inventory	9,571,604	646,135	55,059	10,272,798	83,987
Prepaid items	66,366	2,913	0	69,279	0
Total current assets	32,321,123	25,157,559	12,378,827	69,857,509	2,003,353
Noncurrent assets:					
Restricted assets	19,179,354	744,789	166,271	20,090,424	0
Property, plant, and equipment	0	0	0	0	0
Land	2,637,065	1,991,833	330,191	4,959,089	93,979
Construction in progress	13,007,754	1,803,114	6,640,491	21,451,359	0
Depreciable property, plant, and equipment	0	0	0	0	0
Infrastructure	0	0	0	0	0
Acquisition adjustment	2,755,568	12,547,766	0	15,303,334	0
Depreciable property, plant, and equipment	250,821,075	73,992,320	84,062,717	408,876,112	242,304
Non utility property	0	40,014	48,368	88,382	0
Less accumulated depreciation	(132,897,532)	(22,016,448)	(35,898,809)	(190,812,789)	(225,850)
Advance to other funds	0	0	46,067	46,067	0
Deferred debt issue costs	1,371,398	932,194	13,144	2,316,736	0
Prepaid employee benefits	925,246	122,467	175,330	1,223,043	0
Other deferred charges	331,500	721,963	0	1,053,463	0
Total noncurrent assets	158,131,428	70,880,023	55,581,770	284,593,221	110,433
Total assets	190,452,551	96,037,582	67,960,597	354,450,730	2,113,786

City of Independence, Missouri
Balance Sheet
Proprietary Funds
June 30, 2002

Liabilities and net assets	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Current liabilities:					
Accounts and contracts payable	4,242,926	614,564	134,616	4,992,106	23,249
Internal balances	0	0	0	0	0
Accrued items	587,173	348,917	947,895	1,883,985	13,716
Other current liabilities	167,400	284,352	30,019	481,771	0
Deferred revenue	0	35,526	0	35,526	0
Notes payable	0	0	0	0	0
General obligation/TIF bonds payable	0	0	0	0	0
TIF loan payable	0	0	0	0	0
Revenue bonds payable	0	0	0	0	0
Capital lease obligations	0	0	0	0	0
Compensated absences - current	912,041	336,593	195,703	1,444,337	33,707
Employee benefits payable	0	0	0	0	1,223,043
Medical self-insurance claims	0	0	0	0	745,108
Liabilities payable from restricted assets:	0	0	0	0	0
Deposits and court bonds	763,590	206,799	141,271	1,111,660	0
Interest on long-term debt	97,756	252,710	0	350,466	0
Current maturities on revenue bonds	1,740,000	1,070,000	0	2,810,000	0
Current maturities on loan payable	0	0	575,000	575,000	0
Deferred compensation benefits payable	0	0	0	0	0
Total current liabilities	8,510,886	3,149,460	2,024,504	13,684,850	2,038,823
Noncurrent liabilities:					
Loan payable	0	0	0	0	0
General obligation/TIF bonds payable	0	0	0	0	0
TIF loan payable	0	0	0	0	0
Revenue bonds payable	22,271,614	32,195,000	0	54,466,614	0
Capital lease obligations	0	0	0	0	0
Compensated absences - long-term	2,700,875	926,901	479,393	4,107,169	57,274
Advances for construction	95,153	82,925	0	178,078	0
Advances from other funds	0	0	0	0	0
Use tax payable	0	0	0	0	0
Total noncurrent liabilities	25,067,642	33,204,826	479,393	58,751,861	57,274
Total liabilities	33,578,528	36,354,286	2,503,897	72,436,711	2,096,097
Net Assets					
Invested in capital assets, net of related debt	114,052,317	36,163,600	55,180,958	205,396,875	110,433
Restricted for:	0	0	0	0	0
Capital Projects	0	0	0	0	0
Special revenue	0	0	0	0	0
Debt service	0	500,000	0	500,000	0
Other	0	0	0	0	0
Unrestricted	42,821,706	23,019,695	10,275,742	76,117,143	(92,744)
Total net assets	156,874,023	59,683,296	65,456,700	282,014,019	17,689
Total liabilities and net assets	190,452,551	96,037,582	87,960,597	354,450,730	2,113,786

City of Independence, Missouri
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For Twelve Months Ended June 30, 2002

	Business type Activities Enterprise Funds				Governmental Activities
	Power and Light	Water	Sanitary Sewer	Totals	Internal Service Funds
Operating revenues:					
Charges for Services	71,449,383	14,995,979	12,549,819	98,995,161	1,236,922
Miscellaneous	829,474	228,375	103,029	1,160,878	8,783,557
Total operating Revenues	72,278,837	15,224,353	12,652,848	100,156,038	10,000,479
Operating expenses:					
Personal services	11,034,038	5,060,702	3,506,200	20,600,940	518,405
Other Services	6,914,947	2,817,857	5,013,371	14,546,175	9,284,485
Supplies	28,655,609	1,007,143	309,790	29,972,542	433,527
Capital Outlay	1,852	12,160	0	13,812	(9,152)
Other expenses	4,115,026	2,451,061	70,639	6,636,726	0
Depreciation & amortization	7,742,582	1,798,448	2,042,914	11,583,924	5,270
Payment in lieu of tax	8,866,053	896,170	1,049,596	8,811,819	0
Total operating expenses	68,229,887	13,852,542	11,992,519	92,074,948	10,212,515
Operating Income (loss)	6,048,950	1,371,811	660,329	8,081,090	(212,036)
Nonoperating revenues (expenses)					
Interest revenue	1,371,134	748,185	385,513	2,504,832	59,512
Miscellaneous Revenue	280,517	967,488	62,263	1,310,268	2,039
Interest Expense	(1,482,900)	(1,601,094)	(83,579)	(3,147,573)	0
Miscellaneous Expense	0	0	0	0	0
Total nonoperating revenue (expense)	168,751	114,579	384,197	667,527	61,551
Income (loss) before contributions and transfers	6,217,701	1,486,391	1,044,526	8,748,618	(150,485)
Capital contributions	280,890	1,186,261	409,633	1,856,784	0
Transfers in (out)	28,588	(4,481)	110,396	132,501	17,585
Change in net assets	6,505,177	2,668,170	1,564,555	10,737,902	(132,900)
Total net assets - beginning	150,369,846	57,015,125	63,892,145	271,276,116	150,589
Total net assets - ending	156,874,023	59,683,296	65,456,700	282,014,019	17,689

City of Independence, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Private- Purpose Trust Funds	Agency Funds
	-----	-----
Assets		
Pooled cash and investments	\$ 51,998	\$ 46,141
Receivables:		
Accrued interest	-	496
Other	-	-
	-----	-----
Total assets	51,998	\$ 46,637
	-----	=====
Liabilities and net assets		
Accounts and contracts payable	176	\$ -
Accrued items	-	-
Other current liabilities	-	-
Liabilities payable from restricted assets:		
Deposits	-	-
Funds held in Escrow	-	22,338
Employee Deferred Credit	-	24,299
	-----	-----
Total liabilities	176	\$ 46,637
	-----	=====
Net Assets		
Held in Trust	\$ 51,822	
	=====	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
June 30, 2002

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Total
Pooled cash and investments	\$ 1	5,138	-	-	2,127,043	2,122,546	3,954,828	401,378	8,610,734
Receivables:									
Taxes	120,362	7,560	-	-	828,328	276,443	538,657	-	1,771,350
Accounts	18,028	-	-	-	-	-	-	-	18,028
Accrued interest	-	-	-	-	-	-	1,730	-	1,730
Due from other funds	164,527	-	-	-	-	-	-	-	164,527
Due from other governments	19,810	-	137,101	42,990	-	-	243	-	200,144
Restricted assets	-	-	-	-	-	15,842	-	-	15,842
Total assets	\$ 322,728	12,698	137,101	42,990	2,955,371	2,414,831	4,495,258	401,378	10,782,355
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	\$ 20,361	-	6,735	1,739	540,361	427,555	74,631	-	1,071,382
Due to other funds	-	-	130,917	39,611	-	-	15,356	-	185,884
Accrued items	5,180	-	3,269	1,636	-	7,094	9,458	-	26,637
Other current liabilities	-	-	-	-	2,460,000	-	-	-	2,460,000
Deferred revenue	81,362	-	-	-	-	-	-	-	81,362
Advances from other funds	-	-	-	-	-	-	46,067	-	46,067
Total liabilities	106,903	-	140,921	42,986	3,000,361	434,649	145,512	-	3,871,332
Fund Balances:									
Reserved for:									
Encumbrances	43,400	-	452,642	347,534	2,161,653	380,132	1,142,363	-	4,527,724
Other purposes	-	-	-	-	-	5,631	-	-	5,631
Unreserved, reported in:									
Special revenue funds	172,425	12,698	(456,462)	(347,530)	(2,206,643)	1,584,208	3,082,383	401,378	2,242,457
Designated special revenue funds	-	-	-	-	-	10,211	125,000	-	135,211
Total fund balance	215,825	-	(3,820)	4	(44,990)	1,980,182	4,349,746	401,378	6,911,023
Total liabilities and fund balance	\$ 322,728	12,698	137,101	42,990	2,955,371	2,414,831	4,495,258	401,378	10,782,355

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Twelve Months Ending June 30, 2002

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Total
Revenues:									
Taxes	\$ 471,450 ✓	17,887 ✓	-	-	6,185,076 ✓	2,062,025 ✓	3,928,129 ✓	-	12,664,567 ✓
Licenses and permits	-	-	-	-	-	-	-	312,206 ✓	312,206 ✓
Intergovernmental	43,772 ✓	-	1,213,067 ✓	414,323 ✓	-	-	6,253 ✓	-	1,677,415 ✓
Charges for services	1,014 ✓	-	-	-	23,436 ✓	-	-	-	24,450 ✓
Investment income	4,363 ✓	309 ✓	-	-	29,208 ✓	-	65,322 ✓	6,996 ✓	172,154 ✓
Other	29,206 ✓	-	(52) ✓	-	-	-	6	-	29,160 ✓
Total revenues	549,805	18,196	1,213,015	414,323	6,237,720	2,127,981	3,999,710	319,202	14,879,952
Expenditures:									
Current:									
Public works	-	-	-	-	12,950	-	-	-	12,950
Culture and recreation	494,146	-	-	-	-	326,032	-	-	820,178
Community development	-	-	944,347	414,323	-	-	-	-	1,358,670
Storm water	-	-	-	-	-	-	495,481	-	495,481
Capital outlay	-	11,864	-	-	5,998,684	2,689,298	511,985	-	9,211,841
Debt service:	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	60,482	-	60,482
Interest and fiscal agent fees	-	-	-	-	2,191	51,638	14,525	-	68,354
Total expenditures	494,146	11,864	944,347	414,323	6,013,835	3,066,968	1,082,473	-	12,027,956
Excess (deficiency) of revenues over expenditures	55,659	6,332	268,668	-	223,885	(938,987)	2,917,237	319,202	2,851,996
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	99,130	-	99,130
Operating transfers out	-	-	(268,597)	-	(13,727)	(4,576)	(9,151)	(21,923)	(317,974)
Total other financing sources (uses)	-	-	(268,597)	-	(13,727)	(4,576)	89,979	(21,923)	(218,844)
Net change in fund balances	55,659	6,332	71	-	210,158	(943,563)	3,007,216	297,279	2,633,152
Fund balances, beginning	160,166	6,366	(3,891)	4	(255,149)	2,923,743	1,342,531	104,100	4,277,870
Fund balances, ending	\$ 215,825	12,698	(3,820)	4	(44,991)	1,980,180	4,349,747	401,379	6,911,022

