TWO NEW ISSUES **Ratings: S&P Rating: "A+"**
(Book Entry Only) **See "RATINGS" herein.**

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 both Series of the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal 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. None of the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. The interest on both Series of the Bonds is exempt from Missouri income taxation by the State of Missouri. See ***"TAX MATTERS"*** *herein.*

MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Revenue Bonds

$7,920,000	**$8,000,000**
(City of Independence, Missouri - Crackerneck Creek Project)	**(City of Independence, Missouri - Eastland Center Project)**
Series 2008B	**Series 2008C**

Dated: Both Series February 1, 2008 **Due: See Inside Cover Pages**

Both Series of the Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. Principal of and semiannual interest on the Bonds will be paid from moneys available therefore under the applicable Indenture (herein defined) by Commerce Bank, N.A., Kansas City, Missouri, as Trustee and Paying Agent. Principal of the Bonds will be due as shown on the inside cover pages. Interest on the Series 2008B Bonds will be payable on each March 1 and September 1, beginning on September 1, 2008. Interest on the Series 2008C Bonds will be payable on each April 1 and October 1, beginning on October 1, 2008.

Payment of the principal of and interest on the Series 2008C Bonds is <u>not</u> secured by any deed of trust, mortgage or other lien on the applicable Project or any other facilities or property of the City. Payment of the principal and interest on the Series 2008B Bonds is secured by a <u>subordinate</u> deed of trust on the Bass Pro Store and rents payable by Bass Pro Outdoor World, L.L.C., as further described herein. The Bonds are separately and independently secured.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS-Redemption."

The Bonds will be payable solely from, and will be secured by, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the applicable Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the applicable Indenture. The Series 2008B and Series 2008C Bonds will also be payable from certain moneys expected to be deposited in the Special Allocation Fund established for each of these projects as more fully described herein. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS.**"

THE BONDS ARE NOT AN INDEBTEDNESS OF THE BOARD, THE CITY, THE STATE OF MISSOURI OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE OF MISSOURI. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT, EXCEPT AS OTHERWISE DESCRIBED HEREIN. THE BOARD HAS NO TAXING POWER.

The 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 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 Bonds will be available for delivery through DTC in New York, New York on or about February 19, 2008.

PiperJaffray®

The date of this Official Statement is February 4, 2008

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

$7,920,000
(City of Independence, Missouri - Crackerneck Creek Project)
Series 2008B

Dated: February 1, 2008 **Due: March 1 as shown below**

Maturity Schedule

Serial Bonds

Due March 1	Principal Amount	Interest Rate	Offering Price
2017	$655,000.00	4.000%	98.213%

Term Bonds

$1,300,000 Term Bonds due March 1, 2019, Interest Rate: 4.250%, Offering Price: 97.928%
$2,375,000 Term Bonds due March 1, 2022, Interest Rate: 5.125%, Offering Price: 102.162%[c]
$3,590,000 Term Bonds due March 1, 2025, Interest Rate: 5.000%, Offering Price: 98.756%

[c] Priced to call date

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

$8,000,000
(City of Independence, Missouri - Eastland Center Project)
Series 2008C

Dated: February 1, 2008 **Due: April 1 as shown below**

Maturity Schedule

Serial Bonds

Due April 1	Principal Amount	Interest Rate	Offering Prices
2012	$370,000	4.000%	102.206%
2013	595,000	4.000	101.757
2014	585,000	4.000	101.133
2015	570,000	4.000	100.242
2016	550,000	4.000	99.175
2017	535,000	4.000	98.197

Term Bonds

$975,000 Term Bonds due April 1, 2019, Interest Rate: 4.250%, Offering Price: 97.913%
$3,820,000 Term Bonds due April 1, 2022, Interest Rate: 5.125%, Offering Price: 102.172% [c]

[c] Priced to call date

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 and is not to be construed as a representation by the Board or the Underwriter. 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.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 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 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.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "projected," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Revenue Bonds

$7,920,000	$8,000,000
(City of Independence, Missouri - Crackerneck Creek Project)	(City of Independence, Missouri - Eastland Center Project)
Series 2008B	Series 2008C

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 two separate series of bonds (separately, the "Series 2008B Bonds" and the "Series 2008C Bonds," and together the "Bonds"), (ii) the Board, (iii) the City of Independence, Missouri (the "City") and (iv) the financing of two separate projects as more fully described herein (the "Projects") with the proceeds of each Series of the Bonds. Each Series of the Bonds is separately secured as described herein.

The 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 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 Projects

The proceeds of each Series of the Bonds will be loaned to the City pursuant to two separate Financing Agreements (each of said Financing Agreements, together with all amendments and supplements thereto, being referred to herein as a "Financing Agreement," and by Series the "Series 2008B Financing Agreement" and the "Series 2008C Financing Agreement"). The Financing Agreements are being entered into to finance a portion of the costs of the Crackerneck Creek Project and the Eastland Center Project (collectively, the "Projects") each as described herein, to fund capitalized interest on the Series 2008B Bonds, to fund separate Debt Service Reserve Funds for the Series 2008B Bonds and the Series 2008C Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption **"THE PROJECTS."** The Crackerneck Creek Project and the Eastland Center Project are both Tax Increment Financing Projects approved by the City pursuant to the Tax Increment Financing Act (the "TIF Act").

The Bonds

The Bonds are being issued pursuant to the Act and two separate Bond Trust Indentures (each of said Bond Trust Indentures, together with all amendments and supplements thereto, being referred to herein as an "Indenture," and by Series the Series 2008B Indenture and the Series 2008C Indenture), all 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 applicable Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of, premium, if any, and the interest on the Bonds, all as more fully described in the Financing Agreement and the Indenture relating to each Series of Bonds. A description of the Bonds is contained in this Official Statement under **"THE BONDS."** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the applicable Indenture and the applicable Financing Agreement.

The Series 2008B Bonds are being issued as Additional Bonds under the Series 2008B Indenture on a parity with the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2005C issued in the original principal amount of $11,325,000 and currently outstanding in that amount (the "Series 2005C Bonds") and the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006C issued in the original principal amount of $12,790,000 and currently outstanding in that amount (the "Series 2006C Bonds") with respect to the security provided by the Series 2008B Financing Agreement, and in all other respects. The Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds and any additional bonds issued on a parity therewith are referred to herein as the "Tax Exempt Bonds."

The Series 2008C Bonds are being issued as Additional Bonds under the Series 2008C Indenture on a parity with the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2007A issued in the original principal amount of $19,390,000 and currently outstanding in that amount (the "Series 2007A Bonds") with respect to the security provided by the Series 2008C Financing Agreement, and in all other respects.

Additional Parity Bonds

The Indentures relating to the Series 2008B and Series 2008C Bonds provides for the future issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the applicable Series of Bonds and any other bonds then outstanding under such Indenture issued on a parity with such Bonds. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds"** and **"SUMMARY OF THE INDENTURE – Additional Bonds"** in *Appendix C* hereto.

Security for the Bonds

Each Series of the 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 applicable Financing Agreement, and (2) certain other funds held by the Trustee under the applicable Indenture and not from any other fund or source of the Board, and are separately and independently secured under the applicable Indenture and the applicable Financing Agreement as described herein. Payments under each 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 of Bonds relating to such Financing Agreement. Except as noted herein, all payments by the City under each Financing Agreement are subject to annual appropriation. Pursuant to each Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the applicable Financing Agreement, including all Loan Payments payable thereunder.

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2008B and Series 2008C Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved with respect to both the Crackerneck Creek Project and the Eastland Center Project. However, no improvements have been completed in connection with the Crackerneck Creek Project and therefore there can be no assurance at this point in time that any Incremental Tax Revenues, particularly EATS, will be received by the City in connection with the Series 2008B Bonds.

Prospective investors should not rely upon the collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2008B Bonds or the Series 2008C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2008B Bonds and the Series 2008C Bonds.

Additionally, the Series 2008B Bonds have a subordinate lien on the Bass Pro retail store described herein (the "Bass Pro Store") and the rental payments received by the City under the lease between the City and Bass Pro Outdoor World LLC ("Bass Pro"), under which the City leases the Bass Pro Store to Bass Pro, as described herein (the "Bass Pro Lease") pursuant to a subordinate deed of trust (the "Deed of Trust").

Prospective investors should not rely moneys received under the Deed of Trust as a source of repayment of the Series 2008B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement relating to the Series 2008B Bonds.

Payment of the principal of and interest on the Series 2008C Bonds is <u>not</u> secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.

The Bonds are not an indebtedness of City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the state of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The issuance of the bonds shall not, directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment, except as otherwise described herein. The Board has no taxing power. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS"** herein.

Related Series of Bonds

Crackerneck Creek Project. The Board expects to issue approximately $98,000,000 in bonds to finance the City's obligations in connection with the Crackerneck Creek Project. Prior to the issuance of the Series 2008B Bonds, the Board has issued $72,485,000 in bonds for the Project. These include the Series 2005C Bonds, the Series 2006C Bonds, the Board's Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006A issued in the original principal amount of $34,340,000 (the "Series 2006A Bonds") and the Board's Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006B issued in the original principal amount of $14,030,000 (the "Series 2006B Bonds"). Concurrently with the issuance of the Series 2008B Bonds, the Board is issuing its Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2008A (the "Series 2008A Bonds," collectively with the Series 2006A Bonds, the Series 2006B Bonds and with other taxable bonds which may be issued on a parity with the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds, the "Taxable Bonds"). The Taxable Bonds have been and are being issued under a separate Bond Indenture. Proceeds of the Taxable Bonds will fund all or a substantial portion of the costs of constructing the Bass Pro Store and other site improvement costs that are not eligible for tax-exempt financing under Federal tax laws. The Taxable Bonds will be secured by a first mortgage lien and an assignment of rental payments (the "Bass Pro Lease Payments") made by Bass Pro to the City under the Bass Pro Lease pursuant to the terms of a Deed of Trust and Assignment of Rents (the "Senior Deed of Trust") on the Bass Pro Store.

The collateral for the Tax Exempt Bonds and the Taxable Bonds is different. The Tax Exempt Bonds are secured by a **first** lien on Incremental Tax Revenues and, pursuant to the Deed of Trust, a **subordinate** lien on the Bass Pro Store and the Bass Pro Lease Payments. Because the projected debt service payments on the Taxable Bonds is likely to exceed the projected Bass Pro Lease Payments, it is unlikely that any Bass Pro Lease Payments will be available to make any Loan Payments on the Tax Exempt Bonds. The Taxable Bonds are secured by a **first** lien on the Bass Pro Store and the Bass Pro Lease Payments, pursuant to the Senior Deed of Trust, and a **subordinate** lien on Incremental Tax Revenues. All series are secured by an annual appropriation obligation of the City.

Eastland Project. The Board expects to issue Additional Bonds to fund $7,000,000 in additional costs of the Eastland Project, plus reserves and costs of issuance, subsequent to the issuance of the Series 2008C Bonds for the purpose of financing costs related to the Eastland Project. Pursuant to the Eastland Center Redevelopment Agreement the City is obligated to reimburse the Eastland Developer for an additional $7,283,887 in redevelopment project costs relating to the project. $5,540,000 of this amount will be funded from proceeds of the Series 2008C Bonds, including approximately $141,774 which is currently due the Eastland Developer, subject to certain final conditions on payment. Subsequent to the issuance of the Series 2008C Bonds, the City also expects to issue Additional Bonds to fund additional City improvements in the amount of $7,944,004, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2007A Bonds and the Series 2008C Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2010.

Bondowners' Risks

Payment of the principal of and interest on the Bonds is primarily dependent upon the City's decision to continue to appropriate sufficient moneys to make Loan Payments under each Financing Agreement. **See "BONDOWNERS' RISKS"** for a discussion of certain risks. There are numerous risks associate with the collection of Incremental Tax Revenues. **See "BONDOWNERS' RISKS"** for a discussion of certain risks.

Continuing Disclosure

The City will execute a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to provide certain annual financial information and notices of the occurrence of certain material events. The information will include a description of the Incremental Tax Revenues deposited into the Special Allocation Funds established for the two Projects. With respect only to the Crackerneck Creek Project, the information will include any State TIF Sales Tax revenues, if and when approved, and the Bass Pro Lease payments, if any, collected by the City. 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. The Bonds of each Series are separately secured. The Indentures and Financing Agreements for the Series 2008B and Series 2008C Bonds are substantially similar to the Indenture and Financing Agreement summarized in *Appendix C*, except as otherwise noted. 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, 922 Walnut, 10th Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, Piper Jaffray & Co., at 11150 Overbrook Road, Suite 310, Leawood, Kansas 66211 during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

THE BOARD

General

The issuer of the 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 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, eight 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, the Director of the Department of Agriculture and the Director of the Department of Natural Resources serve as ex-officio, voting members of the Board. No more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. 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*** — Executive Director of the Board

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

- ***Peter D. Kinder*** — Chairman. The Honorable Peter Kinder is the Lieutenant Governor of the State of Missouri.

- ***John D. Starr*** — Vice Chairman, term as a member expires September 14, 2011. Mr. Starr is Chief Executive Officer of KOCH Equipment LLC, a worldwide distributor and manufacturer for the meat and food industry located in Kansas City, Missouri.

- ***Larry D. Neff*** — Secretary, term as a member expires September 14, 2010. Mr. Neff is President of Larry Neff Management and Development in Neosho, Missouri.

- ***Nelson C. Grumney, Jr.*** — Treasurer, term as a member expires September 14, 2008. Mr. Grumney is President and Chief Executive Officer of Neland Investment Management, LLC in St. Louis, Missouri.

- ***Paul S. Lindsey*** **—** term as a member expired September 14, 2003. Mr. Lindsey is President of Alliance Energy LLC in Lebanon, Missouri.

- ***Richard J. Wilson*** **—** term as a member expires September 14, 2008. Mr. Wilson is Executive Vice President of Jefferson Bank of Missouri in Jefferson City, Missouri.

- ***L.B. Eckelkamp, Jr.*** — term as a member expires September 14, 2007. Mr. Eckelkamp is Chairman of the Board of Bank of Washington in Washington, Missouri.

- ***Danette D. Proctor*** **—** term as a member expires September 14, 2010. Ms. Proctor is co-owner of D-4 Investments, LLC in Springfield, Missouri.

- ***John E. Mehner*** **—** term as a member expires September 14, 2011. Mr. Mehner is President and CEO of the Cape Girardeau Area Chamber of Commerce in Cape Girardeau, Missouri.

- ***Gregory A. Steinhoff*** — ex-officio member. Mr. Steinhoff is the Director of the Department of Economic Development.

- ***Katie Smith*** — ex-officio member. Ms. Smith is the Director of the Department of Agriculture.

- ***Doyle Childers*** **—** ex-officio member. Mr. Childers is the Director of the Department of Natural Resources.

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 Indentures securing the Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Board pledged under the Indentures, and the owners of the 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 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 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. Certain information describing the City is attached hereto in *Appendix A*.

THE PROJECTS

Crackerneck Creek Project

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing Plan. Such approval established the Crackerneck Creek Redevelopment Area, designated such area as blighted, and designated Crackerneck Creek, L.L.C. as the developer for all projects in the Crackerneck Creek Redevelopment Area (the "Crackerneck Creek Developer"). The Crackerneck Creek Tax Increment Financing Plan provides for the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek Project will include (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel. Other than the Bass Pro Store none of the retail space is leased or under construction as of the date hereof.

As part of the Project, the City has entered into the Lease with Options (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City will own a 150,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions contained in the Bass Pro Lease. Bass Pro will construct the Bass Pro Store. Under the Bass Pro Lease the City is obligated to make $25,000,000 available to Bass Pro. This amount was funded from the proceeds of the Series 2006A Bonds. The proceeds of the Series 2006B Bonds, the Series 2006C Bonds and the Series 2005C Bonds were used to fund other costs related to the development of the site and completion of the Project. The proceeds of the Series 2008B Bonds and the Series 2008A Bonds being issued concurrently with the Series 2008B Bonds but under a separate Bond Indenture will also be used for site development costs other than construction of the Bass Pro Store. The Bass Pro Store will be located on an approximate 20-acre parcel owned by the City. See **"THE BASS PRO STORE AND THE BASS PRO LEASE"** herein.

The total amount of all bonds to be issued by the Board for the Crackerneck Creek Project is expected to be approximately $98,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately $73,558,397, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves. The bonds will be issued as either Taxable Bonds or Tax-Exempt Bonds.

The Crackerneck Creek Developer has represented to the City that, as of December 26, 2007, the development of the Crackerneck Creek Project site has been completed to the levels specified below:

Project Category	**Percentage Completed**
Bass Pro Store Site Preparation	80%
Storm Sewers	100%
Utilities	100%
Sewer Line Relocation	100%
Water Line Relocation	100%
Lake and Dam Construction	100%
Dedicated Right Turn Ramps – I-470	100%
Roadways, Culverts, Bridges and Intersections	90-100%
Undergrounding Utilities	75%
Public Grading and Fill	100%
Private Grading and Fill	90%
Soft Costs*	75%
Hard Costs**	100%
Signage required by Bass Pro Lease	10%

* Soft costs include, but are not limited to: interest on hard costs; planning, design and engineering; legal; fees and permits; administration and overhead; any developer fees.

** Hard costs include, but are not limited to: demolition and soil contamination; general contractor, general conditions, permits, testing, layout; and performance and payment bonds.

The Bass Pro Store is projected to open for business on February 20, 2008.

On July 26, 2006, the Crackerneck Creek Transportation Development District ("TDD") was formed by order of the Jackson County Circuit Court. The TDD was formed to fund a portion of the transportation improvements associated with the Crackerneck Creek Project. The boundaries of the TDD encompass all of the retail areas in the Crackerneck Creek Tax Redevelopment Area, as well as a portion of the City park area within the Crackerneck Creek Tax Redevelopment Area that is located to the west of the retail area. The TDD has authorized a one-cent sales tax on retail sales (the "TDD Sales Tax") to fund transportation improvements. An amount equal to $7/8^{th}$ of the TDD Sales Tax revenues are pledged by the City, subject to annual appropriation, to secure the Loan Payments with respect to the Tax-Exempt Bonds, and on a **subordinate basis**, the Taxable Bonds. The remaining $1/8^{th}$ of the TDD Sales Tax revenues will be pledged by the City to fund a transportation service that will serve the Crackerneck Creek Tax Redevelopment Area.

To implement the Crackerneck Creek Project, the City and Developer entered into the Tax Increment Financing Redevelopment Agreement dated as of February 9, 2005, as amended by that certain First Amendment dated March 16, 2006 (collectively, the "TIF Agreement"). Pursuant to the TIF Agreement, the Developer is obligated to produce commitments for Additional Retail Development according to the Additional Retail Development Leasing Schedule that is attached to the TIF Agreement. On December 1, 2006, the City provided a written demand to Developer to engage a national leasing firm to assist in obtaining leases for Additional Retail Development, as defined in the TIF Agreement, and to take certain actions as required by the TIF Agreement to produce the required amount of Additional Retail Development in accordance with the Additional Retail Development Leasing Schedule.

The Developer failed to take the requested action, and on June 22, 2007, the City provided written notice to the Developer stating "[d]eveloper is hereby terminated as the developer of record under the TIF Agreement" for Developer's failure to comply with Section 8.01 and Section 8.06 of the TIF Agreement, relating to compliance with the Additional Retail Development Leasing Schedule and the submission of covenants, conditions and restrictions that will be applicable to the Project. The City and Developer have since entered into an Agreement for Stay of Termination (the "Stay of Termination"). Under the provisions of the Stay of Termination, the City consents to stay the provisions of the termination until June 30, 2008 to provide the Developer additional time to procure retail development for the project. If sufficient retail development is secured at the levels described in the Stay of Termination, the Stay of Termination is automatically extended and the termination can eventually be permanently rescinded. If sufficient retail development is not secured at the levels provided in the Stay of Termination, the City can proceed with the termination of the Developer and the Developer expressly waives any ability to challenge the termination proceedings.

The Developer has received some interest in the site, including letters of intent for commercial and restaurant uses. These letters of intent are non-binding. The City is evaluating these potential tenants to determine their suitability for the site. The covenants, conditions and restrictions have been submitted by the Developer and accepted by the City, thus resolving the second basis for termination set forth in the June 22, 2007 termination letter. Kessinger/Hunter & Co., L.C., a commercial real estate company located in Kansas City, has been engaged by the Developer to assist in procuring tenants for the shopping center.

A concept site plan of the Project overlaid on an aerial photograph prepared in 2006 appears on the following page.


Independence Center
Eastland Center
Interstate 470
Crossroads
39th Street
Bolger Square
Interstate 70
Bass Pro Shops
40 Highway
North
Lee's Summit Road

Eastland Center Project

The Eastland Center Redevelopment Area. The Eastland Center Redevelopment Area consists of approximately 212 acres of undeveloped land located in the City at the southeast corner of the intersection of Interstate Highway 70 and U.S. Highway 291. The Eastland Center Redevelopment Area is located in eastern Jackson County within the corporate limits of the City, the County's second largest city, and within two miles of Jackson County's two fastest growing cities, Lee's Summit and Blue Springs.

Approval of Eastland Center Redevelopment Plan. Following public hearings by the TIF Commission of the City, the City Council adopted the TIF Ordinances approving the Eastland Center Redevelopment Plan and the Eastland Center Redevelopment Project and designating the Eastland Center Redevelopment Area as a "blighted area" under the TIF Act, and adopting tax increment financing for the Eastland Center Redevelopment Area. The City is in the process of amending the Eastland Center Redevelopment Plan, as further described below.

The Eastland Center Redevelopment Project. The Eastland Center Redevelopment Plan provides for the construction of both a Public Project and a Private Project (each as defined below) within the Eastland Center Redevelopment Area (the "Area") in order to cure the blighted conditions that exist in the Area. The Area consists of 212 acres located immediately east of Interstate Highway 470, immediately south of Interstate 70 and immediately north of U.S. Highway 40. The developer of the project is Ehrhart Development Company based in St. Louis, Missouri (the "Eastland Developer"). The Redevelopment Plan calls for the construction of 1,300,000 square feet of Class A office space and 550,000 square feet of retail, restaurant and shop space and at least two hotels. Redevelopment Project Costs are estimated to be $254,000,000 which includes $11,225,000 in City Improvements (the "Public Project") and $242,000,000 in Developer Improvements (the "Private Project"). Developer Improvements include $20,323,000 in Developer On-Site Reimbursable Project Costs and about $8,800,000 in Developer Off-Site Reimbursable Project Costs.

In addition, as part of the process of amending the Eastland Redevelopment Plan, the City is adding $60,000,000 in project costs related to the construction of a multipurpose events center and related public improvements (the "MPEC Project"), as further described under the heading "***Additional Project Related to Eastland Redevelopment Area***" below. The MPEC Project is separate from the improvements to be constructed by the Eastland Developer and the Public Project. Only a portion of the costs of the MPEC Project are proposed to funded from Incremental Revenues from the Eastland Redevelopment Area. These Incremental Revenues will be available to pay costs of the MPEC Project on a subordinate basis after each semi-annual debt service payment has been made on the Series 2007A Bonds, the Series 2008C Bonds and any Additional Bonds issued on a parity therewith.

Eastland Center Redevelopment Project Costs. The Eastland Center Public Project consists of the following improvements: (1) street improvements and related landscaping, traffic studies, design, engineering and surveys, (2) excavation and demolition of storm sewers and utility relocation, (3) traffic signals and controls, (4) retaining walls, sidewalks, streetlights and related improvements, (5) fencing and landscaping screens, and (6) certain clearing, grading, stormwater and utility costs on the site of the Eastland Center Redevelopment Project. The Eastland Center Redevelopment Plan will also reflect reimbursable costs of $60,000,000 related to the MPEC Project. Proceeds of the Series 2008C Bonds will be used for funding City improvements to Little Blue Parkway, as well as costs related to roads, bridges, grading, retaining walls, signage and soft costs incurred by the Eastland Developer.

Status of the Eastland Center Redevelopment Project Improvements. Except for off-site street improvements, a portion of which will be funded from the proceeds of the Series 2008C Bonds, the Eastland Center Public Project is substantially complete. The retail and hotel components of the Private Project have been completed, as has some smaller scale office development. Office sites along Interstate 70 remain to be developed, with targeted improvements being signature office buildings of substantial size. Pursuant to the Eastland Center Redevelopment Agreement the City is obligated to reimburse the Eastland Developer for an additional $7,283,887 million in redevelopment project costs relating to the project, plus reserves and costs of issuance. Approximately $5,540,000 of this amount will be funded from proceeds of the Series 2008C Bonds, including approximately $141,774 which is currently due the Eastland Developer, subject to certain final conditions on payment. Subsequent to the issuance of the Series 2008C Bonds, the City also expects to issue Additional Bonds to fund additional City improvements in the amount of $7,944,004, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2007A Bonds and the Series 2008C Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2010.

Eastland Center Tax Increment Revenues. The City's audited financial statements for the years ended June 30, 2006, and June 30, 2007 indicate that for those two fiscal years the City has deposited Incremental Tax Revenues from the Eastland Redevelopment Project into the Special Allocation Fund in the amounts of $3,378,327 and $3,141,480, respectively. The City attributes this decrease to general economic conditions at a local and national level and the closure of a Comp USA Store in the Eastland Redevelopment Area. Net maximum annual debt service on the Series 2007A Bonds and Series 2008C Bonds will be approximately $2,596,000, which would have resulted in coverage of 1.30x in FY 2006 and 1.21x in FY 2007.

Additional Project Related to Eastland Redevelopment Area. The City is in the process of negotiating agreements for the development, use and management of the Events Center Project. The Events Center Project will be owned by the City and will be located in the Eastland Redevelopment Area. The City is also in the process of amending the Eastland Center Redevelopment Plan to add the Events Center Project as an additional project cost which can be funded from incremental revenues from the Eastland Redevelopment Area.

The Board has passed a resolution setting forth its intention to issue not to exceed $110,575,000 in infrastructure facilities revenue bonds in multiple series to finance costs related to the completion of the Events Center Project (the "Events Center Bonds"). If issued, repayment of the Events Center Bonds will be secured by a variety of sources including, subject to annual appropriation by the City, all general fund revenues of the City. The City also has formed a Community Improvement District (a special taxing district that can be established under Missouri law) covering the Eastland Redevelopment Area and surrounding areas. The Community Improvement District is being formed for the purpose of levying a sales tax which is anticipated to be .5% for the first 20 years of the District's existence, and .625% thereafter (the "CID Sales Tax") to fund a portion of the costs of the Events Center Project.

One-half of the CID Sales Tax which is collected within the Eastland Redevelopment Area will be captured as Incremental Revenues under the Eastland Redevelopment Plan. The City anticipates using these funds for payment of a portion of the Events Center Bonds. Such revenues wills will be available to pay the Events Center Bonds on a subordinate basis following each semi-annual debt service payment on the Series 2007A Bonds and the Series 2007C Bonds.

Sources and Uses of Funds

Crackerneck Creek Project

Sources of Funds:

	Prior Series of Bonds*	Series 2008A Bonds**	Series 2008B Bonds	Total
Principal amount of the Bonds	$72,485,000.00	$5,035,000.00	$7,920,000.00	$85,440.000.00
Reoffering Premium (Net or Discount)	11,595.90	-	(31,952.95)	(20,357.05)
Accrued Interest	156,819.98	12,811.50	19,133.44	188,764.92
Total sources of Funds	$72,653,415.88	$5,047,811.50	$7,907,180.49	$85,608,407.87

Uses of Funds:

	Prior Series of Bonds*	Series 2008A Bonds**	Series 2008B Bonds	Total
Deposit to the Project Fund	$53,516,008.00	$3,873,968.30	$6,130,722.11	$63,520,698.00
Costs of Issuance ***	1,723,629.62	136,530.70	187,231.80	2,047,392.12
Deposit to Capitalized Interest (CIF) Fund	10,008,458.28	521,001.00	778,093.14	11,307,552.42
Deposit to Debt Service Fund	156,819.98	12,811.50	19,133.44	188,764.92
Deposit to Debt Service Reserve Fund	7,248,500.00	503,500.00	792,000.00	8,544,000.00
Total uses of funds	$72,653,415.88	$5,047,811.50	$7,907,180.49	$85,608,407.87

*Includes the Series 2005C Bonds and the Series 2006C Bonds, as well as the Series 2006A Bonds and Series 2006B Bonds issued under a separate Indenture and separately secured as described below.
**Issued under separate Indenture on a parity with Series 2006A Bonds and Series 2006B Bonds.
***includes Underwriter's Discount.

Eastland Center Project

Sources of Funds:

	Series 2007A Bonds	Series 2008C Bonds	Total
Principal amount of the Bonds	$19,390,000.00	$8,000,000.00	$27,390,000.00
Reoffering Premium (Net or Discount)	459,797.50	75,062.40	534,859.90
Prior Issue Reserve Funds	2,331,500.00	-	2,331,500.00
Accrued Interest	75,811.83	18,270.63	94,082.46
Total sources of Funds	$22,257,109.33	$8,093,333.03	$30,350,442.36

Uses of Funds:

	Series 2007A Bonds	Series 2008C Bonds	Total
Deposit to the Project Fund (Escrow Fund for 2007A)	$19,853,420.90	$7,073,862.40	$26,927,283.30
Costs of Issuance *	388,876.60	201,200.00	590,076.60
Deposit to Debt Service Fund	75,811.83	18,270.63	94,082.46
Deposit to Debt Service Reserve Fund	1,939,000.00	800,000.00	2,739,000.00
Total uses of funds	$22,257,109.33	$8,093,333.03	$30,350,442.36

*includes Underwriter's Discount.

Related Series of Bonds

Crackerneck Creek Project. The Board expects to issue approximately $98,000,000 in bonds to finance the City's obligations in connection with the Crackerneck Creek Project. Concurrently with the issuance of the Series 2008B Bonds the Board is issuing its Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2008A in the principal amount of $5,035,000 (the "Series 2008A Bonds"). The Board has also issued its Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006A issued in the original principal amount of $34,340,000 (the "Series 2006A Bonds") and its Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006B issued in the original principal amount of $14,030,000 (the "Series 2006B Bonds," together with the Series 2006A Bonds, the Series 2008A Bonds and any bonds issued on a parity therewith, the "Taxable Bonds"). The Taxable Bonds have been and are being issued under a separate Bond Indenture. Proceeds of the Taxable Bonds will fund all or a substantial portion of the costs of constructing the Bass Pro Store and other site improvement costs that are not eligible for tax-exempt financing under Federal tax laws. The Taxable Bonds are secured by a first mortgage lien on the Bass Pro Store and an assignment of rental payments made by Bass Pro to the City pursuant to the terms of the Senior Deed of Trust.

The collateral for the Tax Exempt Bonds and the Taxable Bonds is different. The Tax Exempt Bonds are secured by a **first** lien on Incremental Tax Revenues and, pursuant to the Deed of Trust, a **subordinate** lien on the Bass Pro Store and the Bass Pro Lease Payments. Because the projected debt service payments on the Taxable Bonds is likely to exceed the projected Bass Pro Lease Payments, it is unlikely that any Bass Pro Lease Payments will be available to make any Loan Payments on the Tax Exempt Bonds. The Taxable Bonds are secured by a **first** lien on the Bass Pro Store and the Bass Pro Lease Payments, pursuant to the Senior Deed of Trust, and a **subordinate** lien on Incremental Tax Revenues. All series are secured by an annual appropriation obligation of the City.

Eastland Project. During 2000, 2001 and 2002 the Board issued four series of Bonds in the aggregate principal amount of $23,315,000 to fund costs related to the Eastland Project. All four series of these bonds were advance refunded and defeased with proceeds of the Series 2007A Bonds. The Board expects to issue Additional Bonds to fund $7,000,000 in additional costs of the Eastland Project, plus reserves and costs of issuance, subsequent to the issuance of the Series 2008C Bonds. Pursuant to the Eastland Center Redevelopment Agreement the City is obligated to reimburse the Eastland Developer for an additional $7,283,887 in redevelopment project costs relating to the project. $5,540,000 of this amount will be funded from proceeds of the Series 2008C Bonds, including approximately $141,774 which is currently due the Eastland Developer, subject to certain final conditions on payment. Subsequent to the issuance of the Series 2008C Bonds, the City also expects to issue Additional Bonds to fund additional City improvements in the amount of $7,944,004, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2007A Bonds and the Series 2008C Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2010.

THE BASS PRO STORE AND THE BASS PRO LEASE (SERIES 2008B BONDS ONLY)

The Series 2008B Bonds are secured by a ***first*** *lien on Incremental Tax Revenues and a* ***subordinate*** *lien on the Bass Pro Store and the Bass Pro Lease Payments. Because the projected debt service payments on the Taxable Bonds is likely to exceed the projected Bass Pro Lease Payments, it is unlikely that any Bass Pro Lease Payments will be available to make any Loan Payments on the Series 2008B Bonds. The following information is provided solely to describe the Project and provide potential investors with information concerning the construction and operation of the Bass Pro Store.*

On June 16, 2004 the City entered into a Lease with Options with Bass Pro Outdoor World, L.L.C., a Missouri limited liability company ("Bass Pro"). The Bass Pro Lease was amended pursuant to the Amendment to Bass Pro Lease with Options dated December 20, 2004 and further amended pursuant to the Second Amendment to Lease With Options dated March 6, 2006. The lease and the amendments thereto are referred to herein as the "Bass Pro Lease" or the "Lease."

Pursuant to the Bass Pro Lease, the City leases to Bass Pro approximately twenty (20) acres on which Bass Pro is constructing a "Bass Pro Shops Outdoor World" retail store building containing not less than 150,000 square feet (the "Bass Pro Store"). The Bass Pro Store is projected to be approximately 160,000 square feet which is in excess of the minimum requirement of 150,000 square feet contained in the Bass Pro Lease. Under the Lease, the City is responsible for constructing and making available to Bass Pro no less than

600 parking spaces adjacent to the Bass Pro Store at the City's sole cost. Construction of the parking spaces has been completed. The Bass Pro Store will offer the general public retail sales of sporting goods, sporting equipment and sporting services primarily relating to fishing, hunting, camping and boats.

Under the Lease, Bass Pro is responsible for the construction of the Bass Pro Store. Pursuant to the Lease, the City has agreed to make available to Bass Pro $25,000,000 to pay the cost of a portion of such construction, which was funded from the proceeds of the Series 2006A Bonds. Bass Pro is responsible for completing construction within 455 days of the date the City delivers a finished pad site to Bass Pro, provided that Bass Pro is not required to open the Bass Pro Store between November 1 and March 1 of any year, and further subject to extension due to weather, labor issues and similar extraordinary events beyond the control of Bass Pro. In addition, Bass Pro is not in default under the Lease unless it fails to open the Bass Pro Store within 180 days of completion of the construction period. Delivery of the pad occurred on March 31, 2006. Bass Pro has announced that it will open the Bass Pro Store on February 20, 2008. In order to establish the commencement date of the Lease, the City has communicated to Bass Pro in writing that it believes the commencement date of the Lease (e.g. the end of the 455 day construction period) to be June 29, 2007, but has not yet received a response.

The initial term of the Lease is 20 years, beginning at the commencement date of the Lease. Bass Pro has the option to renew the Lease for nine one-year periods, and three five-year periods. During the initial 20 year term, Bass Pro is required to pay the City rent equal to 2% of "Gross Sales," except for sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which Bass Pro is obligated to pay 1% with a maximum of $250 per such boat or vehicle sold. In addition, Bass Pro is obligated to pay "Minimum Percentage Rent" of $1,000,000 during each year of the initial term. All such rental payments are referred to herein as the "Bass Pro Lease Payments".

Pursuant to the Lease, Bass Pro covenants that it will open for business on the commencement date stated in the Lease and it will remain open and continuously operate under the Bass Pro trade name during the entire 20 year initial term (the "Operating Covenant Period"). Following the Operating Covenant Period, Bass Pro will have no obligation to remain open for business to the public.

During any of the nine one-year renewal options, Bass Pro will pay rent equal to $10 per year. However, if the TIF bond financing provided by the City in a maximum amount of $35,000,000 (the "Leased Premises TIF") has not been fully paid at the expiration of the initial term, then during each year thereafter (if any) until the Leased Premises TIF has been paid in full or until the expiration of the third one year renewal option (if exercised by Bass Pro), whichever occurs first, Bass Pro shall be obligated to pay $1,000,000 per year. During any of the three five year renewal options, Bass Pro will pay rent equal to 1% of Gross Sales in excess of $30,000,000, except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which shall be 0.5% of such Gross Sales. The Leased Premises TIF includes the Series 2008B Bonds, the Series 2006C Bonds, the Series 2005C Bonds and any Additional Bonds, together with the Taxable Bonds, subject to a cap of $35,000,000.

As a result of the City's ownership, the land on which the Bass Pro Store will be located will be exempt from real estate taxes.

Under the Lease, Bass Pro has the option to purchase the Bass Pro Store at the expiration of the 20 year initial term and at the expiration of any renewal option for a purchase price equal to 90% of the fair market value thereof as determined by a MAI appraisal.

The Lease also requires the City to purchase, prepare and give to Bass Pro at no cost an approximate five acre parcel located near or adjacent to the Bass Pro Store to be used for the construction of a hotel containing at least 150 rooms (the "Hotel") and such other improvements thereon as desired by Bass Pro. Bass Pro has agreed that (subject to force majeure) it will cause the Hotel to be open for business within two (2) years of the opening date of the Bass Pro Store. Any sales generated from the Hotel will be excluded from

Bass Pro's gross sales and will not be included in the calculation of rent due under the Bass Pro Lease. The Hotel will not be exempt from real estate taxes.

Under the Lease the City is required to construct at its cost and expense, concurrently with the construction of the Bass Pro Store an approximate 15-acre lake and an additional wilderness/habitat area of approximately 15 acres. The City park will include a waterfall and present a unique natural setting. Approximately 80% of the lake and park improvements have been completed, with final completion scheduled by February 20, 2008.

TAX INCREMENT FINANCING IN MISSOURI

The following description of Tax Increment Financing in Missouri applies to the Incremental Tax Revenues which are pledged (subject to annual appropriation with respect to the pledge of EATS) to secure the Series 2008B Bonds and the Series 2008C Bonds. The Series 2008B Bonds and the Series 2008C Bonds are also secured by the annual appropriation obligation of the City as described herein under the caption ***"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City."***

Overview

Tax increment financing is an economic development tool 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 and, if the redevelopment project includes establishments that pay sales and other economic activity taxes, the amounts of economic activity taxes generated by the redevelopment area should also increase.

When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment 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 is improved, the assessed value of real property in the redevelopment area should increase 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 annual 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 the Pilots Account of a "special allocation fund." Similarly, an amount (referred to as "Economic Activity Tax Revenues" or "EATS") attributable to 50% of the increase in tax revenues generated by economic activities within the Redevelopment Area (including sales and utilities taxes, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments, other than payments in lieu of taxes, sales taxes levied pursuant to Section 70.500 RSMo and taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo) over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of tax increment financing for the Redevelopment Area by the City are transferred by the collecting agency to the treasurer of the city or county and deposited in an economic activity tax account of such special allocation fund. Tax increment financing for the Crackerneck Creek Redevelopment Project was adopted in 2004. Tax increment financing for the Eastland Redevelopment Project was adopted in 2000. All or a portion of the moneys in the special allocation fund are used to pay 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 has been amended several times in subsequent years. 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). The TIF Act authorizes cities and counties to provide long-term financing for redevelopment projects in "blighted," "conservation" and "economic development" areas (as defined in the TIF Act) through the issuance of bonds and other obligations. Prior to the amendments to the TIF Act, such obligations were payable solely from Payments in Lieu of Taxes derived from the redevelopment area. As a result of amendments to the TIF Act, such obligations are also payable from economic activity tax revenues derived from the redevelopment area, except those economic activity tax revenues expressly excluded in the TIF Act. The validity of certain portions of amendments to the TIF Act relating to the capture of economic activity tax revenues was upheld by the Missouri Supreme Court in *County of Jefferson v. QuikTrip Corporation*, 912 S.W.2d 487 (Mo. 1995).

Amendments to the TIF Act have been proposed in each legislative session during recent years. In connection with proposed amendments to the TIF Act that may be introduced in future legislative sessions, it is not possible to predict the nature of such proposed amendments or whether such proposed amendments to the TIF Act will become law during future sessions of the General Assembly.

