

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded 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. The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, stated interest on the Bonds is exempt from income taxation by the State of Missouri. See "TAX MATTERS" herein.

MISSOURI DEVELOPMENT FINANCE BOARD
\$10,725,000
Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Events Center Project)
Series 2008H

Dated: November 1, 2008

Due: See Inside Cover Page

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 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 page. Interest on the Bonds will be payable on each April 1 and October 1, beginning on April 1, 2009.

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 Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City"); (ii) subject to the conditions and limitations described herein, certain CID Sales Tax Revenues and TIF Revenues; and (iii) certain other funds held by the Trustee under the Indenture. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS.**"

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien on the Events Center or any other facilities or property of the City.

THE BONDS ARE NOT AN INDEBTEDNESS OF THE BOARD, THE CITY, THE CID 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 CID, 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 CID, 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 and the CID 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 November 18, 2008.

PiperJaffray®

MISSOURI DEVELOPMENT FINANCE BOARD

\$10,725,000

**Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Events Center Project)
Series 2008H**

Dated: November 1, 2008

Due: April 1 as shown below

Maturity Schedule

Term Bonds

\$2,000,000 Term Bonds due April 1, 2029, Interest Rate: 6.750%, Offering Price: 98.899%
\$2,580,000 Term Bonds due April 1, 2033, Interest Rate: 6.750%, Offering Price: 95.404%
\$6,145,000 Term Bonds due April 1, 2038, Interest Rate: 7.000%, Offering Price: 96.965%

(subject to mandatory sinking fund redemption as reflected in schedules on pages 18 and 19 hereof)

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Board, the City, the CID 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, the CID 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, the CID 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

\$10,725,000

**Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Events Center Project)
Series 2008H**

INTRODUCTORY STATEMENT

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

Purpose of the Official Statement

This Official Statement, including the cover page and the Appendices, sets forth certain information in connection with (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the “Board”), of the above-described series of bonds (the “Bonds”), (ii) the City of Independence, Missouri (the “City”), (iii) the Independence Events Center Community Improvement District, a political subdivision of the State of Missouri (the “CID”), and (iv) the Events Center Project more fully described herein (the “Events Center”).

The Board

The Board is a body corporate and politic 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 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 CID

The CID is a community improvement district, and a political subdivision of the State of Missouri, formed under Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri, as amended (the “CID Act”). The District was formed on December 20, 2007, through the passage of an ordinance by the City Council of the City. See the caption “**THE CID**” herein

Loan of Bond Proceeds

The proceeds of the Bonds will be loaned by the Board to the City pursuant to a Financing Agreement dated as of April 1, 2008 as supplemented and amended by a Series 2008H Supplemental Financing Agreement dated as of November 1, 2008 (collectively, the “Financing Agreement”) to permit the City to reimburse or pay the costs of design, construction and development of the Events Center. A description of the

Events Center is set forth under the caption **“THE EVENTS CENTER PROJECT.”** The proceeds of the Bonds will also be used to fund a Debt Service Reserve Fund for the Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption **“SOURCES AND USES OF FUNDS.”**

The Bonds

The Bonds will be issued pursuant to the Act and the Bond Trust Indenture dated April 1, 2008 as supplemented and amended by a 2008H Supplemental Bond Trust Indenture dated as of November 1, 2008 (collectively, the “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 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. 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 Indenture and the Financing Agreement.

Security for the Bonds

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 Financing Agreement, (2) subject to the conditions described herein, certain CID Sales Tax Revenues and TIF Revenues; and (3) certain other funds held by the Trustee under the Indenture, and not from any other fund or source of the Board. Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Bonds. Except as noted herein, all payments by the City under the Financing Agreement are subject to annual appropriation. Pursuant to the Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the Financing Agreement, including all Loan Payments and Additional Payments payable thereunder. As described below, the Board’s Series 2008D Bonds previously issued for the Events Center and the Bonds are secured on a parity as to the pledge of CID Sales Tax Revenues and TIF Revenues, but are not secured on a parity as to the Debt Service Reserve Fund for the Bonds.

The Bonds are not an indebtedness of the Board, the City, the CID, 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.

Annual Appropriation Covenant

The Financing Agreement contains an annual appropriation covenant pursuant to which the City agrees to budget and appropriate sufficient moneys to pay all Loan Payments and reasonably estimated Additional Payments for the next succeeding fiscal year. If the City continues to appropriate such moneys, the City’s obligations to make Loan Payments and Additional Payments will be payable from all general fund revenues of the City for that fiscal year. The taxing power of the City is not pledged to the payment of Loan Payments either as to principal or interest. See the caption **“SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City.”**

Additional Bonds

The Indenture provides for the issuance of additional bonds (“Additional Bonds”) which, if issued, would rank on a parity with the Series 2008D Bonds previously issued by the Board, the Bonds and any other bonds then outstanding under such Indenture issued on a parity with the Series 2008D Bonds and the Bonds. See **“SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds”** and **“SUMMARY OF THE INDENTURE – Additional Bonds”** in **Appendix C** hereto.