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
June 30, 2002

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Pooled cash and investments	\$ -	1	1,844,313	1	1	1	1,844,317
Receivables:							
Taxes	-	-	16,775	-	-	-	16,775
Accounts	-	-	573,030	20,575	-	685,465	1,279,070
Special assessment principal and accrued interest	1,017,236	-	-	-	-	-	1,017,236
Due from other funds	-	235,413	-	-	-	-	235,413
Due from other governments	990,233	-	171,770	497,349	291,986	797,120	2,748,458
Restricted assets	-	-	11,392,524	-	-	-	11,392,524
Total assets	\$ 2,007,469	235,414	13,998,412	517,925	291,987	1,482,586	18,533,793
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	\$ 121,900	-	863,553	20,069	4,274	419,262	1,429,058
Due to other funds	932,121	-	102,300	498,876	284,513	1,067,147	2,884,957
Deferred revenue	872,981	-	-	-	-	-	872,981
Advances from other funds	-	-	76,502	-	-	-	76,502
Total liabilities	1,927,002	-	1,042,355	518,945	288,787	1,486,409	5,263,498
Fund Balances:							
Reserved for:							
Encumbrances	719,257	-	106,979	719,624	162,737	537,552	2,246,149
Debt service	-	-	-	-	-	-	-
Domestic violence	-	-	-	-	-	-	-
Other purposes	-	-	6,918,866	-	-	-	6,918,866
Unreserved, reported in:							
Capital project funds	(638,790)	235,414	1,456,555	(720,644)	(159,537)	(541,375)	(368,377)
Designated capital project funds	-	-	4,473,657	-	-	-	4,473,657
Total fund balance	80,467	235,414	12,956,057	(1,020)	3,200	(3,823)	13,270,295
Total liabilities and fund balance	\$ 2,007,469	235,414	13,998,412	517,925	291,987	1,482,586	18,533,793

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Twelve Months Ending June 30, 2002

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	\$ -	-	3,382,287 ✓	-	-	-	3,382,287 ✓
Intergovernmental	67,275 ✓	-	-	122,073 ✓	199,490 ✓	1,627,457 ✓	2,016,295
Charges for services	33,045 ✓	-	20,000 ✓	-	-	-	53,045
Investment income	(62,356) ✓	6,543 ✓	452,191 ✓	-	-	-	396,378
Other	-	-	84,685 ✓	-	-	685,465 ✓	770,150
Total revenues	37,964	6,543	3,939,163	122,073	199,490	2,312,922	6,618,155
Expenditures:							
Current:							
Capital outlay	695,145	-	15,101,984	200,854	334,538	2,345,887	18,678,408
Debt service:							
Principal	-	-	946,102	-	-	-	946,102
Interest and fiscal agent fees	-	-	2,486,432	-	-	-	2,486,432
Total expenditures	695,145	-	18,534,518	200,854	334,538	2,345,887	22,110,942
Excess (deficiency) of revenues over expenditures	(657,181)	6,543	(14,595,355)	(78,781)	(135,048)	(32,966)	(15,492,787)
Other financing sources (uses):							
Proceeds from capital leases/bond issuance	-	-	11,655,000	-	-	-	11,655,000
Operating transfers in	776,149	-	564,059	78,782	135,048	32,966	1,587,004
Total other financing sources (uses)	776,149	-	12,219,059	78,782	135,048	32,966	13,242,004
Net change in fund balances	118,968	6,543	(2,376,296)	1	-	1	(2,250,783)
Fund balances, beginning	(38,500)	228,871	15,332,355	(1,020)	3,200	(3,823)	15,521,083
Fund balances, ending	\$ 80,468	235,414	12,956,059	(1,019)	3,200	(3,822)	13,270,300

City of Independence, Missouri
Balance Sheet
Permanent Fund
June 30, 2002

	Permanent Fund Waggoner Memorial	Total
Assets		
Pooled cash and investments	\$ 12,966	12,966
Total assets	\$ 12,966	12,966
 Liabilities and Fund Balances		
Liabilities:		
Total liabilities	-	-
 Fund Balances:		
Reserved for:		
Encumbrances	-	-
Debt service	-	-
Domestic violence	-	-
Other purposes	-	-
Unreserved, reported in:		
Other	7,966	7,966
Designated other	5,000	5,000
Total fund balance	12,966	12,966
Total liabilities and fund balance	\$ 12,966	12,966

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Twelve Months Ending June 30, 2002

	Permanent Fund Waggoner Memorial	Total
Revenues:		
Investment Income	\$ 360	360
Total revenues	360	360
Expenditures:		
Total expenditures	-	-
Excess (deficiency) of revenues over expenditures	360	360
Other financing sources (uses):		
Total other financing sources (uses)	-	-
Net change in fund balances	360	360
Fund balances, beginning	12,606	12,606
Fund balances, ending	\$ 12,966	12,966

City of Independence
Statement of Net Assets
Internal Service Funds
June 30, 2002

Assets	Central Garage	Employee Benefits	Staywell Health Care	Total
Current assets:				
Pooled cash and investments	152,602	1,079,435	684,313	1,916,350
Receivables:				0
Taxes				0
Accounts			0	0
Unbilled Revenue				0
Special assessment principal and accrued interest				0
Accrued interest		3,016		3,016
Other				0
Internal balances	0			0
Due from flexible benefit plan				0
Due from other governments				0
Due from employees				0
Inventory	83,987			83,987
Prepaid items				0
Total current assets	<u>236,589</u>	<u>1,082,451</u>	<u>684,313</u>	<u>2,003,353</u>
Noncurrent assets:				
Restricted assets				0
Property, plant, and equipment				0
Land	93,979			93,979
Construction in progress				0
Depreciable property, plant, and equipment				0
Infrastructure				0
Acquisition adjustment				0
Depreciable property, plant, and equipment	242,304			242,304
Non utility property				0
Less accumulated depreciation	(225,850)			(225,850)
Advance to other funds				0
Deferred debt issue costs				0
Prepaid employee benefits				0
Other deferred charges				0
Total noncurrent assets	<u>110,433</u>	<u>0</u>	<u>0</u>	<u>110,433</u>
Total assets	<u>347,022</u>	<u>1,082,451</u>	<u>684,313</u>	<u>2,113,786</u>

City of Independence
Statement of Net Assets
Internal Service Funds
June 30, 2002

	<u>Central Garage</u>	<u>Employee Benefits</u>	<u>Staywell Health Care</u>	<u>Total</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	23,249			23,249
Internal balances				0
Accrued items	13,716			13,716
Other current liabilities				0
Deferred revenue				0
Notes payable				0
General obligation/TIF bonds payable				
TIF loan payable				
Revenue bonds payable				
Capital lease obligations				
Compensated absences - current	33,707			33,707
Employee benefits payable		1,223,043		1,223,043
Medical self-insurance claims			745,108	745,108
Liabilities payable from restricted assets:				0
Deposits and court bonds				0
Interest on long-term debt				0
Current maturities on revenue bonds				0
Current maturities on loan payable				0
Deferred compensation benefits payable				0
Total current liabilities	<u>70,672</u>	<u>1,223,043</u>	<u>745,108</u>	<u>2,038,823</u>
Noncurrent liabilities:				
Loan payable				0
General obligation/TIF bonds payable				0
TIF loan payable				0
Revenue bonds payable				0
Capital lease obligations				0
Compensated absences - long-term	57,274			57,274
Advances for construction				0
Advances from other funds				0
Use tax payable	0			0
Total noncurrent liabilities	<u>57,274</u>	<u>0</u>	<u>0</u>	<u>57,274</u>
Total liabilities	<u>127,946</u>	<u>1,223,043</u>	<u>745,108</u>	<u>2,096,097</u>
Net Assets				
Invested in capital assets, net of related debt	110,433			110,433
Restricted for:				0
Capital projects				0
Special revenue				0
Debt service				0
Other				0
Unrestricted	108,643	(140,592)	(60,795)	(92,744)
Total net assets	<u>219,076</u>	<u>(140,592)</u>	<u>(60,795)</u>	<u>17,689</u>
Total liabilities and net assets	<u>347,022</u>	<u>1,082,451</u>	<u>684,313</u>	<u>2,113,786</u>

City of Independence, Missouri
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For Twelve Months Ended June 30, 2002

	Central Garage	Employee Benefits	Staywell Health Care	Totals
Operating revenues:				
Charges for Services	1,236,922	0	0	1,236,922
Miscellaneous	0	0	8,763,557	8,763,557
Total operating Revenues	1,236,922	0	8,763,557	10,000,479
Operating expenses:				
Personal services	518,405	0	0	518,405
Other Services	246,697	0	9,017,768	9,264,465
Supplies	433,527	0	0	433,527
Capital Outlay	(9,152)	0	0	(9,152)
Other expenses	0	0	0	0
Depreciation & amortization	5,270	0	0	5,270
Payment in lieu of tax	0	0	0	0
Total operating expenses	1,194,747	0	9,017,768	10,212,515
Operating Income (loss)	42,175	0	(254,211)	(212,036)
Nonoperating revenues (expenses)				
Interest revenue X	3,680	35,143	20,689	59,512
Miscellaneous Revenue	2,039	0	0	2,039
Interest Expense X	0	0	0	0
Miscellaneous Expense	0	0	0	0
Total nonoperating revenue (expense)	5,719	35,143	20,689	61,551
Income (loss) before contributions and transfers	47,894	35,143	(233,522)	(150,485)
Capital contributions	0	0	0	0
Transfers in (out) X	0	17,585	0	17,585
Change in net assets X	47,894	52,728	(233,522)	(132,900)
Total net assets - beginning	171,182	(193,320)	172,727	150,589
Total net assets - ending	219,076	(140,592)	(60,795)	17,689