Although Payments in Lieu of Taxes 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, and there is no obligation on the part of the governing body to appropriate Economic Activity Tax Revenues in any year. See the captions **"BONDOWNERS' RISKS – Risk Factors Relating to the Collection of Incremental Tax Revenues - Risk of Non-Appropriation of Economic Activity Taxes"** herein.

Tax Increment Financing Litigation

From time to time cases are filed in a Missouri court challenging certain aspects of the TIF Act. Circuit courts in Missouri are trial courts and decisions in those courts are not binding on other Missouri courts. Circuit court decisions, whether favorable or unfavorable with respect to the constitutionality and application of the TIF Act, may be appealed to a Missouri Court of Appeals, and, ultimately, the Missouri Supreme Court. If the plaintiffs are successful in one or more of the currently pending cases, the court's decision may interpret the requirements of the TIF Act in a manner adverse to the establishment of tax increment financing for the Redevelopment Project Areas. It is not possible to predict whether an adverse holding in any current or future litigation would prompt a challenge to the adoption of tax increment financing in the Redevelopment Project Areas. If current or future litigation challenging all or any part of the TIF Act were to be applied to the adoption of tax increment financing in the Redevelopment Areas, Economic Activity Taxes and Payments in Lieu of Taxes may not be available to pay principal of and interest on the Bonds and the enforceability of the Indenture could be adversely affected. Neither the Board, the City nor any other party involved in the issuance and sale of the Bonds can predict or guarantee the outcome of any currently pending or future litigation challenging the constitutionality or the application of the TIF Act or the application by a court of a potential holding in any case to other tax increment projects.

Assessment and Collection of Ad Valorem Taxes

General. The City and the Redevelopment Areas are located within Jackson County, Missouri (the "County"). On or before September 1 in each year, each political subdivision located within the County which imposes ad valorem taxes (the "Taxing Districts") is required to estimate the amount of taxes that will be required during the next succeeding fiscal year to pay interest falling due on general obligation bonds issued and the principal of bonds maturing in such year and the costs of operation and maintenance plus such amounts as shall be required to cover emergencies and anticipated tax delinquencies. The Taxing Districts certify the amount of such taxes which shall be levied, assessed and collected on all taxable tangible property in the County to the County Assessor by September 1. All taxes levied must be based upon the assessed valuation of land and other taxable tangible property in the County as shall be determined by the records of the County Assessor and must be collected and remitted to the Taxing Districts. All the laws, rights and remedies provided by the laws of the State for the collection of State, county, city, school and other ad valorem taxes are applicable to the collection of taxes authorized to be collected in the Redevelopment Areas.

The Missouri Constitution requires uniformity in taxation of real property by directing such property to be subclassed as agricultural, residential or commercial and permitting different assessment ratios for each subclass. Agricultural real property is currently assessed at 12% of true value in money, residential property is currently assessed at 19% of true value in money and commercial, industrial and all other real property is assessed at 32% of true value in money. The phrase "true value in money'' has been held to mean "fair market value" except with respect to agricultural property.

Real property within the County is assessed by the County Assessor. The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The Board of Equalization has the authority to question and determine the proper values of real property and then adjust and equalize individual properties appearing on the tax rolls. The County Collector collects taxes for all Taxing Districts within the County limits. The County Collector deducts a commission for its services. After such collections and deductions of commission, taxes are distributed according to the Taxing District's pro rata share.

Taxes are levied on all taxable property based on the equalized assessed value thereof determined as of January 1 in each year. Under Missouri law, each property must be reassessed every two years (in odd numbered years). The County Collector prepares the tax bills and mails them to each taxpayer in September. Payment is due by December 31, after which taxes become delinquent and accrue a penalty of one percent per month. In the event of an increase in the assessed value of a property, notice of such increase must be given to the owner of the affected property, which notice is generally given in March.

Valuation of Real Property. The County Assessor must determine the assessed value of a property based upon the State law requirement that property be valued at its true value in money. For agricultural land, true value is based on its productive capability. As to residential and commercial property, true value in money is the fair market value of the property on the valuation date. The fair market value is arrived at by using the three universally recognized approaches to value: cost approach, the sales comparison approach and the income approach.

The cost approach is typically applied when a property is newly constructed and is based on the principle of substitution. This principle states that no informed buyer will pay more for a property than the cost to reproduce or replace the property. Value is determined under the cost approach by adding the estimated land value to the replacement or reproduction cost reduced by estimated depreciation. Courts have held however, that construction cost alone is not a proper basis for determining true value in money and that all factors which affect the use and utility of the property must be considered.

The sales comparison approach determines value based upon recent sales prices of comparable properties. Comparable sales are adjusted for differences in properties by comparing such items as sales price per square foot and net operating income capitalization rates.

The income approach estimates market value by discounting to present value a stream of estimated net operating income. First, the property's gross potential income is estimated based on gross rents being generated at the property. A vacancy allowance is then deducted to arrive at effective gross income. Next, allowable operating expenses are deducted to arrive at an estimate of the property's net operating income. Finally, the net operating income is divided by an appropriate capitalization rate to arrive at the estimated present value of the income stream.

Certain properties, such as those used for charitable, educational, and religious proposes, are excluded from both the real estate ad valorem tax and personal property tax. In addition, pursuant to various State statutes, the City and other public entities may grant real estate tax abatement, under certain conditions, to businesses building or rehabilitating property within their boundaries.

Appeal of Assessment. State statutes establish various mechanisms for a property owner to appeal the assessment of a tax on its property. Typically, there are four issues that can be raised in property tax appeals: overvaluation, uniformity, misclassification and exemption. Overvaluation appeals are the most common appeals presented by taxpayers. An overvaluation appeal requires the taxpayer to prove that the true value in money of the property is less than that determined by the assessor. Uniformity appeals are based on the assertion that other property in the same class and county as the subject property is assessed at a lower percentage of value than the subject property. A misclassification appeal is based on an assertion that assessing authorities have improperly subclassed a property. Exemption appeals are based on claims that the property in question is exempt from taxation.

Overvaluation appeals generally must be made administratively, first to the Board of Equalization and then to the State Tax Commission, within prescribed time periods following notice of an increase in assessment. Appeals to the Board of Equalization must be filed with the County Clerk as Secretary of the Board of Equalization on or before the third Monday in June of each year. Appeals to the State Tax Commission must be filed by the later of December 31 or 30 days after the date of the final decision of the Board of Equalization. Where valuation is not an issue, appeals must be taken directly to the State circuit court rather than the State Tax Commission. If an appeal is pending on December 31, the due date for the payment of taxes, State statutes provide a procedure for the payment of taxes under protest. If taxes are paid but not under protest, the taxpayer cannot recover the amount paid unless the taxes have been mistakenly or erroneously paid. Application for a refund of mistakenly or erroneously paid taxes must be made within one year after the tax in dispute was paid. Typically, only that portion of the taxes being disputed is identified as being paid under protest, unless a claim of exemption is being asserted. The portion of the tax paid under protest is required to be held in an interest bearing account. Unless an appeal before the Board of Equalization or State Tax Commission is pending, suit must be brought by the taxpayer to resolve the dispute within 90 days, or the escrowed funds will be released to the Collector of Revenue and distributed to the Taxing Districts.

No owner of any property located within any of the Redevelopment Areas is restricted from appealing the determination of the assessed value of any such property. Any appeals, however, will be required to be conducted in the manner as summarized above under current law.

Reassessment and Tax Rate Rollback. As previously stated, a general reassessment of all property in the State is required to be conducted every two years. When, as a result of such reassessment, the assessed valuation within a Taxing District increases by more than an allowable percentage, the Taxing District is required to roll back the rate of tax within the Taxing District so as to produce substantially the same amount of tax revenue as was produced in the previous year increased by an amount called a "preceding valuation factor.'' A "preceding valuation factor" is a percentage increase or decrease based on the average annual percentage changes in total assessed valuation of the County over the previous three or five years, whichever is greater, adjusted to eliminate the effect of boundary changes, changes from State to County assessed property, general reassessment and State ordered changes.

The Hancock Amendment. An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on September 4, 1980, and went into effect with the 1981-82 fiscal year. The amendment (Article X, Sections 16 through 24 of the Missouri Constitution, and popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes that shall be imposed in any fiscal year, and provides that the limit shall not be exceeded without voter approval.

Provisions are included in the Hancock Amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of the tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation in the initial year of new construction. The limitation on local governmental units also does not apply to taxes imposed for the payment of principal of, premium, if any, and interest on bonds approved by the requisite percentage of voters.

Tax Delinquencies. Taxes and payments in lieu of taxes due upon any real estate within the Redevelopment Project Areas remaining unpaid on the first day of January, annually, are delinquent, and the County Collector is empowered to enforce the lien of the taxing jurisdictions thereon. Whenever the County Collector is unable to collect any taxes on the tax roll, having diligently endeavored and used all lawful means to do so, he is required to compile lists of delinquent tax bills collectible by him. All lands and lots on which taxes are delinquent and unpaid are subject to suit to collect delinquent tax bills or suit for foreclosure of the tax liens. Upon receiving a judgment, the Sheriff must advertise the sale of the land, fixing the date of sale within 30 days after the first publication of the notice. Delinquent taxes, with penalty, interest and costs, may be paid to the County Collector at any time before the property is sold therefor. No action for recovery of delinquent taxes shall be valid unless initial proceedings therefor are commenced within five years after delinquency of such taxes.

Collection of Economic Activity Tax Revenues

Retail businesses are required to collect the sales tax from purchasers at the time of sale and pay the amounts collected to the Department of Revenue of the State with the filing of returns, except for the sales tax on motor vehicles, trailers, boats and outboard motors, which is due at the time application is made for title and registration. The sales volume of a retail business determines the frequency of payments made to the Department of Revenue of the State. In most cases, the retail businesses in the City make monthly payments to the Department of Revenue of the State, which are due on the tenth day of each calendar month for sales taxes collected in the preceding calendar month. Retail businesses located in the City submit applications to the City for a merchants license and an occupancy permit, and before such license and permit are awarded verification of a tax identification number from the State is made by the City. In the event of a failure by a retail business to remit sales taxes, interest and penalties, the unpaid amount may become a lien in the nature of a judgment lien against the delinquent taxpayer. In the event of overpayment by any retail business as a result of error or duplication, provision is made under State law for refunds.

Pursuant to State law, taxpayers who promptly pay their sales tax are entitled to retain 2% of the amount of taxes owed. Within 30 days of receipt of sales taxes by the Department of Revenue of the State, the Director of the Department of Revenue remits to the State Treasurer for deposit in a special trust fund for the benefit of each political subdivision entitled to a sales tax distribution the amount of such sales tax receipts less 1% of such amount which constitutes a fee paid to the State for collecting and distributing the tax. The State Treasurer then distributes moneys on deposit in the special trust fund on behalf of each such political subdivision to such political subdivision on a monthly basis.

THE BONDS

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

General Terms

The Bonds are being issued in the principal amounts shown on the cover page, are dated February 1, 2008, 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 pages, payable semi-annually with respect to the Series 2008B Bonds on March 1 and September 1 of each year, commencing September 1, 2008, and with respect to the Series 2008C Bonds on April 1 and October 1 of each year, commencing October 1, 2008, and will mature in the case of the Series 2008B Bonds on March 1 in the years as set forth on the inside cover pages and in the case of the Series 2008C Bonds on April 1 in the years set forth on the inside cover pages. The Bonds are issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. The principal of the Bonds are payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the 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 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 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 Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any payment on the 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. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry only system (the "Book-Entry Only System") maintained by The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Initially, the 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 for each maturity of the Bonds will be issued, in the aggregate principal amount of such maturity, and will be deposited with DTC or the Trustee as its "FAST" agent. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry Only System, as described below.

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, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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, Fixed Income Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC," "GSCC," "FICC" 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 (the "Indirect Participants" and, collectively with the Direct Participants, the "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 and www.dtc.org.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "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 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 interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Transfers. To facilitate subsequent transfers, all 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. So long as any Bond is registered in the name of DTC's nominee, all payments of principal of, premium, if any, and interest on such Bond 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 Board or the Trustee, on the 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, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the 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 as described in the Indenture.

The use of the system of book-entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Indenture. In that event, bond certificates will be printed and delivered as described in the Indenture.

None of the Underwriter, the Trustee, the City nor the Board will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to owners of the Bonds; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

The information above concerning DTC and DTC's book-entry system has been obtained from sources that the Board and the City believe to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the Board, the City, the Trustee or the Underwriter. The Board, the City, the Trustee and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

Redemption

Series 2008B Bonds

The Series 2008B Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2008B Bonds maturing on March 1, 2019 and thereafter 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 March 1, 2018, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2008B Bonds maturing on March 1, 2019 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2018	$615,000
2019*	685,000

*Final Maturity

The Series 2008B Bonds maturing on March 1, 2022 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2020	$725,000
2021	800,000
2022*	850,000

*Final Maturity

The Series 2008B Bonds maturing on March 1, 2025 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2023	$940,000
2024	1,015,000
2025*	1,635,000

*Final Maturity

The Trustee shall, in each year in which the Series 2008B Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2008B 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 2008B 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 2008B 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 redemption obligation under this subsection for any Series 2008B Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2008B 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

2008B 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 2008B Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2008B Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this paragraph 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 2008B Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Series 2008C Bonds

The Series 2008C Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2008C Bonds maturing on April 1, 2019 and thereafter 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, 2018, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2008C 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 each April 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2018	$500,000
2019*	475,000

*Final Maturity

The Series 2008C Bonds maturing on April 1, 2022 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2020	$445,000
2021	860,000
2022*	2,515,000

*Final Maturity

The Trustee shall, in each year in which the Series 2008C Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2008C 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 2008C 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 2008C 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 redemption obligation under this subsection for any Series 2008C Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2008C 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 2008C 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 2008C Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2008C Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this paragraph 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 2008C Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

<u>Series 2008B and 2008C Bonds</u>

Election to Redeem; Notice to Trustee. The Board shall elect to redeem 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 Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount and maturities of Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Indenture pursuant to which such Bonds are to be called for redemption.

The foregoing paragraph shall not apply in the case of any mandatory redemption of Bonds under the Indenture or under any Supplemental Indenture, and the Trustee shall call 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 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 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 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 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 Bonds to receive notice given as provided herein, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided herein 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 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 Bonds to be Redeemed. Bonds may be redeemed only in the principal amount of $5,000 or any integral multiple thereof. If less than all Bonds are to be redeemed and paid prior to maturity pursuant to the Indenture, the particular Bonds to be redeemed shall be selected by the Trustee from the 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 Bonds of a denomination larger than $5,000.

The Trustee shall promptly notify the Board and the City in writing of the 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 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.

Bonds Payable on Redemption Date. Notice of redemption having been given as aforesaid, the 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 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 Bonds registered as such on the relevant Record Dates according to the terms of such 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.

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 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.

Transfer Outside Book-Entry Only System

If the book-entry only system is discontinued, the following provisions would apply. The Bonds are transferable only upon the registration books of the Trustee upon surrender of the 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.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any 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 Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will be issued under and will be equally and ratably secured under two separate and distinct Indentures, each of which will assign and pledge to the Trustee (1) certain rights of the Board under the applicable Financing Agreement, including the right to receive Loan Payments with respect to such Series of Bonds thereunder, and (2) the funds and accounts, including the money and investments in them, which the Trustee holds under the terms of the applicable Indenture.

Special, Limited Obligations

The 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 applicable Financing Agreement and certain other funds held by the Trustee under the applicable Indenture and not from any other fund or source of the Board, and are secured under the applicable Indenture and the applicable Financing Agreement as described herein. Except as provided in the following paragraph, all payments by the City under each Financing Agreement are subject to annual appropriation.

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2008B and Series 2008C Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2008B Bonds under the Series 2008B Financing Agreement will also be secured by (i) any State TIF Sales Tax revenues, and (ii) **on a subordinate basis**, the Bass Pro Lease payments, if any, collected by the City.

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS), nor moneys received under the Deed of Trust with respect to the Series 2008B Bonds, as a source of repayment of the Series 2008B Bonds or the Series 2008C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2008B Bonds and the Series 2008C Bonds. The Series 2008C Bonds are not secured by a deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.

The Bonds are not an indebtedness of City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the State of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any other political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment, except as otherwise described herein. The Board has no taxing power.

The Financing Agreements

Under each Financing Agreement, the City is required to make Loan Payments to the Trustee for deposit into the applicable Debt Service Fund in amounts sufficient to pay the principal of and interest on the Series of Bonds to which such Financing Agreement relates when due. 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 herein, all general fund revenues of the City. The taxing power of the City is not pledged to the payment of Loan Payments either as to principal or interest.

Annual Appropriation Obligation of the City

Each Financing Agreement contains the following provisions with respect to the City's annual appropriation obligation:

Annual Appropriation. 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 hereunder. 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 and Administration 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 hereunder 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 herein 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 hereunder 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 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 herein shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture for each Series of Bonds. 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.

Debt Service Reserve Fund

Pursuant to the Indentures the Board will establish a Debt Service Reserve Fund for each series of the Bonds. Each such Debt Service Reserve Fund will be fully funded at the time of the issuance of the Series Bonds from the proceeds thereof in an amount equal to the applicable "Debt Service Reserve Requirement." The Debt Service Reserve Requirement is an amount equal to, calculated at the date of original issuance and delivery of the Bonds, the least of (A) 10% of the original aggregate principal amount of the applicable series of Bonds, (B) the maximum annual debt service on the applicable series of Bonds, or (C) 125% of the average future annual debt service on the applicable series of Bonds. Moneys in each Debt Service Reserve Fund shall only be available to fund a deficiency in the Debt Service Fund with respect to the associated series of Bonds, and not with respect to any Additional Bonds. Amounts in each Debt Service Reserve Fund are to be used to pay principal of and interest on the associated series of Bonds to the extent of any deficiency in the associated Debt Service Fund and to retire the last Outstanding Bonds of the applicable series of Bonds.

Business Interruption Reserve Fund (Series 2008B Bonds Only)

The Series 2008B Indenture also establishes a Business Interruption Reserve Fund for the Series 2008B Bonds and the other Tax Exempt Bonds issued for the Crackerneck Creek Project. The City expects to fund this Fund solely from Excess Tax Revenues, if any, until such time as the amount therein is equal to the Debt Service Reserve Requirement applicable to the Series 2008B Bonds, the Series 2006C Bonds, the Series 2005C Bonds and all Additional Bonds issued on a parity therewith. "Excess Tax Revenues" means the amount of (i) Incremental Tax Revenues, (ii) any State TIF Sales Tax revenues, and (iii) the Bass Pro Lease Payments available after payments related to the Taxable Bonds, collected by the City (in increments of $5,000) which the City determines are in excess of the amounts needed to make Loan Payments under the Financing Agreement relating to regularly scheduled payments of principal and interest on the Bonds. Amounts in the Business Interruption Reserve Fund will be used by the City to fund a deficiency in the Debt Service Fund with respect to the Series 2008B Bonds, the Series 2006C Bonds, the Series 2005C Bonds and all Additional Bonds issued on a parity therewith. The City intends to use any money in the Business Interruption Reserve Fund to protect its General Fund from disruptions or shortfalls in the City's receipt of Incremental Tax Revenues relating to the Crackerneck Creek Project. Unlike the Debt Service Reserve Fund, the Business Interruption Reserve Fund is pledged to secure the Series 2008B Bonds, the Series 2006C Bonds, the Series 2005C Bonds and all Additional Bonds.

The Indentures

Under each Indenture, the Board will pledge and assign to the Trustee, for the benefit of the owners of the applicable Series of Bonds, all of its rights under the applicable Financing Agreement, including all Loan Payments and other amounts payable under such 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 applicable Series of Bonds. See **"SUMMARY OF THE INDENTURE"** in *Appendix C* hereto.

Additional Bonds

Series 2008B Bonds

The TIF Agreement relating to the Crackerneck Creek Project authorizes the issuance of obligations in an amount necessary to fund "Reimbursable Project Costs" (as defined in the Redevelopment Agreement) with respect to the Crackerneck Creek Project not exceeding $73,600,000, plus capitalized interest, costs of issuance and necessary reserves. The City expects that it will request that the Board issue approximately $12,500,000 in bonds subsequent to the issuance of the Series 2008B Bonds, some of which are expected to be Additional Bonds, to finance other redevelopment project costs relating to the Project. The proposed Additional Bonds will be secured on a parity with the Series 2008B Bonds (except with respect to the Series 2008B Debt Service Reserve Fund which shall only be pledged to secure the Series 2008B Bonds), the Series 2006C Bonds, (except with respect to the Series 2006C Debt Service Reserve Fund which shall only be pledged to secure the Series 2006C Bonds) and the Series 2005C Bonds (except with respect to the Series 2005C Debt Service Reserve Fund, which shall only be pledged to secure the Series 2005C Bonds), and therefore will share an equal claim on the PILOTS, EATS and the Business Interruption Reserve Fund established pursuant to the Indenture.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2008B Bonds, the Series 2006C Bonds and the Series 2005C 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 a resolution adopted by the Board and an ordinance adopted by the City; (2) the Board and 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 and 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.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008B Bonds, the Series 2006C Bonds and the Series 2005C Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2008B Bonds, the Series 2006C Bonds and the Series 2005C Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2008B Bonds, the Series 2006C Bonds and the Series 2005C Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues or moneys received under the Deed of Trust as a source of repayment of the Series 2008B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.**

Series 2008C Bonds

The Board expects to issue Additional Bonds to fund $7,000,000 in additional costs of the Eastland Project, plus reserves and costs of issuance, subsequent to the issuance of the Series 2008C Bonds. Pursuant to the Eastland Center Redevelopment Agreement the City is obligated to reimburse the Eastland Developer for an additional $7,283,887 in redevelopment project costs relating to the project. $5,540,000 of this amount will be funded from proceeds of the Series 2008C Bonds, including approximately $141,774 which is currently due the Eastland Developer, subject to certain final conditions on payment. Subsequent to the issuance of the Series 2008C Bonds, the City also expects to issue Additional Bonds to fund additional City improvements in the amount of $7,944,004, plus reserves and costs of issuance. The proposed Additional Bonds will be secured on a parity with the Series 2008C Bonds (except with respect to the Series 2008C Debt Service Reserve Fund which shall only be pledged to secure the Series 2008C Bonds) and the Series 2007A Bonds (except with respect to the Series 2007A Debt Service Reserve Fund, which shall only be pledged to secure the Series 2007A Bonds), and therefore will share an equal claim on the PILOTS and EATS. The City does not anticipate the issuance of Additional Bonds until the year 2010.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2008C Bonds and the Series 2007A 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 a resolution adopted by the Board and an ordinance adopted by the City; (2) the Board and 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 and 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.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008C Bonds and the Series 2007A Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2008C Bonds and the Series 2007A Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2008C Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Series 2008C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2008C Financing Agreement. The Series 2008C Bonds are not**

secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the City with respect to the 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 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 Bonds are limited obligations of the Board payable by the Board solely from payments to be made by the City pursuant to the applicable Financing Agreement and from certain other funds held by the Trustee under the applicable 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 relating to each Series of Bonds.

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

General. Except as provided herein with respect to PILOTS pledged to secure the Series 2008B and Series 2008C Bonds, all payments by the City under each applicable Financing Agreement are subject to annual appropriation.

Risk of Non-Appropriation. The City's obligation to make Loan Payments under each of the Financing Agreements 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 any Project or any other Facilities of the City (Series 2008C Bonds). Payment of the principal of and interest on the Series 2008C Bonds is **not** secured by any deed of trust, mortgage or other lien on any Project, or any other facilities or property of the City or any developer. Except as provided herein, the Bonds are payable solely from annual appropriation by the City.

Subordinate Mortgage Lien (Series 2008B Bonds). The Series 2008B Bonds, together with the Series 2005C Bonds, the Series 2006C bonds and Additional Bonds issued on a parity therewith in connection with the Crackerneck Creek Project, are secured by a subordinate mortgage lien on the Bass Pro Store and the Bass Pro Lease Payments pursuant to the Deed of Trust. **Prospective investors should not rely upon moneys received under the Deed of Trust as a source of repayment of the Series 2008B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement relating to the Series 2008B Bonds.**

Risk Factors Relating to the Collection of Incremental Tax Revenues

As noted herein the payment by the City of Loan Payments with respect to the Series 2008B Bonds and the Series 2008C Bonds is secured by Incremental Tax Revenues (PILOTS and EATS).

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2008B Bonds or the Series 2008C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2008B Bonds and the Series 2008C Bonds.

Although prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2008B Bonds or the Series 2008C Bonds, prospective investors should evaluate factors which could cause such Incremental Tax Revenues to be below the City's estimate in order to determine the capacity of the City's General Fund to provide for the Loan Payments with respect to the Series 2008B Bonds and the Series 2008C Bonds in the event such Incremental Tax Revenues are not sufficient to make such payments.

There are a variety of reasons the collection of Incremental Tax Revenues may not be realized as expected by the City, including but not limited to the following:

Limited Construction Activity for the Crackerneck Creek Project. The Crackerneck Creek Project is a new retail shopping center. While significant site improvements have occurred, other than the Bass Pro Store, construction of the shopping center has not commenced, and there are no binding agreements with any potential tenants to occupy such space if constructed. Commencement of further construction is dependent upon a variety of factors, many of which are not within the control of the Crackerneck Creek Developer or the City. If and when commenced, delays in construction due to weather, strikes or shortages of materials will also adversely impact the receipt of PILOTS and Economic Activity Tax Revenues.

Financial Feasibility of the Crackerneck Creek Project. The financial feasibility of the Crackerneck Creek Project depends in large part upon the ability of the Crackerneck Creek Developer to attract and maintain sufficient numbers of tenants to achieve and then to maintain substantial occupancy throughout the term of the Series 2008B Bonds. The only signed tenant is a 150,000 square foot Bass Pro Shops Outdoor World retail store. The Developer has received letters of intent for commercial and restaurant uses on the site. The City is evaluating these potential uses and tenants to determine their suitability and whether the uses comply with the existing development agreement for the project. There can be no assurance that these potential tenants will be approved or that, if approved, they will enter into binding leases or open for business. Consequently, for approximately 300,000 square feet of the 450,000 square foot project, no binding commitments to occupy space currently exist. If the Crackerneck Creek Developer fails to achieve and maintain substantial occupancy at the Project, there may be insufficient PILOTS and EATS (particularly EATS) to pay the Series 2008B Bonds, the Series 2005C Bonds, the Series 2006C Bonds and any Additional Bonds issued on a parity therewith.

Status of Crackerneck Creek Developer. The City has previously delivered to the Developer of the Crackerneck Creek Project a notice of termination under the development agreement for the project for failure to lease sufficient space in the project. The City and Developer have since entered into an Agreement for Stay of Termination (the "Stay of Termination"). Under the provisions of the Stay of Termination, the City consents to stay the provisions of the termination until June 30, 2008 to provide the Developer additional time to procure retail development for the project. If sufficient retail development is secured at the levels described in the Stay of Termination, the Stay of Termination is automatically extended and the termination can eventually be permanently rescinded. If sufficient retail development is not secured at the levels provided in the Stay of Termination, the City can proceed with the termination of the Developer and the Developer expressly waives any ability to challenge the termination proceedings.

The Developer has continued to oversee the completion of site improvements for the project. The Developer also continues to solicit interest in the project, and has received some non-binding letters of intent for space in the shopping center other than the Bass Pro Store. The City is evaluating these potential tenants to determine whether they are suitable for the site. If the Developer fails to meet the retail development targets identified in the Stay of Termination, the City may complete the process of terminating the Developer.

There can be no assurance that additional retail development can be secured for the Crackerneck Creek Project or that the Developer of the Crackerneck Creek project will remain involved in the project. Selection of a different developer would likely lead to further delays in finding tenants for the project. If the Crackerneck Creek Developer is replaced, or if the Crackerneck Creek Developer remains in place but is unsuccessful in finding tenants for the project, there may be insufficient PILOTS and EATS (particularly EATS) to pay the Series 2008B Bonds, the Series 2005C Bonds, the Series 2006C Bonds and any Additional Bonds issued on a parity therewith.

Annual Appropriation of State TIF and TDD Revenues for Crackerneck Creek Project. State TIF Revenues are subject to annual appropriation by the State. TDD Sales Tax Revenues are subject to annual appropriation by the TDD. There can be no assurance that the State will annually appropriate State TIF Revenues or that the TDD will appropriate its sales tax revenues.

Proposed Additional Bonds. The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008B Bonds or the Series 2008C Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2008B Bonds or the Series 2008C Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments relating to such the Series 2008B Bonds or the Series 2008C Bonds, without regard to the proposed Additional Bonds.

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Crackerneck Creek Project or the Eastland Project will equal or exceed the expected assessed value. Even if the assessed value is initially determined as expected, there can be no assurance that such assessed value will be maintained throughout the term of the Series 2008B Bonds and the Series 2008C Bonds.

*Changes in State and Local Tax Laws***.** The City's internal estimates of Incremental Tax Revenues assume no substantial change in the basis of extending, levying and collecting real property taxes, sales taxes, PILOTS and Economic Activity Tax Revenues. Any change in the current system of collection and distribution of real property taxes, sales taxes, PILOTS or Economic Activity Tax Revenues 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 Series 2008B Bonds and the Series 2008C Bonds.

*Reduction in State and Local Tax Rates***.** Any taxing district authorized to impose sales taxes or levy real property taxes on any real estate included within the Redevelopment Project Areas could lower its tax rate, which would have the effect of reducing the Economic Activity Taxes and/or PILOTS derived from the Redevelopment Project Areas.

Risk of Non-Appropriation of Economic Activity Taxes. The application of Economic Activity Tax Revenues in the Special Allocation Fund applicable to the Crackerneck Creek Project or the Eastland Project is subject to annual appropriation by the City. Although the City has covenanted to request annually that the appropriation of the Economic Activity Tax Revenues in the applicable Special Allocation Fund 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 by the City Council, and the City Council is not legally obligated to do so.

*Changes in Market Conditions***.** The estimates of Incremental Tax Revenues used in the City's internal projections are based on the current status of the national and local business economy and assume a future performance of the real estate market similar to the historical performance of such market in the Independence area. However, changes in the market conditions for the City, as well as changes in general economic conditions, could adversely effect the rate of appreciation and/or inflation of the property in the applicable

Redevelopment Project Area and, consequently, the amount of PILOTS and Economic Activity Tax Revenues collected for deposit into the applicable Special Allocation Fund.

Factors Impacting Retail Sales. The retail sales industry is highly competitive. Existing retail businesses outside of the Crackerneck Creek Tax Redevelopment Project Area and the future development of retail businesses outside of the Crackerneck Creek Tax Redevelopment Project Area, which are competitive with retail businesses in the Redevelopment Project Area may exist or may be developed after the date of this Official Statement. There is over 2.5 million square feet of retail within a two mile radius of the Crackerneck Creek Tax Redevelopment Project Area. Over 1 million square feet of this space has opened within the last six years.

A Bass Pro Outdoor World has recently opened in Olathe Kansas, approximately 30 miles from the Crackerneck Creek Tax Redevelopment Project Area. It is impossible to predict the competitive impact of this store on the Bass Pro Store. While Bass Pro Stores in other locations have been successful, there can be no assurance that the Bass Pro Store that is part of the Crackerneck Creek Project will also be successful. Bass Pro has stores in St. Charles, Missouri (221 miles from Independence), Columbia, Missouri (118 miles from Independence) and Springfield, Missouri (165 miles from Independence). Bass Pro has also opened a store recently in Branson, Missouri on Lake Taneycomo (239 miles from Independence). The Bass Pro Store in Springfield is the original Bass Pro store and is approximately 300,000 square feet. Bass Pro has a total of 45 stores nationwide and has plans for 10 other stores, including the Independence store. Bass Pro also has a successful catalog sales operation.

Demand for retail goods can be highly volatile, cyclical and is generally subject to a variety of economic conditions that significantly impact consumers and the demand for consumer goods. Such factors include economic conditions in the surrounding trade area, rental rates and occupancy rates, local unemployment, availability of transportation, neighborhood changes, crime levels in the area, vandalism and rising operating costs, interruption or termination of operations 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 may be realized from any retail project.

Risk of Damage or Destruction. The partial or complete destruction of improvements within the Redevelopment Project Area, as a result of fire, natural disaster or similar casualty event, would adversely impact the collection of Economic Activity Taxes.

Loss of Premium Upon Early Redemption

Purchasers of Series 2008B Bonds and Series 2008C Bonds at a price in excess of their principal amount should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest under certain circumstances. See "**THE BONDS – Redemption.**"

Constitutional Challenge of Kentucky State Income Tax Exemption for Interest Paid on Tax-Exempt Bonds

The U.S. Supreme Court agreed on May 21, 2007, to review a Kentucky decision in which the Kentucky state court held that a Kentucky statute that exempts interest on municipal bonds from state income taxes only if the bonds are issued in Kentucky is unconstitutional under the U.S. Constitution. The state court concluded that the exemption for Kentucky bonds violated the Commerce Clause in the U.S. Constitution, as the state statute did not extend to interest paid on bonds issued in other states.

Bond Counsel will render its opinion that the interest on the Bonds is exempt from income taxation in the State of Missouri. Missouri statutes are similar to the Kentucky statute that is being challenged, in that it exempts interest on Missouri bonds, but not the interest on bonds issued in other states.

The City cannot predict the outcome of the Kentucky case to be heard by the Supreme Court or what impact that case might have on the exemption from Missouri income tax of interest on the Bonds. Purchasers of the Bonds should consult their own tax advisors as to the impact of a decision by the U.S. Supreme Court with respect to the exemption from Missouri income tax of the interest on the Bonds.

Determination of Taxability

The Bonds are not subject to redemption, nor is the interest rate on the Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Bond is or was includible in the gross income of the Owner of a Bond for federal income tax purposes. Such determination may, however, result in a breach of the Board's tax covenants set forth in the applicable Indenture which may constitute an event of default under such Indenture. ***It may be that Bondowners would continue to hold their Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.***

Enforcement of Remedies

The enforcement of the remedies under each Indenture and each 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 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.

Amendment of Indentures

Certain amendments to the Indentures and the Financing Agreements may be made without the consent of or notice to the registered owners of the Bonds. Such amendments may adversely affect the security for the Bonds.

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 Bonds, or questioning or affecting the validity of the 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 Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures 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 Bonds by the Board, or questioning or affecting the validity of the 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 Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures, the Act or the City's right to enter into the Financing Agreements. See "**TAX INCREMENT FINANCING IN MISSOURI - TIF Act Legal Challenge"** for a description of certain litigation that could impact the Series 2008B Bonds and the Series 2008C Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the 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 Bonds. Certain legal matters will be passed upon for the Board by its counsel, Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters relating to the Official Statement will be passed upon for the City and the Underwriter by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by its counsel, Allen Garner, City Counselor.

TAX MATTERS

Opinion of Bond Counsel

Federal Income Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. 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 Bonds in order that interest thereon be, or continue to be, excludable 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 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.

Original Issue Discount. In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Bond purchased in the original offering at a price less than the principal amount thereof, 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. The original issue discount is the excess of the stated redemption price at maturity of such Bond over its initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner during any accrual period generally equals (i) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such 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 excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Bond. Owners of any Bonds purchased at an original issue discount should consult with their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning such Bonds.

Original Issue Premium. An amount equal to the excess of the purchase price of a Bond over its stated principal amount at maturity constitutes premium on such Bond. An owner of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the Bond's yield to maturity. As premium is amortized, the owner's basis in such Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Owners of any Bonds purchased at a premium, whether at the time of initial issuance or subsequent thereto, should consult their individual tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Missouri Income Tax Exemption. The interest on the Bonds is exempt from income taxation by the State of Missouri.

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

Other Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., has given the each Series of Bonds the rating shown on the cover page of this Official Statement. Such rating reflects only the view of Standard & Poor's, and any further explanation of the significance of such rating may be obtained only from the rating agency. The rating does not constitute a recommendation by the rating agency to buy, sell or hold any bonds, including the Bonds. There is no assurance that any rating when assigned to each Series of the 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 Bonds may have an adverse affect on the market price of the Bonds.

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2007 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 Cochran, Head & Co., P.C., 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 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 Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the 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 2008B Bonds at a purchase price of $7,808,180.49 (which represents the principal amount of the Bonds, $7,920,000, less net original discount of $31,952.95, less an underwriter's discount of $99,000, plus accrued interest in the amount of $19,133.44). The bond purchase agreement provides that the Underwriter will purchase the Series 2008C Bonds at a purchase price of $7,993,333.03 (which represents the principal amount of the Bonds, $8,000,000, plus net reoffering premium of $75,062.40, less an underwriter's discount of $100,000, plus accrued interest in the amount of $18,270.63). In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all of the Bonds, including all Series of the Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the 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 Bonds are subject to various conditions contained in the bond purchase agreement.

MISCELLANEOUS

The references herein to the Act, the Indentures, the Financing Agreements, the City's Authorizing Ordinance, the Deed of Trust, the Bass Pro Lease 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 Indentures, the Financing Agreements, the City's Authorizing Ordinance, the Deed of Trust, the Bass Pro Lease and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Bonds will be on file at the office of the Trustee.

The agreement of the Board with the owners of the Bonds is fully set forth in the Indentures, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 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 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/ Robert Heacock
City Manager

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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THE CITY

General Information

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 October 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:

Councilmembers	Occupation	District	Expiration of Term
Don B. Reimal, Mayor	Retired	n/a	2010
Marcie Gragg	Church leader	District 1	2008
Will Swoffer	Retired	District 2	2008
Renee Paluka	Commodity buyer	District 3	2008
Jim Page	Retired	District 4	2008
Jim Schultz	Insurance agent	At-Large	2010
Lucy Young	Secretary	At-Large	2010

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock is the City Manager. 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. Allen Garner has served as City Counselor since 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.

Employee Retirement System

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. The City makes all required contributions to this plan. The total pension expense for the years ended June 30, 2006 and 2007 was $5,432,144 and $5,763,388, respectively.

Insurance

The City self-insures for workers' compensation claims up to $1,000,000 per accident and purchases excess worker's compensation insurance coverage from ACE American Insurance Company for claims exceeding the $1,000,000 retention limit per accident.

The City purchases all-risk property insurance from Hartford Steam Boiler Insurance Company, Associated Electric and Gas Insurance Services and Zurich American Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of $200 million. Risks covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a $50,000 per occurrence deductible, except for a $1,000,000 per occurrence deductible at the Blue Valley and Missouri City Power Stations and all other power-generating facilities.

The City purchases replacement cost boiler and machinery insurance coverage from Hartford Steam Boiler, Liberty International Insurance Company, and Zurich American that provides for $75 million in coverage per occurrence. Boiler and machinery insurance provides coverage for sudden breakdown of insured equipment and it also provides coverage for expediting expenses, ammonia contamination, water damage and hazardous material clean-up. The boiler and machinery insurance coverage is subject to a $50,000 per occurrence deductible, a $2,000,000 per occurrence deductible for electrical injury and various deductibles for power generating facilities.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provide coverage in the amount equal to the Missouri statutory sovereign immunity waiver (which is adjusted in each year based on a published index), subject to a $25,000 general liability deductible, a $25,000 public officials deductible and a $100,000 deductible for third party automobile liability. The City self-insures its fleet of vehicles for collision and comprehensive coverages, other than Fire Department apparatus for which separate insurance is purchased with a deductible of $3,000.

The City purchases excess liability insurance coverage from Clarendon American Insurance Company. This policy provides an additional $5 million in liability insurance above the insurance coverage provided by MOPERM for claims that are not subject to the State's Sovereign Immunity Statute.