The Bonds are the second series of Bonds to be issued for the Events Center. A portion of the cost the Events Center was financed by the Board in April 2008 through the issuance of its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2008D in the aggregate principal amount of \$12,325,000 (the “Series 2008D Bonds”). The Series 2008D Bonds and the Bonds are secured on a parity as to the pledge of CID Sales Tax Revenues and TIF Revenues described herein, but are not secured on a parity as to the Debt Service Reserve Fund for the Bonds.

CID Sales Tax Revenues

As more fully described herein, the City’s obligation to make Loan Payments with respect to the Bonds under the Financing Agreement will, in addition to the annual appropriation covenant discussed in the preceding paragraph, be secured by the CID Sales Tax Revenues (defined herein). The CID Sales Tax Revenues are subject to annual appropriation by the Board of Directors of the CID. The CID Sales Tax Revenues consist of the collections of a sales tax to be levied by the CID, less certain administration and collection costs.

Subordinate Lien on Certain TIF Revenues

The City will, on a subordinate basis, subject to annual appropriation, pledge certain TIF Revenues from four existing tax increment financing redevelopment areas to the payment of the Bonds. The TIF Revenues available to make payments on the Bonds will be limited to an amount equal to 50% of the CID Sales Tax Revenues generated within the four tax increment financing districts and which are captured by the existing TIF districts, and not from any other revenues generated as a result of tax increment financing in those districts. The City has completed amendments to the applicable TIF Plans to allow the funding of the Events Center from these revenues on a subordinate basis. The pledge of such revenues will be subordinate to the payment of other outstanding bonds issued by the Board for projects unrelated to the Events Center and the payment of certain other amounts and will be also be subordinate to the payment of other bonds that the Board may issue in the future payable from such revenues. There is no limit on the amount of additional bonds the City may issue that are payable from such TIF Revenues. As a result potential investors should not purchase the Bonds in reliance on the availability of such TIF Revenues being available for payment of the Bonds. See **“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinate Lien on Certain TIF Revenues”** herein.

Bondowners’ Risks

Payment of the principal of and interest on the Bonds is primarily dependent upon the collection of CID Sales Tax Revenues and the City’s decision to continue to annually appropriate sufficient moneys to make Loan Payments under the Financing Agreement. 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 CID Sales Tax Revenues and TIF Revenues received by the City.

A summary of the Continuing Disclosure Agreement is attached to this Official Statement in **Appendix C** hereto.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix C* of this Official Statement. Summaries of the Indenture, the Financing Agreement, the City's Authorizing Ordinance, Cooperative Agreement between the CID and the City (the "Cooperative Agreement") and the Continuing Disclosure Agreement are included in this Official Statement in **Appendix C** hereto, 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"). The Board is a body corporate and politic 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. There is currently one vacancy.

Robert V. Miserez serves as Executive Director of the Board

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

- ***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.
- **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, 2011. 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.
- **Gary Taylor** — ex-officio member. Mr. Taylor is the Interim Director of the Department of Economic Development.
- **Don Steen** — ex-officio member. Mr. Steen 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 Indenture 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 Indenture, 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 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. Certain information describing the City is attached hereto in **Appendix A**.

PLAN OF FINANCING

Financing of the Events Center

The Board expects to issue in the aggregate approximately \$79,790,000 in bonds under the Indenture at the request of the City to finance the costs of acquiring, developing, constructing, equipping and opening the Events Center. Any bonds issued under the Indenture subsequent to the Bonds for the Events Center will be issued as Additional Bonds. This figure includes the Series 2008D Bonds, the Bonds and projected Additional Bonds, but excludes bonds expected to be issued by the Board payable from tax increment financing revenues generated by the Eastland Redevelopment Project and, subject to annual appropriation, the City’s general fund sufficient to fund approximately \$3,500,000 of the costs related to the Events Center (the “Additional Eastland Bonds”). See **Appendix A – Obligations of the City – Future Obligations - Eastland Center Redevelopment Project**). The proposed Additional Bonds will be secured on a parity with the Series 2008D Bonds and the Bonds, (except that the account of the Debt Service Reserve Fund established for each series of bonds secures only the associated series of bonds), and therefore will share an equal claim on the CID Sales Tax Revenues. The Bonds are the second series of bonds issued for the Project. The Additional Eastland Bonds would be independently secured under a separate bond trust indenture. See **“PLAN OF FINANCING,” “THE EVENTS CENTER PROJECT – Related Series of Bonds,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds,” “BONDOWNERS’ RISKS - Status of Design and Construction of Events Center”** and **Appendix A – Obligations of the City – Future Obligations - Eastland Center Redevelopment Project**.