City of Independence, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Private-Purpose Trust Funds				Agency Funds		
	Miscellaneous Expendable Trust	Truman Memorial Bldg Restoration	Mayor's Benefit Fund	Total	Flexible Benefit Plan	Susie Block Trust	Total
Assets							
Pooled cash and investments	\$ 51,998	\$ -	\$ -	\$ 51,998	\$ 24,299	\$ 21,842	\$ 46,141
Receivables:							
Accrued interest	-	-	-	-	-	496	496
Other	-	-	-	-	-	-	-
Total assets	<u>51,998</u>	<u>-</u>	<u>-</u>	<u>51,998</u>	<u>\$ 24,299</u>	<u>\$ 22,338</u>	<u>\$ 46,637</u>
Liabilities and net assets							
Accounts and contracts payable	176	-	-	176			
Accrued items	-	-	-	-			
Other current liabilities	-	-	-	-			
Liabilities payable from restricted assets:							
Deposits and court bonds	-	-	-	-			
Funds held in Escrow	-	-	-	-	\$ -	\$ 22,338	\$ 22,338
Employee Deferred Credit	-	-	-	-	24,299	-	24,299
Total liabilities	<u>176</u>	<u>-</u>	<u>-</u>	<u>176</u>	<u>\$ 24,299</u>	<u>\$ 22,338</u>	<u>\$ 46,637</u>
Net Assets							
Held in Trust	\$ <u>51,822</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>51,822</u>			

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
JUNE 30, 2002

FUND	CASH & INVESTMENTS	RESTRICTED ASSETS	DUE TO POOLED CASH	OTHER CASH ITEMS	TOTAL
GENERAL	6,940.07	812,963.13	-	-	819,903.20
SPECIAL REVENUE					
TOURISM	0.60	-	-	-	0.60
CDA	0.41	-	-	-	0.41
RENTAL REHAB	0.39	-	-	-	0.39
INDEP. SQUARE BENEFIT	5,137.60	-	-	-	5,137.60
STREET SALES TAX	2,127,042.71	-	-	-	2,127,042.71
PARKS SALES TAX	2,122,545.50	15,841.66	-	-	2,138,387.16
STORM WATER SALES TAX	3,954,628.44	-	-	-	3,954,628.44
LICENSE SURCHARGE	401,378.44	-	-	-	401,378.44
TOTAL	8,610,734.09	15,841.66	-	-	8,626,575.75
CAPITAL PROJECTS					
STREET	0.25	-	-	-	0.25
TIF	1,844,312.78	11,392,523.88	-	-	13,236,836.66
BUILDING	0.86	-	-	-	0.86
STORM DRAINAGE	0.93	-	-	-	0.93
PARKS	0.56	-	-	-	0.56
REVOLVING PUBLIC IMPROV.	0.82	-	-	-	0.82
TOTAL	1,844,316.20	11,392,523.88	-	-	13,236,840.08
ENTERPRISE					
POWER & LIGHT	7,285,137.61	19,179,354.46	-	-	26,464,492.07
WATER	22,165,081.89	744,798.54	-	-	22,909,880.43
SEWER	9,832,447.84	166,271.27	-	-	9,998,719.11
STORM WATER	-	-	-	-	-
TOTAL	39,282,667.34	20,090,424.27	-	-	59,373,091.61
INTERNAL SERVICE					
EMPLOYEE BENEFITS	1,079,434.89	-	-	-	1,079,434.89
CENTRAL GARAGE	152,602.05	-	-	-	152,602.05
STAYWELL INSURANCE	684,312.83	-	-	-	684,312.83
TOTAL	1,916,349.77	-	-	-	1,916,349.77
TRUST & AGENCY					
WAGGONER	12,966.25	-	-	-	12,966.25
MISC TRUST	51,997.53	-	-	-	51,997.53
SUSIE PAXTON BLOCK TRUST	21,842.43	-	-	-	21,842.43
TRUMAN MEMORIAL	-	-	-	-	-
MAYOR'S FUND	-	-	-	-	-
FLEXIBLE BENEFITS	24,298.99	-	-	-	24,298.99
TOTAL	111,105.20	-	-	-	111,105.20
GRAND TOTAL	51,772,112.67	32,311,752.94	-	-	84,083,865.61

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY
JUNE 30, 2002

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		28,096,353.31	28,096,353.31	.
CERTIFICATE OF DEPOSIT				
TOTAL		0.00	0.00	
U. S. TREASURY NOTES				
Paine WEBBER	07/08/02	7,951,380.00	7,951,380.00	1.910%
UNITED MISSOURI BANK	08/15/02	8,250,960.00	8,250,960.00	3.521%
MERRILL LYNCH	08/23/02	3,976,861.11	3,976,861.11	1.785%
Paine WEBBER	09/03/02	11,925,833.33	11,925,833.33	1.816%
Paine WEBBER	09/16/02	9,942,475.00	9,942,475.00	1.810%
MERRILL LYNCH	09/27/02	7,953,333.33	7,953,333.33	1.785%
UNITED MISSOURI BANK	10/10/02	5,965,688.33	5,965,688.33	1.764%
COMMERCE BANK	02/15/27	18,887.50	20,981.20	7.074%
TOTAL		55,985,418.60	55,987,512.30	
GRAND TOTAL		84,081,771.91	84,083,865.61	

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
FISCAL YEAR 2001-2002

	DEC 2001	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUNE 2002	FISCAL YEAR TOTALS	AVG COST FISCAL YEAR
NUMBER OF PARTICIPANTS									
MEDICAL PLAN:									
ACTIVE	224	227	229	227	224	226	224	2,701	225
INDIVIDUAL	611	611	607	605	600	597	594	7,198	600
FAMILY								447	37
RETIRED	36	37	36	38	40	39	39	1,155	96
INDIVIDUAL	96	95	97	99	101	103	102	1,179	98
FAMILY								1,932	161
MEDICARE	98	96	97	98	101	103	104		
INDIVIDUAL	162	163	163	161	159	158	163		
FAMILY									
MEDICAL PLAN PARTICIPANTS	1,227	1,229	1,229	1,228	1,225	1,226	1,226	14,612	1,218
CASH BALANCE FORWARD	641,076.90	764,142.57	800,607.47	981,868.77	1,180,993.07	1,204,731.57	725,432.75		
RECEIPTS:									
PREMIUMS:									
MEDICAL	729,658.93	730,961.15	728,093.16	729,402.91	722,705.99	723,664.19	726,023.19	8,704,147.13	725,345.59
SUBTOTAL	729,658.93	730,961.15	728,093.16	729,402.91	722,705.99	723,664.19	726,023.19	8,704,147.13	725,345.59
INTEREST INCOME	1,357.39	1,699.32	1,683.02	1,968.23	2,452.49	1,763.25	1,910.86	20,689.22	1,724.10
REINSURANCE REIMB.:									
AGGREGATE	0.00	0.00	0.00	0.00	0.00	0.00	311,470.80	846,891.87	70,574.32
SPECIFIC									
SUBTOTAL	0.00	0.00	0.00	0.00	0.00	0.00	311,470.80	846,891.87	70,574.32
CLAIM REFUNDS:									
	6,090.82	6,268.12	916.40	7,363.58	1,231.10	1,659.51	15,587.02	64,532.61	5,377.72
TOTAL RECEIPTS	737,107.14	738,928.59	730,692.58	738,734.72	726,389.58	727,086.95	1,054,991.87	9,636,260.83	803,021.74
DISBURSEMENTS:									
BENEFITS:									
MEDICAL	413,851.92	424,236.46	296,408.58	323,903.66	452,210.33	949,174.21	861,538.01	6,053,585.50	504,465.46
VISION	2,088.52	4,742.21	3,651.05	4,551.44	7,802.02	6,202.61	8,024.30	61,432.43	5,119.37
PREFERRED RX	156,646.39	195,992.45	207,633.47	168,536.56	199,944.31	209,323.72	184,914.07	2,358,559.50	196,546.63
SUBTOTAL	572,586.83	624,971.12	507,693.10	496,991.66	659,956.66	1,164,700.54	1,054,476.38	8,473,577.43	706,131.45
ADMINISTRATION:									
MEDICAL	7,797.80	7,804.15	7,797.80	7,797.80	7,778.75	7,772.40	7,791.45	92,811.60	7,734.30
ADMINISTRATIVE RX	3,012.00	3,276.00	3,321.00	1,417.00	4,491.00	3,352.00	3,134.00	38,842.00	3,236.83
SUBTOTAL	10,809.80	11,080.15	11,118.80	9,214.80	12,269.75	11,124.40	10,925.45	131,653.60	10,971.13
DISBURSEMENTS CONT.:									
REINSURANCE PREMIUM:									

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
FISCAL YEAR 2001-2002

	DEC 2001	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUNE 2002	FISCAL YEAR TOTALS	AVG COST FISCAL YEAR
AGGREGATE SPECIFIC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	24,103.41	24,104.75	24,071.22	24,049.76	23,959.90	23,950.51	23,984.04	286,142.78	23,845.23
SUBTOTAL	24,103.41	24,104.75	24,071.22	24,049.76	23,959.90	23,950.51	23,984.04	286,142.78	23,845.23
PPO PREMIUM	6,140.00	6,145.00	6,140.00	6,140.00	6,125.00	6,120.00	6,135.00	73,080.00	6,090.00
REFUNDS:									
STAYWELL PREMIUMS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	35,753.27	0.00	0.00	0.00	0.00	0.00	35,753.27	2,979.44
SUBTOTAL	0.00	35,753.27	0.00	0.00	0.00	0.00	0.00	35,753.27	2,979.44
OTHER:									
BANK SERV CHARGES	401.43	409.40	408.16	0.00	339.77	490.32	590.92	4,553.48	379.46
RECORDS								0.00	0.00
CHECK PRINTING								0.00	0.00
MISCELLANEOUS				3,214.20	0.00	0.00	0.00	3,214.20	803.55
SUBTOTAL	401.43	409.40	408.16	3,214.20	339.77	490.32	590.92	7,767.68	1,183.01
TOTAL DISB.	614,041.47	702,463.69	549,431.28	539,610.42	702,651.08	1,206,385.77	1,096,111.79	9,007,974.76	751,200.26
ENDING CASH BALANCE	764,142.57	800,607.47	981,868.77	1,180,993.07	1,204,731.57	725,432.75	684,312.83	---	---
ACCRUED REINSURANCE PROCEE	316,593.75	316,593.75	316,593.75	316,593.75	316,593.75	316,593.75	0.00		
ACCRUED ACCOUNTS PAYABLE	735,314.32	735,314.32	735,314.32	735,314.32	735,314.32	735,314.32	745,107.68		
ESTIMATED RESERVE BALANCE	345,422.00	381,886.90	563,148.20	762,272.50	786,011.00	306,712.18	(60,794.85)		