Payment Record

The City has never defaulted on any financial obligations.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
Alliant Tech Systems	Small Arms Ammunition	2,250
Independence School District	Education	1,800
City of lndependence	Government	1,176
Independence Reg. Health Center	Medical Care	1,035
Medical Center of Independence	Medical Care	565
Government Employee Hospital (GEHA)	Medical Ins. Service Center	550
Rosewood Health Center at the Groves	Retirement Community	400
Burd & Fletcher	Paper carton manufacturing	350
Unilever (Thomas J. Lipton)	Food manufacturing	330
Jackson County Circuit Court	Government	274

Source: City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2007*
City of lndependence	111,797	112,301	113,867	116,359
Jackson County	629,266	633,232	654,880	664,655
State of Missouri	4,916,776	5,1 16,901	5,595,211	5,870,906

*Estimated
Source: City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

Population Distribution by Age

	City of Independence	Jackson County	State of Missouri
Under 0-4	6.7%	7.47%	6.41%
5-9 years	6.45	6.82	6.28
l0-l4 years	6.20	6.68	6.57
l5-20 years	7.34	7.98	8.73
21-24 years	4.66	4.94	5.63
25-34 years	12.56	13.32	13.06
35-44 years	13.80	14.70	13.93
45-54 years	14.80	14.84	14.70
55-59 years	6.42	6.06	6.12
60-64 years	5.41	4.73	4.95
65-74 years	7.77	6.36	7.04
75-84 years	5.52	4.33	4.69
85 and older	2.10	1.77	1.89
Median Age	39.22	36.90	37.39
Average Age	39.29	37.31	38.11

Source: City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

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.

	2002	2003	2004	2005	2006	2007*
Kansas City MSA						
Total Labor Force	1,004,687	1,014,420	1,022,639	1,028,952	1,037,609	1,046,378
Unemployed	55,044	60,872	62,260	971,136	52,360	52,609
Unemployment Rate	5.5%	6.0%	6.1%	5.6%	5.0%	5.0%
Jackson County						
Total Labor Force	346,530	343,334	342,197	339,990	341,598	344,211
Unemployed	20,271	21,989	23,385	21,235	19,248	19,106
Unemployment Rate	5.8%	6.4%	6.8%	6.2%	5.6%	5.5%
State of Missouri						
Total Labor Force	2,985,932	2,986,047	2,993,978	3,008,146	3,032,434	3,058,815
Unemployed	155,947	166,112	172,176	160,388	146,577	152,268
Unemployment Rate	5.2%	5.6%	5.8%	5.3%	4.8%	5.0%

*Average from January through September, 2007
Source: MERIC

Income Statistics

The following table sets forth income figures from the 2000 census and an estimate for 2007.

	Per Capita		Median Household	
	2000	2007	2000	2007
City of Independence	$19,384	$22,784	$45,876	$43,747
Jackson County	20,788	24,500	48,435	45,842
State of Missouri	19,936	23,707	37,934	45,077

Source: U.S. Census Bureau and Claritas, Inc. and City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2007.

Housing type	Number of Units	Percentage of Units
Single Detached	35,669	70.84%
Single Attached	1,764	3.50
Double	2,208	4.39
3 to 19 Unites	6,604	13.12
20 to 49 Units	1,019	2.02
50 + Units	1,553	3.08
Mobile Home	1,506	2.99
All Other	27	0.05
Total Units	50,350	100.00%

Source: Claritas, Inc. and City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

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 2006 by Claritas, Inc., as follows:

	Median Value	
	2000	**2006**
City	$77,000	$103,786
Jackson County	85,000	120,603
State of Missouri	89,900	125,481

Source: U.S. Census Bureau and Claritas, Inc. and City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

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.

	2002	**2003**	**2004**	**2005**	**2006**
Residential					
Number of Permits	744	657	737	567	434
Estimated Cost	$51,015,505	$47,280,932	$66,838,976	$40,861,800	$27,365,631
Non-Residential					
Number of Permits	204	186	188	150	180
Estimated Cost	$78,904,822	$50,594,507	$32,069,290	$52,568,560	$74,867,315

Source: City's Community Development Department City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

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. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*.

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, 2007 was performed by Cochran, Head & Co., P.C., 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.

Tax Revenues

The following table shows General Governmental Tax Revenues by Source received by the City including General, Special Revenue and TIF funds for the last ten years.

Year	Total	Real Estate Tax	Railroad Utilities Tax	Cigarette Tax	Transient Guest Tax	Sales Tax	Franchise Tax	In Lieu of Taxes
1996	$31,417,798	$4,974,581	$56,733	$513,102	$ 366,246	$12,497,734	$5,525,140	$ 7,484,262
1997	33,392,131	6,063,867	60,981	472,758	396,654	12,609,492	6,246,845	7,541,534
1998	36,672,503	6,388,695	55,405	600,206	419,719	15,500,936	5,711,768	7,995,774
1999	40,251,255	6,747,561	39,291	579,968	424,286	18,479,114	5,662,192	8,318,843
2000	46,629,545	7,157,444	38,824	634,169	432,564	24,240,691	5,695,790	8,430,063
2001	53,226,616	7,639,179	39,169	595,259	443,670	27,997,519	7,004,453	9,507,367
2002	54,521,441	7,251,844	45,912	594,665	471,450	30,800,658	6,545,093	8,811,819
2003	56,496,560	8,155,079	45,144	583,785	680,605	30,926,980	6,718,262	9,386,705
2004	58,836,592	8,876,875	38,401	622,835	859,643	31,484,590	7,241,436	9,712,812
2005*	57,539,568	6,523,970	40,720	604,872	887,450	31,802,883	7,500,356	10,179,317
2006*	64,920,638	6,865,462	29,861	596,603	1,000,809	36,157,440	7,645,602	12,624,861
2007*	65,969,879	6,952,380	39,502	567,039	1,020,663	36,141,098	8,209,734	13,039,463

* Change in presentation from years prior to the 2005 fiscal year. Does not include component unit/Tax Increment Financing as in prior years.

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, 2007 (the last completed assessment):

	Assessed Valuation*	**Assessment Rate**	**Actual Valuation**
Real Estate:			
Residential	$826,183,410	19%	$4,348,333,737
Commercial	289,266,376	32%	903,957,425
Agricultural	1,077,386	12%	8,978,217
Real Estate Sub-Total	$1,116,527,172		$5,261,269,379
Railroad and Utilities	5,828,914	32%	18,215,356
Personal Property	278,254,929	33.3%	835,600,387
Total	$1,400,611,015		$6,115,085,122

* 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:

Year	**Assessed Valuation**	**Percent Change**
2007	$1,400,611,015	6.1%
2006	1,319,902,510	2.0
2005	1,294,345,907	8.1
2004	1,197,742,533	2.3
2003	1,170,802,608	8.6
2002	1,078,098,132	3.4
2001	1,042,786,467	5.7
2000	986,146,535	8.0

Source: Jackson and Clay Counties Assessor's Office and City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

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, 2006.

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
Simon Property Group LP	Retail Center	$19,238,350	1.51%
DDR MDT Independence Commons	Retail Center	9,611,830	0.75
Geospace	Warehouse	8,846,690	0.69
Sprint Spectrum	Communications	5,607,925	0.44
Bradley Operating LTC PTP	Retail Center	5,499,410	0.43
Burd & Fletcher	Paper Cartons	5,157,954	0.41
Noland Fashion Square Partners	Retail Center	5,103,999	0.40
Unilever Bestfoods NA	Food Manufacturer	4,751,475	0.37
Southern Union Company	Utility	4,257,589	0.33
Mansion Apartments LLC	Apartment Rental	3,321,200	0.26
Total		$71,396,422	5.59%

Source: Jackson County Collection Department and City's Continuing Disclosure Statement, Fiscal Year Ending 6-30-2007

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 April 1, 2007. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

(i) $99,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of $111,000, and

(ii) $825,000 of its Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, issued in the original principal amount of $995,000.

Neighborhood Improvement District bonds are payable from special assessments on certain real property within the district. If not so paid, such bonds are then payable from any reserve fund established for the bonds and then, pursuant to a full faith and credit pledge of the City, from any available funds. However, the City is not authorized nor obligated to levy taxes for the repayment of such bonds. Such bonds do count against the constitutional general obligation bond limitations described above.

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

	Balance Payable
Power and Light Fund:	
$23,520,000 Electric Utility Refunding Revenue Bonds, Series 1998, due in annual installments of $700,000 to $2,040,000 through June 1, 2014, interest at 4.00% to 4.8% ($12,490,000), less Deferred Loss on Refunding of $1,560,444 (as of 01/01/2008)	$10,929,556
$5,975,000 Electric Utility Refunding Revenue Bonds, Series 2003, due in annual installments of $435,000 to $660,000 through June 1, 2014, interest at 2.0% to 3.65% ($4,035,000). less Deferred Loss on Refunding $853,377 (as of 01/01/2008)	$3,180,623
Water Fund:	
$36,000,000 Water Utility Revenue Bonds, Series 1986, principal due in annual installments of $850,000 to $5,010,000 through November 1, 2016, interest at approximately 3.25% to 5% (as of 01/01/2008)	$25,085,000
$14,785,000 Missouri Development Finance Board ("MDFB" or the "Board") Infrastructure Facilities Revenue Bonds, Series 2004, principal due in annual installments of $100,000 to $1,105,000 through November 1, 2024, interest at approximately 1.80% to 5.00% (as of 01/01/2008)	$13,265,000
Bonds Secured by the City's Annual Appropriation Powers	
On June 16, 1999, at the request of the City, MDFB issued $7,240,000 Infrastructure Facilities Revenue Bonds, Series 1999A, due in annual installments of $270,000 to $835,000 through June 1, 2011 and bearing interest rate at 4.00% 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. 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 are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$2,420,000
On June 28, 2000, at the request of the City, MDFB issued $530,000 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 5.00% 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. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$190,000

	Balance Payable
On August 22, 2001, at the request of the City, MDFB issued $1,635,000 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 4.20% 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 was used to pay a portion of the City's loan payment to the Board in connection with the Hartman Heritage Center redevelopment project. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$610,000
On September 25, 2003, at the request of the City, MDFB issued $8,715,000 Infrastructure Facilities Revenue Bonds, Series 2003, due in annual installments of $135,000 to $455,000 through April 1, 2021 and bearing interest at rates ranging from 2.00% to 5.00%. 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 Phase II project. 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 are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$8,205,000
On May 26, 2004, at the request of the City, MDFB issued $1,245,000 Infrastructure Facilities Revenue Bonds, Series 2004, due in annual installments of $230,000 to $270,000 through June 1, 2009 and bearing interest at the rates ranging from 2.25% to 4.25% The proceeds of the bonds were loaned by MDFB to the City to refund a prior series of bonds issued by MDFB in 2001 to pay for various capital improvement to the Truman Memorial Building. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$530,000
On December 1, 2004, at the request of the City, MDFB issued $6,175,000 Infrastructure Facilities Revenue Bonds, Series 2004, due in annual installments of $300,000 to $450,000 through April 1, 2013 and bearing interest at the rates ranging from 3.00% to 5.00% The proceeds of the bonds were loaned by MDFB to the City to construct a new aquatics center. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$4,485,000
On March 9, 2005, at the request of the City, MDFB issued $8,225,000 Infrastructure Facilities Revenue Bonds, Series 2005A, due in annual installments of $670,000 to $1,010,000 through April 1, 2015 and bearing interest at the rates ranging from 4.00% to 5.25% The proceeds of the bonds were loaned by MDFB to the City to construct public safety projects. 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. The City's loan payments are secured by	$6,860,000

	Balance Payable
an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	
On March 9, 2005, at the request of the City, MDFB issued $1,030,000 Infrastructure Facilities Revenue Bonds, Series 2005B, due in annual installments of $50,000 to $90,000 through April 1, 2020 and bearing interest at the rates ranging from 3.00% to 4.50% The proceeds of the bonds were loaned by MDFB to the City to be used for reimbursement of redevelopment costs related to the Drumm Farm project. 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$925,000
On March 9, 2005, at the request of the City, MDFB issued $11,325,000 Infrastructure Facilities Revenue Bonds, Series 2005C, due in annual installments of $185,000 to $1,270,000 through April 1, 2026 and bearing interest at the rates ranging from 4.00% to 5.25% The proceeds of the bonds were loaned by MDFB to the City to be used for reimbursement of redevelopment costs related to Crackerneck Creek project. 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$11,325,000
On May 26, 2005, at the request of the City, MDFB issued $4,970,000 Infrastructure Facilities Revenue Bonds, Series 2005, due in annual installments of $595,000 to $665,000 through April 1, 2009 and bearing interest at the rates ranging from 3.25% to 4.0% The proceeds of the bonds were loaned by MDFB to the City to be used for various street projects. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$1,950,000
On March 30, 2006, at the request of the City, MDFB issued $34,340,000 Infrastructure Facilities Revenue Bonds, Series 2006A, due in annual installments of $340,000 to $3,775,000 through April 1, 2024 and bearing interest at rates ranging from 5.30% to 6.00%. The proceeds of the bonds were loaned by MDFB to the City to be used for reimbursement of redevelopment costs related to Crackerneck Creek project. 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. The City's loan payments are secured by a pledge of lease payments to be made by Bass Pro Shops Outdoor World and by a subordinate pledge of certain tax increment revenues, and if not paid from such payments and revenues, from the City's general fund, subject to annual appropriation. (as of 01/01/2008).	$34,340,000
On March 30, 2006, at the request of the City, MDFB issued $14,030,000 Infrastructure Facilities Revenue Bonds, Series 2006B, due in annual installments of $1,340,000 to $8,225,000 through April 1, 2026 and bearing interest at the rate of 5.79%. The proceeds of the bonds were loaned by MDFB to the City to be used for reimbursement of redevelopment costs related to Crackerneck Creek project. These	$14,030,000

	Balance Payable
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. The City's loan payments are secured by a pledge of lease payments to be made by Bass Pro Shops Outdoor World and by a subordinate pledge of certain tax increment revenues, and if not paid from such payments and revenues, from the City's general fund, subject to annual appropriation. (as of 01/01/2008).	
On March 30, 2006, at the request of the City, MDFB issued $12,790,000 Infrastructure Facilities Revenue Bonds, Series 2006C, due in annual installments of $3,500,000 to $5,385,000 through April 1, 2028 and bearing interest at the rate of 5.00%. The proceeds of the bonds were loaned by MDFB to the City to be used for reimbursement of redevelopment costs related to Crackerneck Creek project. 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. The City's loan payments are secured by a pledge of certain tax increment revenues and a subordinate lien on lease payments to be made by Bass Pro Shops Outdoor World, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$12,790,000
On May 17, 2006, at the request of the City, MDFB issued $1,590,000 Infrastructure Facilities Revenue Bonds, Series 2006, due in annual installments of $70,000 to $170,000 through April 1, 2020 and bearing interest at the rates ranging from 4.00% to 4.625% The proceeds of the bonds were loaned by MDFB to the City to be used to reimburse the City for a portion of the cost of the public improvements for the Drumm Farm development. 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$1,520,000
On December 12, 2006, at the request of the City, MDFB issued $5,485,000 Infrastructure Facilities Revenue Bonds, Series 2006D, due in annual installments of $1,010,000 to $1,190,000 through April 1, 2013 and bearing interest at the rate of 4.25% The proceeds of the bonds were loaned by MDFB to the City to be used to pay the costs of the Parks Facilities Project, consisting of construction of the Independence Athletic Complex and Community Park. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$5,485,000

	Balance Payable
On December 12, 2006, at the request of the City, MDFB issued $2,770,000 Infrastructure Facilities Revenue Bonds, Series 2006E, due on April 1, 2009 and bears interest at the rate of 4.25% The proceeds of the bonds were loaned by MDFB to the City to be used to pay the costs of street improvements. 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. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of 01/01/2008)	$2,770,000
On December 12, 2006, at the request of the City, MDFB issued $4,980,000 Infrastructure Facilities Revenue Bonds, Series 2006F, due in annual installments of $120,000 to $445,000 through April 1, 2028 and bearing interest at the rates ranging from 4.00% to 4.25% The proceeds of the bonds were loaned by MDFB to the City to be used to fund the Public Safety Facility, the Building Rehabilitation Fund and the Public Road Improvements and to fund Developer Reimbursable Project Costs. These bonds are payable solely from, and secured by tax increment revenues, a portion of Payment in Lieu of Taxes, are not subject to annual appropriation. (as of 01/01/2008)	$4,980,000
On May 30, 2007, at the request of the City, MDFB issued $19,390,000 Infrastructure Facilities Revenue Bonds, Series 2007A, due in annual installments of $860,000 to $2,570,000 through April 1, 2022 and bearing interest at rates ranging from 4.00% to 5.00% The proceeds of the bonds were loaned by MDFB to the City to be used for the refinancing of costs of the Eastland development through the refunding of four prior series of bonds of MDFB, the proceeds of which were loaned to the City to pay such development costs. As with the bonds that were refunded, 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	19,390,000
On May 30, 2007, at the request of the City, MDFB issued $10,330,000 Infrastructure Facilities Revenue Bonds, Series 2007B, due in annual installments of $555,000 to $ 1 ,060,000 through April 1, 2020 and bearing interest at the rates ranging from 4.00% to 5.00% The proceeds of the bonds were loaned by MDFB to the City to be used for the refinancing of costs of the Hartman Heritage development through the refunding of a prior series of bonds of MDFB, the proceeds of which were loaned to the City to pay such development costs. As with the bonds that were refunded, 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$10,330,000
On May 30, 2007, at the request of the City, MDFB issued $10,060,000 Taxable $10,060,000 Infrastructure Facilities Revenue Bonds, Series 2007C, due in annual installments of $385,000 to $1,795,000 through April 1, 2023 and bearing interest at rates ranging from 5.410% to 6.096% The proceeds of the bonds were loaned by MDFB to the City to be used for the refinancing of costs of the Santa Fe development through the refunding of a prior series of bonds of MDFB, the proceeds of which were	$10,060,000

	Balance Payable
loaned to the City to pay such development costs. As with the bonds that were refunded, 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	
On May 30, 2007, at the request of the City, MDFB issued $995,000 Infrastructure $995,000 Facilities Revenue Bonds, Series 2007D, due in annual installments of $70,000 to $80,000 through April 1, 2020 and bearing interest at the rates ranging from 4.00% to 4.500% The proceeds of the bonds were loaned by MDFB to the City to be used to pay for the cost of improvements for the Drumm Farm development. 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$995,000
On June 28, 2007, at the request of the City, MDFB issued $19,720,000 Infrastructure Facilities Revenue Bonds, Series 2007E, due in annual installments of $425,000 to $2,670,000 through April 1, 2027 and bearing interest at the rates ranging from 4.75% to 5.125% The proceeds of the bonds were loaned by MDFB to the City to be used to pay for the cost of improvements for the Centerpoint redevelopment. 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. The City's loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 01/01/2008)	$19,720,000

Future Obligations

The City anticipates the issuance of additional bonds to finance costs related to the Crackerneck Creek Project and the Eastland Center Project in the amounts described in the body of this Official Statement.

The Drumm Farm Project is another tax increment financing project for which bonds have been issued to fund public improvement project costs. The project is the development of 143 residential lots and a public golf course. The City expects that in the future approximately $2,500,000 in additional bonds will be issued to fund additional project costs for the Drumm Farm Project. Bonds related to the Drumm Farm Project are secured by tax increment revenues from the Drumm Farm redevelopment area designated by the City under the TIF Act and, if not paid from such revenues, from the City's general fund, subject to annual appropriation.

The City is in the process of negotiating agreements related to the construction, development and operation of a Mulitpurpose Events Center (the "MPEC Project"). The Board has adopted a resolution setting forth its intention to issue not to exceed $110,575,000 of it infrastructure facilities revenue bonds for the MPEC Project. The City expects that these bonds will be 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. The City's loan payments will be secured by a certain tax increment revenues (local and state sales taxes and property taxes) available on a subordinate basis after repayment of other obligations of the City, tax revenues from a Community Improvement District (a special taxing district that can be formed under Missouri law), and, if not paid from such revenues, from the City's general fund, subject to annual appropriation. The

Community Improvement District has been formed. The City expects the issuance of the bonds for the MPEC Project in the first few months of calendar year 2008.

In addition to bonds expected to be issued for the Crackerneck Creek Project, the Eastland Center Project, the Drumm Farm Project and the MPEC Project, the City expects to issue additional bonds secured by the City's annual appropriation authority.

Capital Leases

Capital leases payable at June 30, 2007 consist of the following:

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.	$ 21,549
IBM Corporation, interest at 2.64% to 6.1% monthly installments through July 2007. A lease to purchase computer equipment.	2,474
Sun Trust Leasing, interest at 4.19%, annual installments through July 2013; a lease to purchase a fire truck	555,685
IBM Corporation , interest at 4.057% monthly installments through April 2010. A lease to purchase an I Series 520 System along with other computer equipment.	132,776
TOTAL	$712,484

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, 2005, and the percent attributable (on the basis of assessed valuation figures) 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*	Percentage Applicable to City of Independence	Amount Applicable to City of Independence
City of Independence	$ 0	-	$ 0
Jackson County	0	-	0
Jackson County School Districts:			
Metropolitan Junior College	0	-	0
Independence	71,573,358	100.0%	71,573,358
Kansas City	0	-	0
Raytown	65,675,000	6.0	3,940,500
Blue Springs #4	110,894,988	20.0	22,178,998
Fort Osage #1	23,279,674	12.5	2,909,959
TOTAL	$271,423,020		$100,602,815

* Does not include amounts available in certain debt service funds

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APPENDIX B

FINANCIAL STATEMENTS OF THE CITY

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CHV & Co

COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

10034 NW Ambassador Dr.
Kansas City, MO 64153
(816) 584-9955
Fax (816) 584-9958

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Independence, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Independence, Missouri, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flow, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Other Offices

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(816) 453-7016 FAX

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

6700 Antioch Rd, Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

317 W. Young
Warrensburg, MO 64093
(660) 747-9125
(660)747-9490 FAX

The Management's Discussion and Analysis, budgetary comparison information and schedules of funding progress, which appear as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City. The introductory section, combining and individual fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, schedules and budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 25, 2007

Cochran Head Vick & Co PC

This section of the City of Independence's comprehensive annual financial report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

The City's total net assets increased over $44.0 million. $32.8 million or 74.6% was from the City's 'governmental-type activities' and the balance were from 'business-type activities'.

Sales tax revenue decreased by $26,054. The lack of growth in revenue from sales tax can mostly be attributed to two factors. The first and probably the most significant is the slow economy that has generally been felt throughout the country. The second is the retail competition that is developing within the trade area of the City. Wal-Mart has recently opened super centers in Blue Springs to our east and Kansas City at our southwest border.

The State authorized legislation that is intended to settle the dispute between cell phone providers and local jurisdictions concerning franchise fees was implemented on July 1, 2006. It was subsequently over-turned by the Missouri Supreme Court in August. The City's Code allowed for this possibility and the business license fee reverted to the pre-July 1st rate of 9.08%. Currently cities are working with individual providers to reach settlements and avoid continued litigation.

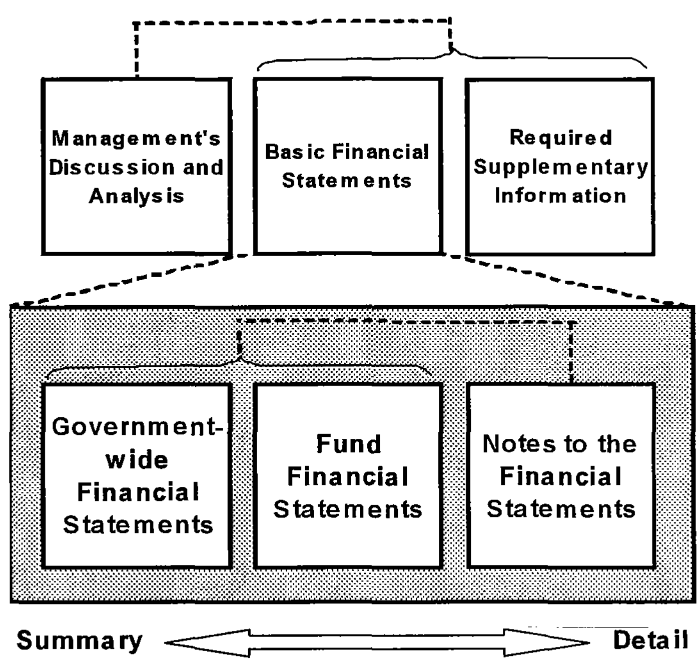
Site work continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel. This store is scheduled to open by late January 2008.

Centerpoint hospital and an associated medical office building opened during the year. This is the new $250,000,000 state of the art medical center that consolidated the two medical facilities in the City.

The City has entered into a memorandum of understanding with Global Enterprises to develop and operate a multi-purpose events center in the southeast part of the City. The events center's primary tenant will be a Central Hockey League team. This project will require establishing a community improvement district and a sales tax in the district.

The City in cooperation with the Kansas City Area Transportation Authority opened a transit center at the corner of Noland and Truman Roads.

Figure MD-1
Required Components of City of Independence's Annual Financial Report



Overview Of The Financial Statements

This annual report consists of four parts, management's discussion and analysis, the basic financial statements, required supplementary information, and a supplemental section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements:
  - The governmental funds statements tell how general government services, like public safety, were financed in the short-term, as well as, what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the electric, water and sanitary sewer systems.
  - Fiduciary fund statements provide information about financial relationships for which the City acts solely as a trustee or agent for the benefit of others, to whom the underlying resources belong, such as the Seniors Travel Fund, and Flexible Benefit Plan Fund.

The financial statements also include notes that provide additional explanatory information to the financial statements. The statements are followed by a section of required supplementary information, which explains and supports the information in the financial statements. Figure MD-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure MD-2

Major Features of the City of Independence's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: electric, water, and sanitary sewer	Instances in which the City is the trustee or agent for someone else's resources
Required financial Statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure MD-2 summarizes the components of the City's financial statements, including the portion of the City government, which each covers and the types of information each contain. The remainder of this section explains the structure and content of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. The term "Net assets" refers to the difference between the City's assets and liabilities and is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To further assess the overall health of the City additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads, should be considered.

The government-wide financial statements of the City can be divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, as well as, general administration. Property taxes, sales taxes, and state and federal grants finance most of these activities.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's electric, water, and sanitary sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by the City's Charter, State Statutes, and bond covenants.

The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary funds – Business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

  - The City's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

  - We use internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds. These are the self-funded health insurance fund, central garage fund, and the pharmacy benefit fund.

- Fiduciary funds – Periodically, the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, Seniors Travel Fund, and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The following Table (MD-1) reflects the condensed Statement of Net Assets:

Table MD-1
City of Independence's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 47,556,469	44,030,055	82,448,428	88,078,459	130,004,897	132,108,514
Capital assets	220,757,782	184,284,767	321,772,908	304,223,793	542,530,690	488,508,560
Total assets	268,314,251	228,314,822	404,221,336	392,302,252	672,535,587	620,617,074
Long-term obligations	38,753,026	32,805,845	63,215,539	65,519,111	101,968,565	98,324,956
Other liabilities	9,277,673	8,060,558	12,933,600	9,899,819	22,211,273	17,960,377
Total liabilities	48,030,699	40,866,403	76,149,139	75,418,930	124,179,838	116,285,333
Net assets						
Invested in capital assets, net of related debt	195,251,671	165,333,646	267,330,916	246,080,008	462,582,587	411,413,654
Restricted	28,164,683	25,262,407	731,101	731,652	28,895,784	25,994,059
Unrestricted	(3,132,802)	(3,147,634)	60,010,180	70,071,662	56,877,378	66,924,028
Total net assets	$ 220,283,552	187,448,419	328,072,197	316,883,322	548,355,749	504,331,741

(Amounts for 2006 have been restated.)

The City's combined net assets increased 8.7% to $548.4 million from $504.3 million. Net assets of the City's governmental activities increased 17.5% to $220.3 million. Governmental assets increased $40 million and liabilities increased $7.2 million. Governmental long-term obligations increased $5.9 million. The increase in long term obligations in the governmental activities is due to debt issued for Parks and Streets projects.

Total unrestricted net assets were $56.9 million with the business-type activities being $60 million. The City's unrestricted net assets (deficit) for governmental activities were ($3.1) million.

Unrestricted net assets for business activities were $60 million and decreased $10.1 million from the previous year. Net assets invested in capital assets, net of related debt were $267.3 million and increased $21.3 million from the previous year.

Changes In Net Assets

The following Table (MD-2) reflects the revenues and expenses from the City's activities:

Table MD-2
City of Independence's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	$ 15,098,737	14,719,971	135,936,348	130,955,239	151,035,085	145,675,210
Operating grants and contributions	9,957,178	9,199,332	-	-	9,957,178	9,199,332
Capital grants and contributions	23,963,312	27,299,227	5,562,049	2,964,925	29,525,361	30,264,152
General revenues						
Property taxes	6,952,380	6,895,323	-	-	6,952,380	6,895,323
Sales taxes	37,728,799	37,754,853	-	-	37,728,799	37,754,853
Other taxes	8,244,536	7,667,782	-	-	8,244,536	7,667,782
Interest	1,785,111	1,385,126	2,532,853	2,449,623	4,317,964	3,834,749
Other	589,469	714,149	47,953	436,132	637,422	1,150,281
Total revenues	104,319,522	105,635,763	144,079,203	136,805,919	248,398,725	242,441,682
Expenses						
Administrative services	7,749,779	7,363,102	-	-	7,749,779	7,363,102
Public works	13,231,006	12,817,343	-	-	13,231,006	12,817,343
Public safety	38,253,819	36,796,996	-	-	38,253,819	36,796,996
Culture & recreation	6,965,260	5,161,139	-	-	6,965,260	5,161,139
Community development	4,096,835	3,809,726	-	-	4,096,835	3,809,726
Health & welfare	2,898,542	2,638,369	-	-	2,898,542	2,638,369
Electric	-	-	89,265,988	84,564,657	89,265,988	84,564,657
Water	-	-	17,723,114	17,097,507	17,723,114	17,097,507
Sanitary sewer	-	-	12,721,171	12,236,654	12,721,171	12,236,654
Storm water	2,193,290	1,641,992	-	-	2,193,290	1,641,992
General government	8,225,760	6,678,208	-	-	8,225,760	6,678,208
Interest	1,050,153	991,856	-	-	1,050,153	991,856
Total expenses	84,664,444	77,898,731	119,710,273	113,898,818	204,374,717	191,797,549
Excess (deficiency) of revenues or expenses before special item and transfers	19,655,078	27,737,032	24,368,930	22,907,101	44,024,008	50,644,133
Transfers - In (Out)	13,180,055	13,167,930	(13,180,055)	(13,167,930)	-	-
Increase in net assets	32,835,133	40,904,962	11,188,875	9,739,171	44,024,008	50,644,133
Net assets, beginning of year	187,448,419	146,543,457	316,883,322	307,144,151	504,331,741	453,687,608
Net assets, end of year	$220,283,552	$187,448,419	$328,072,197	$316,883,322	$548,355,749	$504,331,741

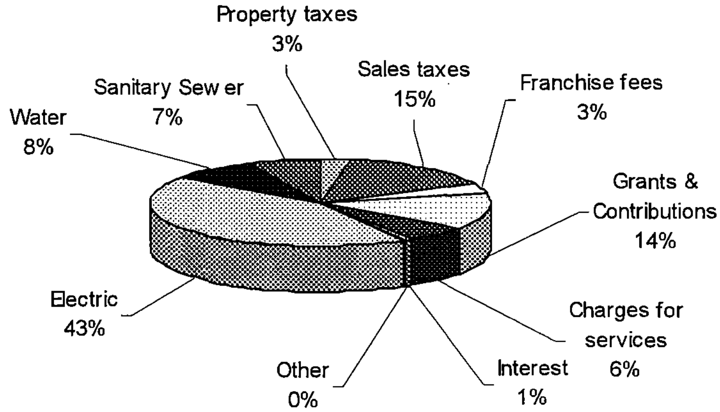
Total revenues increased 2.5% or $6.0 million and Governmental revenues decreased 1.2% or $1.3 million. This increase can be attributed mostly to the increase in charges for services. Of significance is the slow growth of taxes, particularly the decrease in sales tax. This is a reflection of the general economy and retail competition.

Total expenses increased 6.6% or $12.6 million and Governmental expenses increased 8.7% or $6.8 million. This increase can be attributed to costs associated with electric production and capital projects. The change in the business-type activities is attributable to normal operations; some of the changes are related to the effect of weather on electric and water sales.

Revenues

For the fiscal year ending June 30, 2007 revenues totaled $248.4 million. Of this amount charges for services (governmental and business type) was $151.0 million or 60.8% of the total. Revenue from business-type activities represents $144.1 million or 58.0% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenue for FY 2007

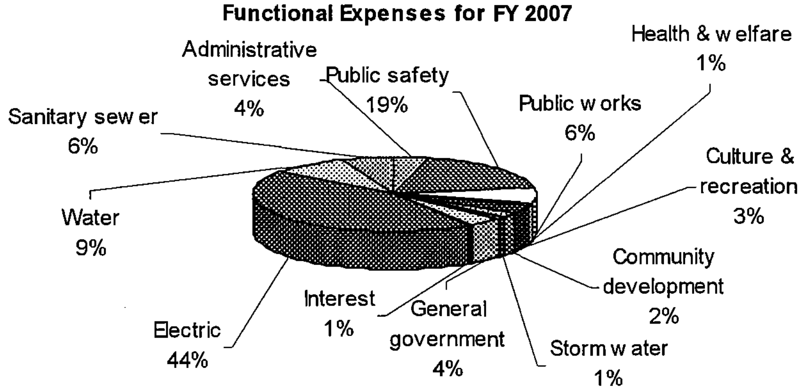


Revenues from governmental activities were $104.3 million. Sales taxes, the largest governmental category, were $37.7 million or 36.2%. All taxes represent $52.9 million or 50.7% of governmental revenue. Operating and capital grants were $33.9 million or 32.5% of governmental revenues. Charges for services at $15.1 million were 14.5% of the total.

Expenses

For the fiscal year ending June 30, 2007 expenses totaled $204.4 million. Of this amount the electric utility was $89.3 million or 43.7% of the total. Business-type expenses represent $119.7 million or 58.6% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2007



Expenses from governmental activities were $84.7 million. Public safety expenses, the largest governmental category, were $38.3 million or 45.2% of the total. Public Works is the next largest category at $13.2 million, which is 15.6% of the total.

Governmental Activities

Table MD-3
Net Cost of City of Independence's Governmental Activities

	Total Cost of Services		Net Cost of Servicess	
	2007	2006	2007	2006
Administrative services	$ 7,749,779	7,363,102	2,009,351	1,780,742
Public works	13,231,006	12,817,343	1,196,009	(5,749,084)
Public safety	38,253,819	36,796,996	29,942,094	23,918,073
Culture & Recreation	6,965,260	5,161,139	5,296,377	3,862,454
Community development	4,096,835	3,809,726	(264,779)	121,030
Health & Welfare	2,898,542	2,638,369	1,615,782	1,638,417
Storm water	2,193,290	1,641,992	35,897	1,420,121
General government and interest on long-term debt	9,275,913	7,670,064	(682,553)	569,698
Total	$ 84,664,444	77,898,731	39,148,178	27,561,451

As noted in Table MD-3 expenses from governmental activities for fiscal year 2007 were $84.7 million. However, the net costs of these services were $39.1 million. The difference represents direct revenues received from charges for services of $15.1 million, operating grants and contributions of $10.0 million, and capital grants and contributions of $20.5 million. Taxes and other revenues of $58.8 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities increased $7.3 million or 5.3% and expenses increased $5.8 million or 5.1%. This change is primarily the result of increased customer consumption caused by growth and weather conditions. Fluctuations in weather for both the electric and water utilities impact both the revenues and expenses of these utilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of $33.5 million. The fund balance of the General Fund decreased $1,050,347 during fiscal year 2007. The unreserved, undesignated portion of the General Fund's fund balance decreased $1,269,738. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as the following:

While position vacancies continued to be managed with the intent of controlling termination and recruitment costs, overtime cost exceeded budgeted amounts for police and snow removal.

Sales tax revenue continued to reflect the direction with the economy and be affected by retail development in other communities within our primary trade area.

Mild weather during both the summer and winter periods' impacted natural gas, electric, and water franchise taxes and payments in-lieu of taxes.

The fund balance of the Street Improvements Fund was a deficit of $301,883. The increase in the deficit is due to increased capital project expenditures. The Fund has a receivable from other governments in the amount of $2.8 million. Operating capital, for projects that have matching agreements from other governmental units, is primarily provided by other City funds.

General Fund Budgetary Highlights

Resources available for appropriation increased $133 thousand from the original estimate. Actual revenues at the end of the year were less than projected by $1.3 million. The largest negative variance was in the area of Taxes, accounting for $1.5 million of the revenue decrease. The largest positive variance was in the area of Charges for Services, accounting for $383.7 thousand of the revenue increase.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $2.0million in the General Fund. These budget amendments generally fall into the following categories:

- Re-appropriation of $1.3 million that is designated by Council action.
- Approval of new grants or the extension of current grants that was not previously included in the approved budget. These adjustments generally also include offsetting revenues.
- Transfer of previously approved salary and benefit appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.
- Increase or decrease appropriations for unanticipated events, including overtime costs, which may arise throughout the fiscal year.

Actual expenditures, including encumbrances, were $1.9 million less that the amount appropriated, representing operating savings of 2.9%. This was largely the result of an intentional under-spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset projected declining revenues and fund balance reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the City had invested $542.5 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased $54.0 million or 11.1% during the period.

Table MD-4
City of Independence's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2006	2007	2006	2007	2006	2006-2007
Land & land imp	$ 19,150,530	18,893,941	5,443,122	5,443,122	24,593,652	24,337,063	1.1%
Buildings & Improvements	43,834,902	28,409,276	-	-	43,834,902	28,409,276	54.3%
Office furniture & equipment	55,172	21,735	-	-	55,172	21,735	153.8%
Computer equipment	778,185	413,194	-	-	778,185	413,194	88.3%
Mobile equipment	7,989,271	7,085,351	-	-	7,989,271	7,085,351	12.8%
Other equipment	2,008,444	1,312,394	26,014	26,014	2,034,458	1,338,408	52.0%
Infrastructure	88,382,589	74,894,400	286,666,231	274,750,652	375,048,820	349,645,052	7.3%
Construction in progress	58,558,689	53,254,476	29,637,541	24,004,005	88,196,230	77,258,481	14.2%
Total	$ 220,757,782	184,284,767	321,772,908	304,223,793	542,530,690	488,508,560	11.1%

The budget for fiscal year 2008 projects the City will spend an additional $25 million for capital projects.

Additional information regarding capital assets can be found in the 'Notes to Financial Statements', section (6), of this report.

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2006	2007	2006	2007	2006	2006-2007
Loans Payable	$ 23,870,529	18,590,023	55,548,038	59,361,323	79,418,567	77,951,346	1.88%
Capital lease obligations	712,483	737,370	-	-	712,483	737,370	-3.38%
Neighborhood Improvemt District	923,099	982,044	-	-	923,099	982,044	-6.00%
Total	$ 25,506,111	20,309,437	55,548,038	59,361,323	81,054,149	79,670,760	1.74%

The City at the end of fiscal year 2007 had a total of $81.0 million of outstanding obligations. This was an increase of $1.4 million or 1.7% from the previous fiscal year. None of these amounts relate to general obligations of the City and $55.5 million or 68.5% are obligations of the business-type activities.

Additional information regarding debt can be found in the 'Notes to Financial Statements', section (7), of this report.

Economic Factors

In the last five years the City, as a community, lost 515 jobs, with current total employment at 56,855 jobs. Unemployment by mid-2007 was 5.0%, and while this is lower than Jackson County at 5.4% and it is greater than the State at 4.9%. As with most of the rest of the country the City's unemployment rate has remained steady during the last two years. Median income for 2007 is estimated to be $43,747, compared to $45,077 for the State as a whole.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customer, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to James C. Harlow, Director of Finance & Administration, City of Independence, P.O. Box 1019, Independence, MO 64051.

Exhibit 1

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
Assets:				
Current assets:				
Pooled cash and investments	$ 30,445,356	39,899,427	70,344,783	3,935,087
Receivables:				
Taxes	5,708,718	—	5,708,718	171,368
Accounts	234,825	10,370,581	10,605,406	30
Unbilled revenue	—	10,497,417	10,497,417	—
Special assessment principal and accrued interest	2,118,066	68,196	2,186,262	—
Accrued interest	235,912	720,584	956,496	—
Other	—	124,108	124,108	—
Internal balances	(1,223,267)	1,223,267	—	—
Due from component unit	1,321,488	—	1,321,488	—
Due from other governments	4,598,244	328,295	4,926,539	319,443
Inventory	90,526	13,432,480	13,523,006	—
Prepaid items	—	4,702	4,702	—
Restricted cash and investments	311,673	1,619,201	1,930,874	—
Total current assets	43,841,541	78,288,258	122,129,799	4,425,928
Noncurrent assets:				
Capital assets:				
Nondepreciable	77,520,712	35,080,663	112,601,375	—
Depreciable, net	143,237,070	286,692,245	429,929,315	—
Deferred debt issue costs	276,861	1,106,046	1,382,907	1,293,825
Other deferred charges	—	2,323,023	2,323,023	—
Restricted cash and investments	3,438,067	731,101	4,169,168	71,892,933
Total noncurrent assets	224,472,710	325,933,078	550,405,788	73,186,758
Total assets	$ 268,314,251	404,221,336	672,535,587	77,612,686
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	$ 4,922,267	9,902,974	14,825,241	—
Accrued items	2,070,055	626,608	2,696,663	1,955,357
Other current liabilities	616,620	129,821	746,441	—
Due to primary government	—	—	—	1,321,488
Unearned revenue	237,048	—	237,048	—
Current portion of long-term obligations	8,403,640	6,600,822	15,004,462	3,358,375
Medical self-insurance claims	1,215,829	—	1,215,829	—
Liabilities payable from restricted assets	215,854	1,794,336	2,010,190	—
Total current liabilities	17,681,313	19,054,561	36,735,874	6,635,220
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	30,349,386	56,614,717	86,964,103	163,545,712
Advances for construction	—	479,861	479,861	—
Total noncurrent liabilities	30,349,386	57,094,578	87,443,964	163,545,712
Total liabilities	48,030,699	76,149,139	124,179,838	170,180,932
Net assets:				
Invested in capital assets, net of related debt	195,251,671	267,330,916	462,582,587	—
Restricted for:				
Capital projects	144,191	—	144,191	—
Special revenue	26,622,675	—	26,622,675	—
Debt service	1,388,147	731,101	2,119,248	—
Permanently restricted	9,670	—	9,670	—
Unrestricted (deficit)	(3,132,802)	60,010,180	56,877,378	(92,568,246)
Total net assets (deficit)	220,283,552	328,072,197	548,355,749	(92,568,246)
Total liabilities and net assets (deficit)	$ 268,314,251	404,221,336	672,535,587	77,612,686

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	$ 7,749,779	5,696,158	44,270	—	(2,009,351)
Public safety	38,253,819	4,202,328	1,593,055	2,516,342	(29,942,094)
Public works	13,231,006	1,338,479	4,924,933	9,274,546	2,306,952
Health and welfare	2,898,542	723,574	559,186	—	(1,615,782)
Culture and recreation	6,965,260	845,560	333,323	490,000	(5,296,377)
Community development	4,096,835	2,292,638	2,068,976	—	264,779
Storm water	2,193,290	—	433,435	1,723,958	(35,897)
General government	8,225,760	—	—	9,958,466	1,732,706
Interest on long-term debt	1,050,153	—	—	—	(1,050,153)
Total governmental activities	84,664,444	15,098,737	9,957,178	23,963,312	(35,645,217)
Business-type activities:					
Power and light	89,265,988	103,133,249	—	2,628,123	16,495,384
Water	17,723,114	17,744,404	—	1,701,567	1,722,857
Sewer	12,721,171	15,058,695	—	1,232,359	3,569,883
Total business-type activities	119,710,273	135,936,348	—	5,562,049	21,788,124
Total primary government	$ 204,374,717	151,035,085	9,957,178	29,525,361	(13,857,093)
Component unit:					
Tax increment financing	$ 35,880,839	—	—	645,599	(35,235,240)

	Governmental Activities	Business-Type Activities	Total	Component Unit
Changes in net assets:				
Net (expense) revenue	$ (35,645,217)	21,788,124	(13,857,093)	(35,235,240)
General revenues:				
Property taxes	6,952,380	—	6,952,380	—
Sales and use taxes	37,728,799	—	37,728,799	7,829,337
Franchise taxes	8,209,734	—	8,209,734	—
Financial institutions tax	34,802	—	34,802	—
Investment earnings	1,785,111	2,532,853	4,317,964	3,631,948
Miscellaneous	589,469	47,953	637,422	115,816
Transfers in (out)	13,180,055	(13,180,055)	—	—
Total general revenue and transfers	68,480,350	(10,599,249)	57,881,101	11,577,101
Change in net assets	32,835,133	11,188,875	44,024,008	(23,658,139)
Net assets (deficit), beginning (as restated)	187,448,419	316,883,322	504,331,741	(68,910,107)
Net assets (deficit), ending	$ 220,283,552	328,072,197	548,355,749	(92,568,246)

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2007

Assets	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	$ 1,778,274	—	23,524,348	25,302,622
Receivables:				
Taxes	2,831,246	—	2,877,472	5,708,718
Accounts	139,747	10,496	16,847	167,090
Special assessment principal and accrued interest	386,510	433,532	1,298,024	2,118,066
Accrued interest	21,396	—	208,510	229,906
Due from other funds	3,731,049	—	1,438,535	5,169,584
Due from component unit	—	1,304,988	16,500	1,321,488
Due from other governments	838,166	2,826,158	933,920	4,598,244
Restricted assets	439,988	—	3,309,752	3,749,740
Total assets	$ 10,166,376	4,575,174	33,623,908	48,365,458
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	$ 613,850	951,089	3,274,319	4,839,258
Due to other funds	—	3,422,379	1,692,179	5,114,558
Accrued items	1,625,224	—	83,103	1,708,327
Other current liabilities	590,240	—	26,380	616,620
Deferred revenue	386,510	503,589	1,465,015	2,355,114
Liabilities payable from restricted assets:				
Deposits and court bonds	215,854	—	—	215,854
Total liabilities	3,431,678	4,877,057	6,540,996	14,849,731
Fund balances:				
Reserved for:				
Encumbrances	942,874	1,526,657	9,316,039	11,785,570
Domestic violence	13,617	—	—	13,617
Other purposes	1,244,202	—	85,739	1,329,941
Unreserved, reported in:				
General fund	4,534,005	—	—	4,534,005
Special revenue funds	—	—	17,620,241	17,620,241
Debt service fund	—	—	82,229	82,229
Capital projects funds	—	(1,828,540)	(31,006)	(1,859,546)
Permanent funds	—	—	9,670	9,670
Total fund balance (deficit)	6,734,698	(301,883)	27,082,912	33,515,727
Total liabilities and fund balance	$ 10,166,376	4,575,174	33,623,908	48,365,458

See accompanying notes to financial statements.

Exhibit 3.1

CITY OF INDEPENDENCE, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2007

Fund balances – total governmental funds	$	33,515,727
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		350,245,258
Less accumulated depreciation		(129,583,655)
		220,661,603
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid		(354,230)
Adjustment of deferred revenue		2,118,066
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets		2,745,696
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds		
Loans payable/NID payable		(24,789,000)
Capital lease obligations		(712,484)
Compensated absences		(13,174,061)
Discounts (premiums)		(4,626)
		(38,680,171)
Deferred debt costs		276,861
Net assets of governmental activities (exhibit 1)	$	220,283,552

See accompanying notes to financial statements.

Exhibit 4

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2007

	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 32,261,435	—	20,629,478	52,890,913
Licenses and permits	4,300,683	—	1,171,509	5,472,192
Intergovernmental	5,654,002	5,074,123	5,806,308	16,534,433
Charges for services	1,858,887	22,316	706,580	2,587,783
Interfund charges for support services	3,105,514	—	—	3,105,514
Fines, forfeitures, and court costs	3,900,967	—	—	3,900,967
Investment income	344,679	—	1,243,679	1,588,358
Reimbursements from component unit	—	3,502,961	—	3,502,961
Other	412,410	165,264	221,906	799,580
Total revenues	51,838,577	8,764,664	29,779,460	90,382,701
Expenditures:				
Current:				
Administrative services	7,548,694	—	44,269	7,592,963
Public safety	35,247,021	—	4,446,626	39,693,647
Public works	7,173,004	—	—	7,173,004
Health and welfare	2,342,813	—	493,136	2,835,949
Culture and recreation	2,031,166	—	3,067,660	5,098,826
Community development	2,656,755	—	1,525,599	4,182,354
Storm water	306,150	—	1,232,707	1,538,857
General government	7,294,544	—	287,680	7,582,224
Capital outlay	981,730	10,248,912	20,505,996	31,736,638
Debt service:				
Principal	347,394	—	2,909,000	3,256,394
Interest and fiscal agent fees	68,792	—	932,514	1,001,306
Total expenditures	65,998,063	10,248,912	35,445,187	111,692,162
Deficiency of revenues over expenditures	(14,159,486)	(1,484,248)	(5,665,727)	(21,309,461)
Other financing sources (uses):				
Proceeds from capital leases/bond issuance	144,129	—	8,255,000	8,399,129
Reoffering premium/original issue discount	—	—	78,680	78,680
Transfers in – utility payments in lieu of taxes	13,039,463	—	—	13,039,463
Transfers in	—	1,371,761	730,538	2,102,299
Transfers out	(125,287)	—	(1,836,420)	(1,961,707)
Sale of property, plant, and equipment	50,834	—	—	50,834
Total other financing sources	13,109,139	1,371,761	7,227,798	21,708,698
Net change in fund balances	(1,050,347)	(112,487)	1,562,071	399,237
Fund balances (deficit), beginning, as restated	7,785,045	(189,396)	25,520,841	33,116,490
Fund balances (deficit), ending	$ 6,734,698	(301,883)	27,082,912	33,515,727

See accompanying notes to financial statements.

Exhibit 4.1

CITY OF INDEPENDENCE, MISSOURI

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances – total governmental funds	$	399,237
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay		33,196,639
Depreciation expense		(9,574,024)
Donated assets		13,569,692
		37,192,307
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net assets and offset against the proceeds, resulting in a gain on the sale of capital assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities.		
Book value of assets disposed		(718,743)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		54,681
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Proceeds from debt issuance		(8,399,129)
Reoffering premium/original issue discount		(78,680)
Principal payments		3,256,394
Debt issuance costs amortization		14,103
Debt premiums and discounts amortizations		67,342
		(5,139,970)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences		(738,564)
Accrued interest		(48,847)
		(787,411)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities		1,835,032
Change in net assets of governmental activities (Exhibit 2)	$	32,835,133

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2007

Assets		Enterprise funds: Power and Light	Water	Sanitary Sewer	Total	Internal Service Funds
Current assets:						
Pooled cash and investments	$	24,044,022	6,584,459	9,270,946	39,899,427	5,142,734
Receivables:						
Accounts (net of allowance of $877,889)		6,894,164	1,668,927	1,807,490	10,370,581	67,735
Unbilled revenue		8,637,707	863,681	996,029	10,497,417	—
Special assessment principal and accrued interest		4,676	—	63,520	68,196	—
Accrued interest		485,390	139,434	95,760	720,584	6,006
Other		—	124,108	—	124,108	—
Due from other funds		9,983	6,008	3,983	19,974	—
Due from other governments		328,295	—	—	328,295	—
Inventory		12,774,205	594,830	63,445	13,432,480	90,526
Prepaid items		4,702	—	—	4,702	—
Restricted cash and investments		1,101,623	297,556	220,022	1,619,201	—
Total current assets		54,284,767	10,279,003	12,521,195	77,084,965	5,307,001
Noncurrent assets:						
Capital assets:						
Nondepreciable		27,278,539	4,279,880	3,522,244	35,080,663	93,979
Depreciable, net		127,574,115	97,316,697	61,801,433	286,692,245	2,200
Deferred debt issue costs		281,864	824,182	—	1,106,046	—
Other deferred charges		77,750	2,245,273	—	2,323,023	—
Restricted cash and investments		231,101	500,000	—	731,101	—
Total noncurrent assets		155,443,369	105,166,032	65,323,677	325,933,078	96,179
Total assets	$	209,728,136	115,445,035	77,844,872	403,018,043	5,403,180
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	$	8,671,711	914,564	316,699	9,902,974	83,009
Due to other funds		—	—	—	—	75,000
Accrued items		335,714	79,541	211,353	626,608	7,498
Other current liabilities		100,000	—	29,821	129,821	—
Current portion of long-term obligations		3,201,345	3,133,010	266,467	6,600,822	29,535
Medical self-insurance claims		—	—	—	—	1,215,829
Liabilities payable from restricted assets		1,025,161	577,920	191,255	1,794,336	—
Total current liabilities		13,333,931	4,705,035	1,015,595	19,054,561	1,410,871
Noncurrent liabilities:						
Revenue bonds payable		12,933,038	38,350,000	—	51,283,038	—
Compensated absences – long-term		3,010,740	896,288	588,947	4,495,975	43,320
Other long-term obligations		—	835,704	—	835,704	—
Advances for construction		354,449	125,412	—	479,861	—
Total noncurrent liabilities		16,298,227	40,207,404	588,947	57,094,578	43,320
Total liabilities		29,632,158	44,912,439	1,604,542	76,149,139	1,454,191
Net assets:						
Invested in capital assets, net of related debt		140,136,480	61,870,759	65,323,677	267,330,916	96,179
Restricted for:						
Debt service		231,101	500,000	—	731,101	—
Unrestricted		39,728,397	8,161,837	10,916,653	58,806,887	3,852,810
Total net assets		180,095,978	70,532,596	76,240,330	326,868,904	3,948,989
Total liabilities and net assets	$	209,728,136	115,445,035	77,844,872		5,403,180
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					1,203,293	
Net assets of business-type activities					$ 328,072,197	

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2007

	Enterprise funds				Internal Service Funds
	Power and Light	**Water**	**Sanitary Sewer**	**Total**	
Operating revenues:					
Charges for services	$ 101,840,755	17,392,058	14,918,036	134,150,849	14,761,552
Miscellaneous	1,292,494	352,346	140,659	1,785,499	—
Total operating revenues	103,133,249	17,744,404	15,058,695	135,936,348	14,761,552
Operating expenses:					
Personal services	14,429,332	6,204,951	4,326,029	24,960,312	633,877
Other services	11,940,792	3,251,272	5,924,517	21,116,581	11,371,019
Supplies	48,500,700	1,354,438	543,723	50,398,861	902,035
Capital Outlay	2,685	30,333	—	33,018	—
Other expenses	5,549,796	2,507,386	90,298	8,147,480	—
Depreciation and amortization	9,429,199	2,388,295	2,321,143	14,138,637	550
Total operating expenses	89,852,504	15,736,675	13,205,710	118,794,889	12,907,481
Operating income	13,280,745	2,007,729	1,852,985	17,141,459	1,854,071
Nonoperating revenues (expenses):					
Interest revenue	1,683,827	404,633	444,393	2,532,853	196,753
Miscellaneous revenue	496,722	1,632,683	16,190	2,145,595	698,060
Interest expense	(1,040,238)	(2,014,033)	—	(3,054,271)	—
Inter-Local agreement	—	(872,607)	—	(872,607)	—
Total nonoperating revenue (expenses)	1,140,311	(849,324)	460,583	751,570	894,813
Income before contributions and transfers	14,421,056	1,158,405	2,313,568	17,893,029	2,748,884
Capital contributions	2,628,123	1,701,567	1,232,359	5,562,049	—
Transfers out – utility payments in lieu of taxes	(9,950,729)	(1,651,501)	(1,437,233)	(13,039,463)	—
Transfers in	—	—	105,357	105,357	—
Transfers out	(81,983)	(81,983)	(81,983)	(245,949)	—
Change in net assets	7,016,467	1,126,488	2,132,068	10,275,023	2,748,884
Total net assets:					
Beginning of the year	173,079,511	69,406,108	74,108,262		1,200,105
End of the year	$ 180,095,978	70,532,596	76,240,330		3,948,989

Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds	913,852
Change in net assets of business-type activities.	$ 11,188,875

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2007

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Cash flows from operations:					
Receipts from customers and others	$ 101,820,356	20,192,435	15,312,802	137,325,593	15,448,509
Payments to suppliers	(66,906,940)	(7,945,561)	(6,575,525)	(81,428,026)	(12,403,388)
Payments to employees	(14,407,210)	(6,169,598)	(4,240,928)	(24,817,736)	(621,566)
Net cash provided by operating activities	20,506,206	6,077,276	4,496,349	31,079,831	2,423,555
Cash flows from noncapital financing activities:					
Transfers in/(out)	(81,983)	(81,983)	23,374	(140,592)	—
Transfers out – payments in lieu of taxes	(9,950,729)	(1,651,501)	(1,437,233)	(13,039,463)	—
Advances to other funds	—	4,643,987	—	4,643,987	—
Net cash provided by (used in) noncapital financing activities	(10,032,712)	2,910,503	(1,413,859)	(8,536,068)	—
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(18,350,777)	(3,458,450)	(3,340,442)	(25,149,669)	—
Interest paid on revenue bonds and equipment contracts	(785,533)	(1,937,091)	—	(2,722,624)	—
Debt expense paid on revenue bonds	—	(12,900)	—	(12,900)	—
Disposal costs from disposition of equipment	(836,642)	(935,333)	—	(1,771,975)	—
Redemption of revenue bonds	(1,995,000)	(2,040,000)	—	(4,035,000)	—
Interest received on special assessment	—	—	126	126	—
Net cash used in capital and related financing activities	(21,967,952)	(8,383,774)	(3,340,316)	(33,692,042)	—
Cash flows from investing activities:					
Purchases of investments	(34,397,830)	(7,899,135)	133,377	(42,163,588)	(1,726,799)
Proceeds from sales and maturities of investments	35,899,258	8,019,676	—	43,918,934	1,721,260
Interest on investments	1,834,164	439,746	546,920	2,820,830	198,480
Adjustment to market value	—	—	(3,520)	(3,520)	
Net cash provided by (used in) investing activities	3,335,592	560,287	676,777	4,572,656	192,941
Net increase (decrease) in cash and cash equivalents	(8,158,866)	1,164,292	418,951	(6,575,623)	2,616,496
Cash and cash equivalents at beginning of year	1,104,065	287,687	866,519	2,258,271	2,280,611
Cash and cash equivalents at end of year	(7,054,801)	1,451,979	1,285,470	(4,317,352)	4,897,107
Investments with original maturities greater than 90 days	32,431,546	5,930,036	8,205,498	46,567,080	245,627
Pooled cash and investments	$ 25,376,745	7,382,015	9,490,968	42,249,728	5,142,734
Noncash capital and related financing activities:					
Contributed capital	$ 1,348,775	1,701,567	1,232,359	4,282,701	—
Components of cash and short-term investments at end of fiscal year:					
Unrestricted assets	$ 24,044,022	6,584,459	9,270,946	39,899,427	5,142,734
Restricted assets	1,332,724	797,556	220,022	2,350,302	—
Total pooled cash and investments	$ 25,376,746	7,382,015	9,490,968	42,249,729	5,142,734
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 13,280,745	2,007,729	1,852,985	17,141,459	1,854,071
Adjustments not affecting cash:					
Depreciation and amortization	9,429,199	2,388,295	2,321,143	14,138,637	550
Nonoperating revenues	496,722	1,632,683	16,190	2,145,595	698,060
Nonoperating expenses	—	(872,607)	—	(872,607)	—
Change in assets and liabilities:					
Accounts receivable	(240,312)	150,717	(226,157)	(315,752)	(11,107)
Inventory	(4,840,251)	21,826	(4,995)	(4,823,420)	(65,960)
Prepaid items	78,025	—	—	78,025	—
Unbilled revenue	(1,571,827)	150,474	(33,761)	(1,455,114)	—
Due from FEMA/SEMA	(89,793)	—	—	(89,793)	—
Special assessments receivable	—	—	4,119	4,119	—
Other deferred charges	21,750	—	—	21,750	—
Accounts and contracts payable	3,801,122	(467,883)	(15,919)	3,317,320	33,871
Internal balances	92,317	—	493,716	586,033	75,000
Accrued liabilities	20,244	(128,924)	9,370	(99,310)	401
Other current liabilities	—	(236,712)	(17,562)	(254,274)	(173,273)
Customer deposits	26,387	11,330	9,735	47,452	—
Compensated absences	1,878	33,583	87,485	122,946	11,942
Inter-Local agreement	—	1,386,765	—	1,386,765	—
Total adjustments	7,225,461	4,069,547	2,643,364	13,938,372	569,484
Net cash provided by operating activities	$ 20,506,206	6,077,276	4,496,349	31,079,831	2,423,555

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

		Private-Purpose Trust Funds		Agency Funds
Assets:				
Pooled cash and investments	$	61,282		84,774
Accrued interest receivable		—		493
Total assets		61,282		85,267
Liabilities:				
Accounts and contracts payable		47		1,594
Funds held in escrow		—		49,697
Flexible benefit payable		—		33,976
Total liabilities		47	$	85,267
Net assets:				
Held in trust	$	61,235		

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2007

		Private-Purpose Trust Funds
Additions:		
Charges for services	$	19,150
Interest		2,582
Other		970
Total additions		22,702
Deductions:		
Capital outlay		23,667
Total deductions		23,667
Change in net assets		(965)
Net assets, beginning		62,200
Net assets, ending	$	61,235

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2007

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Independence, Missouri (the City) was incorporated in 1849 and covers an area of approximately 79 square miles in Jackson County, Missouri. The City is a charter city and operates under the City Council/City Manager form of government. The City Manager is the chief administrative officer of the City. The City provides services to residents in many areas, including law enforcement, fire protection, electrical, water and sewer services, community enrichment and development, recreation and various social services. Elementary, secondary and junior college education services are provided by various school districts, all of which are separate governmental entities.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The following is a summary of the more significant accounting and reporting policies and practices of the City.

(a) The Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. Component units are separate legal entities for which are included in the primary government's financial report. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the City's financial accountability for the potential component unit. An entity is considered a component unit if City officials appoint a voting majority of the component unit's governing body and the City is able to impose its will upon the component unit. Additionally, if the entity provides specific financial benefits to or imposes specific financial burdens on the City, it may be considered a component unit.

This report includes the financial statements of the City (the primary government) and its component unit, the Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission). The Commission is considered to be a discretely presented component unit and is presented in a separate column on the government-wide financial statements to emphasize that it is a separate entity from the City.

The Commission is governed by an 11-member board, of which six members are appointed by the City Council. The remaining five members (two from the county, two from the local school district and one from other taxing jurisdictions) are appointed by the respective taxing districts' boards. Financial transactions of the Commission are processed by the Finance Department of the City on the Commission's behalf. No separate financial statements are issued by the Commission.

(b) Basis of Presentation

Government-wide Statements. The statement of net assets and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations of internal charges and interfund balances have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or functions and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

> ***General Fund*** – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> ***Street Improvements Fund*** – This fund is used to account for major street improvement construction projects.

The City reports the following major enterprise funds:

> ***Power and Light Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's power and light utility facilities and services.
>
> ***Water Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's water utility facilities and services.
>
> ***Sanitary Sewer Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's sanitary sewer utility facilities and services.

The City reports the following fund types of nonmajor funds:

> ***Special Revenue Funds*** – These funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.
>
> ***Capital Projects Funds*** – These funds account for the expenditures and relating financing sources of major City projects.

(Continued)

Debt Service Funds – These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Funds – These funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Internal Service Funds – These funds account for the costs of fleet maintenance, the Staywell healthcare program, Pharmacy Benefit plan, and other benefits provided to other departments on a cost-reimbursement basis.

Trust Funds – These funds account for monies held in trust by the City for preservation and maintenance of the Vaile Mansion.

Agency Funds – These funds account for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City's cafeteria plan, monies held for the Susie Paxton Block Distinguished Public Service Award, and monies held for the Seniors Travel Program.

(c) Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues related to exchange transactions are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental activities, business-type activities and all enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins unless those pronouncements conflict with GASB pronouncements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual under this definition. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are

(Continued)

reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Agency Funds. Agency funds only have Assets and Liability accounts and the accrual basis of accounting is used to recognize receivables and payables within these accounts. Agency funds do no have operating accounts such as Revenues and Expenses so therefore a measurement focus does not apply to these funds.

Under the terms of grant agreements, the City funds programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

(d) Accounts Receivable

Accounts receivable result primarily from sales of electricity, water and sewer services accounted for in the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

(e) Investments

Investments with original maturities of less than one year are reported at amortized cost, which approximates fair value. Investments with original maturities of greater than one year are recorded at fair value.

(f) Inventory

Inventory of the enterprise funds consists of the coal supply and electric, water and sanitary sewer utility materials and is valued at average cost. Inventory of the Internal Service Fund consists of vehicle and equipment parts and materials and is valued at the lower of cost or market. The City determines the cost of its inventories using a first in, first out (FIFO) cost-flow assumption.

(g) Prepaid Items

Certain payments to vendors reflecting costs applicable to future accounting periods have been recorded as prepaid items in both the government-wide and fund financial statements.

(h) Interfund Activity

The City has the following types of interfund activity:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their fair value. Interfund services provided and used are reported as revenues in funds providing the good or service and expenditures or expenses in the fund purchasing the good or service. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. For property acquired from another utility, the difference between the net cost of plant assets recorded by the selling entity and the purchase price is recorded as an acquisition adjustment. Contributions of capital assets received from federal, state, or local sources are recorded as assets and contributed capital at fair value at the time of receipt. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Depreciation has been provided over the estimated useful lives using the composite and straight-line methods. Depreciation on utility vehicles and heavy equipment is charged to clearing accounts and redistributed to various operating, construction, and other accounts. The estimated useful lives are as follows:

	Years
Governmental activities:	
Buildings and improvements	20-40
Improvements other than buildings	20
Roads	20
Bridges	40
Drainage systems	35
Office equipment and furniture	7
Mobile equipment – vehicles	5
Mobile equipment – heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5

(Continued)

	Years
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
Water Fund:	
Source of supply	15-50
Pumping	20-50
Water treatment	40-50
Transmission and distribution system	20-100
General plant	5-50
Acquisition adjustment	30
Nonutility property	10
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25

Fully depreciated capital assets are included in the capital assets accounts until their disposal. For business-type activities, units retired plus the cost of removal, less salvage, are charged against accumulated depreciation, with no gain or loss recognized.

Property, plant, and equipment financed by capital leases are reflected as assets and corresponding liabilities, and the related depreciation expense is provided on the same basis as assets financed with other resources. General capital assets financed by capital leases are reported as expenditures and other financing sources in the governmental funds.

(j) Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. Sick leave is granted at the rate of eight hours per month. Sick leave may be accumulated without limitation. Upon termination, compensation for accrued sick leave is paid up to the equivalent of six months' regular earnings at the employee's current rate of pay and compensation for vacation is paid up to a maximum of 400 hours.

The liability for compensated absences reported in the government-wide and proprietary fund statements has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative City plans that are subject to change. Detailed information on the City's reservations and designations of fund balance may be found at Note 14 in the financial statements.

(m) Permanent Fund

The City receives from time to time endowments from outside donors. The nature of these endowments is that the principal of the gift is to remain intact and the interest is to be spent on certain activities of the City. These donations are accounted for in the Permanent Fund. During the year ended June 30, 2007, the Permanent Fund had $9,670 net appreciation on assets available for expenditure which is reported as unreserved fund balance. The State of Missouri requires that recipients of endowment gift maintain the original principal intact at the original donation value. During the year ended June 30, 2007 the principal balance of the Permanent Fund was transferred to a non-expendable endowment held and administered by the Truman Heartland Community Foundation.

(n) Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(o) Statement of Cash Flows

For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, are considered cash equivalents.

(p) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Reclassifications of Account Balances

Certain line items have been reclassified to conform to the presentation of the financial statements in the current year. These reclassifications had no net effect on the City's net assets or changes there in for the current year.

(r) New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployement benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City also is required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact of adopting Statement No. 45, but cannot determine the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

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(2) Deposits and Investments

At June 30, 2007, the carrying values of deposits and investments are summarized as follows:

Investments:	
Short-term investments held in trust	$ 75,437,001
U.S. government securities	26,652
U.S. agency securities	60,596,797
Total investments	136,060,450
Deposits and repurchase obligations	16,346,356
Petty cash	12,095
Total	$ 152,418,901

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

	Government-wide statement of net assets	Fiduciary funds statement of net assets	Primary Government Total	Component Unit	Grand Total
Pooled cash and investments	$ 70,344,783	$ 146,056	$ 70,490,839	$ 3,935,087	$ 74,425,926
Restricted cash and investments	6,100,042	-	6,100,042	71,892,933	77,992,975
	$ 76,444,825	$ 146,056	$ 76,590,881	$ 75,828,020	$152,418,901

Investment Policy

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State of Missouri.

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in U.S. Treasury securities and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned is allocated to the funds on the basis of average monthly cash and investment balances. Only enterprise funds with overdrawn balances are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is the City's policy to limit its investments to Certificates of Deposit and Bonds or other obligations of the United States. Presented below is the actual rating by Moody's Investor Service as of year end for each investment type:

Investment Type		Fair Value	Rating As of June 30, 2007
Federal Home Loan Mortgage Corporation	$	21,754,433	AAA
Federal National Mortgage Association		24,192,695	AAA
Federal Home Loan Bank		14,983,149	AAA
U.S. Treasury Bond		26,652	Exempt from rating requirement
Total	$	60,956,929	

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At June 30, 2007, the City's deposits and repurchase obligations were insured by Federal depository insurance and uninsured deposits and repurchase obligations were fully collateralized by securities held in the City's name by their financial institution's agent. The City's securities were registered and held by the City's financial institution in the City's name. Accordingly, management has determined that none of the City's deposits or investments was exposed to custodial credit risk as of June 30, 2007.

Interest Rate Risk

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2007, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of $26,652 that will mature in 2027.

Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of June 30, 2007, the following table lists the issuers of securities, and the respective fair value of those securities, that represent 5% or more of total City's investments:

Issuer	Investment Type	Total Fair Value	Percentage
Fed. Home Loan Mtg.	U.S. agency securities	$ 21,754,433	36%
Fed. Natl. Mtg.	U.S. agency securities	24,192,695	40%
Fed. Home Loan Banks	U.S. agency securities	14,983,149	25%

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2007 is as follows:

	General	Nonmajor governmental funds
Real estate tax	$ 6,890,826	$ 22,051
Railroad utilities tax	39,502	-
Cigarette tax	567,039	-
Transient guest tax	-	1,020,663
Sales tax	16,554,334	19,586,764
Franchise tax	8,209,734	-
	$ 32,261,435	$ 20,629,478

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Jackson County bills and collects all real estate taxes for the City and charges a 1.5% to 1.6% commission on all taxes collected.

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2006, on which the fiscal 2007 levy was based, was $1,319,902,510.

The City is permitted by Missouri state statutes to levy taxes up to $1.00 per $100 of assessed valuation for general governmental services, other than payment of principal and interest on long-term debt, up to $0.40 per $100 of assessed valuation for public health and recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. Property tax levies per $100 assessed valuation for the year ended June 30, 2007 were $0.4507 for the General Fund, $0.2122 for Public Health and Recreation, and $0.4422 for the Independence Square Benefit District Fund.

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2007 consisted of the following:

	General Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total
Federal				
Department of Agriculture	$ -	$ -	$ 350	$ 350
Department of Housing & Urban Development				
Community Development Block Grant	-	-	1,122,874	1,122,874
Emergency Shelter Grant	-	-	69,821	69,821
Home Investment Partnership	-	-	790,433	790,433
Department of Justice	-	-	575,736	575,736
Department of Transportation	25,393	3,257,658	279,531	3,562,582
US Secret Service	-	-	9,595	9,595
Environmental Protection Agency	-	-	32,083	32,083
Department of Health & Human Services	25,850	-	380,844	406,694
Department of Homeland Security	-	-	1,853,012	1,853,012
Total Federal	51,243	3,257,658	5,114,279	8,423,180
State & Local				
Department of Health & Human Services	-	-	114,065	114,065
Department of Revenue				
Motor Vehicle Fuel Tax	3,268,531	-	-	3,268,531
Motor Vehicle Sales Tax	877,793	-	-	877,793
Motor Vehicle Fees	768,240	-	-	768,240
Financial Institutions Tax	34,802	-	-	34,802
Division of Tourism	-	-	169,122	169,122
Department of Public Safety	-	-	26,511	26,511
Missouri Highway and Transportation Commission	-	-	3,631	3,631
Missouri State Safety Center	-	-	10,988	10,988
Department of Natural Resources	-	-	324,684	324,684
Department of Transportation	-	184,730	-	184,730
Jackson County Anti Drug Tax	300,120	-	-	300,120
Jackson County DARE	353,273	-	-	353,273
Jackson County Urban Road System	-	1,631,735	-	1,631,735
Mid America Regional council	-	-	700	700
Healthcare Foundation of Greater Kansas City	-	-	42,328	42,328
Total State & Local	5,602,759	1,816,465	692,029	8,111,253
Grand Total	$ 5,654,002	$ 5,074,123	$ 5,806,308	$ 16,534,433

Amounts due from other governments at June 30, 2007 are as follows:

	Federal	State	Local	Total
General Fund:				
Department of Health & Human Services	$ 29,559	$ -	$ -	$ 29,559
Department of Revenue				
Motor Vehicle Fuel Tax	-	555,000	-	555,000
Motor Vehicle Sales Tax	-	75,000	-	75,000
Motor Vehicle License Fees	-	176,000	-	176,000
39th St Transportation Development District	-	-	2,607	2,607
	29,559	806,000	2,607	838,166
Street Improvements Fund:				
Department of Transportation	1,541,264	184,730	-	1,725,994
Jackson County Urban Road System	-	-	1,100,164	1,100,164
	1,541,264	184,730	1,100,164	2,826,158
Nonmajor Governmental Funds:				
Department of Agriculture	350	-	-	350
Department of Justice	208,695	-	-	208,695
Department of Transportation	103,688	15,134	-	118,823
US Secret Service	2,053	-	-	2,053
Environmental Protection Agency	33,063	-	-	33,063
Department of Health & Human Services	38,682	-	-	38,682
Department of Homeland Security	24,772	-	-	24,772
Department of Housing & Urban Development				
Community Development Block Grant	182,215	-	-	182,215
Home Investment Partnership	205,404	-	-	205,404
Missouri Division of Tourism	-	119,863	-	119,863
	798,922	134,997	-	933,920
Totals	$ 2,369,745	$ 1,125,727	$ 1,102,771	$ 4,598,244

(Continued)

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2007 consisted of the following:

	Due from Street Improvements	Due from nonmajor governmental	Total Governmental Activities	Due from internal service fund	Total
Due to:					
Governmental activities:					
General Fund	2,000,000	$ 1,656,049	$ 3,656,049	$ 75,000	$ 3,731,049
Nonmajor governmental	1,422,379	16,156	1,438,535	—	1,438,535
Total governmental activities	3,422,379	1,672,205	5,094,584	75,000	5,169,584
Business-type activities:					
Power and Light Fund	—	9,983	9,983	—	9,983
Water Fund	—	6,008	6,008	—	6,008
Sanitary Sewer Fund	—	3,983	3,983	—	3,983
Total business-type activities	—	19,974	19,974	—	19,974
Total	$ 3,422,379	$ 1,692,179	$ 5,114,558	$ 75,000	$ 5,189,558

Interfund payables and receivables represent loans between funds for operating purposes.

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2007 were as follows:

	Interfund charges	Rent
Nonmajor governmental funds	$ 35,000	$ 12,862
Power and Light Fund	1,680,563	49,682
Sanitary Sewer Fund	508,673	12,195
Water Fund	881,278	26,540
	$ 3,105,514	$ 101,279

Rent charges, which consist of leased office space, are included in other revenue of the General Fund.

(Continued)

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2007 as follows:

Sanitary Sewer Fund	$ 224,474
Power and Light Fund	1,077,472
	$ 1,301,946

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2007 as follows:

Sanitary Sewer Fund	$ 120,564
Water Fund	675,132
	$ 795,696

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of $9,950,729, $1,651,501 and $1,437,233 in fiscal year 2007 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund approximate franchise taxes and real estate taxes on plant in service. The franchise tax rate, established by City ordinance at 9.08%, is applied to gross billed operating revenues less amounts written off to arrive at the franchise tax due the General Fund. Real estate taxes are charged at a set amount.

(d) Interfund Transfers

Interfund transfers for the year ended June 30, 2007 consisted of the following:

	Transfer from					
	General	Power and Light	Sanitary Sewer	Water	Nonmajor Governmental	Total
Transfers to:						
Street Improvements	$ 145	$ -	$ -	$ -	$ 1,371,616	$ 1,371,761
Sanitary Sewer Fund	105,357	-	-	-	-	105,357
Nonmajor governmental	19,785	81,983	81,983	81,983	464,804	730,538
Total Primary Government	$ 125,287	$ 81,983	$ 81,983	$ 81,983	$ 1,836,420	$ 2,207,656

(1) Transfers are the result of payment for capital project expenditures.