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
PLAN YEAR 2001-2002

	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	PLAN YEAR TOTALS	AVG COST PLAN YEAR
NUMBER OF PARTICIPANTS							
MEDICAL PLAN:							
REGULAR RATES	265	265	264	265	263	2,369	263
	704	704	701	700	696	6,333	704
MEDICARE RATES	97	98	101	103	104	891	99
FAMILY + 1	48	47	47	47	49	438	49
FAMILY + 2	110	109	107	106	109	976	108
OTHER	5	5	5	5	5	45	5
MEDICAL PLAN PARTICIPANTS	1,229	1,228	1,225	1,226	1,226	11,052	1,228
CASH BALANCE FORWARD	800,607.47	981,868.77	1,180,993.07	1,204,731.57	725,432.75	--	--
RECEIPTS:							
PREMIUMS:							
MEDICAL	728,093.16	729,402.91	722,705.99	723,664.19	726,023.19	6,548,793.04	727,643.67
INTEREST INCOME	1,683.02	1,968.23	2,452.49	1,763.25	1,910.86	17,126.25	1,902.92
REINSURANCE REIMB.:							
AGGREGATE				0.00	0.00	0.00	0.00
SPECIFIC				0.00	311,470.80	311,470.80	155,735.40
SUBTOTAL	0.00	0.00	0.00	0.00	311,470.80	311,470.80	155,735.40
CLAIM REFUNDS:							
	916.40	7,363.58	1,231.10	1,659.51	15,587.02	55,856.51	6,206.28
TOTAL RECEIPTS	730,692.58	738,734.72	726,389.58	727,086.95	1,054,991.87	6,933,246.60	891,488.27
DISBURSEMENTS:							
BENEFITS:							
MEDICAL	296,408.58	323,903.66	452,210.33	949,174.21	861,538.01	4,504,014.29	450,401.43
VISION	3,651.05	4,551.44	7,802.02	6,202.61	8,024.30	45,514.60	4,551.46
PREFERRED RX	207,633.47	168,536.56	199,944.31	209,323.72	184,914.07	1,728,833.93	172,883.39
SUBTOTAL	507,693.10	496,991.66	659,956.66	1,164,700.54	1,054,476.38	6,278,362.82	627,836.28

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
PLAN YEAR 2001-2002

	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	PLAN YEAR TOTALS	AVG COST PLAN YEAR
DISBURSEMENTS CONT.:							
ADMINISTRATION:							
MEDICAL	7,797.80	7,797.80	7,778.75	7,772.40	7,791.45	70,205.60	7,800.62
ADMINISTRATIVE RX	3,321.00	1,417.00	4,491.00	3,352.00	3,134.00	28,874.00	3,208.22
SUBTOTAL	11,118.80	9,214.80	12,269.75	11,124.40	10,925.45	99,079.60	11,008.84
REINSURANCE PREMIUM:							
AGGREGATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SPECIFIC	24,071.22	24,049.76	23,959.90	23,950.51	23,984.04	216,595.37	24,066.15
SUBTOTAL	24,071.22	24,049.76	23,959.90	23,950.51	23,984.04	216,595.37	24,066.15
PPO PREMIUM	6,140.00	6,140.00	6,125.00	6,120.00	6,135.00	55,280.00	6,142.22
REFUNDS:							
STAYWELL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PREMIUMS	0.00	0.00	0.00	0.00	0.00	35,753.27	2,979.44
SUBTOTAL	0.00	0.00	0.00	0.00	0.00	35,753.27	2,979.44
OTHER:							
BANK SERV CHARGES	408.16	0.00	339.77	490.32	590.92	3,324.71	369.41
RECORDS				0.00	0.00	0.00	0.00
MISCELLANEOUS		3,214.20		0.00	0.00	3,214.20	1,071.40
SUBTOTAL	408.16	3,214.20	339.77	490.32	590.92	6,538.91	1,440.81
TOTAL DISB.	549,431.28	539,610.42	702,651.08	1,206,385.77	1,096,111.79	6,691,609.97	673,473.75
ENDING CASH BALANCE	981,868.77	1,180,993.07	1,204,731.57	725,432.75	684,312.83	---	---
ACCRUED REINSURANCE PROCEEDS	316,593.75	316,593.75	316,593.75	316,593.75	0.00		
ACCRUED ACCOUNTS PAYABLE MEDICA	735,314.32	735,314.32	735,314.32	735,314.32	745,107.68		
ENDING RESERVE BALANCE	563,148.20	762,272.50	786,011.00	306,712.18	(60,794.85)		
	=====	=====	=====	=====	=====		

MEDICAL ONLY

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MEDICAL ONLY

THIS YEAR	CURRENT MONTH		DESCRIPTION	PLAN YEAR TO DATE		% CHANGE
	LAST YEAR	CHANGE		LAST YEAR	CHANGE	
7,791.45	7,518.40	273.05	NUMBER OF PARTICIPANTS ADMINISTRATION MEDICAL ADMINISTRATIVE RX SUBTOTAL	63,843.75	6,361.85	9.96
3,134.00	3,398.00	(264.00)		29,935.00	(1,061.00)	(3.54)
10,925.45	10,916.40	9.05		93,778.75	5,300.85	5.65
0.00	0.00	0.00	REINSURANCE PREMIUM AGGREGATE SPECIFIC SUBTOTAL	0.00	0.00	0.00
23,984.04	39,400.83	(15,416.79)		163,765.85	52,829.52	32.26
23,984.04	39,400.83	(15,416.79)		163,765.85	52,829.52	32.26
6,135.00	5,032.00	1,103.00	PPO PREMIUM REFUNDS	40,001.85	15,278.15	38.19
0.00	0.00	0.00	STAYWELL PREMIUM SUBTOTAL	0.00	0.00	0.00
0.00	0.00	0.00		49,128.13	(13,374.86)	(27.22)
0.00	0.00	0.00		49,128.13	(13,374.86)	(27.22)
			OTHER:			
590.92	324.45	266.47	BANK SERV CHARGES	3,324.71	(103.51)	(3.02)
0.00	0.00	0.00	PRIOR PERIOD SERVICE CHARGES	0.00	(21.75)	(100.00)
0.00	0.00	0.00	RECORDS	177.16	(177.16)	(100.00)
0.00	0.00	0.00	CLAIM REFUNDS RECORDED TWICE	0.00	0.00	0.00
0.00	0.00	0.00	MISCELLANEOUS	3,214.20	3,214.20	100.00
0.00	0.00	0.00	BANK ERROR	0.00	0.00	0.00
			SUBTOTAL	6,538.91	2,911.78	80.28
590.92	324.45	266.47	TOTAL DISB.	7,310,516.99	(618,907.02)	(8.47)
1,096,111.79	905,795.44	190,316.35	ENDING CASH BALANCE	56,026.76	628,286.07	1,121.40
684,312.83	56,026.76	628,286.07	ACCRUED REINSURANCE PROCEEDS	852,014.82	(852,014.82)	(100.00)
			ACCRUED ACCOUNTS PAYABLE MEDICAL	735,314.32	9,793.36	1.33
0.00	852,014.82	(852,014.82)	ENDING RESERVE BALANCE	172,727.26	(233,522.11)	(135.20)
745,107.68	735,314.32	9,793.36				
	172,727.26	(233,522.11)				
(60,794.85)						

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Indenture, the Financing Agreement, the Authorizing Ordinances, the Continuing Disclosure Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Indenture for complete definitions of all terms.

“Act” means the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, et seq., as from time to time amended.

“Additional Bonds” means any additional parity bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2003 Bonds.

“Authorizing Ordinances” means the Ordinances of the City authorizing the execution of the Financing Agreement executed in connection with the Series 2000A Bonds and authorizing the execution of the Series 2003 Financing Agreement executed in connection with the Series 2003 Bonds, and certain other documents.

“Bolger Square Bonds” means the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Bolger Square Project) Series 1999A issued on June 16, 1999 in the aggregate principal amount of \$7,240,000.

“Bond” or **“Bonds”** means the Series 2000A Bonds and the Series 2003 Bonds and any Additional Bonds issued pursuant to the Indenture.

“Bond Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series 2003 Bonds as provided therein.

“Bond Insurer” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

“Business Day” means a day on which the Trustee and any Paying Agent shall be scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

“Continuing Disclosure Agreement” means the Amended and Restated Continuing Disclosure Agreement between the City and Commerce Bank, N.A., as Dissemination Agent, as from time to time amended in accordance with the provisions thereof.

“Costs of the Project” means costs permitted under the Act and the TIF Act to be paid out of proceeds of Series 2003 Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, and equipping of the Project, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act and the TIF Act.

“Debt Service Reserve Fund Requirement” means (i) with respect to the Series 2003 Bonds, an amount equal to \$871,500, (ii) with respect to Additional Bonds issued on a parity with the Series 2003 Bonds, (1) a sum equal to the least of (A) **10%** of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) **125%** of the average future annual debt service on such Additional Bonds, or (2) such lesser amount from time to time as shall be approved in writing by the Bond Insurer, and (iii) with respect to any Additional Bonds that are not entitled to the benefit of a reserve fund, the amount, if any, approved by the Bond Insurer and specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

“Defeasance Obligations” means:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below),

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America; or

(3) Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer.

“Economic Activity Tax Revenues” means fifty percent (50%) of the total additional revenue from sales taxes which are imposed by the City or other taxing districts, and which are generated by economic activities within the Redevelopment Area over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of the first TIF Ordinance, while tax increment financing remains in effect, but excluding (i) taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments and (ii) personal property taxes, other than Payments in Lieu of Taxes, all as determined in accordance with the Act.

“Government Obligations” means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee.

“Incremental Tax Revenues” means, collectively, the Payments in Lieu of Taxes and, subject to annual appropriation as provided in the Financing Agreement, the Economic Activity Tax Revenues.

“Indenture” means the Bond Trust Indenture dated as of June 1, 1999, as amended, and as further supplemented and amended by the Series 2003 Supplemental Bond Indenture.