(2) Transfers between the General Fund, Power and Light Fund, Sanitary Sewer Fund, Water Fund, represent matching funds required by a federal grant.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 18,684,739	$ 964,962	$ (687,678)	$ 18,962,023
Construction work in progress	53,254,476	39,651,258	(34,347,045)	58,558,689
Total nondepreciable capital assets	71,939,215	40,616,220	(35,034,723)	77,520,712
Depreciable capital assets:				
Land improvements	255,647	-	-	255,647
Buildings	13,071,535	872,628	-	13,944,163
Building improvements	9,458,530	2,712,893	-	12,171,423
Improvements other than buildings	14,665,388	13,853,174	-	28,518,562
Office furniture and equipment	879,553	45,787	(93,459)	831,881
Computer equipment	930,231	537,112	(16,268)	1,451,075
Mobile equipment	17,678,845	2,538,149	(621,898)	19,595,096
Other equipment	3,072,551	1,018,541	(26,379)	4,064,713
Infrastructure	173,169,758	18,962,690	-	192,132,448
Total depreciable capital assets	233,182,038	40,540,974	(758,004)	272,965,008
Less accumulated depreciation for:				
Land improvements	(46,445)	(20,695)	-	(67,140)
Buildings	(6,078,242)	(361,037)	-	(6,439,279)
Building improvements	(1,591,016)	(524,197)	-	(2,115,213)
Improvements other than buildings	(1,116,919)	(1,127,835)	-	(2,244,754)
Office furniture and equipment	(857,818)	(12,350)	93,459	(776,709)
Computer equipment	(517,037)	(172,121)	16,268	(672,890)
Mobile equipment	(10,593,494)	(1,603,163)	590,832	(11,605,825)
Other equipment	(1,760,157)	(322,491)	26,379	(2,056,269)
Infrastructure	(98,275,358)	(5,474,501)	-	(103,749,859)
Total accumulated depreciation	(120,836,486)	(9,618,390)	726,938	(129,727,938)
Total depreciable capital assets, net	112,345,552	30,922,584	(31,066)	143,237,070
Governmental activities capital assets, net	$ 184,284,767	$ 71,538,804	$ (35,065,789)	$ 220,757,782

(Continued)

Depreciation expense was charged to functions as follows:

General government	$	279,475
Public safety		1,880,920
Public works		5,356,866
Health and welfare		57,854
Culture and recreation		1,327,748
Community development		68,360
Storm water		646,617
Total		9,617,840
In addition, depreciation on capital assets held by the City's Central Garage Fund is charged to the various functions based on their usage of the assets		550
Total depreciation expense	$	9,618,390

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	$ 2,948,206	$ -	$ -	$ 2,948,206
Construction in progress	12,364,881	28,020,933	(16,055,481)	24,330,333
Total nondepreciable capital assets	15,313,087	28,020,933	(16,055,481)	27,278,539
Depreciable capital assets:				
Acquisition adjustment	2,755,568	-	-	2,755,568
Production plant	144,971,891	333,072	-	145,304,963
Transmission plant	21,862,715	703,488	(6,585)	22,559,618
Distribution plant	101,144,438	7,689,274	(766,880)	108,066,832
General plant	17,071,470	944,153	(165,525)	17,850,098
Total depreciable capital assets	287,806,082	9,669,987	(938,990)	296,537,079
Less accumulated depreciation:				
Acquisition adjustment	(2,755,568)	-	-	(2,755,568)
Production plant	(97,666,854)	(4,933,777)	-	(102,600,631)
Transmission plant	(11,179,962)	(608,825)	10,394	(11,778,393)
Distribution plant	(36,104,008)	(3,363,202)	1,599,713	(37,867,497)
General plant	(13,008,644)	(1,117,756)	165,525	(13,960,875)
Total accumulated depreciation	(160,715,036)	(10,023,560)	1,775,632	(168,962,964)
Total depreciable capital assets, net	127,091,046	(353,573)	836,642	127,574,115
Total power and light capital assets	142,404,133	27,667,360	(15,218,839)	154,852,654

(Continued)

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Water Fund:				
Nondepreciable capital assets:				
Land	$ 2,164,725	$ -	$ -	$ 2,164,725
Construction in progress	1,375,253	4,455,421	(3,715,519)	2,115,155
Total nondepreciable capital assets	3,539,978	4,455,421	(3,715,519)	4,279,880
Depreciable capital assets:				
Acquisition adjustment	12,547,766	-	-	12,547,766
Nonutility property	40,014	-	-	40,014
Source of supply	7,129,326	-	-	7,129,326
Pumping plant	15,537,565	114,646	(1,261,394)	14,390,817
Treatment plant	22,235,528	237,870	(216,850)	22,256,548
Transmission plant	60,273,452	3,824,759	(369,402)	63,728,809
General plant	5,806,686	466,809	(302,712)	5,970,783
Total depreciable capital assets	123,570,337	4,644,084	(2,150,358)	126,064,063
Less accumulated depreciation:				
Acquisition adjustment	(8,923,191)	(371,752)	-	(9,294,943)
Nonutility property	(14,000)	-	-	(14,000)
Source of supply	(3,948,280)	(391,581)	-	(4,339,861)
Pumping plant	(1,507,701)	(286,994)	1,261,394	(533,301)
Treatment plant	(4,384,894)	(456,595)	216,848	(4,624,641)
Transmission plant	(6,936,324)	(726,592)	391,985	(7,270,931)
General plant	(2,648,282)	(339,272)	317,865	(2,669,689)
Total accumulated depreciation	(28,362,672)	(2,572,786)	2,188,092	(28,747,366)
Total depreciable capital assets, net	95,207,665	2,071,298	37,734	97,316,697
Total water capital assets	98,747,643	6,526,719	(3,677,785)	101,596,577

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	$ 330,191	$ -	$ -	$ 330,191
Construction in progress	10,263,871	3,192,554	(10,264,372)	3,192,053
Total nondepreciable capital assets	10,594,062	3,192,554	(10,264,372)	3,522,244
Depreciable capital assets:				
Nonutility property	46,368	-	-	46,368
Collection plant	72,455,927	10,156,272	(920)	82,611,279
Pumping plant	4,951,402	82,104	-	5,033,506
Treatment plant	14,009,977	1,223,630	(23,308)	15,210,299
General plant	3,990,054	230,187	(172,750)	4,047,491
Total depreciable capital assets	95,453,728	11,692,193	(196,978)	106,948,943
Less accumulated depreciation:				
Nonutility property	(46,368)	-	-	(46,368)
Collection plant	(19,386,393)	(914,596)	920	(20,300,069)
Pumping plant	(5,170,305)	(220,673)	-	(5,390,978)
Treatment plant	(14,034,532)	(875,751)	23,308	(14,886,975)
General plant	(4,338,174)	(310,123)	125,177	(4,523,120)
Total accumulated depreciation	(42,975,772)	(2,321,143)	149,405	(45,147,510)
Total depreciable capital assets, net	52,477,956	9,371,050	(47,573)	61,801,433
Total sewer capital assets	63,072,018	12,563,604	(10,311,945)	65,323,677
Total business-type activities capital assets	$ 304,223,794	$ 46,757,683	$(29,208,569)	$ 321,772,908

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	$ 9,429,199
Water	2,388,295
Sanitary sewer	2,321,143
Total business-type activities depreciation expense	$ 14,138,637

Depreciation charged to Power and Light and Water funds are different because certain depreciation related to utility vehicles and heavy equipment are charged to clearing accounts and redistributed to various operating, construction, and other capital accounts.

(7) Long-Term Obligations

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 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 following is a summary of changes in long-term debt of the City for the year ended June 30, 2007:

	Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
Governmental activities:					
Loans and notes payable:					
Loans payable	$ 18,424,489	$ 8,255,000	$ 3,028,378	$ 23,651,111	$ 3,156,625
Capital lease obligations	737,370	144,129	169,016	712,483	136,600
Neighborhood Improvement District	983,000	-	59,000	924,000	59,000
Premium (discount), net	164,578	78,680	24,741	218,517	-
Total loans and notes payable	20,309,437	8,477,809	3,281,135	25,506,111	3,352,225
Other liabilities:					
Compensated absences	12,496,408	5,494,619	4,744,112	13,246,915	5,051,415
	$ 32,805,845	$ 13,972,428	$ 8,025,247	$ 38,753,026	$ 8,403,640

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

(Continued)

	Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	$ 18,520,000	$ -	$ 1,995,000	$ 16,525,000	$ 2,065,000
Less deferred amount on refunding	(1,748,677)	-	(221,715)	(1,526,962)	-
Total revenue bonds	16,771,323	-	1,773,285	14,998,038	2,065,000
Compensated absences	4,145,207	1,728,989	1,727,111	4,147,085	1,136,345
Total Power and Light Fund	20,916,530	1,728,989	3,500,396	19,145,123	3,201,345
Water Fund:					
Revenue bonds	42,590,000	-	2,040,000	40,550,000	2,200,000
Compensated absences	1,244,653	548,049	514,465	1,278,237	381,949
Other long-term obligations	-	1,581,868	195,103	1,386,765	551,061
Total Water Fund	43,834,653	2,129,917	2,749,568	43,215,002	3,133,010
Sanitary Sewer Fund:					
Compensated absences	767,928	401,125	313,639	855,414	266,467
Total Sanitary Sewer Fund	767,928	401,125	313,639	855,414	266,467
Total business-type activities	$ 65,519,111	$ 4,260,031	$ 6,563,603	$ 63,215,539	$ 6,600,822

	Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
Dicretely-presented component unit:					
TIF loans	$ 126,985,000	$ 65,475,000	$ 42,030,000	$ 150,430,000	$ 3,290,000
Loans payable	280,512	-	66,622	213,890	68,375
Premium (discount), net	(1,305,261)	(400,292)	327,116	(1,378,437)	-
Deferred amount on refunding	-	(934,702)	10,421	(924,281)	
	125,960,251	64,140,006	42,434,159	148,341,172	3,358,375
Developer obligations	13,262,729	6,856,837	1,556,651	18,562,915	-
	$ 139,222,980	$ 70,996,843	$ 43,990,810	$ 166,904,087	$ 3,358,375

(Continued)

Debt service requirements on long-term debt with schedules maturities at June 30, 2007 are as follows:

	Governmental activities					
	Loans payable		NID Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	3,156,625	$ 1,023,587	$ 59,000	$ 1,551	3,215,625	$ 1,025,138
2009	7,064,872	895,084	64,000	1,608	7,128,872	896,691
2010	2,834,614	602,522	64,000	1,615	2,898,614	604,137
2011	2,755,000	468,614	69,000	1,659	2,824,000	470,273
2012	2,870,000	347,503	69,000	1,578	2,939,000	349,081
2013-2017	4,970,000	377,588	231,000	5,853	5,201,000	383,440
2018-2022	-	-	348,000	9,216	348,000	9,216
2023-2024	-	-	20,000	588	20,000	588
	$ 23,651,111	$ 3,714,897	$ 924,000	$ 23,666	$ 24,575,111	$ 3,738,562

	Business-type activities					
	Power and Light		Water		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 2,065,000	$ 708,218	$ 2,200,000	$ 1,852,685	$ 4,265,000	$ 2,560,903
2009	2,155,000	628,693	2,380,000	1,760,459	4,535,000	2,389,151
2010	2,245,000	541,363	2,525,000	1,660,033	4,770,000	2,201,396
2011	2,345,000	445,838	2,765,000	1,548,508	5,110,000	1,994,345
2012	2,455,000	344,238	2,950,000	1,424,270	5,405,000	1,768,508
2013-2017	5,260,000	358,300	20,195,000	4,628,910	25,455,000	4,987,210
2018-2022	-	-	4,370,000	1,341,788	4,370,000	1,341,788
2023-2025	-	-	3,165,000	242,375	3,165,000	242,375
	$ 16,525,000	$ 3,026,648	$ 40,550,000	$ 14,459,027	$ 57,075,000	$ 17,485,674

	Discretely-presented component unit					
	TIF loans		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 3,290,000	$ 7,561,608	$ 68,375	$ 9,204	$ 3,358,375	$ 7,570,812
2009	4,680,000	7,739,359	70,128	6,333	4,750,128	7,745,692
2010	4,610,000	7,518,441	75,387	3,317	4,685,387	7,521,758
2011	5,210,000	7,314,973	-	-	5,210,000	7,314,973
2012	5,415,000	6,978,266	-	-	5,415,000	6,978,266
2013-2017	30,940,000	30,760,526	-	-	30,940,000	30,760,526
2018-2022	45,070,000	21,090,390	-	-	45,070,000	21,090,390
2023-2028	51,215,000	9,567,444	-	-	51,215,000	9,567,444
	$ 150,430,000	$ 98,531,008	$ 213,890	$ 18,854	$ 150,643,890	$ 98,549,862

(a) Governmental activities

(1) *Loans Payable*

On June 1, 2000, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $530,000, due in annual installments of $40,000 to $65,000 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City.

On August 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $1,635,000, due in annual installments of $160,000 to $215,000 through June 1, 2010, and bearing interest at 4.20% to 4.40%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City, software for the Fire Department, and additional funding for Hartman Heritage Tax Increment Financing Project. The portion of the loan payable related to the Hartman Heritage Tax Increment Financing Project is included in the liabilities of the discretely presented component unit. Restricted assets in the General Fund of $224,134 consist of funds available for costs related to this debt.

On May 1, 2004, the City refinanced a loan payable with the Missouri Development Finance Board in the amount of $1,245,000, due in annual installments of $230,000 to $270,000 through June 1, 2009, and bearing interest at 2.25% to 4.25%. The proceeds will be used for the restoration of the Truman Memorial Building.

On May 26, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $4,970,000, due in semiannual installments of $590,000 to $665,000 through April 1, 2009, and bearing interest at 3.25% to 4.00%. The proceeds of the bond issuance are to be used for street projects.

On February 1, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $6,175,000, due in annual installments of $300,000 to $450,000 through February 1, 2013, and bearing interest at 3.00% to 5.00%. The proceeds of the bond issuance are to be used for the aquatics facilities project.

On February 25, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $8,225,000, due in annual installments of $670,000 to $1,010,000 through March 1, 2015, and bearing interest at 4.00% to 5.25%. The proceeds of the bond issuance are to be used for public safety facilities projects.

On December 12, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $5,485,000, due in annual installments of $1,010,000 to $1,190,000 through April 1, 2013, and bearing interest at 4.25%. The proceeds of the bond issuance are to be used for park projects.

On December 12, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $2,770,000 due in one annual installment due April 1, 2009, and bearing interest at 4.25%. The proceeds of the bond issuance are to be used for street projects.

(2) Neighborhood Improvement District

The Neighborhood Improvement District Bonds constitute a valid and legally binding indebtedness of the City, payable as to both principal and interest from special assessments to be assessed on certain real property within the District which will be benefited by the improvements and, if not so paid, from moneys in the Bond Reserve Fund and, to the extent required, from first available moneys in the City's general fund or other legally available fund. The full faith and credit of the City are irrevocably pledged for the prompt payment, when due, of the principal and interest on the Bonds; provided, however, the City is not obligated nor authorized to levy taxes for the purpose of paying principal of or interest on the Bonds and the taxing power of the City is not pledged to the payment of the Bonds.

On May 15, 2004, the City issued $995,000 Neighborhood Improvement Bonds for Noland Road and Englewood Improvements, due in annual installments of $55,000 to $85,000 through March 1, 2019 and bearing interest at 4.5% to 5.75%.

On August 17, 2004, the City issued $111,000 Neighborhood Improvement Bonds for the Fall Drive Sanitary Sewer Project, due in annual installments of $5,000 to $6,000 through March 1, 2024 and bearing interest at 5.375% to 5.5%.

(3) Capital Lease Obligations

Capital leases payable at June 30, 2007 are comprised of the following:

Governmental funds:		
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	$	21,549
IBM Corporation, interest at 2.64% to 6.10%, monthly installments through 2008 for computer equipment		2,474
Sun Trust Leasing, interest at 4.19%, annual installments through July 2013; a lease to purchase a fire truck		555,685
IBM Corporation, interest at 4.057%, due in monthly installments through April 1, 2010 for computer equipment		132,776
	$	712,484

The cumulative amount of assets acquired under the capital leases described above amounted to $2,186,283 as of June 30, 2007.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

Year ending June 30:		
2008	$	165,747
2009		144,340
2010		135,823
2011		93,234
2012		93,234
2013 - 2014		186,468
		818,846
Less imputed interest		(106,362)
Present value of minimum lease payments	$	712,484

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2007 are comprised of the following individual issues:

Power and light fund:		
$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of $700,000 to $2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003	$	12,490,000
$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%		4,035,000
Less deferred amount on refunding		(1,526,962)
Total power and light fund		14,998,038
Water fund:		
$36,000,000 1986 Water Utility Remarketing Bonds, principal due in annual installments of $850,000 to $5,010,000 through June 30, 2017, interest at approximately 3.25% to 5.0%		26,755,000
$14,785,000 2004 Missouri Development Finance Board Infrastructure Facilities Revenue bonds, principal due in annual installments of $490,000 to $1,105,000 from November 1, 2005 through November 1, 2024, interest approximately 3.375% to 5.0%.		13,795,000
Total water fund		40,550,000
Total revenue bonds	$	55,548,038

The power and light revenue bond ordinance and the water revenue bond indenture require that the systems be accounted for in separate enterprise funds. They also require that after sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts in the following sequences:

Account	Restriction
Principal and interest	For the monthly accumulation of monies to meet the maturing revenue bond principal-and-interest requirements
Depreciation and emergency (water only)	For the accumulation of $500,000 to finance emergency repairs and system improvements

Surplus account monies are reflected as unrestricted cash. The required reserves are reported in the accompanying statement of net assets as restricted assets as follows:

	Enterprise funds		
Account	Power and Light	Water	Sanitary Sewer
Principal and interest	$ 231,101	$ -	$ -
Depreciation and emergency	-	500,000	-
Total revenue bond reserves	231,101	500,000	-
Customer deposits	966,143	261,803	191,255
Workers' compensation	135,480	35,753	28,767
Total	$ 1,332,724	$ 797,556	$ 220,022

Various bond ordinances and indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such financial limitations and restrictions.

Restricted assets in the General Fund of $439,988 at June 30, 2007 consist of cash on deposit for a debt service reserve (note 14) and for municipal court bond deposits.

(2) Other Obligations

The City entered into an agreement to pay $1,581,868 to two of its wholesale water customers to settle a dispute. The remaining future obligations as of June 30, 2007 are as follows:

Year ending June 30:		
2008	$	551,061
2009		563,785
2010		271,919
		1,386,765

(c) Discretely-presented component unit

(1) *Tax Increment Financing Loans*

The City's tax increment financing loan indebtedness is recorded as a liability of the TIF Commission to match revenue streams to the related debt for which they have been pledged. The obligation of the City and the Commission to pay principal and interest on these bonds is limited solely to the tax increment financing (TIF) revenues generated from each project. Should TIF revenues not be sufficient to meet the required debt service obligations, neither the City nor the Commission is obligated to make such bond payments from any other sources of its revenues. However, the City intends to annually appropriate funds sufficient to make all payments required by the bonds for the next fiscal year. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in bond payments during the next fiscal year.

The following is a description of the individual TIF loans payable:

On June 1, 1999, the City entered into a $7,240,000 loan payable with the Missouri Development Finance Board, due in annual installments of $270,000 to $835,000 through June 1, 2011 and bearing interest at 4.0% to 5.25%. The proceeds of the loan are to be used for costs related to redevelopment of Bolger Square.

On April 1, 2000, the City issued an $11,850,000 loan payable with the Missouri Development Finance Board, due in annual installments of $120,000 to $1,235,000 through April 1, 2021 and bearing interest at 5.1% to 6.0%. The proceeds of the loan are to be used for costs related to redevelopment of Hartman Heritage area. This loan payable was refunded during the 2006-2007 fiscal year, see note on advance refunding below.

On May 1, 2000, the City issued a $5,595,000 loan payable with the Missouri Development Finance Board, due in annual installments of $275,000 to $800,000 through April 1, 2012 and bearing interest at 5.15% to 5.75%. The proceeds of the loan are to be used for costs related to the redevelopment of the Eastland Center area. This loan payable was refunded during the 2006-2007 fiscal year see note on advance refunding below.

On November 1, 2000, the City issued a $12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of $120,000 to $1,235,000 through April 1, 2020 and bearing interest at 5.37% to 6%. The proceeds of the loan are to be used for costs related to the redevelopment of the Eastland Center area. This loan payable was refunded during the 2006-2007 fiscal year see note on advance refunding below.

On August 1, 2001, the City issued a $10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of $165,000 to $1,865,000 through April 1, 2023 and bearing interest at 4.375% to 5.25%. The proceeds of the loan are to be used for costs related to the redevelopment of the Santa Fe area. This loan payable was refunded during the 2006-2007 fiscal year see note on advance refunding below.

On November 1, 2001, the City issued a $1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of $15,000 to $160,000 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the loan are to be used for costs related to the redevelopment of the Eastland Center area. This loan payable was refunded during the 2006-2007 fiscal year see note on advance refunding below.

On November 1, 2002, the City issued a $3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of $75,000 to $845,000 through April 1, 2012 and bearing interest at 3.5% to 5.13%. The proceeds of the loan are to be used for costs related to the redevelopment of the Eastland Center area. This loan payable was refunded during the 2006-2007 fiscal year see note on advance refunding below.

On September 1, 2003, the City issued a $8,715,000 loan payable with the Missouri Development Finance Board, due in annual installments of $135,000 to $2,675,000 through April 1, 2021 and bearing interest at 2.0% to 5.0%. The proceeds of the loan are to be used for costs related to the redevelopment of the Hartman Heritage area.

On February 25, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $1,030,000, due in annual installments of $50,000 to $85,000 through March 1, 2020, and bearing interest at 3.00% to 4.50%. The proceeds of the loan are to be used for the Drumm Farm Tax Increment Financing Project.

On February 25, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $11,325,000, due in annual installments of $185,000 to $1,270,000 through March 1, 2026, and bearing interest at 4.00% to 5.00%. The proceeds of the loan are to be used for the Crackerneck Creek Tax Increment Financing Project.

On March 30, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $48,370,000 due in annual installments of $340,000 to $8,225,000 through March 1, 2026, and bearing interest at 5.30% to 6.00%. The proceeds of the loan are to be used for the Crackerneck Creek Tax Increment Financing Project.

On March 30, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $12,790,000 due in annual installments of $3,500,000 to $5,385,000 beginning March 1, 2026 through March 1, 2028, and bearing interest at 5.00%. The proceeds of the loan are to be used for the Crackerneck Creek Tax Increment Financing Project.

(Continued)

On May 17, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $1,590,000, due in annual installments of $70,000 to $170,000 through March 1, 2020, and bearing interest at 4.00% to 4.625%. The proceeds of the loan are to be used for the Drumm Farm Tax Increment Financing Project.

On December 1, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $4,980,000, due in annual installments of $120,000 to $445,000 through April 1,2028, and bearing interest at 4.00% to 4.25%. The proceeds of the loan are to be used for the HCA – Center Point Tax Increment Financing Project.

On May 1, 2007, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $19,390,000, due in annual installments of $815,000 to $2,570,000 through April 1,2022, and bearing interest at 4.00% to 5.00%. The proceeds of the loan were used to refund the loans for the Eastland Center area Tax Increment Financing Project.

On May 1, 2007, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $10,330,000, due in annual installments of $555,000 to $1,060,000 through April 1, 2020, and bearing interest at 4.00% to 5.00%. The proceeds of the loan were used to refund the loan for the Hartman Heritage Center Tax Increment Financing Project.

On May 1, 2007, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $10,060,000, due in annual installments of $385,000 to $1,795,000 through April 1, 2023, and bearing interest at 5.41% to 6.096%. The proceeds of the loan were used to refund the loan for the Santa Fe Tax Increment Financing Project.

On May 1, 2007, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $995,000, due in annual installments of $70,000 to $80,000 through April 1, 2020, and bearing interest at 4.00% to 4.50%. The proceeds of the loan are to be used for the Drumm Farm Tax Increment Financing Project.

On June 1, 2007, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $19,720,000, due in annual installments of $425,000 to $2,670,000 through April 1, 2028, and bearing interest at 4.75% to 5.125%. The proceeds of the loan are to be used for the HCA – Center Point Tax Increment Financing Project.

Restricted assets held by the Commission of $71,892,933 consist of funds available for costs related to the redevelopment of the Bolger Square, Crackerneck Creek, Drumm Farm, Hartman Heritage, Sante Fe, Eastland Center, and HCA areas.

(a) Advance Refunding

On May 1, 2007, the City entered into a loan payable with the Missouri Department of Finance Board for the Eastland Center, Hartman Heritage Center, and Sante Fe Redevelopment projects in the amounts of $19,390,000, $10,330,000, and $10,060,000 respectively; of Refunding TIF loans with interest rates ranging from 4.00% to 6.096% to advance refund $19,230,000, $9,975,000, and $9,640,000 of outstanding loan payables, with interest rates ranging from 2.4% to 6.0%. The net proceeds of $40,031,039 were deposited in a trust with an escrow agent to provide for all future debt service payments on the refunded loans payable. As a result, the loans payable are considered defeased and the related liability for these loans has been removed from the long-term debt.

(Continued)

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $934,702. This amount is reported as a deduction from TIF loans payable and is amortized over the remaining life of the refunded debt using the straight-line method. The City completed this advance refunding to reduce its debt service payments by $81,250 and to obtain an economic gain of $156,875.

The reduction to the debt service payments and economic gain amounts were as follows:

	Difference of Reacquisiton Price & Carrying Value of Old Debt	Debt Service	Economic Gain (Loss)
Eastland Center	$ 305,931	$ 838,190	$ 693,931
Hartman Heritage Center	172,328	500,517	417,503
Santa Fe Redevelopment	456,443	(1,257,457)	(954,559)
	$ 934,702	$ 81,250	$ 156,875

Due to contributions for debt service payments by the developer it was necessary to convert the obligations payable for the Sante Fe project from tax-exempt to taxable. This change resulted in the increase to debt service payments and economic loss shown above for the Santa Fe project.

(2) Developer Obligations

These obligations represent developer project costs that have been certified by the City as eligible for reimbursement from tax increment financing revenues attributable to each respective project. Under tax increment financing plans, the developer may be reimbursed up to the certified cost amount from incremental taxes during a period not to exceed 23 years. Accordingly, certified project costs in excess of amounts reimbursed to date are reflected as a long-term obligation of the Commission. These developer obligations are limited to the amount of incremental taxes received attributable to each respective project; any deficiencies are solely the responsibility of the developer and do not constitute an obligation of the Commission or of the City.

(3) Bass Pro Lease

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing (TIF) Plan. The Crackerneck Creek TIF Plan provides for the development and construction of a proposed 350,000 square foot commercial retail center. The Crackerneck Creek Project (the Project) is scheduled to include (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel. Other than the Bass Pro Store none of the retail space is leased as of June 30, 2007.

As part of the Project, the City has entered into the Lease Agreement (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City will own a 160,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions as contained in the Bass Pro Lease. Under the Bass Pro Lease the City is obligated to make $25,000,000 available to Bass Pro. This amount was funded from the proceeds of the Series 2006A Bonds. The proceeds of the Series 2006B and 2006C Bonds have been used to fund other costs related to the development of the site. The Bass Pro Store will be located on an approximate 20-acre parcel owned by the City.

The initial term of the Bass Pro Lease is 20 years. Bass Pro has various renewal options under the lease agreement. During the initial 20 year term, Bass Pro is required to pay the City "Percentage Rent" rent equal to 2% of "Gross Sales" as defined in the Bass Pro Lease except that the "Minimum Percentage Rent" will not be less than of $1,000,000 during each year of the initial term. During any of the nine one-year renewal options, Bass Pro will pay rent equal to $10 per year provided the TIF bond financing provided by the City in a maximum of $35,000,000 has been paid in full, or until the expiration of the third one year renewal option (whichever occurs first), Bass Pro shall be obligated to pay $1,000,000 per year to the City. During any of the three five year renewal options, Bass Pro will pay rent equal to 1% of "Gross Sales" as defined in the lease agreement. .

Under the Bass Pro Lease, Bass Pro has the option to purchase the Bass Pro Store at the expiration of the 20 year initial term and at the expiration of any renewal option for a purchase price equal to 90% of the fair market value thereof as a determined by an appraisal.

The total amount of all bonds to be issued by the Board for this project is expected to be approximately $90,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately $73,600,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves.

Construction on the Bass Pro building has commenced. The City delivered the Pad to Bass Pro concurrently with the delivery of the Bonds. Under the terms of the lease, Bass Pro must begin payments of rent to the City at the end of the Construction Period (a period of 455 days subsequent to delivery of the Pad) which occurred on June 28, 2007.

Also under the Lease the City is required to construct an approximate 15-acre lake and an additional wilderness habitat area of approximately 15 acres. The City park will include a waterfall and present a unique natural setting. The City is obligated to complete the lake and park no later than the opening of the Bass Pro Store. The City is also responsible for constructing and making available to Bass Pro 600 parking spaces adjacent to the Bass Pro Store.

A summary of the minimum rental payments due for this operating lease are as follows:

Year	Amount
2008	$ 1,000,000
2009	1,000,000
2010	1,000,000
2011	1,000,000
2012	1,000,000
2013-2017	5,000,000
2018-2022	5,000,000
2023-2027	5,000,000
Total	$ 20,000,000

(8) Advances for Construction

As new developments are constructed, the Power and Light (Enterprise) Fund requires a nonrefundable cash payment from a customer or developer to be paid toward the cost of extending the distribution system, installation of street lights, and other additions or modifications solely for the benefit of the customer or developer. The advances for construction at June 30, 2007 were $354,449.

As new additions to the water distribution system are constructed, the Water (Enterprise) Fund requires the developer or wholesaler to advance the estimated cost of the water main extension or improvement. Upon project completion, any excess of the advance over the project cost is refunded to the developer or wholesaler or vice versa. The advances for construction at June 30, 2007 were $125,412.

(9) Employee Retirement System

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 9.0% (general), 9.1% (police), and 14.2% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

Annual Pension Cost

Schedule of Employer Contributions:

		Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:				
June 30, 2005	$	4,849,276	100	—
June 30, 2006		5,432,144	100	—
June 30, 2007		5,736,388	100	—

For 2007, the City's annual pension cost of $5,736,388 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

(a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually;

(b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation;

(c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit;

(d) preretirement mortality based on the RP-2000 Combined Healthy Table, set back 0 years for men and women; and

(e) postretirement mortality based on the 1971 Group Annuity Mortality table projected to 2000, set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007 was 15 years.

See Exhibit 11 for Schedule of Funding Progress and Employer Contributions for the years ended 2007, 2006, and 2005.

(10) Post-employment Health Benefits

In addition to the pension benefits described in note 9, the City provides post-employment healthcare benefits to all retiring employees meeting the service criteria. Expenditures for post-employment healthcare benefits are recognized as retirees report their claims. During fiscal year 2007, expenditures of approximately $4,001,328 were recognized for post-employment healthcare. The City has approximately 557 participants currently eligible to receive benefits.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a result, there are a number of claims and/or lawsuits to which the City is a party as a result of certain law enforcement activities, injuries, and various other matters and complaints arising in the ordinary course of City activities. The City is entitled to the defense of sovereign and official immunity against tort action that provides immunity except in two areas – motor vehicles and the condition of property of governmental entities. The City carries commercial property, boiler and machinery, life, and flood insurance, and settlements have not exceeded insurance coverage for each of the past three fiscal years.

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). MOPERM is a body corporate and politic created by the Missouri General Assembly to provide liability protection to participating public entities, their officials, and employees. The City pays annual premiums to MOPERM for law enforcement liability, general liability, public official errors and omissions liability, and automobile liability insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to $10,000,000 per occurrence, covers medical claims in excess of $750,000 per occurrence. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain a surety bond in the amount of $2,020,000 and an escrow account in the amount of $200,000. This amount is reflected as restricted assets in the Power and Light, Water, and Sanitary Sewer Funds. Estimated workers' compensation claims incurred but not reported are accrued as liabilities in the various funds with worker's compensation expenditures.

The City offers its employees a contributory self-insurance healthcare plan. An excess coverage insurance policy covers the portion of specific claims in excess of $225,000 and aggregate claims in excess of $14,500,000. The City's share of the premiums for this employee benefit was approximately $10,802,000. Premiums paid by the City are recorded as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Estimated but not incurred medical, vision, and prescription claims are accrued as a liability in the Internal Service Fund.

Effective January 1, 2007, the City provided participants of the Coventry HMO health care plan with a contributory self-funded prescription plan. FMH Benefits Services administers this benefit as well as being the third party administrator for the Staywell Health Care Plan. Medco is the pharmacy benefits manager of this program as well as for the Staywell Health Care Plan. The City's share of premiums for this employee benefit was approximately $232,000. Premiums paid by the City are recorded as expenditures/expenses of the various funds and premium revenue in the self-funded Pharmacy Benefit Plan (internal service fund).

Changes in the balances of the workers' compensation and health care claims liability during the last two years are as follows:

	Workers' Compensation Claims		Medical Claims	
	2006	2007	2006	2007
Beginning of year	$ 250,600	$ 227,635	$ 1,119,765	$ 1,389,102
Incurred	1,665,750	1,294,738	11,240,694	10,615,954
Paid	(1,688,715)	(1,336,066)	(10,971,357)	(10,789,227)
End of year	$ 227,635	$ 186,307	$ 1,389,102	$ 1,215,829

(12) Commitments

Construction Commitments

At June 30, 2007, the City had commitments of approximately $17,265,590 to complete construction contracts. Of this amount, $8,270,598 relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

The City purchases a portion of its power capacity and energy needs under a capacity purchase agreement with Kansas City Power & Light Company (KCPL). Under the agreement, the City purchases 90 MW of capacity and energy for a term through May 31, 2011 at contract-specified pricing for the capacity and associated energy, although the City has the right to reduce or terminate the capacity and energy purchase at any time after June 1, 2007. The annual minimum payment obligations (capacity charges only including the cost of transmission) under the agreement are approximately $8,600,000. The delivered cost of capacity and energy under the agreement, including all demand energy, environmental emission allowance, and SPP transmission charges, totaled approximately $23,340,000 for 643,765 megawatt-hours of delivered energy during fiscal year 2007.

In July 1997, the City became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. Membership of the WSPP Agreement has expanded from the original experimental eleven western United States electric utilities to over 250 members that are located throughout the entire United States and parts of Canada and include investor-owned electric utilities, municipalities, cooperatives, state and federal public power systems and power marketers. Under the WSPP Agreement, the City makes short term power purchases and sales with KCPL, Aquila Inc., Associated Electric Cooperative Inc., and other utilities and power marketers. During fiscal year 2007, the cost of purchases was approximately $10,102,000 for 140,984 megawatt-hours of wholesale energy. The City sold 15,758 megawatt-hours of wholesale energy for approximately $666,000.

In January 2004, the City entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the City will purchase an 8.33% share (approximately 55 megawatts) of a new nominal 663 megawatt coal-fired baseload generating unit to be built at OPPD's existing Nebraska City power station site. The agreement provides that OPPD will be the owner/operator of the unit and OPPD will sell the City's share of the output on a cost-based approach. OPPD will issue tax-exempt bonds to pay for the construction of the unit and the City will be obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel and renewals and replacements of the unit. The unit is currently scheduled to begin commercial operation prior to May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. Payment obligations on this project are not expected to begin until the unit begins commercial operation in 2009.

In June 2006, the City entered into a unit power purchase agreement with the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Under this agreement, the City will purchase a 50% share (approximately 50 megawatts) of MJMEUC's ownership share of a new nominal 850 megawatt Iatan 2 coal-fired generating unit to be built at KCPL's existing power station site in Weston, Missouri. The agreement provides that KCPL will be the owner/operator of the unit. MJMEUC will sell the City's share of the output on a cost-based approach. The City will be responsible for payment of its share of the fixed operation and maintenance costs, the variable operating costs including fuel, renewals and replacements of the unit and related administrative costs incurred by MJMEUC. The unit is currently scheduled to begin commercial operation in 2010. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. Payment obligations on this project are not expected to begin until the unit begins commercial operation in 2010.

Cooperative Agreement – Jackson County

The City and Jackson County, Missouri have entered into a cooperative agreement of approximately $4,000,000 to obtain funding under the County's County Urban Road System (CURS) program to be used in conjunction with federal monies to facilitate the maintenance and upkeep of the City's infrastructure. As of June 30, 2007, the City has requested reimbursement from the County of approximately $3.14 million related to construction project cost reimbursements under this agreement.

Litigation

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation proceedings, and suits contesting the legality of certain taxes. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

(13) Deficits

The accumulated deficit in the Street Improvements Fund, in the amount of $301,883, will be eliminated by future revenues or transfers. The accumulated deficit in the Parks Sales Tax Fund, in the amount of $84,396, will be eliminated by future revenues or transfers. The accumulated deficit in the Storm Drainage Fund, in the amount of $16,155, will be eliminated by future revenues or transfers. The accumulated deficit in the Pharmacy Benefit Plan Fund, in the amount of $104,227, will be eliminated by future revenues or transfers. The accumulated deficit in the Sterling Village TIF fund, in the amount of $114, will be eliminated by future tax increment financing revenues.

(Continued)

(14) Fund Equity

Reserved and designated fund balances at year-end are as follows:

	Governmental Funds			
	General	Street Improvements	Nonmajor	Total
Fund balances:				
Reserved for:				
Encumbrances	$ 942,874	$ 1,526,657	$ 9,316,039	$ 11,785,570
Debt service	224,134	-	85,739	309,873
Protested revenues	1,020,068	-	-	1,020,068
Domestic violence	13,617	-	-	13,617
Total fund balances reserved	2,200,693	1,526,657	9,401,778	13,129,128
Unreserved:				
Designated for:				
Police equipment	70,938	-	-	70,938
Capital projects	242,191	-	4,088,450	4,330,641
Strategic goal	426,138	-	-	426,138
TIF distribution	710,447	-	-	710,447
Amoco settlement	54,500	-	-	54,500
Debt service	900,000	-	-	900,000
Total fund balances designated	2,404,214	-	4,088,450	6,492,664
Undesignated	2,129,791	(1,828,540)	13,592,684	13,893,935
Total fund equity	$ 6,734,698	$ (301,883)	$ 27,082,912	$ 33,515,727

(15) Prior Period Adjustment

For the year ended June 30, 2007, management determined that the following adjustments were to be made to the opening net assets/fund balances:

A summary of these changes is described below:

	Governmental Activities (Exhibit 2)	Governmental Funds (Exhibit 4)	Discretely Presented Component Unit (Exhibit 2)
Beginning net assets (deficit), as originally reported	$ 186,567,169	$ 32,235,240	$ (68,028,857)
Reimbursable project costs	881,250	881,250	(881,250)
Beginning net assets (deficit), as restated	$ 187,448,419	$ 33,116,490	$ (68,910,107)

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2007

(1) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the accompanying government-wide financial statements:

- Prior to May 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to June 27, the City Council adopts the budget. If the City Council fails to adopt the budget on or before that date, the budget, as submitted or amended, goes into effect.
- The City Manager is authorized to transfer budgeted amounts between divisions of a department within any fund; however, any revisions that alter the total appropriations within any fund, or that transfer appropriations between departments, must be approved by the City Council. The 2006-2007 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for all funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Sales Tax , Stromwater Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax and Grant Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

The City's policy is to prepare the annual operating budget on a basis which includes encumbrances as the equivalent of expenditures. The budgetary comparison schedules are prepared on this basis. Certain reclassifications between budgeted revenues and transfers have been made to facilitate the comparison with actual operations.

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Taxes	$ 33,196,427	33,196,427	32,261,435	(934,992)
Licenses and permits	4,449,138	4,449,138	4,300,683	(148,455)
Grants – federal and state	25,393	25,393	26,242	849
State and county shared revenue	5,615,828	5,615,828	5,627,760	11,932
Charges for current services	1,436,377	1,475,180	1,858,887	383,707
Interfund charges for support services	4,023,410	4,023,410	3,900,967	(122,443)
Fines and forfeitures	3,016,112	3,016,112	3,105,514	89,402
Other revenue	747,300	841,452	807,923	(33,529)
Total revenues	52,509,985	52,642,940	51,889,411	(753,529)
Other financing sources:				
Payments in lieu of taxes	13,604,018	13,604,018	13,039,463	(564,555)
Total other financing sources	13,604,018	13,604,018	13,039,463	(564,555)
Total revenues and other financing sources	66,114,003	66,246,958	64,928,874	(1,318,084)
Expenditures:				
City Council	398,130	414,654	414,291	363
City Clerk	429,447	429,447	429,212	235
City Manager	1,036,031	1,006,817	977,758	29,059
National Frontier Trails Center	345,967	352,120	350,460	1,660
Technology services	1,659,908	1,672,008	1,671,953	55
Municipal court	669,958	678,762	678,680	82
Law	728,888	728,888	691,371	37,517
Finance	1,720,182	1,814,966	1,814,785	181
Human resources	548,235	548,235	535,098	13,137
Community development	2,605,129	2,622,358	2,589,947	32,411
Police	20,158,488	21,279,620	21,274,620	5,000
Fire	13,996,503	13,898,504	14,174,304	(275,800)
Health	2,266,260	2,420,432	2,411,687	8,745
Public works	6,959,349	7,156,528	7,155,956	572
Water pollution control	298,891	305,591	305,565	26
Parks and recreation	1,981,302	2,030,581	2,030,565	16
General government	8,185,189	7,371,345	6,641,041	730,304
City Council strategic goals	350,000	958,368	532,230	426,138
Capital outlay	1,243,100	1,891,393	967,436	923,957
Total expenditures	65,580,957	67,580,617	65,646,959	1,933,658
Other financing uses – transfers out	142,357	167,357	125,287	42,070
Total expenditures and other financing uses	65,723,314	67,747,974	65,772,246	1,975,728
Excess of revenue and other financing sources over (under) expenditures and other financing uses	$ 390,689	(1,501,016)	(843,372)	657,644
Undesignated fund balance at beginning of year			3,399,529	
Cancellation of prior year encumbrances			108,076	
Decrease in other fund balance components during the year			(534,442)	
Undesignated fund balance at end of year			$ 2,129,791	

Exhibit 10.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2007

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds does not include encumbrances outstanding at year-end as expenditures because encumbrances are reported as reservations of fund balances in accordance with GAAP for the modified accrual basis of accounting. Adjustments necessary to convert the results of operations under the modified accrual basis to the budget basis are included as reconciling items on the following budget-basis statement:

		General Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	64,928,874
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	64,928,874
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	65,646,959
Basis differences – budget to GAAP:		
Capital lease		144,129
Outstanding encumbrances at year-end charged to the current year's budget		(759,073)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		966,048
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	$	65,998,063

CITY OF INDEPENDENCE, MISSOURI

Schedule of Funding Progress

Retirement Plan

Schedule of Funding Progress:

Actuarial valuation date	(a) Actuarial value of assets	(b) Entry-age actuarial accrued liability	(b) – (a) Unfunded (assets in excess of) accrued liability (UAL)	(a)/(b) Funded ratio	(c) Annual covered payroll	(b) – (a)/(c) UAL as a percentage of covered payroll
February 29, 2005	$ 133,798,865	$ 132,721,528	$ (1,077,337)	101%	$ 52,038,918	-2%
February 28, 2006	143,965,379	140,859,132	(3,106,247)	102%	55,394,891	-6%
February 28, 2007	158,403,238	148,892,342	(9,510,896)	106%	57,504,095	-17%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2007 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS's office in Jefferson City at P.O. Box 1665 Jefferson City, Missouri 65102 or telephone 1-800-447-4334.