“Net Proceeds,” when used with respect to any damage, destruction, condemnation or loss of title, means the gross proceeds from any insurance relating to damage or destruction of any portion of the

Project, or condemnation award with respect to condemned property remaining after the payment of all fees, costs and expenses (including attorneys' fees and any expenses of the Board or the Trustee) incurred in the collection of such gross proceeds.

“Opinion of Bond Counsel” means a written opinion in the form described in the Indenture of any legal counsel acceptable to the Board and the Trustee who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

“Opinion of Counsel” means a written opinion in the form described in the Indenture of any legal counsel acceptable to the City and the Trustee and, to the extent the Board is asked to take action in reliance thereon, the Board, who may be an employee of or counsel to the Trustee or the City.

“Outstanding” means when used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

- (1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;
- (2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;
- (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and
- (4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

“Paying Agent” means the Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to the Series 2003 Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

“Permitted Investments” means, if and to the extent the same are at the time legal for investment of funds held under the Series 2003 Supplemental Indenture:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;
- (3) Senior debt obligations of other Governmental Sponsored Agencies approved by the Bond Insurer;
- (4) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export - Import Bank,
- Rural Economic Community Development Administration (formerly the Farmers Home Administration),
- U.S. Maritime Administration,
- Small Business Administration,
- U.S. Department of Housing & Urban Development (PHA's),
- Federal Housing Administration, and
- Federal Financing Bank;

(5) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
- Obligations of the Resolution Funding Corporation (REFCORP), and
- Senior debt obligations of the Federal Home Loan Bank System,
- Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer,

(6) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(7) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's and "P-1" by Moody's and which matures not more than 270 calendar days after the date of purchase;

(8) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's;

(9) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in

this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (B) may not be used as Permitted Investments without the prior written approval of Moody's;

(10) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's;

(11) Investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(12) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

The value ("Value") of the above investments, which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(a) As to securities:

(1) the closing bid price quoted by Interactive Data Systems, Inc.;

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and Standard & Poor's and must be market makers in the securities being valued.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest; and

(c) As to any investment not specified above, the value thereof established by prior agreement among the Board, the Trustee and the Bond Insurer.

"Person" means any natural person, firm, association, corporation, partnership, limited liability company, joint stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

"Payments in Lieu of Taxes" means, when collected by the City, the payments in lieu of taxes attributable to the increase in the current equalized assessed valuation of each taxable lot, block, tract, or parcel of real property in the Redevelopment Area over and above the initial equalized assessed value of each such unit of property in the Redevelopment Area at the time of the adoption of the first TIF Ordinance, all as determined in accordance with the TIF Act.

"Prime Rate" means, for any date of determination, the interest rate per annum publicly announced from time to time by the Trustee as its "prime rate."

"Redevelopment Agreement" means the Second Amended Hartman Heritage Center Redevelopment Agreement dated May 27, 2003, amending the Redevelopment Agreement dated December 17, 1998, by and between the City and the Developer.

“Redevelopment Area” means the area described in the Redevelopment Agreement as the Redevelopment Area with respect to which the governing body of the City has adopted tax increment financing.

“Second Loss Debt Service Reserve Fund Requirement” means an amount equal to \$500,000.

“Series 2000A Bonds” means the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Center Project) Series 2000A on April 12, 2000 in the aggregate principal amount of \$11,850,000.

“Series 2003 Bonds” means the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Center Project Phase II) Series 2003 in the aggregate principal amount of \$8,715,000.

“Series 2003 Supplemental Indenture” means the Series 2003 Supplemental Bond Trust Indenture dated as of September 1, 2003, executed by the Board and the Trustee in connection with the issuance of the Series 2003 Bonds.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a Division of The McGraw Hill Companies, New York, New York, and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, **Standard & Poor’s** shall be deemed to refer to any other nationally recognized securities rating service designated by the City, with notice to the Board and the Trustee.

“TIF Act” means the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800-99.865 of the Revised Statutes of Missouri, as amended.

“Transaction Documents” means the Indenture, the Series 2003 Bonds, the Financing Agreement, the Official Statement relating to the Series 2003 Bonds, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Authorizing Ordinances and any and all other documents or instruments that evidence or are a part of the transactions referred to in the Indenture, the Financing Agreement or the Official Statement or contemplated by the Indenture, the Financing Agreement or the Official Statement; and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words “Transaction Documents” are used in the context of the authorization, execution, delivery, approval or performance of Transaction Documents by a particular party, the same shall mean only those Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

SUMMARY OF THE BOND TRUST INDENTURE

The following is a summary of certain provisions contained in the Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.

Trust Estate

The Trust Estate created by the Indenture in favor of the Trustee for the benefit and security of the owners of the Bonds consists of:

- (a) All rights, title and interest of the Board (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Series 2003 Financing Agreement, including, without limitation, all Loan Payments and other payments to be received by the Board and paid by the City under and pursuant to and subject to the provisions of the Series 2003 Financing Agreement (except the Board's rights to payment of its fees and expenses and to indemnification as set forth in the Series 2003 Financing Agreement and as otherwise expressly set forth therein), and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and
- (b) All moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Trustee under the terms of the Indenture (provided, however, the debt service reserve fund established for each series of bonds secures only such series of bonds); and
- (c) Any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by the Board or by anyone in its behalf or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

The Trustee shall hold in trust and administer the Trust Estate, upon the terms and conditions set forth in the Indenture for the equal and pro rata benefit and security of each and every owner of Bonds (which, except for the Series 2003 Debt Service Reserve Fund, includes the Series 2000A Bonds, the Series 2003 Bonds and any Additional Bonds issued on a parity with such bonds), without preference, priority or distinction as to participation in the lien, benefit and protection of the Indenture of one Bond over or from the others, except as otherwise expressly provided in the Indenture.

Authorization of Additional Bonds

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2003 Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and in the Financing Agreement, for any purpose authorized under the Act.

Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2003 Bonds and any other Additional Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of a reserve fund.

Creation of Funds and Accounts

There are created and ordered to be established in the custody of the Trustee the following special trust funds in the name of the Board to be designated as follows:

- (a) "Missouri Development Finance Board—City of Independence, Missouri - Hartman Heritage Center Infrastructure Facilities Project Fund" (the "Project Fund"), and within such fund separate accounts for each Series of Bonds, including a "Series 2003 Project Account".

(b) “Missouri Development Finance Board—City of Independence, Missouri – Hartman Heritage Center Infrastructure Facilities Costs of Issuance Fund” (the “Costs of Issuance Fund”), and within such fund separate accounts for each Series of Bonds, including a “Series 2003 Costs of Issuance Account.”

(c) “Missouri Development Finance Board—City of Independence, Missouri – Hartman Heritage Center Infrastructure Facilities Debt Service Fund” (the “Debt Service Fund”) and within such fund separate accounts for each Series of Bonds, including a “Series 2003 Debt Service Account”, and within each such account a subaccount for capitalized interest on such Series, if any, including a “Series 2003 Capitalized Interest Subaccount.”

(d) “Missouri Development Finance Board—City of Independence, Missouri – Hartman Heritage Center Infrastructure Facilities Series 2003 Debt Service Reserve Fund” (the “Debt Service Reserve Fund”).

(e) “Missouri Development Finance Board—City of Independence, Missouri – Hartman Heritage Center Infrastructure Facilities Second Loss Debt Service Reserve Fund” (the “Second Loss Debt Service Reserve Fund”).

(f) “Missouri Development Finance Board—City of Independence, Missouri – Hartman Heritage Center Infrastructure Facilities Rebate Fund” (the “Rebate Fund”) and within such fund separate accounts for each Series of Bonds, including a “Series 2003 Rebate Account.”

Project Fund

Moneys in the Project Fund shall be used solely for the purpose of paying the Costs of the Project as provided in the Indenture, with such changes or amendments or substitutions as deemed advisable by the City and approved in accordance with the Financing Agreement.

If an event of default specified in the Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Indenture, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Indenture, shall without further authorization be deposited in the Debt Service Fund by the Trustee with advice to the City and to the Board of such action.

Debt Service Fund

The moneys in the Debt Service Fund shall be held in trust and shall be applied solely in accordance with the provisions of the Indenture to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable. Except as otherwise provided in the Indenture, moneys in the Debt Service Fund shall be expended solely as follows: (a) to pay interest on the Bonds as the same becomes due; (b) to pay principal of the Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof; and (c) to pay principal of and redemption premium, if any, on the Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in the Indenture), and the fees, charges and expenses of the Trustee, any Paying Agents and the Board, and any other amounts required to be paid under the Indenture and the Financing Agreement, all amounts remaining in the Debt Service Fund shall be paid to the City upon the expiration or sooner termination of the Financing Agreement.

Series 2003 Debt Service Reserve Fund

Moneys in the Series 2003 Debt Service Reserve Fund shall be disbursed and expended by the Trustee, without any further authorization from the City, solely for the payment of the principal of and interest on the Series 2003 Bonds to the extent of any deficiency in the Debt Service Fund for such purposes. The Trustee may disburse and expend moneys from the Series 2003 Debt Service Reserve Fund for such purpose whether or not the amount in the Series 2003 Debt Service Reserve Fund at that time equals the Debt Service Reserve Fund Requirement. If the Trustee disburses or expends moneys from the Series 2003 Debt Service Reserve Fund for the purposes stated in this paragraph, the Trustee shall immediately notify the City of the amount necessary to restore the balance in the Series 2003 Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement, and the Trustee shall direct the City to restore the deficiency in 12 equal monthly payments beginning not later than the first day of the next calendar month.

Second Loss Debt Service Reserve Fund

Moneys in the Second Loss Debt Service Reserve Fund (other than interest earnings) shall be disbursed and expended by the Trustee, without any further authorization from the City, solely for the payment of the principal of and interest on the Bonds (which includes the Bolger Square Bonds, the Series 2000A Bonds, the Series 2003 Bonds and any Additional Bonds) to the extent of any deficiency in the Debt Service Fund for such purpose if moneys in the Debt Service Reserve Fund are insufficient therefor. The Trustee may disburse and expend moneys from the Second Loss Debt Service Reserve Fund for such purpose whether or not the amount in the Second Loss Debt Service Reserve Fund at that time equals the Second Loss Debt Service Reserve Fund Requirement. If the Trustee disburses or expends moneys from the Second Loss Debt Service Reserve Fund for the purposes stated in this paragraph, the Trustee shall immediately notify the Board of such disbursement and shall notify the City of the amount necessary to restore the balance in the Second Loss Debt Service Reserve Fund to the Second Loss Debt Service Reserve Fund Requirement, and the Trustee shall direct the City to restore the deficiency in 12 equal monthly payments beginning not later than the first day of the next calendar month subject to the limitations contained in the Financing Agreement; provided, however, no such payment shall be required so long as the City has failed to make any payment with respect to the principal of and interest on the Bonds.

Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the City, the Board nor the owner of any Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by the Indenture and by the Tax Compliance Agreement.

Pursuant to the Tax Compliance Agreement, the Trustee shall remit all required rebate installments and a final rebate payment to the United States. Neither the Trustee nor the Board shall have any obligation to pay any amounts required to be rebated pursuant to the Indenture and the Tax Compliance Agreement, other than from moneys held in the Rebate Fund created under the Indenture as provided in the Indenture or from other moneys provided to it by the City. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid to the City.

The obligation to pay arbitrage rebate to the United States and to comply with all other requirements of the provisions of the Indenture relating to arbitrage rebate and the Tax Compliance Agreement shall survive the defeasance or payment in full of the Bonds until all rebatable arbitrage shall have been paid.

Events of Default

The term “**event of default**,” wherever used in the Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest on any Bond when such interest becomes due and payable; or
- (b) default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or
- (c) default in the performance, or breach, of any covenant or agreement of the Board in the Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in the Indenture), and continuance of such default or breach for a period of **60** days after there has been given to the Board, the City by the Trustee or to the Board, the City and the Trustee by the owners of at least **10%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Board shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or
- (d) any event of default under the Financing Agreement shall occur and is continuing and has not been waived.

With regard to any alleged default concerning which notice is given to the City under the provisions of the Indenture, the Board grants the City full authority for the account of the Board to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Board, with full power to do any and all things and acts to the same extent that the Board could do and perform any such things and acts in order to remedy such default.

Acceleration of Maturity; Rescission and Annulment

If an event of default occurs and is continuing, the Trustee may, and shall, if requested by the owners of not less than **25%** in principal amount of the Bonds Outstanding, by written notice to the Board and the City, declare the principal of all Bonds Outstanding and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in the

Indenture, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Board, the City and the Trustee, rescind and annul such declaration and its consequences if:

- (a) the Board has deposited with the Trustee a sum sufficient to pay
 - (1) all overdue installments of interest on all Bonds,
 - (2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate prescribed therefor in the Bonds,
 - (3) interest upon overdue installments of interest at the rate prescribed therefor in the Bonds, and
 - (4) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and
- (b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Exercise of Remedies by the Trustee

Upon the occurrence and continuance of any event of default under the Indenture, unless the same is waived as provided in the Indenture, the Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Indenture or by law:

- (a) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Board as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.
- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee shall deem most expedient in the interests of the bondowners.
- (c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a

receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

- (d) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Board, the City is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the bondowners.
- (e) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions of the Indenture, be for the equal and ratable benefit of the owners of the Bonds in respect of which such judgment has been recovered.
- (f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in every case the Board, the City, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

No owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless:

- (a) such owner has previously given written notice to the Trustee of a continuing event of default;
- (b) the owners of not less than 25% in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;
- (c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the owners of a majority in principal amount of the Outstanding Bonds.

it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other owners of Bonds, or to obtain or to seek to obtain priority or preference over any other owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Outstanding Bonds.

Control of Proceedings by Bondowners

The owners of a majority in principal amount of the Bonds Outstanding shall have the right, during the continuance of an event of default, provided indemnity has been provided to the Trustee in accordance with the Indenture:

- (a) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, or otherwise; and
- (b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that
 - (1) such direction shall not be in conflict with any rule of law or the Indenture,
 - (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and
 - (3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the owners not taking part in such direction.

Application of Moneys Collected

Any moneys collected by the Trustee pursuant to the Indenture (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (a) **First:** To the payment of all unpaid amounts due the Trustee under the Indenture;
- (b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates

prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

- (c) **Third:** To the payment of the remainder, if any, to the Board or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be so applied by the Trustee, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, in accordance with the Indenture, and shall not be required to make payment to the owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Resignation and Removal of Trustee

The Trustee may resign at any time by giving written notice thereof to the Board, the City and each owner of Bonds Outstanding as shown by the list of bondowners required by the Indenture to be kept at the office of the Trustee. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within **30** days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee has or shall acquire any conflicting interest (as determined by the Trustee), it shall, within **90** days after ascertaining that it has a conflicting interest, or within **30** days after receiving written notice from the Board or the City (so long as the City is not in default under the Indenture) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in the preceding paragraph.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Board and the Trustee signed by the owners of a majority in principal amount of the Outstanding Bonds, or, so long as the City is not in default and no condition that with the giving of notice or passage of time, or both, would constitute a default under the Financing Agreement, by the City. The Board, the City or any bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Indenture shall become effective until the acceptance of appointment by the successor Trustee under the Indenture.

Appointment of Successor Trustee

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Board, with the written consent of the City (which consent shall not be unreasonably withheld) or the owners of a majority in principal amount of Bonds Outstanding (if an event of default under the Indenture or under the Financing Agreement has occurred and is

continuing), by an instrument or concurrent instruments in writing delivered to the Board and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Board or the bondowners. If, within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner provided in the Indenture, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If no successor Trustee shall have been so appointed and accepted appointment in the manner provided in the Indenture, any bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Trustee appointed pursuant to the provisions of the Indenture shall be a bank or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Indenture.

Supplemental Indentures without Consent of Bondowners

Without the consent of the owners of any Bonds but with the consent of the Bond Insurer, the Board and the Trustee may from time to time enter into one or more Supplemental Indentures for any of the following purposes:

- (a) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) to authorize the Issuance of any series of Additional Bonds and, make such other provisions as provided in the Indenture; or
- (d) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture; or
- (e) to add to the covenants of the Board or to the rights, powers and remedies of the Trustee for the benefit of the owners of all Bonds or to surrender any right or power conferred upon the Board under the Indenture; or
- (f) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the owners of the Bonds; or
- (g) to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States.

Supplemental Indentures with Consent of Bondowners

With the consent of the Bond Insurer and the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Board and the Trustee may enter into one or more Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the owners of the Bonds under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the owner of each Outstanding Bond affected thereby,

- (a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Indenture, or the consent of whose owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Financing Agreement and their consequences; or
- (c) modify the obligation of the Board to make payment on or provide funds for the payment of any Bond; or
- (d) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or
- (e) modify any of the provisions of the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or
- (f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject to the Indenture or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such act shall approve the substance thereof.

Payment, Discharge and Defeasance of Bonds

Bonds will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Board shall pay or provide for the payment of such Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;
- (b) by delivering such Bonds to the Trustee for cancellation; or
- (c) by depositing in trust with the Trustee or other Paying Agent moneys and Government Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision satisfactory to the Trustee is made for the giving of such notice.

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Defeasance Obligations pursuant to subparagraph (c) above, subject to receipt by the Trustee of (1) a verification report in form and substance satisfactory to the Trustee prepared by independent certified public accountants, or other verification agent, satisfactory to the Trustee and the Board, and (2) an Opinion of Bond Counsel addressed and delivered to the Trustee in form and substance satisfactory to the Trustee to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Indenture has been provided for in the manner set forth in the Indenture and to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture.

Satisfaction and Discharge of Indenture

The Indenture and the lien, rights and interests created by the Indenture shall cease, determine and become null and void (except as to any surviving rights) if the following conditions are met:

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;
- (b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;
- (c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and
- (d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in the Indenture to the satisfaction and discharge of the Indenture have been complied with.

- (e) if such Bonds are to be redeemed or final payment is to occur on a date which is more than 90 days from the date of the deposit under the Indenture, the Board and the City shall have received (1) the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations; and (2) the escrow deposit agreement

Thereupon, the Trustee shall execute and deliver to the Board a termination statement and such instruments of satisfaction and discharge of the Indenture as may be necessary at the written request of the Board and shall pay, assign, transfer and deliver to the Board, or other Persons entitled thereto, all moneys, securities and other property then held by it under the Indenture as a part of the Trust Estate, other than moneys or Defeasance Obligations held in trust by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

Bond Insurer Direction of Acceleration and Remedies

Notwithstanding any other provision in the Indenture, so long as the Bond Insurer is not in default under the Bond Insurance Policy and is not insolvent the Trustee shall not, without the prior written approval of the Bond Insurer, exercise any power under the Series 2003 Supplemental Indenture, which is otherwise wholly within its discretion, to advance the normal maturity of the Series 2003 Bonds. If any of the Series 2003 Bonds become payable prior to the normal maturity thereof other than pursuant to the mandatory sinking fund redemption provisions, whether by reason of call for redemption, acceleration or otherwise, the Trustee shall immediately notify the Bond Insurer of such fact. Notwithstanding anything to the contrary in the Indenture, the Bond Insurer acting alone shall have the right to control and direct all remedies upon default and to waive Events of Default subject to the Indenture.

Consents of the Bond Insurer and Other Matters

The Bond Insurer shall give prior written consent to the removal of the Trustee and the selection and appointment of any successor Trustee, or co-bond trustee, if applicable. Notwithstanding any other provision of the Transaction Documents, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

None of the Transaction Documents shall be amended or supplemented without the prior written consent of the Bond Insurer, except for supplements providing for additional parity bonds or obligations.

Initiation or approval of any action under the Indenture requiring consent of the owners of the Series 2003 Bonds shall also require the consent of the Bond Insurer.

Any reorganization or liquidation plan with respect to the Board or the City must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all bondholders who hold Series 2003 Bonds insured by the Bond Insurer, absent a default by the Bond Insurer under the Bond Insurance Policy.

Bond Insurer Right to Remove Trustee

Notwithstanding anything in the Series 2003 Supplemental Indenture to the contrary, the Bond Insurer, at any time, may remove the Trustee for "cause" by written notice to the Trustee, the Board and the City.

Bond Insurer Deemed to be Owner of Series 2003 Bonds

The Bond Insurer shall be deemed to be the registered owner of the Series 2003 Bonds (or any other Bonds issued under the Indenture insured by it) for purposes of any right of such registered owner to consent to the execution of any supplement or amendment to the Series 2003 Supplemental Indenture and any right of such registered owner to direct or consent to any action or remedy to be undertaken by the Trustee pursuant to the provisions of the Series 2003 Supplemental Indenture.

Subrogation of Bond Insurer

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Series 2003 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Series 2003 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Board, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Board to the bondowners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Effect of Bond Insurance Policy on Trustee Determinations

Notwithstanding any other provision of the Series 2003 Supplemental Indenture, in determining whether the rights of the bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Series 2003 Supplemental Indenture, the Trustee shall consider the effect on the bondholders as if there were no Bond Insurance Policy.