CITY OF INDEPENDENCE, MISSOURI

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Tourism – This fund is used to account for expenditures for tourism that are financed out of the transient guest tax.

Independence Square Benefit District – This fund is used to account for expenditures to improve the City's downtown business district that are financed by a special property tax levy on those businesses which are benefited.

Community Development Grant Act – This fund is used to account for all projects that are funded by the Federal Community Development Block Grant.

Rental Rehabilitation – This fund is used to account for expenditures to improve rental property within the City that are funded by state and federal grants.

Street Improvement Sales Tax – This fund is used to account for all street projects that are funded by the three-eighths cent street improvement sales tax.

Park Improvement Sales Tax Fund – This fund accounts for all park projects that are funded by the one-quarter cent park improvement sales tax.

Storm Water Sales Tax – This fund is used to account for all storm water projects that are funded by the one-fourth cent storm water sales tax.

Police Sales Tax – This fund is used to account for receipts and expenditures of the City's sales tax for police protection services.

Fire Sales Tax – This fund is used to account for receipts and expenditures of the City's sales tax for fire protection services.

License Surcharge – This fund is used to account for street improvements funded by an excise tax that is based on increased traffic flow relating to new development.

Grant Fund – This fund is used to account for expenditures that are funded by grants.

Capital Projects Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by the proprietary funds or trust funds.

Revolving Public Improvements – This fund, which is legally mandated by City Charter, is used to account for the cost of public works or improvements funded by special assessments.

Building and Other Improvements – This fund is used to account for the acquisition, construction, and improvement of nonproprietary buildings and facilities of the City.

Storm Drainage – This fund is used to account for the acquisition and construction of the City's infrastructure to control the run-off surface water.

Park Improvements – This fund is used to account for the acquisition and construction of the City's parkland.

CITY OF INDEPENDENCE, MISSOURI

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Waggoner Memorial – This fund is used to account for citizen donations, the interest on which is used for maintenance for the Memorial Building.

Debt Service Fund

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2007

Assets		Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Permanent Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	$	23,447,799	66,878	9,670	1	23,524,348
Receivables:						
Taxes		2,877,472	—	—	—	2,877,472
Accounts		16,235	612	—	—	16,847
Special assessment principal and accrued interest		—	—	—	1,298,024	1,298,024
Accrued interest		208,510	—	—	—	208,510
Due from other funds		1,438,535	—	—	—	1,438,535
Due from component unit		16,500	—	—	—	16,500
Due from other governments		933,920	—	—	—	933,920
Restricted assets		3,215,752	—	—	94,000	3,309,752
Total assets	$	32,154,723	67,490	9,670	1,392,025	33,623,908
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	3,235,527	38,792	—	—	3,274,319
Due to other funds		1,664,251	16,156	—	11,772	1,692,179
Accrued items		83,103	—	—	—	83,103
Other current liabilities		26,380	—	—	—	26,380
Deferred revenue		166,991	—	—	1,298,024	1,465,015
Total liabilities		5,176,252	54,948	—	1,309,796	6,540,996
Fund balances:						
Reserved for:						
Encumbrances		9,272,491	43,548	—	—	9,316,039
Other purposes		85,739	—	—	—	85,739
Unreserved, reported in:						
Special revenue funds		17,620,241	—	—	—	17,620,241
Debt service funds		—	—	—	82,229	82,229
Capital projects funds		—	(31,006)	—	—	(31,006)
Permanent fund		—	—	9,670	—	9,670
Total fund balances		26,978,471	12,542	9,670	82,229	27,082,912
Total liabilities and fund balances	$	32,154,723	67,490	9,670	1,392,025	33,623,908

Exhibit 13

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Permanent Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$ 20,629,478	—	—	—	20,629,478
Licenses and permits	1,171,509	—	—	—	1,171,509
Intergovernmental	4,022,553	1,783,755	—	—	5,806,308
Charges for services	603,581	—	—	102,999	706,580
Investment income	1,238,073	1,333	450	3,823	1,243,679
Other	221,906	—	—	—	221,906
Total revenues	27,887,100	1,785,088	450	106,822	29,779,460
Expenditures:					
Current:					
Administrative services	44,269	—	—	—	44,269
Public safety	4,446,626	—	—	—	4,446,626
Health and welfare	493,136	—	—	—	493,136
Culture and recreation	3,067,660	—	—	—	3,067,660
Community development	1,525,599	—	—	—	1,525,599
Storm water	1,232,707	—	—	—	1,232,707
General government	281,646	—	5,000	1,034	287,680
Capital outlay	17,991,703	2,514,293	—	—	20,505,996
Debt service:					
Principal	2,850,000	—	—	59,000	2,909,000
Interest and fiscal agent fees	881,655	—	—	50,859	932,514
Total expenditures	32,815,001	2,514,293	5,000	110,893	35,445,187
Excess (deficiency) of revenues over expenditures	(4,927,901)	(729,205)	(4,550)	(4,071)	(5,665,727)
Other financing sources (uses):					
Proceeds from capital leases/bond issuance	8,255,000	—	—	—	8,255,000
Reoffering premium/original issue discount	78,680	—	—	—	78,680
Transfers in	—	730,538	—	—	730,538
Transfers out	(1,836,420)	—	—	—	(1,836,420)
Total other financing sources (uses)	6,497,260	730,538	—	—	7,227,798
Net change in fund balances	1,569,359	1,333	(4,550)	(4,071)	1,562,071
Fund balances (deficit), beginning	25,409,112	11,209	14,220	86,300	25,520,841
Fund balances, ending	$ 26,978,471	12,542	9,670	82,229	27,082,912

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2007

Assets		Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 25)	License Surcharge	Grants	Total
Pooled cash and investments	$	1,378,870	23,962	—	—	18,647,267	3,397,700	—	23,447,799
Receivables:									
Taxes		90,000	471	—	—	2,787,001	—	—	2,877,472
Accounts		—	—	—	—	—	—	16,235	16,235
Accrued interest		—	—	—	—	175,055	33,455	—	208,510
Due from other funds		—	—	—	—	1,438,535	—	—	1,438,535
Due from component unit		—	—	—	—	16,500	—	—	16,500
Due from other governments		119,861	—	182,216	205,405	—	—	426,438	933,920
Restricted assets		—	—	—	—	3,215,752	—	—	3,215,752
Total assets	$	1,588,731	24,433	182,216	205,405	26,280,110	3,431,155	442,673	32,154,723
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	$	178,922	—	425	10,621	2,990,969	—	54,590	3,235,527
Due to other funds		—	—	172,746	165,594	1,032,957	—	292,954	1,664,251
Accrued items		8,784	—	7,745	2,806	39,811	—	23,957	83,103
Other current liabilities		—	—	—	26,380	—	—	—	26,380
Deferred revenue		—	—	—	—	95,819	—	71,172	166,991
Total liabilities		187,706	—	180,916	205,401	4,159,556	—	442,673	5,176,252
Fund balances:									
Reserved for:									
Encumbrances		156,563	—	115,735	106,832	8,662,154	—	231,207	9,272,491
Other purposes		—	—	—	—	85,739	—	—	85,739
Unreserved, reported in:									
Special revenue funds		1,244,462	24,433	(114,435)	(106,828)	13,372,661	3,431,155	(231,207)	17,620,241
Total fund balances		1,401,025	24,433	1,300	4	22,120,554	3,431,155	—	26,978,471
Total liabilities and fund balances	$	1,588,731	24,433	182,216	205,405	26,280,110	3,431,155	442,673	32,154,723

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 1,020,664	22,052	—	—	19,586,762	—	—	20,629,478
Licenses and permits	—	—	—	—	—	1,171,509	—	1,171,509
Intergovernmental	169,122	—	1,122,874	790,434	324,684	—	1,615,439	4,022,553
Charges for services	1,165	—	1,300	—	514,750	—	86,366	603,581
Investment income	53,966	820	—	—	1,012,955	170,544	(212)	1,238,073
Other	7,553	—	—	—	212,770	—	1,583	221,906
Total revenues	1,252,470	22,872	1,124,174	790,434	21,651,921	1,342,053	1,703,176	27,887,100
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	44,269	44,269
Public safety	—	—	—	—	3,427,396	—	1,019,230	4,446,626
Health and welfare	—	—	—	—	—	—	493,136	493,136
Culture and recreation	992,212	—	—	—	2,075,448	—	—	3,067,660
Community development	—	—	735,168	790,431	—	—	—	1,525,599
Storm water	—	—	—	—	1,232,707	—	—	1,232,707
General government	—	—	—	—	134,592	—	147,054	281,646
Capital outlay	—	353	—	—	17,991,350	—	—	17,991,703
Debt service:								
Principal	—	—	—	—	2,850,000	—	—	2,850,000
Interest and fiscal agent fees	—	—	3	3	881,649	—	—	881,655
Total expenditures	992,212	353	735,171	790,434	28,593,142	—	1,703,689	32,815,001
Excess (deficiency) of revenues over expenditures	260,258	22,519	389,003	—	(6,941,221)	1,342,053	(513)	(4,927,901)
Other financing sources (uses):								
Proceeds from bond issuance	—	—	—	—	8,255,000	—	—	8,255,000
Reoffering premium/original issue discount	—	—	—	—	78,680	—	—	78,680
Transfers out	—	—	(387,703)	—	(258,521)	(1,190,196)	—	(1,836,420)
Total other financing sources (uses)	—	—	(387,703)	—	8,075,159	(1,190,196)	—	6,497,260
Net change in fund balances	260,258	22,519	1,300	—	1,133,938	151,857	(513)	1,569,359
Fund balances, beginning	1,140,767	1,914	—	4	20,986,616	3,279,298	513	25,409,112
Fund balances, ending	$ 1,401,025	24,433	1,300	4	22,120,554	3,431,155	—	26,978,471

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2007

		Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
		Original	Final		
Revenues:					
Transient guest taxes	$	968,000	968,000	1,020,664	52,664
Interest		—	24,000	53,966	29,966
Grants – federal, state, and local		—	171,463	169,122	(2,341)
Other revenue		30,000	6,000	8,718	2,718
Total revenues		998,000	1,169,463	1,252,470	83,007
Expenditures:					
Tourism		891,646	1,063,109	1,059,592	3,517
Total expenditures		891,646	1,063,109	1,059,592	3,517
Excess of revenues over (under) expenditures	$	106,354	106,354	192,878	86,524
Undesignated fund balance at beginning of year				638,590	
Cancellation of prior year encumbrances				19,215	
Change in other fund balance components during the year (1)				(125,711)	
Undesignated fund balance at end of year			$	724,972	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 16.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2007

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,252,470
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,252,470
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,059,592
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(140,730)
fiscal year (1)		73,350
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	992,212

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Federal grant - CDBG	$ 776,034	776,034	1,124,174	348,140
Total revenues	776,034	776,034	1,124,174	348,140
Expenditures:				
CDBG administration	213,700	277,257	140,354	136,903
CDBG expenditures	—	840,540	546,659	293,881
Public facilities and improvements	—	1,891	—	1,891
Commercial facade program	—	308,388	163,893	144,495
Total expenditures	213,700	1,428,076	850,906	577,170
Other financing uses:				
Transfers out	—	150,000	387,703	(237,703)
Total other financing uses	—	150,000	387,703	(237,703)
Total expenditures and other uses	213,700	1,578,076	1,238,609	339,467
Excess of revenues over (under) expenditures and other financing uses	$ 562,334	(802,042)	(114,435)	687,607
Undesignated fund balance at beginning of year			(392,994)	
Change in other fund balance components during the year			392,994	
Undesignated fund balance at end of year			$ (114,435)	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures and Other Financing Uses amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 17.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Community Development Block Grant Fund

Year ended June 30, 2007

		Community Development Block Grant
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,124,174
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,124,174
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	850,906
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(115,735)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	735,171

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Rental Rehabilitation
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
HOME program grant	$ 456,644	456,644	790,434	333,790
Total revenues	456,644	456,644	790,434	333,790
Expenditures:				
HOME administration	46,404	49,864	47,288	2,576
Multi family housing	—	500,625	407,321	93,304
Single family housing	—	524,083	342,174	181,909
Community housing development	—	271,912	100,483	171,429
Total expenditures	46,404	1,346,484	897,266	449,218
Excess of revenues over (under) expenditures	$ 410,240	(889,840)	(106,832)	783,008
Undesignated fund balance (deficit) at beginning of year			(205,307)	
Change in other fund balance components during the year (1)			205,312	
Undesignated fund balance (deficit) at end of year			$ (106,827)	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 18.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2007

		Rental Rehabilitation
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	790,434
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	790,434
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	897,266
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(106,832)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	790,434

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 19

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Street Improvements Sales Tax Fund
Year ended June 30, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Sales taxes	$ 6,147,787	6,147,787	5,839,961	(307,826)
Interest	400,000	400,000	181,951	(218,049)
Total revenues	6,547,787	6,547,787	6,021,912	(525,875)
Other Financing sources:				
Proceeds from bond issuance	—	—	2,770,000	2,770,000
Reoffering premium/original issue discount	—	—	19,335	19,335
Total other financing sources	—	—	2,789,335	2,789,335
Total revenues and other financing sources	6,547,787	6,547,787	8,811,247	2,263,460
Expenditures:				
General Government	13,125	13,125	64,173	(51,048)
Capital outlay	15,053,000	15,888,845	8,372,650	7,516,195
Debt service	—	—	1,388,329	(1,388,329)
Total expenditures	15,066,125	15,901,970	9,825,152	6,076,818
Excess of revenues and other financing sources over (under) expenditures	$ (8,518,338)	(9,354,183)	(1,013,905)	8,340,278
Undesignated fund balance (deficit) at beginning of year			(1,196,650)	
Change in other fund balance components during the year (1)			2,101,195	
Undesignated fund balance (deficit) at end of year			$ (109,360)	

(1) This amount represents transactions included in the Excess of Revenues and Other Financing sources over (under) Expenditures amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 19.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2007

		Streets Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	6,021,912
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	6,021,912
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	9,825,152
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	9,825,152

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 20

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Park Improvements Sales Tax Fund
Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	**Final**		
Revenues:				
Sales taxes	$ 3,977,802	3,977,802	3,892,971	(84,831)
Public health and recreation	—	91,500	52,320	(39,180)
Adventure Oasis Water Park	575,000	587,500	462,430	(125,070)
Other revenue	127,500	78,500	168,509	90,009
Total revenues	4,680,302	4,735,302	4,576,230	(159,072)
Other financing sources:				
Proceeds from bond issuance	4,695,000	4,695,000	5,485,000	790,000
Reoffering premium/original issue discount	—	—	59,345	59,345
Total other financing sources	4,695,000	4,695,000	5,544,345	849,345
Total revenues and other financing sources	9,375,302	9,430,302	10,120,575	690,273
Expenditures:				
Culture and recreation	1,965,529	2,260,460	2,011,715	248,745
General government	—	8,750	77,427	(68,677)
Capital outlay	8,616,082	8,614,749	6,948,415	1,666,334
Debt service	1,206,839	1,206,839	1,282,244	(75,405)
Total expenditures	11,788,450	12,090,798	10,319,801	1,770,997
Excess of revenues and other financing sources over (under) expenditures	$ (2,413,148)	(2,660,496)	(199,226)	2,461,270
Undesignated fund balance (deficit) at beginning of year			(1,510,742)	
Cancellation of prior year encumbrances			28,915	
Change in other fund balance components during the year (1)			238,582	
Undesignated fund balance (deficit) at end of year			$ (1,442,471)	

(1) This amount represents transactions included in the Excess of Revenues and Other Financing sources over (under) Expenditures amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 20.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2007

		Park Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,576,230
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,576,230
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	10,319,801
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(163,040)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		219,765
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	10,376,526

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Storm Water Sales Tax Fund
Year Ended June 30, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Sales taxes	$ 3,977,802	3,977,802	3,895,405	(82,397)
Grants - federal, state and local	—	—	324,684	324,684
Interest	490,000	490,000	431,463	(58,537)
Other revenue	—	—	108,782	108,782
Total revenues	4,467,802	4,467,802	4,760,334	292,532
Expenditures:				
Storm water				
Administration	313,791	299,731	158,750	140,981
Maintenance	1,208,682	994,858	933,681	61,177
Permit completion	153,700	185,550	146,619	38,931
Capital outlay	6,079,228	6,524,505	1,670,944	4,853,561
Total expenditures	7,755,401	8,004,644	2,909,994	5,094,650
Excess of revenues over (under) expenditures	$ (3,287,599)	(3,536,842)	1,850,340	5,387,182
Undesignated fund balance at beginning of year			8,180,693	
Cancellation of prior year encumbrances			9,098	
Change in other fund balance components during the year (1)			33,002	
Undesignated fund balance at end of year			$ 10,073,133	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 21.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2007

		Storm Water Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,760,334
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,760,334
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,909,994
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(132,454)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		126,111
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,903,651

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 22

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Police Public Safety Sales Tax Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Sales taxes	$ 2,100,523	2,100,523	2,066,938	(33,585)
Investment income	145,000	145,000	141,200	(3,800)
Other revenue	—	—	3,436	3,436
Total revenues	2,245,523	2,245,523	2,211,574	(33,949)
Expenditures:				
Public safety				
Communications	1,013,058	1,013,058	27,571	985,487
Facilities	934,000	934,000	522,594	411,406
Equipment	2,070,290	2,073,850	893,717	1,180,133
Debt service	514,763	514,763	512,692	2,071
Total expenditures	4,532,111	4,535,671	1,956,574	2,579,097
Other financing uses:				
Transfers out/capital outlay	122,531	122,531	122,519	12
Total other financing uses	122,531	122,531	122,519	12
Total expenditures and other financing uses	4,654,642	4,658,202	2,079,093	2,579,109
Excess of revenues over (under) expenditures and other financing uses	$ (2,409,119)	(2,412,679)	132,481	2,545,160
Undesignated fund balance at beginning of year			2,196,647	
Cancellation of prior year encumbrances			20,011	
Change in other fund balance components during the year (1)			8	
Undesignated Fund Balance at end of year			$ 2,349,147	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures and Other Financing Uses amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 22.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2007

	Police Public Safety Sales Tax
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$ 2,211,574
Basis differences – budget to GAAP:	
None	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 2,211,574
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$ 1,956,574
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(364,881)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	1,349,497
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 2,941,190

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Fire Public Safety Sales Tax Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	$ 3,977,802	3,977,802	3,891,487	(86,315)
Other revenue	211,000	211,000	190,384	(20,616)
Total revenues	4,188,802	4,188,802	4,081,871	(106,931)
Expenditures:				
Public safety	1,444,494	1,444,494	838,093	606,401
Capital outlay	5,935,373	5,935,373	999,341	4,936,032
Debt service	553,113	553,113	549,713	3,400
Total expenditures	7,932,980	7,932,980	2,387,147	5,545,833
Other financing uses:				
Transfers out/capital outlay	136,002	136,002	136,002	—
Total other financing uses	136,002	136,002	136,002	—
Total expenditures and other financing uses	8,068,982	8,068,982	2,523,149	5,545,833
Excess of revenues over (under) expenditures and other financing uses	$ (3,880,180)	(3,880,180)	1,558,722	5,438,902
Undesignated fund balance at beginning of year			2,986,952	
Change in other fund balance components during the year (1)			(1,977,459)	
Undesignated fund balance at end of year			$ 2,568,215	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures and Other Financing Uses amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 23.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2007

		Fire Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,081,871
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,081,871
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,387,147
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(443,346)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		602,822
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,546,623

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 24

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:				
Grants and other shared revenue	$ 1,066,167	3,158,056	1,615,439	(1,542,617)
Charges for current services	28,657	86,366	86,366	—
Interest income and other revenue	—	1,861	1,371	(490)
Total revenues	1,094,824	3,246,283	1,703,176	(1,543,107)
Expenditures:				
Law department	47,624	101,322	44,269	57,053
Police department	467,796	2,083,038	1,140,595	942,443
Fire department	43,000	91,588	69,257	22,331
Health department	536,404	786,280	502,696	283,584
Community development	—	184,687	178,078	6,609
Total expenditures	1,094,824	3,246,915	1,934,895	1,312,020
Excess of revenues over (under) expenditures	$ —	(632)	(231,719)	(231,087)
Undesignated fund balance (deficit) at beginning of year			(122,647)	
Change in other fund balance components during the year (1)			123,159	
Undesignated fund balance (deficit) at end of year			$ (231,207)	

(1) This amount represents transactions included in the Excess of Revenues over (under) Expenditures amount listed above that affected Fund Balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the Undesignated Fund Balance account to other Fund Balance component accounts.

Exhibit 24.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2007

		Grants
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,703,176
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,703,176
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,934,895
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(231,206)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,703,689

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2007

Assets		Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	$	521,284	1	10,434,814	2,509,489	5,181,679	18,647,267
Receivables:							
Taxes		833,193	555,795	555,934	286,383	555,696	2,787,001
Accrued interest		10,937	—	131,977	—	32,141	175,055
Due from other funds		1,422,379	—	16,156	—	—	1,438,535
Restricted assets		1,694,612	1,425,209	95,819	54	58	3,215,752
Advance to component unit		—	16,500	—	—	—	16,500
Total assets	$	4,482,405	1,997,505	11,234,700	2,795,926	5,769,574	26,280,110
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	1,374,302	1,022,915	114,334	43,511	435,907	2,990,969
Due to other funds		—	1,032,957	—	—	—	1,032,957
Accrued items		—	26,029	13,782	—	—	39,811
Deferred revenue		—	—	95,819	—	—	95,819
Total liabilities		1,374,302	2,081,901	223,935	43,511	435,907	4,159,556
Fund balances:							
Reserved for:							
Encumbrances		3,195,351	1,294,561	1,003,635	403,214	2,765,393	8,662,154
Other purposes		22,113	63,514	—	54	58	85,739
Unreserved, reported in:							
Special revenue funds		(109,361)	(1,442,471)	10,007,130	2,349,147	2,568,216	13,372,661
Total fund balances		3,108,103	(84,396)	11,010,765	2,752,415	5,333,667	22,120,554
Total liabilities and fund balances	$	4,482,405	1,997,505	11,234,700	2,795,926	5,769,574	26,280,110

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Sales Tax Funds

Year ended June 30, 2007

		Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:							
Taxes	$	5,839,961	3,892,971	3,895,405	2,066,938	3,891,487	19,586,762
Intergovernmental		—	—	324,684	—	—	324,684
Charges for services		—	514,750	—	—	—	514,750
Investment income		181,951	67,957	431,463	141,200	190,384	1,012,955
Other		—	100,552	108,782	3,436	—	212,770
Total revenues		6,021,912	4,576,230	4,760,334	2,211,574	4,081,871	21,651,921
Expenditures:							
Current:							
Public safety		—	—	—	2,429,827	997,569	3,427,396
Culture and recreation		—	2,075,448	—	—	—	2,075,448
Storm water		—	—	1,232,707	—	—	1,232,707
General government		64,173	70,419	—	—	—	134,592
Capital outlay		8,372,650	6,948,415	1,670,944	—	999,341	17,991,350
Debt service:							
Principal		1,210,000	945,000	—	335,000	360,000	2,850,000
Interest and fiscal agent fees		178,329	337,244	—	176,363	189,713	881,649
Total expenditures		9,825,152	10,376,526	2,903,651	2,941,190	2,546,623	28,593,142
Excess (deficiency) of revenues over expenditures		(3,803,240)	(5,800,296)	1,856,683	(729,616)	1,535,248	(6,941,221)
Other financing sources (uses):							
Proceeds from bond issuance		2,770,000	5,485,000	—	—	—	8,255,000
Reoffering premium/original issue discount		19,335	59,345	—	—	—	78,680
Transfers out		—	—	—	(122,519)	(136,002)	(258,521)
Total other financing sources (uses)		2,789,335	5,544,345	—	(122,519)	(136,002)	8,075,159
Net change in fund balances		(1,013,905)	(255,951)	1,856,683	(852,135)	1,399,246	1,133,938
Fund balances, beginning		4,122,008	171,555	9,154,082	3,604,550	3,934,421	20,986,616
Fund balances, ending	$	3,108,103	(84,396)	11,010,765	2,752,415	5,333,667	22,120,554

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2007

Assets		Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	$	19,000	38,330	1	9,547	66,878
Receivables:						
Accounts		—	612	—	—	612
Total assets	$	19,000	38,942	1	9,547	67,490
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	—	38,792	—	—	38,792
Due to other funds		—	—	16,156	—	16,156
Total liabilities		—	38,792	16,156	—	54,948
Fund balances (deficit):						
Reserved for:						
Encumbrances		—	12,428	—	31,120	43,548
Unreserved, reported in:						
Capital projects funds		19,000	(12,278)	(16,155)	(21,573)	(31,006)
Total fund balances (deficit)		19,000	150	(16,155)	9,547	12,542
Total liabilities and fund balances	$	19,000	38,942	1	9,547	67,490

Exhibit 28

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Nonmajor Capital Projects Funds

Year ended June 30, 2007

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:					
Intergovernmental	$ —	1,783,755	—	—	1,783,755
Investment income	787	150	—	396	1,333
Total revenues	787	1,783,905	—	396	1,785,088
Expenditures:					
Capital outlay	—	2,514,293	—	—	2,514,293
Total expenditures	—	2,514,293	—	—	2,514,293
Excess (deficiency) of revenues over expenditures	787	(730,388)	—	396	(729,205)
Other financing sources (uses):					
Transfers in	—	730,538	—	—	730,538
Total other financing sources (uses)	—	730,538	—	—	730,538
Net change in fund balances	787	150	—	396	1,333
Fund balances (deficit), beginning	18,213	—	(16,155)	9,151	11,209
Fund balances (deficit), ending	$ 19,000	150	(16,155)	9,547	12,542

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units on a cost-reimbursement basis.

Central Garage – This fund is used to account for costs of maintenance of the City's fleet of vehicles and mobile equipment and related charges to other departments.

Pharmacy Benefit Plan – This fund is used to account for the costs of the City's self-insured pharmacy/prescription plan.

Staywell Health Care – This fund is used to account for the costs of the City's self-insured healthcare plan.

Exhibit 29

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2007

		Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Total (Exhibit 5)
Assets:					
Current assets:					
Pooled cash and investments	$	126,382	1,550	5,014,802	5,142,734
Accounts receivable		9,046	7,000	51,689	67,735
Accrued interest receivable		—	—	6,006	6,006
Inventory		90,526	—	—	90,526
Total current assets		225,954	8,550	5,072,497	5,307,001
Noncurrent assets:					
Property, plant, and equipment:					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		146,481	—	—	146,481
Less accumulated depreciation		(144,281)	—	—	(144,281)
Total noncurrent assets		96,179	—	—	96,179
Total assets	$	322,133	8,550	5,072,497	5,403,180
Liabilities:					
Current liabilities:					
Accounts and contracts payable	$	45,232	37,777	—	83,009
Due to other funds		—	75,000	—	75,000
Accrued liabilities		7,498	—	—	7,498
Compensated absences – current		29,535	—	—	29,535
Medical self-insurance claims		—	—	1,215,829	1,215,829
Total current liabilities		82,265	112,777	1,215,829	1,410,871
Noncurrent liabilities:					
Compensated absences – long-term		43,320	—	—	43,320
Total liabilities		125,585	112,777	1,215,829	1,454,191
Net assets:					
Invested in capital assets, net of related debt		96,179	—	—	96,179
Unrestricted		100,369	(104,227)	3,856,668	3,852,810
Total net assets		196,548	(104,227)	3,856,668	3,948,989
Total liabilities and net assets	$	322,133	8,550	5,072,497	5,403,180

Exhibit 30

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

Year ended June 30, 2007

		Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Total (Exhibit 6)
Operating revenues:					
Charges for services	$	1,930,884	270,216	12,560,452	14,761,552
Total operating revenues		1,930,884	270,216	12,560,452	14,761,552
Operating expenses:					
Personal services		633,877	—	—	633,877
Other services		358,451	382,318	10,630,250	11,371,019
Supplies		902,035	—	—	902,035
Depreciation and amortization		550	—	—	550
Total operating expenses		1,894,913	382,318	10,630,250	12,907,481
Operating income (loss)		35,971	(112,102)	1,930,202	1,854,071
Nonoperating revenues:					
Interest revenue		4,901	875	190,977	196,753
Miscellaneous revenue		50,419	7,000	640,641	698,060
Total nonoperating revenue		55,320	7,875	831,618	894,813
Change in net assets		91,291	(104,227)	2,761,820	2,748,884
Total net assets:					
Beginning of the period		105,257	—	1,094,848	1,200,105
End of the period	$	196,548	(104,227)	3,856,668	3,948,989

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2007

	Internal Service Funds			
	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Total (Exhibit 7)
Cash flows from operations:				
Receipts from customers	$ 1,980,368	270,216	13,197,925	15,448,509
Payments to suppliers	(1,330,322)	(269,541)	(10,803,525)	(12,403,388)
Payments to employees	(621,566)	—	—	(621,566)
Net cash provided by operating activities	28,480	675	2,394,400	2,423,555
Cash flows from investing activities:				
Purchases of investments	—	—	(1,726,799)	(1,726,799)
Proceeds from sales and maturities of investments	—	—	1,721,260	1,721,260
Interest on investments	4,900	875	192,705	198,480
Net cash provided by investing activities	4,900	875	187,166	192,941
Net increase in cash and cash equivalents	33,380	1,550	2,581,566	2,616,496
Cash and cash equivalents at beginning of year	93,003	—	2,187,608	2,280,611
Cash and cash equivalents at end of year	126,383	1,550	4,769,174	4,897,107
Investments with original maturities greater than 90 days	—	—	245,627	245,627
Pooled cash and investments	$ 126,383	1,550	5,014,801	5,142,734
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 35,971	(112,102)	1,930,202	1,854,071
Adjustments not affecting cash:				
Depreciation and amortization	550	—	—	550
Nonoperating Revenues	50,420	7,000	640,640	698,060
Change in assets and liabilities:				
Accounts receivable	(938)	(7,000)	(3,169)	(11,107)
Inventory	(65,960)	—	—	(65,960)
Accounts and contracts payable	(3,906)	37,777	—	33,871
Internal balances	—	75,000	—	75,000
Accrued liabilities	401	—	—	401
Other current liabilities	—	—	(173,273)	(173,273)
Compensated absences	11,942	—	—	11,942
Total adjustments	(7,491)	112,777	464,198	569,484
Net cash provided by operating activities	$ 28,480	675	2,394,400	2,423,555

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2007

		Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007 (Exhibit 8)
Flexible Benefit Plan:					
Assets:					
Pooled cash and investments	$	11,499	77,129	54,652	33,976
Liabilities:					
Flexible benefit payable	$	11,499	507,891	485,414	33,976
Susie Block Trust:					
Assets:					
Pooled cash and investments	$	30,746	1,524	636	31,634
Accrued interest receivable		494	1,324	1,325	493
	$	31,240	2,848	1,961	32,127
Liabilities:					
Funds held in escrow	$	31,240	1,523	636	32,127
Seniors Travel Programs:					
Assets:					
Pooled cash and investments	$	18,532	63,836	63,204	19,164
Liabilities:					
Accounts and contracts payable	$	25	62,512	60,943	1,594
Funds held in escrow		18,507	59,960	60,897	17,570
	$	18,532	122,472	121,840	19,164
All Agency Funds:					
Assets:					
Pooled cash and investments	$	60,777	142,489	118,492	84,774
Accrued interest receivable		494	1,324	1,325	493
	$	61,271	143,813	119,817	85,267
Liabilities:					
Flexible benefit payable	$	11,499	507,891	485,414	33,976
Accounts and contracts payable		25	62,512	60,943	1,594
Funds held in escrow		49,747	61,483	61,533	49,697
	$	61,271	631,886	607,890	85,267

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Component Unit - Tax Increment Financing

June 30, 2007

Assets	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm
Pooled cash and investments	$ 858,933	35,084	683,036	90,592	1	321,684	651,714
Receivables:							
Taxes	127	12,376	17,000	1,779	—	24,000	19,586
Accounts	—	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	924,836	—
Due from other governments	510	12,484	49,098	9,855	—	48,291	1,972
Restricted assets	—	—	854,272	1,024,215	—	1,995,204	31,053
Total assets	$ 859,570	59,944	1,603,406	1,126,441	1	3,314,015	704,325
Liabilities and Fund Balances							
Liabilities:							
Due to other funds	—	—	—	—	115	—	—
Due to primary government	—	—	—	—	—	—	—
Total liabilities	—	—	—	—	115	—	—
Fund balances:							
Reserved for:							
Encumbrances	—	—	—	540	—	—	—
Other purposes	—	—	854,272	1,024,215	—	1,995,204	31,053
Unreserved, reported in:							
Capital projects funds	859,570	59,944	749,134	101,686	(114)	1,318,811	673,272
Total fund balances (deficit)	859,570	59,944	1,603,406	1,126,441	(114)	3,314,015	704,325
Total liabilities and fund balances	$ 859,570	59,944	1,603,406	1,126,441	1	3,314,015	704,325

Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Cornerstone Apartments	HCA	TIF App Fees	Total
885,762	12,097	95,429	52,018	14,552	—	36,048	191,959	6,178	3,935,087
64,000	3,600	900	28,000	—	—	—	—	—	171,368
—	—	—	—	—	—	—	—	30	30
—	—	—	—	—	—	—	—	115	924,951
151,450	6,189	507	39,087	—	—	—	—	—	319,443
2,050,825	—	—	—	—	43,956,392	—	21,980,972	—	71,892,933
3,152,037	21,886	96,836	119,105	14,552	43,956,392	36,048	22,172,931	6,323	77,243,812
—	—	—	—	—	924,836	—	—	—	924,951
809,408	—	—	—	—	30,137	—	481,943	—	1,321,488
809,408	—	—	—	—	954,973	—	481,943	—	2,246,439
—	—	—	—	—	2,000	—	—	6,678	9,218
2,050,825	—	—	—	—	43,956,392	—	21,980,972	—	71,892,933
291,804	21,886	96,836	119,105	14,552	(956,973)	36,048	(289,984)	(355)	3,095,222
2,342,629	21,886	96,836	119,105	14,552	43,001,419	36,048	21,690,988	6,323	74,997,373
3,152,037	21,886	96,836	119,105	14,552	43,956,392	36,048	22,172,931	6,323	

Amounts reported in the government-wide statements are different because:	
Unreimbursed certified costs are reported as liabilities and expense at the government-wide level, but not at the fund statement level	(18,562,915)
Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due	(1,955,357)
Long term liabilities, including TIF loans payable are not due and payable in the current period and therefore are not reported in the funds, net of unamortized premiums/discounts	
TIF loans and obligations payable	(148,341,172)
Unamortized issuance costs on TIF loans payable	1,293,825
Net assets (deficit) of component unit	$ (92,568,246)

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Component Unit - Tax Increment Financing

Year ended June 30, 2007

	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm
Revenues:							
Taxes	$ 251,241	132,425	1,169,338	12,979	8,101	1,618,896	306,176
Investment income	32,839	1,121	96,592	104,986	82	197,444	29,949
Developer contributions	—	—	—	645,599	—	—	—
Other	—	—	—	115,816	—	—	—
Total revenues	284,080	133,546	1,265,930	879,380	8,183	1,816,340	336,125
Expenditures:							
Capital outlay	5,367	4,511	29,873	8,149	8,162	53,794	11,239
Debt service:							
Principal	89,112	185,100	1,285,000	225,000	—	666,622	642,988
Interest and fiscal agent fees	—	—	159,908	575,989	—	1,081,406	531,407
Total expenditures	94,479	189,611	1,474,781	809,138	8,162	1,801,822	1,185,634
Excess (deficiency) of revenues over expenditures	189,601	(56,065)	(208,851)	70,242	21	14,518	(849,509)
Other financing sources:							
Proceeds from bond issuance	—	—	—	—	—	—	995,000
Reoffering premium/original issue discount	—	—	—	(176,050)	—	(102,659)	(26,061)
Refunding bond issuance	—	—	—	10,060,000	—	10,330,000	—
Payment to refunded loans escrow agent	—	—	—	(9,881,140)	—	(10,296,478)	—
Total other financing sources	—	—	—	2,810	—	(69,137)	968,939
Net change in fund balances	189,601	(56,065)	(208,851)	73,052	21	(54,619)	119,430
Fund balances (deficit), beginning, as restated	669,969	116,009	1,812,257	1,053,389	(135)	3,368,634	584,895
Fund balances (deficit), ending	$ 859,570	59,944	1,603,406	1,126,441	(114)	3,314,015	704,325

Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Cornerstone Apartments	HCA	TIF App Fees	Total
3,141,480	81,715	89,763	627,586	12,410	—	287,499	89,728	—	7,829,337
275,552	1,041	2,884	6,804	712	2,698,110	12,647	170,870	315	3,631,948
—	—	—	—	—	—	—	—	—	645,599
—	—	—	—	—	—	—	—	—	115,816
3,417,032	82,756	92,647	634,390	13,122	2,698,110	300,146	260,598	315	12,222,700
2,520,300	1,545	1,883	12,485	32,622	15,512,046	5,152	2,047,654	4,810	20,259,592
950,000	14,137	—	407,897	—	—	342,417	—	—	4,808,273
1,238,733	56,614	—	217,868	—	3,886,135	205,167	381,260	—	8,334,487
4,709,033	72,296	1,883	638,250	32,622	19,398,181	552,736	2,428,914	4,810	33,402,352
(1,292,001)	10,460	90,764	(3,860)	(19,500)	(16,700,071)	(252,590)	(2,168,316)	(4,495)	(21,179,652)
—	—	—	—	—	—	—	24,700,000	—	25,695,000
168,948	—	—	—	—	—	—	(264,470)	—	(400,292)
19,390,000	—	—	—	—	—	—	—	—	39,780,000
(19,853,421)	—	—	—	—	—	—	—	—	(40,031,039)
(294,473)	—	—	—	—	—	—	24,435,530	—	25,043,669
(1,586,474)	10,460	90,764	(3,860)	(19,500)	(16,700,071)	(252,590)	22,267,214	(4,495)	3,864,017
3,929,103	11,426	6,072	122,965	34,052	59,701,490	288,638	(576,226)	10,818	71,133,356
2,342,629	21,886	96,836	119,105	14,552	43,001,419	36,048	21,690,988	6,323	74,997,373

Amounts reported in the government-wide statements are different because:

Change in fund balances	$	3,864,017
Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level		(6,856,837)
Bond proceeds provide current financial resources in Tax Increment Financing funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in Tax Increment Financing funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded net assets. Also, Tax Increment Financing funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.		
Loan proceeds		(65,475,000)
Reoffering premium/original issue discount		400,292
Payment to refunded bond escrow agent		40,031,039
Principal payments		4,808,273
Amortizations of discounts & premiums		(156,697)
		(20,392,093)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the Tax Increment Financing funds.		
Accrued interest		(273,226)
Change in net assets of Tax Increment Financing funds	$	(23,658,139)

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2007 and 2006

	2007			2006		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production fuel:						
Coal			$ 12,622,306			11,570,449
Gas			954,560			1,162,206
Oil			258,367			340,946
Total production fuel			13,835,233			13,073,601
Purchased power:						
Purchased energy			24,837,788			21,370,750
Purchased capacity (net)			7,570,000			7,430,000
Border customers			25,301			27,555
Control and dispatching			732,995			707,200
Total purchased power			33,166,084			29,535,505
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 537,061	560,579	1,097,640	513,343	662,538	1,175,881
Steam	753,929	2,561,813	3,315,742	720,001	2,637,791	3,357,792
Electric	731,897	1,017,536	1,749,433	701,830	505,519	1,207,349
Structures and improvements	—	65,623	65,623	—	96,261	96,261
Allowance	127,606	—	127,606	—	—	—
Miscellaneous	1,314,493	399,346	1,713,839	904,129	371,835	1,275,964
	3,464,986	4,604,897	8,069,883	2,839,303	4,273,944	7,113,247
Missouri City Station:						
Supervision and engineering	42,739	19,528	62,267	38,642	67,429	106,071
Steam	348,196	772,702	1,120,898	370,893	1,436,840	1,807,733
Electric	357,850	93,684	451,534	376,918	177,614	554,532
Structures and improvements	—	71,624	71,624		37,717	37,717
Miscellaneous	361,105	199,376	560,481	381,951	174,861	556,812
	1,109,890	1,156,914	2,266,804	1,168,404	1,894,461	3,062,865
Combustion Turbine Station:						
Supervision and engineering	7	3,396	3,403	—	3,602	3,602
Generation expenses	—	70,868	70,868	—	91,992	91,992
Structures and improvements	—	24,510	24,510	—	66,004	66,004
Miscellaneous	15,445	62,412	77,857	11,589	33,256	44,845
	15,452	161,186	176,638	11,589	194,854	206,443
Total production (other)	$ 4,590,328	5,922,997	10,513,325	4,019,296	6,363,259	10,382,555
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 163,773	17,308	181,081	148,778	16,901	165,679
Overhead expenses	35,742	2,015	37,757	21,579	—	21,579
Station expenses	13,414	197,849	211,263	24,526	147,251	171,777
Wheeling charges	1,238,314	—	1,238,314	1,205,483	—	1,205,483
Underground line expense	—	6,511	6,511	—	—	—
Miscellaneous	1,271	—	1,271	347	—	347
Total transmission	1,452,514	223,683	1,676,197	1,400,713	164,152	1,564,865

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2007 and 2006

	2007			2006		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Distribution:						
Supervision and engineering	$ 89,147	51,930	141,077	72,094	43,687	115,781
Overhead lines	822,660	2,593,735	3,416,395	736,325	2,629,242	3,365,567
Station expenses	214,058	394,745	608,803	211,618	359,740	571,358
Street lights and traffic signals	240,341	482,928	723,269	163,635	403,352	566,987
Meters	174,909	651,826	826,735	174,454	666,902	841,356
Customer installations	1,817	—	1,817	895	—	895
Underground lines	765,826	609,300	1,375,126	618,127	526,954	1,145,081
Dispatching communication	711,237	—	711,237	653,431	—	653,431
Line transformers	86,711	—	86,711	—	129,556	129,556
Miscellaneous	532,988	147,425	680,413	588,146	119,313	707,459
Total distribution	3,639,694	4,931,889	8,571,583	3,218,725	4,878,746	8,097,471
Total transmission and distribution	$ 5,092,208	5,155,572	10,247,780	4,619,438	5,042,898	9,662,336
Customer service:						
Supervision			$ 215,582			236,095
Meter reading			546,361			639,315
Customer records and collections			1,498,331			1,416,847
Provisions for doubtful accounts			666,385			566,899
Miscellaneous			39,925			113,724
Total customer service			2,966,584			2,972,880
General and administrative:						
Salaries			734,886			884,108
Office supplies			517,742			562,907
Insurance			876,643			888,007
Injuries and damage			383,154			502,123
Employee benefits			3,904,850			3,597,333
Outside services			1,516,695			1,419,752
Miscellaneous			923,913			1,089,413
Administrative expenses – transfers			(53,593)			(60,227)
Total general and administrative			8,804,290			8,883,416
Depreciation and amortization			9,429,199			9,192,811
Payroll taxes			890,009			859,184
Total operating expenses			$ 89,852,504			84,562,288

Exhibit 36

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2007

	Number of customers: Beginning of year	Number of customers: End of year	Revenue	KWH
Sale of electric energy:				
Metered:				
Residential	51,317	51,431	$ 52,186,688	533,364,366
Small general services	3,012	3,037	3,754,103	31,300,328
General services – space heating	1	2	1,605	32,798
Large general services	1,614	1,630	29,878,644	353,348,828
Large general services – prime voltage	10	10	1,446,941	19,662,520
Large general services – space heating	2	2	8,861	91,569
Total electric general services	86	89	3,723,916	52,015,610
Schools, churches, and hospitals	282	285	3,770,417	42,512,812
Schools, churches, and hospitals, all electric	7	7	258,609	3,481,905
Large power services	6	6	2,850,399	44,685,720
Sewer pumping	6	6	152,654	1,618,656
City traffic signals	58	58	62,048	274,096
Wholesale (border customers)	—	—	130,281	6,402,194
Wholesale (interchange)	—	—	665,680	15,758,000
	56,401	56,563	98,890,846	1,104,549,402
Unmetered:				
Private security lighting	1,564	1,588	284,913	1,387,613
City public street lighting	11,225	11,489	1,152,741	9,248,468
	12,789	13,077	1,437,654	10,636,081
Increase in unbilled revenue			1,571,828	3,747,587
Other operating revenue			1,232,921	
Total operating revenue and total energy sales			$ 103,133,249	1,118,933,070
Net generation				394,541,596
Wholesale power purchased				786,117,786
Unintentional interchange				(27,000)
Net generation and power purchased				1,180,632,382
Retail energy sales				1,096,772,876
Wholesale (border customers) sales				22,160,194
Power and light usage (building and substations)				1,425,761
Net disposition				1,120,358,831
Transmission and distribution operating losses				$ 60,273,551

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2007 and 2006

	2007 Operations	2007 Maintenance	2007 Total	2006 Operations	2006 Maintenance	2006 Total
Production:						
Source of supply:						
Supervision and engineering	$ 23,033	—	23,033	22,936	—	22,936
Labor and expenses	211,547	—	211,547	213,086	—	213,086
Structures and improvements	—	124,040	124,040	—	220,469	220,469
Miscellaneous	—	98,141	98,141	—	368,764	368,764
Total source of supply	234,580	222,181	456,761	236,022	589,233	825,255
Power and pumping:						
Supervision and engineering	34,052	11,676	45,728	33,047	10,104	43,151
Fuel/power purchased	1,322,086	—	1,322,086	1,273,337	—	1,273,337
Labor and expenses	153,022	—	153,022	158,719	—	158,719
Structures and improvements	—	6,773	6,773	—	6,155	6,155
Miscellaneous	—	19,781	19,781	—	13,064	13,064
Total power and pumping	1,509,160	38,230	1,547,390	1,465,103	29,323	1,494,426
Water treatment:						
Supervision and engineering	41,594	16,777	58,371	38,732	16,110	54,842
Chemicals	849,139	—	849,139	840,001	—	840,001
Labor and expenses	531,415	—	531,415	520,557	—	520,557
Structures and improvements	—	177,817	177,817	—	21,175	21,175
Miscellaneous	—	239,910	239,910	—	245,543	245,543
Total water treatment	1,422,148	434,504	1,856,652	1,399,290	282,828	1,682,118
Total production	$ 3,165,888	694,915	3,860,803	3,100,415	901,384	4,001,799
Transmission and distribution:						
Supervision and engineering	$ 82,823	54,987	137,810	78,653	51,862	130,515
Storage facilities	15,586	49,868	65,454	14,599	44,179	58,778
Transmission and distribution lines	616,840	658,592	1,275,432	621,227	871,403	1,492,630
Meters	244,094	134,429	378,523	217,496	134,368	351,864
Customer installations	77,794	—	77,794	70,746	—	70,746
Services	—	205,625	205,625	—	238,108	238,108
Hydrants	—	61,105	61,105	—	62,275	62,275
Miscellaneous	498,316	105,842	604,158	421,622	95,300	516,922
Total transmission and distribution	$ 1,535,453	1,270,448	2,805,901	1,424,343	1,497,495	2,921,838
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 143,076			140,454
Meter reading			698,574			688,979
Customer records			91,511			48,920
Provision for uncollectible amounts			80,860			51,296
Total customer accounting paid and collecting			1,014,021			929,649
Sales promotion:						
Expenses			32,474			37,216
Total customer service			1,046,495			966,865
General and administrative:						
Salaries			452,440			506,890
Office supplies and expense			286,465			339,736
Injuries and damages			467,381			709,429
Employee benefits			1,567,553			1,433,023
Outside services			983,710			947,177
Miscellaneous			192,758			172,305
Total general and administrative			3,950,307			4,108,560
Depreciation and amortization			2,388,295			2,119,896
Payroll taxes			313,998			301,881
Other			63,043			85,269
Total operating expenses			14,428,842			14,506,108
Certain amounts are presented as a reduction of operating expenses, whereas they are included as miscellaneous revenue in the statement of revenues, expenses, and changes in fund net assets			1,307,833			1,172,341
			$ 15,736,675			15,678,449

Exhibit 38

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2007

	Number of customers			
	Beginning of year	End of year	Revenue	MGS*
Sale of water:				
Residential	44,742	44,836	$ 8,657,593	3,286,570
Commercial	3,027	3,067	2,347,234	974,695
Industrial	8	8	367,863	275,179
Public authority	66	69	228,957	94,745
Resale	13	13	5,232,779	4,764,000
Private fire protection	354	365	66,558	—
Public fire protection	—	—	641,548	—
	48,210	48,358	17,542,532	9,395,189
Decrease in unbilled revenue			(150,474)	
Other operating revenue			352,346	
Total operating revenue			$ 17,744,404	
Thousands of gallons pumped:				
Courtney Bend Plant				10,852,778
Less total sales				9,395,189
Unaccounted for water				1,457,589

* Thousand gallons sold.

Exhibit 39

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2007

	Number of customers: Beginning of year	Number of customers: End of year	Revenue	CCF*
Sale of sanitary sewer services:				
Residential	40,767	40,832	$ 9,584,113	3,012,448
Commercial:				
Base	3,523	3,519	4,004,546	1,738,329
Surcharge	—	—	581,344	—
Contract waste treatment	14	14	253,867	—
Intermunicipal agreements:				
Sugar Creek	—	—	84,032	—
Kansas City	—	—	378,862	—
	44,304	44,365	14,886,764	4,750,777
Other operating revenue			138,170	
Increase in unbilled revenue			33,761	
Total operating revenue			$ 15,058,695	

* Hundred cubic feet.

STATISTICAL SECTION

This part of the City of Independence's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Tables
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**1 - 4**
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources.	**5 - 15**
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	**16 - 20**
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	**21 - 22**
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	**23 - 25**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Table 1

City of Independence, Missouri
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	$ 64,450,833	75,199,757	86,613,728	102,014,271	165,333,646	195,251,671
Restricted	5,523,788	8,932,152	12,415,044	26,147,417	25,262,407	28,164,683
Unrestricted	(37,143,473)	(43,181,083)	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)
Total governmental activities net assets	$ 32,831,148	40,950,826	50,151,360	122,409,342	186,567,169	220,283,552
Business-type activities	$					
Invested in capital assets, net of related debt	205,396,875	210,181,962	212,840,200	233,908,193	246,080,008	267,330,916
Restricted	500,000	500,000	500,000	500,000	731,652	731,101
Unrestricted	75,880,444	78,252,510	85,443,314	72,143,939	70,071,662	60,010,180
Total business-type activities net assets	$ 281,777,319	288,934,472	298,783,514	306,552,132	316,883,322	328,072,197
Primary government						
Invested in capital assets, net of related debt	$ 269,847,708	285,381,719	299,453,928	335,922,464	411,413,654	462,582,587
Restricted	6,023,788	9,432,152	12,915,044	26,647,417	25,994,059	28,895,784
Unrestricted	38,736,971	35,071,427	36,565,902	66,391,593	66,042,778	56,877,378
Total primary government net assets	$ 314,608,467	329,885,298	348,934,874	428,961,474	503,450,491	548,355,749

Note: GASB 34 was implemented in the 2002 fiscal year, so only six fiscal years are shown.

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

City of Independence, Missouri
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
Administrative services	$ 6,840,135	6,846,123	6,808,416	7,148,065	7,363,102	7,749,779
Public safety	31,837,122	33,028,116	32,987,626	35,069,866	36,796,996	38,253,819
Public works	6,842,096	6,686,542	6,196,849	6,889,773	12,817,343	13,231,006
Health and welfare	2,267,210	2,376,921	2,524,823	2,421,255	2,638,369	2,898,542
Culture and recreation	3,279,161	3,861,827	4,069,244	4,247,735	5,161,139	6,965,260
Community development	3,554,250	3,319,609	3,471,030	3,372,610	3,809,726	4,096,835
Storm water	846,628	1,081,513	1,043,573	1,493,534	1,641,992	2,193,290
General government	25,247,320	11,149,913	15,012,715	6,266,060	6,678,208	8,225,760
Interest on long-term debt	2,874,711	2,955,628	3,237,213	536,124	991,856	1,050,153
Total governmental activities expenses	83,588,633	71,306,192	75,351,489	67,445,022	77,898,731	84,664,444
Business-type activities:						
Power and light	60,903,841	65,841,126	71,641,843	73,531,757	84,564,657	89,265,988
Water	14,581,301	15,297,405	15,352,095	16,394,488	17,097,507	17,723,114
Sewer	11,021,666	11,535,324	11,381,487	11,995,774	12,236,654	12,721,171
Total business-type activities expenses	86,506,808	92,673,855	98,375,425	101,922,019	113,898,818	119,710,273
Total primary government expenses	$ 170,095,441	163,980,047	173,726,914	169,367,041	191,797,549	204,374,717
Program Revenues						
Governmental activities:						
Charges for services:						
Administrative services	$ 5,146,121	5,063,353	5,117,112	5,067,474	5,512,413	5,696,158
Public safety	3,420,032	3,758,528	3,618,327	3,841,471	4,588,766	4,202,328
Public works	640,648	649,768	1,916,080	802,206	1,003,761	1,338,479
Health and welfare	99,427	321,312	487,956	482,601	435,775	723,574
Culture and recreation	325,980	153,669	252,814	619,630	975,889	845,560
Community development	1,625,139	2,019,153	2,068,279	2,050,172	2,203,367	2,292,638
Storm water	33,114	(16,212)	-	-	-	-
General government	20,000	20,000	15,000	-	-	-
Operating grants and contributions	14,058,454	8,818,594	9,181,339	9,336,061	9,199,332	9,957,178
Capital grants and contributions	2,020,559	1,221,356	957,411	7,242,924	26,417,977	23,963,312
Total governmental activities program revenues	27,389,474	22,009,521	23,614,318	29,442,539	50,337,280	49,019,227
Business-type activities:						
Charges for services:						
Power and light	72,278,837	77,276,647	81,333,414	82,592,294	98,278,354	103,133,249
Water	15,224,354	15,937,835	16,610,572	17,080,050	18,312,720	17,744,404
Sewer	12,652,848	12,753,946	13,320,317	13,975,780	14,364,165	15,058,695
Operating grants and contributions	12,345	256	-	-	-	-
Capital grants and contributions	1,856,784	847,188	4,031,475	3,491,383	2,964,925	5,562,049
Total business-type activities program revenues	102,025,168	106,815,872	115,295,778	117,139,507	133,920,164	141,498,397
Total primary government program revenues	$ 129,414,642	128,825,393	138,910,096	146,582,046	184,257,444	190,517,624

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net (expense)/revenue						
Governmental activities	$ (56,199,159)	(49,296,671)	(51,737,171)	(38,002,483)	(27,561,451)	(35,645,217)
Business-type activities	15,518,360	14,142,017	16,920,353	15,217,488	20,021,346	21,788,124
Total primary government net expense	$ (40,680,799)	(35,154,654)	(34,816,818)	(22,784,995)	(7,540,105)	(13,857,093)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	$ 6,020,217	6,104,668	6,458,742	6,564,690	6,895,323	6,952,380
Sales and use taxes	33,144,312	34,286,925	35,423,599	33,295,203	37,754,853	37,728,799
Franchise taxes	6,545,093	6,718,262	7,241,437	7,500,356	7,645,601	8,209,734
Financial institutions tax	31,592	32,412	29,000	37,149	22,181	34,802
Unrestricted grants and contributions	-	-	-	-	-	-
Investment earnings	782,241	404,173	583,364	922,701	1,385,126	1,785,111
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149	589,469
Payments to component unit	-	-	-	(24,722)	-	-
Transfers	8,661,735	9,333,977	9,554,727	10,038,823	13,167,930	13,180,055
Total governmental activities	56,541,495	57,416,349	60,937,705	59,477,407	67,585,163	68,480,350
Business-type activities:						
Investment earnings	2,539,975	822,222	709,029	1,567,536	2,449,623	2,532,853
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132	47,953
Transfers	(8,661,735)	(9,333,977)	(9,554,727)	(10,038,823)	(13,167,930)	(13,180,055)
Total business-type activities	(4,823,837)	(6,984,864)	(7,071,311)	(7,448,870)	(10,282,175)	(10,599,249)
Total primary government	$ 51,717,658	50,431,485	53,866,394	52,028,537	57,302,988	57,881,101
Changes in Net Assets						
Governmental activities	$ 342,336	8,119,678	9,200,534	21,474,924	40,023,712	32,835,133
Business-type activities	10,694,523	7,157,153	9,849,042	7,768,618	9,739,171	11,188,875
Total primary government	$ 11,036,859	15,276,831	19,049,576	29,243,542	49,762,883	44,024,008

Note: GASB 34 was implemented in the 2002 fiscal year, so only six fiscal years are shown.

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

Table 3

City of Independence, Missouri
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund											
Reserved	$	2,781,988	1,067,199	1,560,069	1,920,726	2,781,944	2,035,038	1,651,092	1,650,890	1,756,039	2,200,693
Unreserved		5,003,772	5,084,981	4,669,292	6,048,286	4,312,262	2,924,267	3,515,412	3,196,765	6,029,006	4,534,005
Total General Fund	$	7,785,760	6,152,180	6,229,361	7,969,012	7,094,206	4,959,305	5,166,504	4,847,655	7,785,045	6,734,698
All other governmental funds											
Reserved	$	3,069,291	6,470,803	5,242,826	8,128,170	13,698,370	11,092,566	15,656,867	18,110,669	20,786,620	10,928,435
Unreserved, reported in:											
Special revenue funds		47,796	(2,107,166)	(1,329,923)	615,397	2,377,668	6,324,381	8,619,880	17,461,153	14,250,375	17,620,241
Capital project funds		482,056	2,995,634	14,793,222	11,055,378	4,105,280	4,508,288	2,476,752	(3,837,893)	(10,687,320)	(1,859,546)
Debt service funds		-	-	-	-	-	-	92,704	92,278	86,300	82,229
Permanent funds		10,614	11,158	11,770	12,606	12,966	13,160	13,274	13,616	14,220	9,670
Total all other governmental funds	$	3,609,757	7,370,429	18,717,895	19,811,551	20,194,284	21,938,395	26,859,477	31,839,823	24,450,195	26,781,029

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

City of Independence, Missouri
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	$ 28,676,729	31,932,412	38,199,482	43,719,249	45,709,622	47,109,855	49,123,780	47,360,251	52,295,777	52,890,913
Licenses, fees and permits	2,325,055	2,476,897	2,928,678	3,532,316	3,957,533	4,315,628	4,951,856	4,670,617	5,073,944	5,472,192
Intergovernmental	9,260,166	10,913,472	13,815,850	10,643,440	16,012,619	9,902,274	10,091,764	13,013,181	21,762,714	16,534,433
Charges for services	652,381	815,537	1,377,717	1,682,455	1,494,189	1,519,823	1,569,283	2,023,297	2,926,800	2,587,783
Interfund charges for support services	2,749,077	3,070,849	2,889,644	2,757,884	2,791,637	2,704,534	2,767,631	2,700,215	2,949,682	3,105,514
Fines, forfeitures, and court costs	2,409,688	2,666,064	2,997,092	3,010,798	3,199,906	3,502,074	3,219,276	3,521,377	4,023,981	3,900,967
Investment earnings	608,123	430,556	852,855	1,570,953	757,872	381,436	571,402	901,209	1,309,569	1,588,358
Reimbursements from component unit	-	-	-	-	-	-	-	-	-	3,502,961
Other	448,323	266,960	667,564	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580
Total revenues	47,129,542	52,572,747	63,728,882	67,478,379	75,260,480	70,085,237	73,914,987	75,450,260	90,835,594	90,382,701
Expenditures										
Administrative services	5,354,047	5,628,079	6,021,065	6,343,908	6,477,775	6,542,594	6,593,368	6,618,488	6,897,346	7,592,963
Public safety	24,506,015	28,603,191	30,360,187	29,136,004	31,290,454	32,088,292	32,271,567	35,462,979	38,976,460	39,693,647
Public works	5,374,067	6,847,093	5,976,941	6,867,407	6,227,171	6,251,537	6,035,389	5,930,041	6,586,771	7,173,004
Health and welfare	1,089,234	1,214,950	1,175,739	1,292,388	2,193,035	2,300,201	2,395,294	2,419,833	2,614,557	2,835,949
Culture and recreation	2,008,489	2,480,903	3,465,943	4,017,361	2,973,715	3,552,903	3,752,185	4,048,187	4,628,228	5,098,826
Community development	3,667,407	1,500,797	1,476,358	4,022,061	3,515,626	3,242,153	3,446,574	3,278,951	3,712,454	4,182,354
Storm water	-	-	-	-	815,654	990,671	820,703	1,180,789	1,141,595	1,538,857
General government	4,106,742	5,094,621	4,204,337	4,750,611	10,794,758	6,147,462	6,964,846	7,148,583	6,678,208	7,582,224
Captial outlay	5,998,892	13,282,127	22,365,404	28,716,658	29,255,681	17,123,501	20,481,873	21,040,394	33,296,700	31,736,638
Debt Service										
Principal	844,289	950,267	3,398,532	3,001,233	1,740,531	2,164,932	3,554,106	1,019,196	3,230,099	3,256,394
Interest	588,694	802,889	1,036,447	1,917,662	2,736,107	2,933,752	3,153,530	246,458	996,600	1,001,306
Total expenditures	53,537,876	66,404,917	79,480,953	90,065,293	98,020,507	83,337,998	89,469,435	88,393,899	108,759,018	111,692,162
Excess of revenues over (under) expenditures	(6,408,334)	(13,832,170)	(15,752,071)	(22,586,914)	(22,760,027)	(13,252,761)	(15,554,448)	(12,943,639)	(17,923,424)	(21,309,461)
Other Financing Sources (Uses)										
Transfers in	866,738	1,371,913	1,696,776	809,418	1,686,134	1,817,327	651,553	222,429	1,724,648	2,102,299
Transfers out	(1,082,329)	(1,261,630)	(1,719,652)	(876,333)	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)	(1,961,707)
Issuance of debt	-	7,494,074	18,663,971	14,940,720	13,437,830	3,516,885	11,096,464	20,748,448	-	8,477,809
Transfers in - utility payments in lieu of taxes	7,995,774	8,318,843	8,430,063	9,507,367	8,811,819	9,386,705	9,712,812	10,179,317	12,624,861	13,039,463
Sale of capital assets	64,279	44,245	63,838	44,659	168,381	11,109	31,537	56,379	303,255	50,834
Total other financing sources (uses)	7,844,462	15,967,445	27,134,996	24,425,831	22,267,945	12,861,971	20,682,729	30,843,652	13,471,185	21,708,698
Net change in fund balances	$ 1,436,128	2,135,275	11,382,925	1,838,917	(492,082)	(390,790)	5,128,281	17,900,013	(4,452,239)	399,237
Debt service as a percentage of non capital expenditures	2.76%	2.74%	6.05%	5.77%	5.37%	7.18%	8.80%	1.95%	5.76%	5.52%

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

Note: The years 1998 - 2001 include the expendable trust funds. The years 2002 - 2007 do not include expendable trust funds, but do include the permanent fund (per GASB 34 requirements).

Note: For 2005 certain amounts have been reclassified.

Table 5

City of Independence, Missouri
Total City Taxable Sales by Category
Last Eight Calendar Years
(in thousands of dollars)

Sales by Retail Category:		Calendar Year							
		1999	2000	2001	2002	2003	2004	2005	2006
Apparel stores	$	5,179	6,626	6,790	6,531	6,867	7,895	9,253	10,607
General merchandise		5,279	5,053	4,076	4,196	3,796	3,635	3,371	2,969
Food stores		148,340	152,366	152,067	150,569	147,796	159,198	163,242	165,438
Eating and drinking establishments		44,849	53,051	57,876	70,881	74,365	77,657	83,386	90,409
Home furnishings and appliances		50,137	68,810	65,007	59,892	56,520	49,998	50,102	48,061
Building materials and farm tools		2,534	5,824	7,082	8,091	8,084	8,615	7,667	7,575
Construction/Remodeling		2,429	2,779	2,873	2,939	3,253	3,265	3,177	1,516
Auto dealers and supplies		8,581	9,188	11,341	12,165	12,082	12,081	11,590	11,718
Service stations		28,512	34,679	35,082	40,969	41,741	47,314	51,165	50,665
Other retail stores		70,475	85,501	118,621	121,069	113,820	80,792	109,099	109,890
All other outlets		36,836	43,071	36,625	41,197	46,787	37,885	39,487	44,545
Total	$	403,151	466,948	497,440	518,499	515,111	488,335	531,539	543,393

Note: Amounts for 2007 are not provided due to only receiving partial year figures.

Note: Amounts for years prior to 1999 are not available.

Source: Missouri Department of Revenue

Table 6

City of Independence, Missouri
Sales Tax Rates
Direct and Overlapping Governments
Last Nine Calendar Years
(in percent)

Direct Sales Tax Rate City of Independence	Calendar Year 1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.000	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.375
Park Improvements	0.000	0.125	0.125	0.125	0.125	0.125	0.250	0.250	0.250
Storm Water Improvements	0.000	0.000	0.000	0.250	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250	0.250
Direct Sales Tax Rate City of Independence	1.000	1.500	1.500	1.750	1.750	1.750	1.875	2.250	2.250
Transportation Development District	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.000	1.500	1.500	1.750	1.875	1.875	2.000	2.375	2.375

Total Local Option Sales Tax Rate	Calendar Year 1999	2000	2001	2002	2003	2004	2005	2006	2007
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Jackson County	0.875	0.875	0.875	0.875	0.750	0.750	0.750	0.750	1.125
City of Independence	1.000	1.500	1.500	1.750	1.750	1.750	1.875	2.250	2.250
Transportation Development District	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	6.100	6.600	6.600	6.850	6.850	6.850	6.975	7.350	7.725

Note: The rate shown for the Transportation Development District is for the 39th Street corridor only.

Note: Amounts for years prior to 1999 are not available.

Source: Missouri Department of Revenue

City of Independence, Missouri
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property: Residential Property	Real Property: Agricultural Property	Real Property: Commercial Property	Real Property: Total	Other Property: Personal Property	Other Property: Railroads & Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
1998	$ NA	$ NA	$ NA	$ 663,252,770	$ 220,203,155	$ 9,949,439	$ 893,405,364	$ 0.7600	$ 3,689,437,915	24.22%
1999	NA	NA	NA	729,733,570	230,747,110	4,617,427	965,098,107	0.7500	4,096,490,672	23.56%
2000	NA	NA	NA	744,308,027	236,853,824	4,984,684	986,146,535	0.7500	4,240,368,802	23.26%
2001	586,564,394	1,074,288	208,300,830	795,939,512	240,711,303	6,135,652	1,042,786,467	0.7500	4,489,104,193	23.23%
2002	599,989,193	1,076,138	214,841,925	815,907,256	256,263,298	5,927,578	1,078,098,132	0.7500	4,626,269,825	23.30%
2003	680,890,499	1,042,495	236,512,469	918,445,463	246,919,958	5,437,187	1,170,802,608	0.7500	5,089,915,714	23.00%
2004	692,984,990	1,058,124	240,816,129	934,859,243	257,027,857	5,855,433	1,197,742,533	0.6930	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	1,031,786,767	256,782,138	5,777,002	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	1,046,898,676	266,654,033	6,349,801	1,319,902,510	0.6630	5,787,206,471	22.81%
2007	826,183,410	1,077,386	289,266,376	1,116,527,172	278,254,929	5,828,914	1,400,611,015	0.6630	6,115,085,122	22.90%

Note: The Jackson County Assessor's Office did not start breaking out the Real Property into Residential, Agricultural, and Commercial until 2001.

Note: The assessed value is set at 19% for residential property; 12% for agricultural property; and 32% for commercial property of the etimated fair market value.

Note: The City does not assess taxes on personal property.

Source: Jackson County Assessor's Office and Clay County Assessor's Office.

City of Independence, Missouri
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per $100 assessed value)

	City Direct Rates (1)				Overlapping Rates (2 & 3)			
Fiscal Year	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
1998	$ 0.520	$ 0.240	$ -	$ 0.760	$ 0.220	$ 4.290	$ 1.073	$ 0.030
1999	0.510	0.240	-	0.750	0.220	4.290	1.093	0.030
2000	0.510	0.240	-	0.750	0.230	4.460	1.103	0.030
2001	0.510	0.240	-	0.750	0.230	4.460	1.103	0.030
2002	0.510	0.240	-	0.750	0.230	4.990	1.113	0.030
2003	0.510	0.240	-	0.750	0.230	5.190	1.113	0.030
2004	0.471	0.222	-	0.693	0.230	5.190	1.107	0.030
2005	0.471	0.222	-	0.693	0.230	5.190	1.107	0.030
2006	0.451	0.212	-	0.663	0.217	5.084	1.060	0.030
2007	0.451	0.212	-	0.663	0.217	5.084	1.063	0.030

Notes:

(1) The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to $1.00 and $.40 per $100.00 assessed valuation. There is no limit on the levy rates for General Debt and Interest.

(2) County Tax Breakdown for Current Year:

Health & Welfare Fund	0.156
General Fund	0.156
Road & Bridge Fund	0.138
Park Fund	0.088
Mid-Continent Public Library	0.326
Handicap	0.077
Mental Health	0.123
Total County	1.063

(3) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for the current year in these districts are:

Fort Osage Reorganized #1	4.959
Blue Springs Reorgranized #4	5.389
Kansas City School District	4.959

Note: Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property.
Commercial real property is also assessed an additional "replacement tax" of 1.437 per $100 assessed value.

Table 9

City of Independence, Missouri
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer		2007 Total Assessed Value	2007 Rank	2007 Percentage of Total Taxable Assessed Value		1998 Total Assessed Value	1998 Rank	1998 Percentage of Total Taxable Assessed Value
Simon Property Group LP	$	19,238,350	1	1.51%	$	14,647,130	1	2.19%
DDR MDT Independence Commons LLC		9,611,830	2	0.75%				
Geospace		8,846,690	3	0.69%		7,807,220	2	1.17%
Sprint Spectrum		5,607,925	4	0.44%				
Bradley Operating LTD PTP		5,499,410	5	0.43%				
Burd & Fletcher Co		5,157,954	6	0.41%				
Noland Fashion Square Partners		5,103,999	7	0.40%		6,128,010	3	0.92%
Unilever Bestfoods NA		4,751,475	8	0.37%				
Southern Union Company		4,257,589	9	0.33%		3,413,960	6	0.51%
Mansion Apartments LLC		3,321,200	10	0.26%				
Wild Woodys						4,976,000	4	0.75%
Southwestern Bell						3,860,123	5	0.58%
Independence Apartments Association						3,458,000	7	0.52%
Galen of Kansas City Inc.						3,018,240	8	0.45%
Commercial Distribution Center						2,993,320	9	0.45%
KCP & L						2,414,888	10	0.36%
Total	$	71,396,422		5.61%	$	52,716,891		7.90%

Source: Jackson County Collection Department

Table 10

City of Independence, Missouri
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	$ 4,984,727	$ 4,644,002	93.16%	$ 340,618	$ 4,984,620	100.00%
1999	5,034,573	4,856,639	96.47%	177,331	5,033,970	99.99%
2000	5,490,069	5,135,996	93.55%	349,922	5,485,918	99.92%
2001	5,569,000	5,253,285	94.33%	315,601	5,568,886	100.00%
2002	5,973,598	5,684,526	95.16%	285,234	5,969,760	99.94%
2003	6,048,517	5,729,077	94.72%	316,074	6,045,151	99.94%
2004	6,331,853	6,084,821	96.10%	237,609	6,322,430	99.85%
2005	6,446,609	6,164,479	95.62%	263,043	6,427,522	99.70%
2006	6,829,053	6,557,341	96.02%	156,403	6,713,744	98.31%
2007	6,930,732	6,645,387	95.88%	-	6,645,387	95.88%

City of Independence, Missouri
Total Utility Sales by Category
Last Ten Fiscal Years

Sales by Category:	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Calendar Year									
Power and Light:										
Residential	$ 33,949,000	34,915,000	34,556,000	41,167,000	37,562,000	40,254,000	42,431,000	41,375,000	50,668,000	53,326,000
Commercial	25,454,000	26,133,000	27,053,000	32,622,000	30,760,000	32,429,000	34,242,000	36,011,000	40,881,000	43,673,000
Industrial	2,371,000	2,434,000	1,992,000	2,490,000	2,214,000	2,019,000	2,139,000	2,504,000	2,649,000	2,891,000
Sold to Other Utilities	1,382,000	1,443,000	2,708,000	1,406,000	131,000	809,000	689,000	779,000	1,839,000	796,000
Other	671,000	685,000	715,000	827,000	824,000	881,000	941,000	1,008,000	1,128,000	1,214,000
Water:										
Residential	7,359,247	7,197,098	7,777,844	7,552,382	7,543,113	8,046,353	8,141,479	7,789,773	8,488,894	8,657,593
Commercial	1,925,840	1,888,654	2,014,589	2,032,338	2,025,449	2,185,099	2,152,295	2,053,011	2,245,526	2,347,234
Industrial	238,872	219,180	225,018	215,619	256,478	324,228	336,707	331,251	362,537	367,863
Public Authority	105,014	124,333	123,779	124,919	131,219	169,383	174,092	189,489	231,257	228,957
Sold to Other Utilities	3,854,736	3,801,176	4,131,174	4,165,235	4,378,138	4,302,002	4,950,287	5,670,010	5,858,904	5,232,779
Other	790,902	796,400	817,473	846,602	856,918	856,811	934,326	960,563	968,733	1,060,453
Sewer:										
Residential	7,316,053	7,724,284	7,898,920	8,015,061	8,037,051	8,144,267	8,570,232	8,834,127	9,196,013	9,584,113
Commercial	3,916,617	4,030,709	3,998,924	4,024,645	3,872,212	3,941,123	3,964,736	4,322,804	4,364,268	4,585,890
Other	781,438	871,415	756,543	844,729	728,334	643,687	707,755	797,791	774,222	854,930
Total	$ 90,115,719	92,263,249	94,768,264	106,333,530	99,319,912	105,004,953	110,373,909	112,625,819	129,655,354	134,819,812

Table 12

City of Independence, Missouri
Total Utility Rates by Category
Last Ten Fiscal Years

Rates by Category:		Calendar Year 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Power and Light (per Kwh):	$										
Residential		0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.09	0.10
Commercial		0.06	0.06	0.06	0.07	0.07	0.07	0.07	0.07	0.08	0.09
Industrial		0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.05	0.06	0.06
Sold to Other Utilities		0.10	0.08	0.07	0.05	0.02	0.03	0.03	0.03	0.04	0.04
Other		0.07	0.07	0.08	0.09	0.09	0.10	0.10	0.11	0.12	0.13
Water (per 1,000 gallons):											
Residential		2.37	2.39	2.34	2.37	2.37	2.35	2.37	2.49	2.54	2.63
Commercial		2.15	2.16	2.15	2.15	2.17	2.16	2.18	2.27	2.34	2.41
Industrial		1.19	1.11	1.11	1.15	1.09	1.10	1.12	1.14	1.31	1.34
Public Authority		1.99	1.96	1.97	1.94	1.97	1.94	2.02	2.28	2.34	2.42
Sold to Other Utilities		0.94	0.94	0.94	0.94	0.94	1.01	1.02	1.17	1.21	1.10
Sewer (per 100 cubic feet):											
Residential		2.67	2.80	2.76	2.71	2.75	2.75	2.77	2.97	3.13	3.18
Commercial		2.21	2.23	2.22	2.08	2.15	2.26	2.34	2.32	2.46	2.64
Total	$	13.87	13.93	13.82	13.69	13.74	13.89	14.17	14.98	15.72	16.13

Table 13

City of Independence, Missouri
Principal Utility Payers -
Power and Light
Current Year and Nine Years Ago

Utility Customer - Power and Light	2007 Total Sales	2007 Rank	2007 Percentage of Total Sales	1998 Total Sales	1998 Rank	1998 Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 1,436,959	1	1.41%	$ 800,926	1	1.25%
Simon Properties Group	1,016,115	2	1.00%	793,327	2	1.24%
Commercial Distributions Center	960,920	3	0.94%	632,841	3	0.99%
Burd and Fletcher (5151 Geospace)	777,816	4	0.76%			
Price Chopper (Noland Road)	469,382	5	0.46%			
Independence Regional Health Center	463,120	6	0.45%	342,666	7	0.54%
Price Chopper (23rd Street)	440,434	7	0.43%			
Burd and Flectcher (3000 Geospace)	404,119	8	0.40%			
City's Rock Creek Sanitary Sewer Plant	391,850	9	0.38%	354,995	6	0.56%
Costco Wholesales Inc.	387,244	10	0.38%			
AGCO Material Group				481,678	4	0.75%
Burd and Fletcher				413,818	5	0.65%
Price Chopper				311,589	8	0.49%
Medical Center of Independence				253,444	9	0.40%
RLDS Audtiorium				247,280	10	0.39%
Total	$ 6,747,959		6.62%	$ 4,632,564		7.26%

City of Independence, Missouri
Principal Utility Payers -
Water
Current Year and Eight Years Ago

	2007			1999		
Utility Customer - Water	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	$ 2,938,404	1	16.42%	$ 1,795,794	1	12.80%
Blue Springs	1,368,662	2	7.65%	840,568	2	5.99%
District #1, Lafayette County	321,207	3	1.79%	204,792	4	1.46%
District #2, Jackson County	313,931	4	1.75%	265,737	3	1.89%
Oak Grove	305,270	5	1.71%	208,468	5	1.49%
Grain Valley	219,137	6	1.22%	135,709	6	0.97%
District #15, Jackson County	167,758	7	0.94%	106,188	7	0.76%
Lafarge Corporation	153,429	8	0.86%			
Buckner	141,431	9	0.79%	101,508	9	0.72%
Lipton Tea	130,447	10	0.73%	104,081	8	0.74%
Sugar Creek				65,389	10	0.47%
Total	$ 6,059,676		33.86%	$ 3,828,234		27.29%

Table 15

City of Independence, Missouri
Principal Utility Payers -
Sewer
Current Year and Eight Years Ago

Utility Customer - Sewer	2007 Total Sales	2007 Rank	2007 Percentage of Total Sales	1999 Total Sales	1999 Rank	1999 Percentage of Total Sales
Thomas J. Lipton	$ 469,393	1	3.12%	$ 560,640	1	4.44%
AMOCO	166,465	2	1.11%	367,338	2	2.91%
City of Independence, Power & Light	165,058	3	1.10%	223,680	3	1.77%
Independence Regional Health Center	44,169	4	0.29%	44,493	5	0.35%
Simon Properties Group	36,923	5	0.25%	15,009	7	0.12%
Commercial Distribution	28,110	6	0.19%	21,898	6	0.17%
Medical Center of Independence	21,676	7	0.14%			
Price Chopper	17,350	8	0.12%			
Community of Christ	8,130	9	0.05%			
Price Chopper	7,712	10	0.05%			
AGCO				73,471	4	0.58%
Total	$ 964,986		6.42%	$ 1,306,529		10.35%

Note: Amounts for customers 7 through 10 are not available for 1999.

Table 16

City of Independence, Missouri
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				
Fiscal Year		Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation
1998		$ 4,875,000	$ -	$ 1,829,472	$ 68,801
1999		11,980,000	-	1,495,200	-
2000		27,040,000	-	1,700,639	-
2001		38,550,000	-	2,130,126	-
2002		50,448,580	-	1,622,013	-
2003		52,301,676	-	1,086,597	-
2004		59,317,916	995,000	718,955	-
2005	(2)	21,498,153	1,039,990	1,015,831	-
2006	(2)	18,590,023	982,044	737,370	-
2007		23,870,529	923,099	712,483	-

	Business-Type Activities						
Fiscal Year	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
1998	$ 73,995,000	$ -	$ -	$ 161,199	$ 80,929,472	Not Available	$ 698.57
1999	64,387,790	2,135,000	-	-	79,997,990	5.21%	688.72
2000	62,145,731	1,640,000	125,476	-	92,651,846	4.17%	792.80
2001	59,793,673	1,120,000	-	-	101,593,799	4.58%	880.31
2002	57,276,614	575,000	-	-	109,922,207	4.34%	964.68
2003	53,826,179	-	-	-	107,214,452	4.27%	937.64
2004	65,887,893	-	-	-	126,919,764	5.15%	1,106.10
2005	62,969,608	-	-	-	86,523,582	3.39%	751.42
2006	59,361,323	-	-	-	79,670,760	3.03%	687.10
2007	55,548,038	-	-	-	81,054,149	3.06%	696.59

Notes: (1) See Table 21 for personal income and population data. The 2007 ratios are calculated using personal income and population data from table 21 which is an estimate.