SUMMARY OF THE FINANCING AGREEMENT

The following is a summary of certain provisions contained in the Financing Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Financing Agreement for a complete recital of the terms thereof.

Use of Proceeds

The proceeds of the Series 2003 Bonds loaned to the City shall be deposited with the Trustee and shall be administered, disbursed and applied for the purposes and in the manner as provided in the Indenture and in the Financing Agreement.

Loan Payments

Subject to the limitations in the Financing Agreement, the City shall pay the following amounts to the Trustee, all as "Loan Payments" under the Financing Agreement:

- (a) *Debt Service Fund -- Interest:* On or before 10:00 A.M. on or before the Business Day preceding each April 1 and October 1, commencing April 1, 2004, an amount which is not less than the interest to become due on the next interest payment date on the Series 2003 Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.
- (b) *Debt Service Fund -- Principal:* On or before 10:00 A.M. on or before the Business Day preceding each April 1, commencing April 1, 2005, an amount which is not less than the

next installment of principal due on the Series 2003 Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

- (c) *Debt Service Fund - Redemption:* On or before 10:00 A.M. on or before the Business Day preceding the date required by the Financing Agreement or the Indenture, the amount of any Net Proceeds or other moneys received which is intended or required to redeem Series 2003 Bonds then Outstanding if the City exercises its right to redeem Series 2003 Bonds under any provision of the Indenture or if any Series 2003 Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Indenture.

Notwithstanding any schedule of payments upon the Loan set forth in the Financing Agreement or the Indenture, the City shall make payments upon the Loan and shall be liable therefor at the times and in the amounts (including interest, principal, and redemption premium, if any) equal to the amounts to be paid as interest, principal and redemption premium, if any, whether at maturity or by optional or mandatory redemption upon all Bonds from time to time Outstanding under the Indenture.

Additional Payments

Subject to annual appropriation (except to the extent paid from PILOT Payments), the City shall pay the following amounts to the following persons, all as "Additional Payments" under the Financing Agreement:

- (a) to the Trustee, when due, all reasonable fees, charges for its services rendered under the Indenture, the Financing Agreement and any other Transaction Documents, and all reasonable expenses (including without limitation reasonable fees and charges of any Paying Agent, bond registrar, counsel, accountant, engineer or other person) incurred in the performance of the duties of the Trustee under the Indenture or the Financing Agreement for which the Trustee and other persons are entitled to repayment or reimbursement;

- (b) to the Trustee, upon demand, an amount necessary to pay rebatable arbitrage in accordance with the Tax Compliance Agreement and the Indenture;

- (c) to the Trustee, upon written demand of the Trustee the amount required by the Indenture necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement;

- (d) to the Trustee, upon written demand of the Trustee the amount required by the Indenture necessary to restore the Second Loss Debt Service Reserve Fund to an amount equal to the Second Loss Debt Service Reserve Fund Requirement; provided, however, no payment under this subparagraph (d) shall be made by the City or required so long as the City has failed to make any payment described above under the caption "Loan Payments;"

- (e) to the Trustee, upon written demand of the Trustee an amount equal to the interest earning which would have accrued to the Board under the Indenture in the event the amount on deposit in the Second Loss Debt Service Reserve Fund had remained equal to the Second Loss Debt Service Reserve Requirement, calculated at the average interest rate earned on such funds for the preceding calendar year;

(f) to the Board, on the Bond Issuance Date, its regular administrative and issuance fees and charges, if any, and all expenses (including without limitation attorney's fees) incurred by the Board in relation to the transactions contemplated by the Financing Agreement and the Indenture, which are not otherwise to be paid by the City under the Financing Agreement or the Indenture;

(g) to the appropriate person, such payments as are required (i) as payment for or reimbursement of any and all reasonable costs, expenses and liabilities incurred by the Board or the Trustee or any of them in satisfaction of any obligations of the City under the Financing Agreement that the City do not perform, or incurred in the defense of any action or proceeding with respect to the Project, the Financing Agreement or the Indenture, or (ii) as reimbursement for expenses paid, or as prepayment of expenses to be paid, by the Board or the Trustee and that are incurred as a result of a request by the City, or a requirement of the Financing Agreement and that the City is not otherwise required to pay under the Financing Agreement;

(h) to the appropriate person, any other amounts required to be paid by the City under the Financing Agreement or the Indenture; and

(i) any past due Additional Payments shall continue as an obligation of the City until they are paid and shall bear interest at the Prime Rate plus two percent (2%) during the period such Additional Payments remain unpaid.

Annual Appropriations

The City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Financing Agreement, moneys sufficient to pay all the Loan Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The City shall deliver written notice to the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Loan Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Loan Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request

The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments under the Financing Agreement. The City reasonably believes

that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance is directed to do all things lawfully within such person's power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City's normal procedures for such decisions.

Loan Payments to Constitute Current Expenses of the City

The Board and the City acknowledge and agree that the Loan Payments and Additional Payments shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2003 Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the Series 2003 Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Notwithstanding the foregoing, Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged by the City pursuant to the Authorizing Ordinances to secure the Loan Payments and Additional Payments.

Security for the Loan

Except as provided in the following paragraph, the City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan in the Special Allocation Fund as provided in the Authorizing Ordinances. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Notwithstanding the foregoing, Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged by the City pursuant to the Authorizing Ordinances to secure the Loan Payments and Additional Payments.

Additional Bonds

The Board from time to time may, in its sole discretion, at the written request of the City and with the consent of the Bond Insurer, authorize the issuance of Additional Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board, the City; (2) the Board, the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board, the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

Financial Statements

The City shall furnish to the Board, the Bond Insurer and the Trustee, as soon as practicable, but in no event more than 15 days after, an Event of Nonappropriation, written notice of such Event of Nonappropriation.

The City will at any and all times, upon the written request of the Trustee, the Bond Insurer or the Board and at the expense of the City, permit the Trustee, the Bond Insurer and the Board by their representatives to inspect the properties, books of account, records, reports and other papers of the City, and to take copies and extracts therefrom, and will promptly afford and procure a reasonable opportunity to make any such inspection, and the City will furnish to the Trustee, the Bond Insurer or the Board any and all information as the Trustee or the Board may reasonably request with respect to the performance by the City of its covenants in the Financing Agreement.

Events of Default and Remedies

The term "Event of Default" or "Default" shall mean any one or more of the following events:

- (a) Failure by the City to make timely payment of any Loan Payment.
- (b) Failure by the City to make any Additional Payment when due and, after notice of such failure, the City shall have failed to make such payment within 10 days following the due date.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on the part of the City under the Financing Agreement or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b) of this caption, for a period of 30 days after written notice of such default has been given to the City, by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted

by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.

- (d) Any representation or warranty by the City in the Financing Agreement or in any certificate or other instrument delivered under or pursuant to the Financing Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Board and the Trustee or cured by the City, if such representation or warranty can be cured to the satisfaction of the Board and the Trustee within 30 days after notice thereof has been given to the City.

Remedies on Default

Subject to the provisions of the Financing Agreement, whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Board, may, and at the written direction of the Bond Insurer shall, take any one or more of the following remedial steps; provided that if the principal of all Bonds then Outstanding and the interest accrued thereon shall have been declared immediately due and payable pursuant to the provisions of the Indenture, all Loan Payments for the remainder of the Loan Term shall become immediately due and payable without any further act or action on the part of the Board or the Trustee and the Trustee may, and at the written direction of the Bond Insurer shall, immediately proceed (subject to the provisions of the Financing Agreement) to take any one or more of the remedial steps set forth in subparagraph (b) of this caption:

- (a) By written notice to the City declare the outstanding principal of the Loan to be immediately due and payable, together with interest on overdue payments of principal and redemption premium, if any, and, to the extent permitted by law, interest, at the rate or rates of interest specified in the respective Bonds or the Indenture, without presentment, demand or protest, all of which are expressly waived.
- (b) Take whatever other action at law or in equity is necessary and appropriate to exercise or to cause the exercise of the rights and powers set forth in the Financing Agreement or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to the Financing Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the City under the Financing Agreement or the Indenture.

In the enforcement of the remedies provided in the Financing Agreement, the Trustee may treat all fees, costs and expenses of enforcement, including reasonable legal, accounting and advertising fees and expenses, as Additional Payments then due and payable by the City.

Any amount collected pursuant to action taken under the Financing Agreement shall be paid to the Trustee and applied, first, to the payment of any costs, expenses and fees incurred by the Board or the Trustee as a result of taking such action and, next, any balance shall be used to satisfy any Loan Payments then due by payment into the Debt Service Fund and applied in accordance with the Indenture and, then, to satisfy any other Additional Payments then due or to cure any other Event of Default.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any step that in its opinion will or might cause it to expend time or money or otherwise incur liability, unless and until indemnity satisfactory to it has been furnished to the Trustee at no cost or expense to the Trustee, except as otherwise provided in the Indenture.

These provisions of the Financing Agreement are subject to the limitation that the annulment of a declaration that the Series 2003 Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made as described in subparagraph (a) of this caption and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in the Financing Agreement shall be breached or any Event of Default shall have occurred and such breach or Event of Default shall thereafter be waived by the Trustee, such waiver shall be limited to such particular breach or Event of Default.

No Remedy Exclusive.

Subject to the provisions of the Financing Agreement, no remedy conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Financing Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon a Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Agreement to Pay Attorneys' Fees and Expenses

Subject to the provisions of the Financing Agreement, in connection with any Event of Default by the City, if the Board or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable under the Financing Agreement or the enforcement of the performance or observance of any covenants or agreements on the part of the City contained in the Financing Agreement, the City agrees that it will, on demand therefor, pay to the Board and the Trustee the reasonable fees of such attorneys and such other reasonable fees, costs and expenses so incurred by the Board and the Trustee.

Board and City to Give Notice of Default.

The Board and the City shall each, at the expense of the City, promptly give to the Trustee written notice of any Default of which the Board, the City, as the case may be, shall have actual knowledge or written notice, but the Board shall not be liable for failing to give such notice.

Remedial Rights Assigned to the Trustee

Upon the execution and delivery of the Indenture, the Board will thereby have assigned to the Trustee all rights and remedies conferred upon or reserved to the Board by the Financing Agreement, reserving only the Unassigned Board's Rights. Subject to the provisions of the Financing Agreement, the Trustee shall have the exclusive right to exercise such rights and remedies conferred upon or reserved to the Board by the Financing Agreement in the same manner and to the same extent, but under the limitations and conditions imposed thereby and by the Financing Agreement. The Trustee and the Bondowners shall be deemed third party creditor beneficiaries of all representations, warranties, covenants and agreements contained in the Financing Agreement.