(2) In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

City of Independence, Missouri
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Less Amounts Available in Debt Service	General Bonded Debt Outstanding: Total	Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
1998	$ -	$ -	$ -	0.00%	$ -
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-

Notes: (1) See Table 7 for property value data.
(2) See Table 21 for population data.

Note: The City does not have any General Bonded Debt over the past ten fiscal years. Details regarding the City's outstsanding debt can be found in the notes to the financial statements.

Table 18

City of Independence, Missouri

Direct and Overlapping Governmental Activities Debt

As of June 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Blue Springs Reorganized #4 School District	$ 112,875,000	20.00%	$ 22,575,000
Independence School District	101,530,000	100.00%	101,530,000
Raytown School District	100,450,000	6.00%	6,027,000
Fort Osage Reorganized #1 School District	40,251,000	12.50%	5,031,375
Subtotal, overlapping debt			135,163,375
City direct debt			25,506,111
Total direct and overlapping debt			$ 160,669,486

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the oustanding debt of those overlapping governments that is borne by the residents and businesses of Independence. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Note: Information was requested from the Kansas City School District and Jackson County, but no response was received.

Source: The debt outstanding data and applicable percentages provided by each governmental entity.

City of Independence, Missouri
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit (1)	$ 178,681,073	193,019,621	195,585,654	208,557,293	215,035,648	234,498,374	239,548,507	258,869,181	263,980,502	280,122,203
Total net debt applicable to limit	-	-	-	-	-	-	-	948,722	896,700	840,870
Legal Debt Margin	$ 178,681,073	193,019,621	195,585,654	208,557,293	215,035,648	234,498,374	239,548,507	257,920,459	263,083,802	279,281,333
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.366%	0.340%	0.300%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value	$ 1,400,611,015
Debt Limit (20% of assessed value)	280,122,203
General obligation:	
City-Wide	-
Neighborhood Improvement Districts	923,099
Revenue Bonds	55,548,038
Total Bonded Debt	56,471,137
Less:	
Water Utility Bonds	40,550,000
Electric Utility Bonds	14,998,038
Debt Service Fund Balance	82,229
Total net debt applicable to limit	840,870
Legal debt margin	$ 279,281,333

Notes:
(1) - Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting theron, to incur an indebtedness fo city purposes not to exceed 5 percent of the value of the taxable tangible property therin, as shown by the last assessment.

(1) - Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualfied electors voting theron, to incur additional indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.

(1) - Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, contructing, extending and improving streets and avenues and/or sanitary or storm sewer systems and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

Table 20

City of Independence, Missouri
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service Principal	Debt Service Interest (2)	Coverage
Power & Light (3)						
1998	$ 67,552,096	$ 44,766,098	$ 22,785,998	$ 1,115,000	$ 2,134,615	$ 7.01
1999	69,173,245	46,068,740	23,104,505	1,090,000	2,005,463	7.46
2000	70,349,124	50,390,860	19,958,264	1,535,000	1,384,760	6.84
2001	81,965,004	57,618,481	24,346,523	1,595,000	1,308,835	8.38
2002	73,930,488	52,142,313	21,788,175	1,675,000	1,243,860	7.46
2003	77,932,974	56,701,449	21,231,525	1,740,000	1,164,512	7.31
2004	82,265,717	61,851,943	20,413,774	1,745,000	983,448	7.48
2005	84,020,908	64,452,736	19,568,172	1,855,000	921,038	7.05
2006	100,254,630	75,369,477	24,885,153	1,925,000	855,273	8.95
2007	105,313,797	80,423,304	24,890,493	1,995,000	784,223	8.96
Water (2) (3)						
1998	$ 15,814,097	$ 8,162,749	$ 7,651,348	$ 800,000	$ 1,555,705	$ 3.25
1999	15,400,654	9,664,783	5,735,871	900,000	1,510,313	2.38
2000	16,656,302	9,656,336	6,999,966	850,000	1,596,133	2.86
2001	16,267,295	10,018,126	6,249,169	900,000	1,561,920	2.54
2002	16,068,944	10,199,624	5,869,320	985,000	1,527,809	2.34
2003	16,348,365	10,788,334	5,560,031	1,070,000	1,489,510	2.17
2004	16,907,411	10,718,853	6,188,558	1,200,000	1,449,060	2.34
2005	17,928,618	11,096,626	6,831,992	1,285,000	2,014,517	2.07
2006	19,285,620	12,300,943	6,984,677	1,905,000	2,053,730	1.76
2007	18,473,889	12,850,111	5,623,778	2,040,000	1,923,627	1.42
Sanitary Sewer						
1998	$ 12,397,234	$ 7,699,724	$ 4,697,510	$ -	$ -	$ -
1999	13,208,379	8,504,860	4,703,519	-	-	-
2000	13,463,695	8,477,466	4,986,229	-	-	-
2001	13,852,358	8,893,489	4,958,869	-	-	-
2002	13,100,624	8,900,009	4,200,615	-	-	-
2003	12,946,774	9,453,484	3,493,290	-	-	-
2004	13,549,180	9,243,252	4,305,928	-	-	-
2005	14,272,438	10,017,560	4,254,878	-	-	-
2006	14,850,445	10,400,801	4,449,644	-	-	-
2007	15,519,278	10,884,567	4,634,711	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Notes: (1) Operating expenses excludes depreciation, interest expense, amortization, non-operating expenses, and payments in lieu of taxes.

(2) Interest for the Water Revenue Bonds excludes $6,050,000 reduction of debt due to remarketing.

(3) Numbers displayed for Power and Light are in accordance with FERC accounting. Numbers displayed for Water are in accordance with NARUC accounting.

City of Independence, Missouri
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year (3)	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (1)
1998	115,851	$ Not Available	Not Available	35.00	16,746	3.70%
1999	116,155	1,534,175,240	13,208	34.40	16,361	2.90%
2000	116,867	2,223,862,143	19,029	37.14	16,361	3.10%
2001	115,407	2,217,545,505	19,215	37.37	15,302	4.20%
2002	113,947	2,535,092,856	22,248	37.68	15,987	5.70%
2003	114,345	2,509,987,095	21,951	38.34	16,334	5.20%
2004	114,745	2,465,640,560	21,488	38.55	18,215	5.15%
2005	115,146	2,552,786,820	22,170	38.57	16,278	6.20%
2006	115,953	2,632,249,053	22,701	38.91	14,829	4.98%
2007	116,359	2,651,123,456	22,784	39.22	14,113	4.90%

Note: The information for 2007 is an estimate.

Note: (3) The information shown is for calendar years.

Sources: (1) Information provided by Mid-America Regional Council and Claritas, Inc.
(2) Information provided by school districts.

Table 22

City of Independence, Missouri
Principal Employers
Current Year and Eight Years Ago

Employer	2007 Employees	2007 Rank	2007 Percentage of Total City Employment	1999 Employees	1999 Rank	1999 Percentage of Total City Employment
Alliant Tech Systems	2,250	1	3.96%	1,460	1	2.26%
Independence School District	1,800	2	3.17%			
City of Independence	1,176	3	2.07%			
Independence Regional Health Center	1,035	4	1.82%	1,400	2	2.17%
Medical Center of Independence	565	5	0.99%	401	5	0.62%
Government Employee Hospital	550	6	0.97%			
Rosewood Health Center at the Groves	400	7	0.70%	100	9	0.15%
Burd & Fletcher	350	8	0.62%			
Unilever	330	9	0.58%			
Jackson County Circuit Court	274	10	0.48%			
Agco				800	3	1.24%
Southwestern Bell Telephone				725	4	1.12%
Thomas J. Lipton				350	6	0.54%
Sprint Relay Center				248	7	0.38%
The Examiner				100	8	0.15%
Barbour Concrete				85	10	0.13%
Total	8,730		15.37%	5,669		8.78%

Note: The oldest information available is from 8 years ago instead of 9 years ago.

Source: Independence Council for Economic Development and Mid-America Regional Council.

Table 23

City of Independence, Missouri
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Full-time Equivalent Employees as of June 30									
General Government										
City council office	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00	10.00
City clerk	7.00	7.00	7.00	7.00	7.00	7.00	6.50	6.50	6.00	6.00
City manager	9.38	10.50	11.50	11.00	10.00	10.00	8.50	7.00	7.50	10.50
National Frontiers Trails Museum	6.55	6.55	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology services	21.00	21.00	21.00	21.00	20.00	20.00	20.00	20.00	20.00	21.00
Municipal court	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Law - General fund	6.00	6.50	6.00	6.00	6.00	6.00	5.50	5.50	5.75	6.75
Law - Grants fund	-	-	-	-	-	-	-	0.50	0.50	0.50
Finance	25.00	25.00	25.00	25.00	25.00	25.00	24.00	24.00	25.00	26.00
Human resources	6.00	6.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Public Safety										
Police - General fund	260.00	264.00	269.00	275.00	274.00	275.00	275.00	277.00	281.50	281.50
Police - Grants fund	-	-	-	-	-	-	-	15.00	12.00	10.00
Fire - General fund	173.00	174.00	174.00	174.00	174.00	174.00	174.00	173.25	173.25	173.25
Fire - Grants fund	-	-	-	-	-	-	-	0.75	0.75	0.75
Public Works	87.90	87.73	87.90	89.90	88.90	87.90	82.00	81.00	82.00	83.00
Health and Welfare										
General fund	26.74	28.49	28.49	27.24	38.13	39.69	39.47	33.50	34.25	34.25
Grant fund	-	-	-	-	-	-	-	5.50	6.00	7.70
Culture and Recreation										
General fund	39.15	41.10	41.70	41.70	41.70	43.79	42.14	41.70	36.70	35.53
Tourism fund	3.73	3.40	3.40	3.40	3.41	3.41	3.41	4.41	4.41	4.41
Park Improvement Sales Tax fund	-	-	2.99	7.00	5.00	5.00	8.61	11.59	12.59	17.12
Community Development										
General fund	28.00	30.00	31.00	35.00	23.00	23.00	22.00	22.00	26.00	25.75
Community Dev Block Grant fund	4.50	4.50	4.50	3.50	3.00	3.00	3.00	3.00	3.00	2.50
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Storm Water Sales Tax fund	-	-	-	-	9.00	7.00	7.00	8.00	8.00	8.00
Storm Water fund	-	-	-	-	-	-	-	-	-	-
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00
Water										
City Manager - General fund	-	1.50	1.50	1.50	1.50	1.50	1.50	-	-	-
Finance - General fund	-	-	-	-	-	-	-	1.00	1.00	0.17
Water	101.48	98.48	98.48	98.48	97.48	97.48	97.48	97.48	98.48	97.48
Sewer										
Public Works - General fund	-	-	-	-	-	-	-	1.00	1.00	1.00
Water Polluion Control	72.50	72.50	71.50	73.50	72.00	72.00	69.00	70.00	70.00	70.00
Central Garage fund	10.00	10.00	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00
Total	1,137.93	1,148.75	1,158.46	1,174.72	1,173.62	1,175.27	1,162.61	1,182.18	1,188.18	1,195.66

Source: City of Independence Budget

Table 24

City of Independence, Missouri
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	21,420	19,625	18,015	20,105	16,199	14,963	19,763	17,183	15,986	14,621
Public Safety										
Police										
Police Incident Calls	131,193	126,185	122,325	123,234	125,219	120,668	123,329	128,891	130,242	126,301
Traffic Unit Citations Issued	19,324	18,730	22,048	22,062	23,227	17,796	30,840	31,323	20,257	30,984
Fire										
Total Alarms	11,894	12,486	12,074	12,557	13,141	12,294	13,424	12,895	13,166	13,354
Public Education Audience	16,764	17,643	21,344	22,293	13,828	12,619	14,747	18,363	18,818	18,502
Public Works										
Street Overlay (lane miles)	6	92	110	144	122	110	104	88	66	26
Street Patching Jobs	2,168	2,003	1,951	1,133	1,524	744	575	542	474	3,897
Health and Welfare										
Food Handlers Trained	3,600	4,200	4,262	4,963	4,741	5,186	11,638	9,680	7,696	8,663
Flu Shots Given	722	700	774	450	450	539	600	431	680	1,118
Animal Control Service Calls	9,729	8,455	8,100	8,318	9,336	9,230	7,354	6,446	7,294	8,415
Culture and Recreation										
Park Shelter Reservations	200	230	275	283	671	675	210	214	462	457
Number of Sermon Center Memberships	4,793	800	830	900	1,275	1,032	1,056	948	930	1,095
Community Development										
Permits Issued	4,024	5,500	5,292	4,822	3,984	4,693	5,809	5,281	4,792	4,048
Tourism										
Site Attendance	394,149	338,373	403,560	357,747	432,268	334,853	306,407	290,499	295,381	260,342
Leisure Visitor Inquiries	27,193	29,271	28,540	21,446	42,608	44,659	23,172	34,512	44,943	34,116
Power and Light										
Average number of monthly customers	52,029	52,640	53,135	53,658	53,982	54,356	55,195	55,921	56,402	56,562
Water										
Number of customers	44,877	45,243	45,649	45,945	46,394	46,873	47,324	47,461	47,769	48,358
Water main breaks	191	146	215	294	180	292	239	182	241	271
Sewer										
Number of customers	40,311	40,637	42,194	42,487	42,856	42,394	43,434	43,909	44,290	44,351
Wastewater Treated (Million Gallons)	3,492	4,944	3,241	4,218	3,830	2,939	3,032	3,207	2,935	2,348

Table 25

City of Independence, Missouri
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Police stations	1	2	2	2	3	3	3	3	3	4
Vehicles	135	137	108	109	151	124	162	90	177	203
K - 9 Facility	-	-	-	-	-	-	-	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Vehicles	44	42	44	42	40	40	42	41	44	45
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	580	600	580	580	532	535	535	535	580	550
Culture and Recreation										
Park acreage	885	724	724	724	721	721	724	724	757	826
Parks	41	41	41	41	40	40	40	42	43	44
Community Centers	2	2	1	1	1	2	3	3	3	3
Fitness Centers	3	1	1	1	1	1	2	2	2	2
Ball Fields	34	32	53	54	53	53	53	53	53	53
Power and Light										
Power stations	5	5	5	5	5	5	5	5	5	5
Transmission/Distribution Circuits (miles)	Not Available	Not Available	650	776	789	794	802	809	817	829
Maximum daily use (Mwh)	4,769	5,258	5,506	5,432	5,395	5,401	5,838	5,320	5,464	5,865
Water										
Water mains (miles)	663	676	683	688	694	697	711	711	729	736
Fire hydrants	3,623	3,753	3,840	3,908	3,996	4,061	4,186	4,186	4,401	4,520
Maximum daily pumpage (millions of gallons)	25	35	37	39	39	42	42	41	44	44
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	510	510	515	515	565	565	582	576	578	590
Maximum daily capacity of treatment (MGD)	19	18	18	18	18	18	18	19	19	18

APPENDIX C

DEFINITIONS OF WORDS AND TERMS
AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

Except as otherwise noted, the following definitions relate to the Series 2008B Bonds. The Bonds of each Series are separately secured. The definitions for the Series 2008C Bonds are substantially similar to the definitions summarized below, except as otherwise noted.

"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 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

"Authorizing Ordinance" means the Ordinance of the City authorizing the execution of the Financing Agreement and certain other documents.

"Bond" or **"Bonds"** means the Series 2005C Bonds, the Series 2006C Bonds, the Series 2008B Bonds and any Additional Bonds issued pursuant to the Indenture.

"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.

"**Business Interruption Reserve Fund"** means the fund by that name created by the Indenture. [Series 2008B Bonds only]

"**Business Interruption Reserve Fund Requirement"** means an amount equal to the Debt Service Reserve Requirement. [Series 2008B Bonds only]

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement executed by the City, as from time to time amended in accordance with the provisions thereof.

"Costs of the Project" means costs permitted under the Act to be paid out of proceeds of the Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, renovation 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.

"Debt Service Fund" means the fund by that name created by the Indenture.

"Debt Service Reserve Fund" means the fund by that name created by the Indenture.

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2005C Bonds, an amount equal to $1,132,500, (ii) with respect to the Series 2006C Bonds an amount equal to $1,279,000, (iii) with respect to the Series 2008B Bonds, an amount equal to $792,000, and (iv) with respect to Additional Bonds issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds, 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, and (iii) with respect to any

Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds. [Series 2008B Bonds only]

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2007A Bonds, an amount equal to $1,939,000 from the issuance of the Series 2007A Bonds through May 31, 2012 and from April 1, 2012 through May 31, 2021 an amount equal to $1,635,000 and after May 31, 2021 an amount equal to $310,000, (ii) with respect to the Series 2008C Bonds and amount equal to $800,000, and (iii) with respect to Additional Bonds issued on a parity with the Series 2007A Bonds and the Series 2008C Bonds, 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. [Series 2008C Bonds only]

"Deed of Trust" means the means the Future Advance Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing related to the Bonds, granted by the City, as from time to time amended and supplemented in accordance with the provisions thereof, and which is subordinate to the Future Advance Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing related to the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and Bonds issued on a parity therewith. [Series 2008B Bonds only]

"Defeasance Obligations" means:

(a) Government Obligations which are not subject to redemption prior to maturity; or

(b) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations); or

"District" means the Crackerneck Creek Transportation Development District formed under the provisions of the Missouri Transportation Development District Act, Sections 238.200 to 238.275, inclusive, of the Revised Statutes of Missouri, as from time to time amended and located in whole or in part within all or a portion of the Redevelopment Area. [Series 2008B Bonds only]

"Event of Nonappropriation" means failure of the City to budget and appropriate on or before the last day of any Fiscal Year, moneys sufficient to pay the Loan Payments and reasonably expected Additional Payments due and payable during the next Fiscal Year.

"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.

"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 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 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 Treasury of the United States of America;

(3) 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,
- Farm Credit System Financial Assistance Corporation,
- Rural Economic Community Development Administration (formerly the Farmers Home Administration),
- General Services Administration,
- U.S. Maritime Administration,
- Small Business Administration,
- Government National Mortgage Association (GNMA),
- U.S. Department of Housing & Urban Development (PHA's),
- Federal Housing Administration, and
- Federal Financing Bank;

(4) 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.;

(5) U.S. dollar denominated deposit accounts, federal funds and banker's 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 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) 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 days after the date of purchase;

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

(8) 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 thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; provided, however, that Pre-refunded Municipal Obligations meeting the requirements of this subsection (B) may not be used as Permitted Investments without the prior written approval of Standard & Poor's.

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

(10) investment agreements (supported by appropriate opinions of counsel) with notice to Standard & Poor's.

The value ("Value"), which shall be determined as of the end of each month, of the above investments shall be calculated as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street*

Journal or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (d) as to any investment not specified above: the value thereof established by prior agreement between the City and the Trustee.

"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.

"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."

"Standard & Poor's" means Standard & Poor's Ratings Services, 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.

"TDD Revenues" means 7/8 of the moneys received by the City from the District which are derived from the sales tax levied by the District for the payment of project costs related to the Crackerneck Creek Project, and which are subject to annual appropriation by the District. [Series 2008B Bonds only]

"Transaction Documents" means the Indenture, the Bonds, the Deed of Trust [Series 2008B Bonds only], Financing Agreement, the Official Statement relating to the Bonds, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Authorizing Ordinance 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

Except as otherwise noted, the following is a summary of the Series 2008B Indenture. The Bonds of each Series are separately secured. The Indenture for the Series 2008C Bonds is substantially similar to the Indenture summarized below, except as otherwise noted. The summary of the Continuing Disclosure Agreement relates to both Series of Bonds.

The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2008B Indenture for a complete recital of the terms thereof.

Trust Estate

Note: As noted in the Official Statement each Series of Bonds is separately secured.

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 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 Financing Agreement (except the Board's rights to payment of its fees and expenses and to indemnification as set forth in the 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; 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, 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 2005C Bonds, the Series 2006C Bonds and the Series 2008B 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.

Before any Additional Bonds are issued under the provisions of this Section, the Board shall adopt a resolution (1) authorizing the issuance of such Additional Bonds, fixing the principal amount thereof and describing the purpose or purposes for which such Additional Bonds are being issued, (2) authorizing the Board to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds and establishing the terms and provisions of such series of Bonds and the form of the Bonds of such series, (3) authorizing the Board to enter into a Supplemental Financing Agreement with the City to provide for payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due, 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 (4) providing for such other matters as are appropriate because of the issuance of the Additional Bonds, which matters, in the judgment of the Board, are not prejudicial to the Board or the owners of the Bonds previously issued.

Such Additional Bonds shall have the same general title as the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds, except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices, all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. 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 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds and any other Additional Bonds, excepts for the accounts in the debt service reserve fund established for such series of Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of any reserve fund.

At the option of the Board and the City, such Additional Bonds may be entitled to the benefit of the Business Interruption Reserve Fund on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds. [Series 2008B Bonds only]

Such Additional Bonds shall be executed in the manner set forth in the Indenture and shall be deposited with the Trustee for authentication, but prior to or simultaneously with the authentication and delivery of such Additional Bonds by the Trustee, and as a condition precedent thereto, there shall be filed with the Trustee the following:

(a) A copy, certified by the Secretary or Assistant Secretary of the Board, of the resolution adopted by the Board authorizing the issuance of such Additional Bonds and the execution of the Supplemental Indenture, Supplemental Financing Agreement and supplements to any other Transaction Documents as may be necessary.

(b) A copy, certified by the City Clerk of the ordinances and/or resolutions adopted by the City authorizing the execution and delivery of the Supplemental Financing Agreement and supplements to any other Transaction Documents.

(c) An original executed counterpart of the Supplemental Indenture, executed by the Board and the Trustee, authorizing the issuance of the Additional Bonds being issued to make the loan, specifying, among other things, the terms thereof, and providing for the disposition of the proceeds of such loan and the Supplemental Financing Agreement.

(d) An original executed counterpart of the Supplemental Financing Agreement, executed by the City and the Board, specifying, among other things, the principal amount, rate of interest, maturity, terms of optional prepayment.

(e) An Officer's Certificate (1) stating that no event of default under the Financing Agreement has occurred and is continuing and that no event has occurred and is continuing which with the lapse of time or giving of notice, or both, would constitute such an event of default, and (2) stating the purpose or purposes for which such Additional Bonds are being issued and accompanied by the certificates, reports or opinions demonstrating compliance with the applicable tests set forth in the Financing Agreement.

(f) A request and authorization to the Trustee, on behalf of the Board, executed by a City Representative, to authenticate the Additional Bonds and deliver said Additional Bonds to the purchasers therein identified upon payment to the Trustee, for the account of the Board, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the names of the purchasers and the amounts of such purchase price.

(g) If such Additional Bonds are to be insured or guaranteed by a bond insurer or other credit enhancer, an insurance policy or other credit enhancement in each case in form or substance satisfactory to the Board, the City and the Trustee.

(h) Deposit of an amount equal to the Debt Service Reserve Fund Requirement, if any, for such Additional Bonds.

(i) An Opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met and the issuance of such Additional Bonds will not result in the interest on any Bonds then Outstanding becoming subject to federal income taxes then in effect.

(j) Such other certificates, statements, receipts and documents required by any of the Transaction Documents or as the Board, the City or the Trustee shall reasonably require for the delivery of the Additional Bonds.

Except as provided in the this Indenture and in the Financing Agreement, the Board will not otherwise issue any obligations on a parity with the Bonds, but the Board may issue other obligations specifically subordinate and junior to the Bonds.

Creation of Funds and Accounts

The Indenture creates and orders 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 - Crackerneck Creek Infrastructure Facilities Project Fund" (the "Project Fund"), and within such fund separate accounts for each Series of Bonds, including a "Series 2005C Project Account," "Series 2006C Project Account" and a "Series 2008B Project Account".

(b) "Missouri Development Finance Board–City of Independence, Missouri – Crackerneck Creek 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 2005C Costs of Issuance Account," a "Series 2006C Project Account" and a "Series 2008B Costs of Issuance Account."

(c) "Missouri Development Finance Board–City of Independence, Missouri – Crackerneck Creek Infrastructure Facilities Debt Service Fund" (the "Debt Service Fund") and within such fund separate accounts for each Series of Bonds, initially a "Series 2005C Debt Service Account," a "Series 2006C Debt Service Account" and a "Series 2008B Debt Service Account", and within each such account a subaccount for capitalized interest on such Series, if any, initially a "Series 2005C Capitalized Interest Subaccount," a "Series 2006C Capitalized Interest Subaccount and a "Series 2008B Capitalized Interest Subaccount."

(d) "Missouri Development Finance Board–City of Independence, Missouri – Crackerneck Creek Infrastructure Facilities Debt Service Reserve Fund" (the "Debt Service Reserve Fund") and within such fund separate accounts for each Series of Bonds, including a "Series 2005C Debt Service Reserve Account," a "Series 2006C Debt Service Reserve Fund and a "Series 2008B Debt Service Reserve Account."

(e) "Missouri Development Finance Board–City of Independence, Missouri – Crackerneck Creek Infrastructure Facilities Business Interruption Reserve Fund" (the "Business Interruption Reserve Fund"). [Series 2008B Bonds only]

(f) "Missouri Development Finance Board–City of Independence, Missouri – Crackerneck Creek Infrastructure Facilities Rebate Fund" (the "Rebate Fund") and within such fund separate accounts for each Series of Bonds, including a "Series 2005C Rebate Account," a "Series 2006C Rebate Account" and a "Series 2008B 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, in accordance with the plans and specifications therefor, including any alterations in or amendments to said plans and specifications 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.

The Trustee, upon the written instructions from the Board given pursuant to written direction of the City, shall use excess moneys in the Debt Service Fund to redeem all or part of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption and redemption premium, if any, on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the City, in accordance with the provisions of the Indenture, so long as the City is not in default with respect to any payments under the Financing Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption. The City may cause such excess money in the Debt Service Fund or such part thereof or other moneys of the City, as the City may direct, to be applied by the Trustee on a best efforts basis to the extent practical for the purchase of Bonds in the open market for the purpose of cancellation at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of such purchase.

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.

Debt Service Reserve Fund

The moneys in the 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 Bonds of each series to which the applicable account of the Debt Service Reserve Fund relates to the extent of any deficiency in the account of the Debt Service Fund with respect to such applicable Series of Bonds for such purposes. Moneys in the individual series accounts of the Debt Service Reserve Fund may only be disbursed to make payments for the associated series of Bonds. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund for such purpose whether or not the amount in the applicable account of the Debt Service Reserve Fund at that time equals applicable the Debt Service Reserve Fund Requirement. If the Trustee disburses or expends moneys from the 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 Debt Service Reserve Fund to the applicable 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.

Business Interruption Reserve Fund (Series 2008B Bonds only)

Moneys in the Business Interruption Reserve Fund shall be used by the Trustee without further authorization solely for the payment of the principal of and interest on the Bonds if moneys otherwise available for such purpose as provided in the Indenture are insufficient to pay the same as they become due and payable. In the event the balance of moneys in the Debt Service Fund is insufficient to pay principal of or interest on the Bonds when due and payable, moneys in the Business Interruption Reserve Fund, if any, shall be transferred into the Debt Service Fund in an amount sufficient to make up such deficiency, prior to any transfer of moneys from the Debt Service Reserve Fund The Trustee may use moneys in the Business Interruption Reserve Fund for such purpose whether or not the amount in the Business Interruption Reserve Fund at that time equals the Business Interruption Reserve Requirement. Such moneys shall be used first to make up any deficiency in the payment of interest and then principal. Moneys in the Business Interruption Reserve Fund shall also be used, together with moneys in the Debt Service Reserve Fund, to pay the last Bonds becoming due unless such Bonds and all interest thereon be otherwise paid. Moneys in the Business Interruption Reserve Fund that are in excess of the Business Interruption Reserve Requirement shall be deposited by the Trustee without further authorization in the Debt Service Fund.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in this Indenture), and the fees, charges and expenses of the Trustee and any Paying Agents and any other amounts required to be paid under this Indenture, all amounts remaining in the Business Interruption Reserve Fund shall be paid to the City for deposit into the Special Allocation Fund.

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.

Investment of Moneys

Moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the City Representative, be invested and reinvested by the Trustee in accordance with the provisions of the Indenture and the Tax Compliance Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. In the absence of direction of the City Representative, the Trustee may invest and reinvest moneys in an investment described in paragraph (7) of the definition of the term "Permitted Investments." The Trustee may make any investments permitted by the provisions of the Indenture through its own bond department or short-term investment department or that of any affiliate of the Trustee and may pool moneys for investment purposes, except moneys held in any fund or account that are required to be yield restricted in accordance with the Tax Compliance Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments (other than any amount required to be deposited in the Rebate Fund) shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account; provided, however, that all interest accruing on the Project Fund shall be automatically deposited into the Debt Service Fund. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments.

In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent interest payment date. Investments in the Funds under this Indenture shall be valued on each June 15 and December 15 in each year beginning June 15, 2005. The Trustee shall promptly deliver a copies of such valuations to the City, which may be in the form of the Trustee's standard account statements.

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 this Section), 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 this Section, 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 applied by the Trustee pursuant to the provisions of this Section, 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, 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 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 hereto 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 under this Section 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 subsection (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 this Section 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 this Section, 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.

* * *

SUMMARY OF THE AUTHORIZING ORDINANCE

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

Crackerneck Creek Special Allocation Fund

The Ordinances of the City authorizing the execution of the Series 2008B Financing Agreement provide that upon adoption of the TIF Ordinance relating to the Crackerneck Creek Redevelopment Project, the City will establish the "Crackerneck Creek Special Allocation Fund" (the "Crackerneck Creek Special Allocation Fund"), and within the Crackerneck Creek Special Allocation Fund, a PILOTS Account and an Economic Activity Tax Account.

The funds and accounts referred to above 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 Ordinance so long as any portion of the Series 2005C Loan, the Series 2006C Loan or the Series 2008B Loan remain Outstanding and unpaid.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project are pledged to the payment of the Series 2005C Loan, the Series 2006C Loan or the Series 2008B Loan on a priority basis and the Series 2006A Loan, the Series 2006B Loan, or the Series 2008A Loan on a subordinate basis; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described herein.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project to the repayment of the Series 2005C Loan, the Series 2006C Loan or the Series 2008B Loan. Such revenues may also be appropriated to pay the Series 2006A Loan, the Series 2006B Loan and the Series 2008A Loan, but such loans will have only a subordinate lien on such revenues. 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 such 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 Series 2005C Bonds, Series 2006C Bonds, and the Series 2008B 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.

The City also covenants and agrees to pledge the State TIF Revenues (if any) and the TDD Revenues (if any), and, on a subordinate basis, the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Series 2005C Loan, the Series 2006C Loan and the Series 2008B Loan.

Administration of Crackerneck Creek Special Allocation Fund

The moneys in the Crackerneck Creek Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in the Authorizing Ordinance. At any time moneys are to be withdrawn, transferred or paid from the Crackerneck Creek Special Allocation Fund pursuant to the Authorizing Ordinance, 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 Crackerneck Creek 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 Crackerneck Creek Special Allocation Fund, and subject to annual appropriation, all Economic Activity Tax Revenues shall, as and when received by the City, be deposited into the Economic Activity Tax Account of the Crackerneck Creek Special Allocation Fund. All interest earnings on moneys in the Crackerneck Creek Special Allocation Fund shall be credited to and deposited in the Crackerneck Creek Special Allocation Fund.

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

(a) Not later than the last business day of each February and August, commencing with the last Business Day in September, 2006, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2005C Financing Agreement, the Series 2006C Financing Agreement or the Series 2008B Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds) is less than the Debt Service Reserve Requirement for the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds or the Series 2008B Bonds) issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds or the Series 2008B Bonds, the City shall transfer to the Trustee from the Crackerneck Creek 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. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Reserve Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Series 2005C Bonds, the Series 2006C Bonds, the Series 2008B Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

(c) Moneys remaining in the Crackerneck Creek Special Allocation Fund, after making the foregoing payments, shall be expended in the following order of priority:

(i) For deposit into the Business Interruption Reserve Fund established with the Trustee until such time as the amount on deposit therein equals the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds) or to restore the amount on deposit therein to the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds);

(ii) Any Excess Tax Revenues shall be transferred by the City to the Trustee for the purpose of prepaying that portion of the Series 2005C Loan, the Series 2006C Loan and the Series 2008B Loan the City has elected to prepay. "Excess Tax Revenues" means the amount of (i) Incremental Tax Revenues, (ii) any State TIF Sales Tax revenues, if and when approved, and (iii) the Bass Pro Lease payments (unless such lease payments are pledged to a separate series of bonds, if any), collected by the City (in increments of $5,000) which the City determines are in excess of the amounts needed to make Loan Payments under the Financing Agreement for the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds relating to regularly scheduled payments of principal and interest on the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

(iii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Financing Agreement related to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds; or

(d) If moneys remain in the Crackerneck Creek Special Allocation Fund after making the expenditures specified in (a) through (c), such moneys shall be applied as follows:

(i) Not later than the last business day of each February and August, commencing with the last Business Day in August 2008, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Financing Agreement relating to the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds.

(ii) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds) is less than the Debt Service Reserve Requirement for the Series 2006A Bonds, the Series 2006B Bonds or the Series 2008A Bonds (as defined in the Indenture relating to the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds) issued on a parity with the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds Bonds, the City shall transfer to the Trustee from the Crackerneck Creek 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. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Reserve Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and any Additional Bonds issued on a parity with the Series 2006A Bonds, Series 2006B Bonds and Series 2008A Bonds.

(e) If moneys remain in the Crackerneck Creek Special Allocation Fund after making the expenditures specified in (a) through (d), such moneys shall be applied as follows:

(i) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

(ii) for the purpose of reimbursing the City for any transfer of any legally available funds to the Crackerneck Creek Special Allocation Fund; or

(iii) for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the Act.

Eastland Project Special Allocation Fund

The Ordinances of the City authorizing the execution of the Series 2008C Financing Agreement provide that upon adoption of the TIF Ordinance relating to the Eastland Redevelopment Project, the City will establish the "Eastland Center Project Special Allocation Fund" (the "Eastland Special Allocation Fund"), and within the Eastland 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 this Ordinance so long as any portion of the Series 2007A Loan or 2008A Loan remains Outstanding and unpaid.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Eastland Center Project are pledged to the payment of the Series 2007A Loan and the Series 2008C Loan; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described herein.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Eastland Center Redevelopment Project to the repayment of the Series 2007A Loan and the Series 2008C 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 such 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 Series 2007A Bonds and the Series 2008C 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.

Administration of Eastland Special Allocation Fund

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

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, commencing the last Business Day of September, 2007, the City shall transfer to the Trustee from the Eastland Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2007A Financing Agreement, the Series 2008C Financing Agreement or any other Financing Agreement relating to bonds secured on a parity with the Series 2007A Bonds or 2008C Bonds; 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 any Debt Service Reserve Fund established under the Indenture related to the Series 2007A Bonds or 2008C Bonds(the "Eastland Indenture") is less than the Debt Service Reserve Requirement (as defined in the Eastland Indenture) for the Series 2007A Bonds, the Series 2008C Bonds or any other bonds issued under the Eastland Indenture, the City shall transfer to the Trustee from the Eastland Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the applicable Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement provided, however, in the event the amount to be so transferred is less than the amount required to make such Additional Payments, the City shall allocate such amounts on a pro rata basis based upon the applicable Debt Service Reserve Requirement.

(c) All moneys remaining in the Eastland 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 Series 2007A Financing Agreement, the Series 2008C Financing Agreement or any other Financing Agreement relating to bonds secured on a parity with the Series 2007A Bonds or Series 2008C Bonds; 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 Eastland 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 Eastland Redevelopment Agreement for the Eastland Redevelopment Project as may be authorized under the Act.

* * *

SUMMARY OF THE FINANCING AGREEMENT

Except as otherwise noted, the following summary of the Financing Agreement relates to the Series 2008B Bonds. The Bonds of each Series are separately secured. The Financing Agreement for the Series 2008C Bonds is substantially similar to the Financing Agreement summarized below, except as otherwise noted. The summary of the Continuing Disclosure Agreement relates to both Series of Bonds.

The following is a summary of certain provisions contained in the Series 2008B Financing Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2008B Financing Agreement for a complete recital of the terms thereof.

Use of Proceeds

The proceeds of the Series 2008B 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 March 1 and September 1, commencing September 1, 2008, an amount which is not less than the interest to become due on the next interest payment date on the Series 2008B 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 March 1 commencing March 1, 2017, an amount which is not less than the next installment of principal due on the Series 2008B 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.

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, 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 to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement;

(d) 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;

(e) 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 does 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;

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

(g) 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 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 herein 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 2008B 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 herein shall be construed to limit the rights of the owners of the Series 2008B 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.

Security for the Loan (Series 2008B Bonds only)

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 relating to the Series 2008B Bonds 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.

The City also covenants and agrees to pledge the State TIF Revenues (if any) and the TDD Revenues (if any) to secure the Loan relating to the Series 2008B Bonds. The rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) are further pledged to secure the Loan relating to the Series 2008B Bonds but on a subordinate basis to the pledge of such payments to secure the loans related to the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds.

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.

Deed of Trust (Series 2008B Bonds only)

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions of the Financing Agreement, the City has executed and delivered the Deed of Trust to the mortgage trustee, for the benefit of the Board and the Trustee. The City hereby agrees and consents to such assignments in the manner and to the extent set forth in the Indenture and to the other assignments therein made by the Board. The lien of the Deed of Trust shall be subordinate to the lien of the deed of trust which secures the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and bonds issued on a parity therewith.

Security for the Loan (Series 2008C Bonds only)

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 relating to the Series 2008C Bonds 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.

Additional Bonds

The Board from time to time may, in its sole discretion, at the written request of the City, 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 and the Trustee, as soon as practicable, but in no event more than **5** 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 or the Board and at the expense of the City, permit the Trustee 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 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 Section, 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 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 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 Section:

(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 this Section, 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 this Section 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.

The provisions of this Section are subject to the limitation that the annulment of a declaration that the Series 2008B Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section 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 Indenture. 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, the City may 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 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 this Section, 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 under this Section 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 CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions contained in the Continuing Disclosure Agreement relating to all three Series of Bonds. 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, 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 following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, (B) the amounts deposited into the Special Allocation Fund established for each applicable Project, and (C) with respect to the Series 2008B Bonds only, any State TIF Revenues, TDD Revenues and Bass Pro Lease Payments received by the City for the prior fiscal year. 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 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 City should fail to comply with any provision of the Continuing Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under the Continuing Disclosure Agreement; provided that the sole and exclusive remedy for breach of the Continuing Disclosure Agreement shall be an action to compel specific performance of the obligations of the City under the Continuing Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with the Continuing Disclosure Agreement are conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default as though such provisions applied under the Continuing Disclosure Agreement. Failure of the City to perform its obligations under the Continuing Disclosure Agreement shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may amend or make changes to the Continuing Disclosure Agreement for any purpose, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth in the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

The form of opinion of Bond Counsel for both Series of Bonds is substantially similar.

Missouri Development Finance Board
Jefferson City, Missouri

Piper Jaffray & Co.
Leawood, Kansas

City of Independence, Missouri
Independence, Missouri

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

Re: $7,920,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2008B

Ladies and Gentlemen:

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 March 1, 2005, as supplemented and amended by the First Supplemental Bond Trust Indenture dated as of March 15, 2006, and the Second Supplemental Bond Trust Indenture dated as of February 1, 2008 (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 March 1, 2005, as supplemented and amended by the First Supplemental Financing Agreement dated as of March 15, 2006 and the Second Supplemental Financing Agreement dated as of February 1, 2008 (collectively, the "Financing Agreement") between the Board and the City to pay the costs of financing the Project as defined in the Indenture.

Reference is made to an opinion of even date herewith of Allen 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 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 (including any original issue discount properly allocable to an owner thereof) 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,