Supplemental Financing Agreements without Consent of Bondowners

Without the consent of the owners of any Bonds, the Board and the City may, with the prior written consent of the Bond Insurer, from time to time enter into one or more Supplemental Financing Agreements, for any of the following purposes:

- (a) to subject to the Financing Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any series of Bonds, or to substitute or add additional property thereto; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Financing Agreement, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) in connection with the issuance of any Additional Bonds, to make such other provisions as provided in the Financing Agreement; or
- (d) to evidence the succession of another entity to the City and the assumption by any such successor of the covenants of the City contained in the Financing Agreement; or
- (e) to add to the covenants of the City or to the rights, powers and remedies of the Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power conferred upon the City; or
- (f) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision or to make any other provisions, with respect to matters or questions arising under the Financing Agreement, which shall not be inconsistent with the provisions of the Financing Agreement, provided such action shall not adversely affect the interests of the owners of the Bonds.

Supplemental Financing Agreements with Consent of Bondowners.

With the prior written consent of the Bond Insurer and the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Financing Agreement, the Board, the City may enter into Supplemental Financing Agreements, in form satisfactory to the Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Financing Agreement or of modifying in any manner the rights of the Trustee and the owners of the Bonds under the Financing Agreement; provided, however, that no such Supplemental Financing Agreement shall, without the consent of the owner of each Outstanding Bond affected thereby:

- (a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, the Loan, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Financing Agreement, or the consent of whose owners is required for any waiver provided for in the Financing

Agreement of compliance with certain provisions of the Financing Agreement or certain defaults under the Financing Agreement and their consequences; or

- (c) modify any of the provisions of the Indenture governing Supplemental Financing Agreements with the consent of the Bondowners, except to increase any percentage provided thereby or to provide that certain other provisions of the Financing Agreement cannot be modified or waived without the consent of the owner of each Bond affected thereby.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Financing Agreement and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Financing Agreement. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds to approve the particular form of any proposed Supplemental Financing Agreement, but it shall be sufficient if such act shall approve the substance thereof.

SUMMARY OF THE AUTHORIZING ORDINANCES

The following is a summary of certain provisions contained in the Authorizing Ordinances. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Authorizing Ordinances for a complete recital of the terms thereof.

Security for the Loan

Except as provided in the following paragraph, the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement shall be subject to annual appropriation as provided in the Financing Agreement.

Notwithstanding the foregoing, Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged by the City to secure the Loan Payments and Additional Payments.

As additional security for the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest by (a) a pledge of the Payments in Lieu of Taxes deposited in the PILOTS Account of the Special Allocation Fund, (b) subject to annual appropriation by the City Council as described below, the Economic Activity Tax Revenues deposited in the Economic Activity Tax Account of the Special Allocation Fund. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The Loan shall not constitute a general obligation of the City, nor shall it constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Pledge of Certain Funds

The City pledges the moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund to secure the payment of the Loan Payments due with respect to the Financing Agreement and to secure the payment of the Loan Payments due on a parity basis; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation.

Annual Appropriation of Economic Activity Taxes

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund to the repayment of the Loan. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate the Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) Commerce Bank, N.A., as trustee for the Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

In the event Bond Counsel delivers to the City an opinion to the effect that Missouri law no longer requires that the pledge of the Economic Activity Tax Revenues be subject to annual appropriation, the City agrees to amend the Authorizing Ordinances to delete such requirement.

Creation of Special Allocation Fund

The Authorizing Ordinance executed in connection with the Series 2000A Bonds created with the City the "Hartman Heritage Center Project Special Allocation Fund" (the "Special Allocation Fund"), and within the Special Allocation Fund, a PILOTS Account and an Economic Activity Tax Account. Said fund and accounts shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The funds and accounts referred to above shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Authorizing Ordinances so long as any portion of the Loan remains Outstanding and unpaid.

Administration of Special Allocation Fund

The moneys in the Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in the Authorizing Ordinances. At any time moneys are to be withdrawn, transferred or paid from the Special Allocation Fund pursuant to the Authorizing Ordinances, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City agrees to deposit into the Special Allocation Fund as received all Incremental Tax Revenues. The Incremental Tax Revenues shall be determined, collected and applied in the manner provided by law. Payments in Lieu of Taxes shall be deposited into the PILOTS Account of the Special Allocation Fund, and subject to annual appropriation as provided above, all Economic Activity Tax Revenues shall, as and when received by the City, be paid deposited into the Economic Activity Tax Account of the Special Allocation Fund.

The Special Allocation Fund shall be administered by the City as follows:

(a) Not later than the last business day of each March and September, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Financing Agreement; provided, however, in the event the amount to be so transferred is less than the amount required to make such Loan Payments, the City shall allocate such amounts on a pro rata basis based upon the principal amount of the outstanding Loan Payments.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement.

(c) Upon receipt by the City of written notice from the Trustee that the balance in the Second Loss Debt Service Reserve Fund is less than the Second Loss Debt Service Reserve Requirement, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Second Loss Debt Service Reserve Fund to an amount equal to the Second Loss Debt Service Reserve Requirement; provided, such transfer shall not be required if the City is unable to make the transfer described in subparagraph (a) above.

(d) All moneys remaining in the Special Allocation Fund, after making the foregoing payments, shall be expended at the discretion of the City for one or more of the following purposes, without any priority among them:

- (i) for the purpose of paying any Redevelopment Costs; or
- (ii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Financing Agreement; or
- (iii) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or
- (iv) for the purpose of reimbursing the City for any transfer of any legally available funds to the Special Allocation Fund; or
- (v) for the purpose of distributing such funds to the taxing districts or municipal corporations in accordance with the Act; or
- (vi) for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the Act.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions contained in the Continuing Disclosure Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Continuing Disclosure Agreement for a complete recital of the terms thereof.

Pursuant to the Continuing Disclosure Agreement, the City will, or will cause the Dissemination Agent (initially, the Trustee) to, not later than **180** days after the end of the City's fiscal year, provide to each Nationally Recognized Securities Information Repository and the State Repository, if any, the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes (1) the audited financial statements of the City for the prior fiscal year, and (2) a description of all Incremental Tax Revenues deposited into the Special Allocation Fund. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.

Pursuant to the Continuing Disclosure Agreement, the City also will give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material ("Material Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds;
- (8) Bond calls;
- (9) Defeasance;

- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

If the Dissemination Agent has been instructed by the City to report the occurrence of a Material Event, the Dissemination Agent will promptly file a notice of such occurrence with each Nationally Recognized Securities Information Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent is not responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. The initial Dissemination Agent shall be the Paying Agent.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City) and any provision of the Continuing Disclosure Agreement may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Paying Agent may (and, at the request of the Underwriters or the owners of at least **25%** aggregate principal amount of Outstanding Bonds, shall), or any owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement will not be deemed an event of default under the Bond Ordinance or the Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

GILMORE & BELL

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WWW.GILMOREBELL.COM

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2405 GRAND BOULEVARD, SUITE 1100
KANSAS CITY, MISSOURI 64108-2521

ST. LOUIS, MISSOURI
WICHITA, KANSAS
LINCOLN, NEBRASKA

Missouri Development Finance Board
Jefferson City, Missouri

U.S. Bancorp Piper Jaffray Inc.
Leawood, Kansas

City of Independence, Missouri
Independence, Missouri

Commerce Bank, N.A., as Trustee
Kansas City, Missouri

Ambac Assurance Corporation
New York, New York

Re: \$8,715,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Center Project Phase II) Series 2003

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the "Board"), of the above-referenced bonds (the "Bonds"). The Bonds have been authorized and issued under and pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the "Act"), and the Bond Trust Indenture dated as of June 1, 1999, as amended, and as further supplemented and amended by the Series 2003 Supplemental Bond Trust Indenture dated as of September 1, 2003 (collectively, the "Indenture") between the Board and Commerce Bank, N.A., as trustee (the "Trustee"). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the "City") pursuant to a Financing Agreement dated as of June 1, 1999 as supplemented and amended by the Series 2003 Supplemental Financing Agreement dated as of September 1, 2003 (collectively, the "Financing Agreement") to pay the costs of certain infrastructure improvements.

Reference is made to an opinion of even date herewith of Alan Garner, City Counselor, with respect to, among other matters, (a) the power of the City to enter into and perform its obligations under the Financing Agreement and the Tax Compliance Agreement, and (b) the due authorization, execution and delivery of the Financing Agreement and the Tax Compliance Agreement by the City and the binding effect and enforceability thereof against the City.

In our capacity as Bond Counsel, we have examined a certified transcript of proceedings relating to the authorization and issuance of the Bonds, which transcript includes, among other documents and proceedings, the following:

- (i) the Indenture;
- (ii) the Financing Agreement; and
- (iii) the Tax Compliance Agreement.

We have also examined the Constitution and statutes of the State of Missouri, insofar as the same relate to the authorization and issuance of the Bonds and the authorization, execution and delivery of the Indenture and the Financing Agreement.

Based upon such examination, we are of the opinion, as of the date hereof, as follows:

1. The Board is a body corporate and politic duly and legally organized and validly existing under the Act and has lawful power and authority to issue the Bonds and to enter into the Indenture and the Financing Agreement and to perform its obligations thereunder.

2. The Bonds are in proper form and have been duly authorized and issued in accordance with the Constitution and statutes of the State of Missouri, including the Act.

3. The Bonds are valid and legally binding limited obligations of the Board according to the terms thereof, payable as to principal, redemption premium, if any, and interest solely from, and secured by a valid and enforceable pledge and assignment of the Trust Estate, all in the manner provided in the Indenture. The Bonds do not constitute a debt of the State of Missouri or of any other political subdivision thereof and do not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction and are not payable in any manner by taxation. The Board has no taxing power.

4. The Indenture and the Financing Agreement have been duly authorized, executed and delivered by the Board and constitute valid and legally binding agreements enforceable against the Board in accordance with the respective provisions thereof.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Board, the City and the Trustee comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Board, the City and the Trustee have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from income taxation by the State of Missouri.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Financing Agreement and the Tax Compliance Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

GILMORE & BELL, P.C.

APPENDIX E

**AMBAC ASSURANCE COMPANY
FINANCIAL GUARANTY INSURANCE POLICY**

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

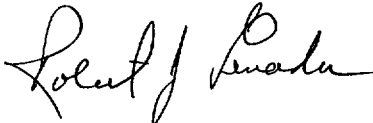
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

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