Based up the current development schedule, the City expects the future series of Additional Bonds and Additional Eastland Bonds to be issued next year when additional funds are needed. The City may request that the Board issue Additional Bonds or the Additional Eastland Bonds before that time if it determines that such issuance will be beneficial to the City.

Estimated Sources and Uses of Funds

The proceeds of the Series 2008D Bonds, the Bonds and Additional Bonds will be applied as follows:

Sources of Funds:

	Series 2008D Bonds	Series 2008H Bonds	Future Series^{††}	Total
Principal amount	\$12,325,000.00	\$10,725,000.00	\$56,740,000.00	\$79,790,000.00
Reoffering Premium (Discount)	(142,204.25)	(327,097.55)	(1,823,359.70)	(2,292,661.50)
Accrued Interest	<u>3,700.97</u>	<u>34,911.39</u>	<u>0.00</u>	<u>38,612.36</u>
Total sources of funds	\$12,186,496.72	\$10,432,813.84	\$54,916,640.30	\$77,535,950.86

Uses of Funds:

	Series 2008D Bonds	Series 2008H Bonds	Future Series^{††}	Total
Deposit to the Project Fund	\$10,306,502.22	\$9,032,709.76	\$45,198,105.00	\$64,537,316.98
Debt Service Reserve Fund	883,475.00	\$1,039,790.24	5,674,000.00	7,597,265.24
Debt Service Fund	3,700.97	34,911.39	0.00	38,612.36
Capitalized Interest	662,474.03	0.00	2,940,421.88	3,602,895.91
Costs of Issuance [†]	<u>330,344.50</u>	<u>325,402.45</u>	<u>1,104,113.42</u>	<u>1,759,860.37</u>
Total uses of funds	\$12,186,496.72	\$10,432,813.84	\$54,916,640.30	\$77,535,950.86

[†] Costs of Issuance includes underwriter's discount and certain fees, costs and expenses relating to the creation and implementation of the CID.

^{††} Does not include the Additional Eastland Bonds described herein.

THE CID

General

The Independence Events Center Community Improvement District (the "CID") is a community improvement district, and a political subdivision of the State of Missouri, formed under Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri, as amended (the "CID Act"). The District was formed on December 20, 2007, through the passage of an ordinance by the City Council of the City.

Land Area and Existing Development

The CID encompasses approximately 1,294 acres generally located at the intersection of Interstate 70 and Missouri Highway 291, all within the city limits of the City, and as further identified in the map below. The boundaries of the CID include a significant amount of existing retail development, including the following:

1. Eastland Center – The Eastland Center Project is a tax increment financing project initiated by the City over approximately 212 acres. The Eastland Center area includes retail, commercial and hotel development, including a Costco and Lowe's. Further office development is anticipated in the Eastland Center area. The site of the Events Center is also within the Eastland Center tax increment financing redevelopment area.
2. Bolger Square – The retail and commercial development in Bolger Square is anchored by Target, JC Penney and Dick's Sporting Goods. Bolger Square was formerly a tax increment financing project but tax increment financing is no longer in effect because all eligible redevelopment project costs have been paid.

3. Independence Center – Independence Center is an indoor shopping mall with over 130 stores including Dillard's, Macy's and Sears. Independence Center is within the boundaries of the CID but is not within an existing tax increment financing area of the City. Independence Center is managed by Simon Property Group, Inc.

4. Crossroads - The Crossroads development contains a Wal-Mart, Sam's Club, PetSmart and several restaurants. The Crossroads development is generally located west and north of Independence Center and is within the CID. Similar to Bolger Square, Crossroads was formerly a tax increment financing project but tax increment financing is no longer in effect because all eligible redevelopment project costs have been paid.

5. Independence Commons – This shopping center is located within the CID generally north of Independence Center and includes a Best Buy, Marshalls, Barnes & Noble, Shoe Carnival, Bed Bath and Beyond, Kohl's, a 20 screen AMC Independence Commons movie theater and other commercial uses. As with Bolger Square and Crossroads, Independence Commons was formerly a tax increment financing project but tax increment financing is no longer in effect because all eligible redevelopment project costs have been paid.

6. Centerpoint Project – The Centerpoint redevelopment project is comprised of a 257 bed hospital facility, an ambulatory surgery center and a medical office building. The Centerpoint Project will not generate significant sales tax revenue.

7. Trinity Project – The Trinity tax increment financing project is still in the early stages of development. It is projected to include retail stores, including restaurants, comprising approximately 33,200 square feet, approximately 98,250 square feet of general commercial space and multiple office buildings.

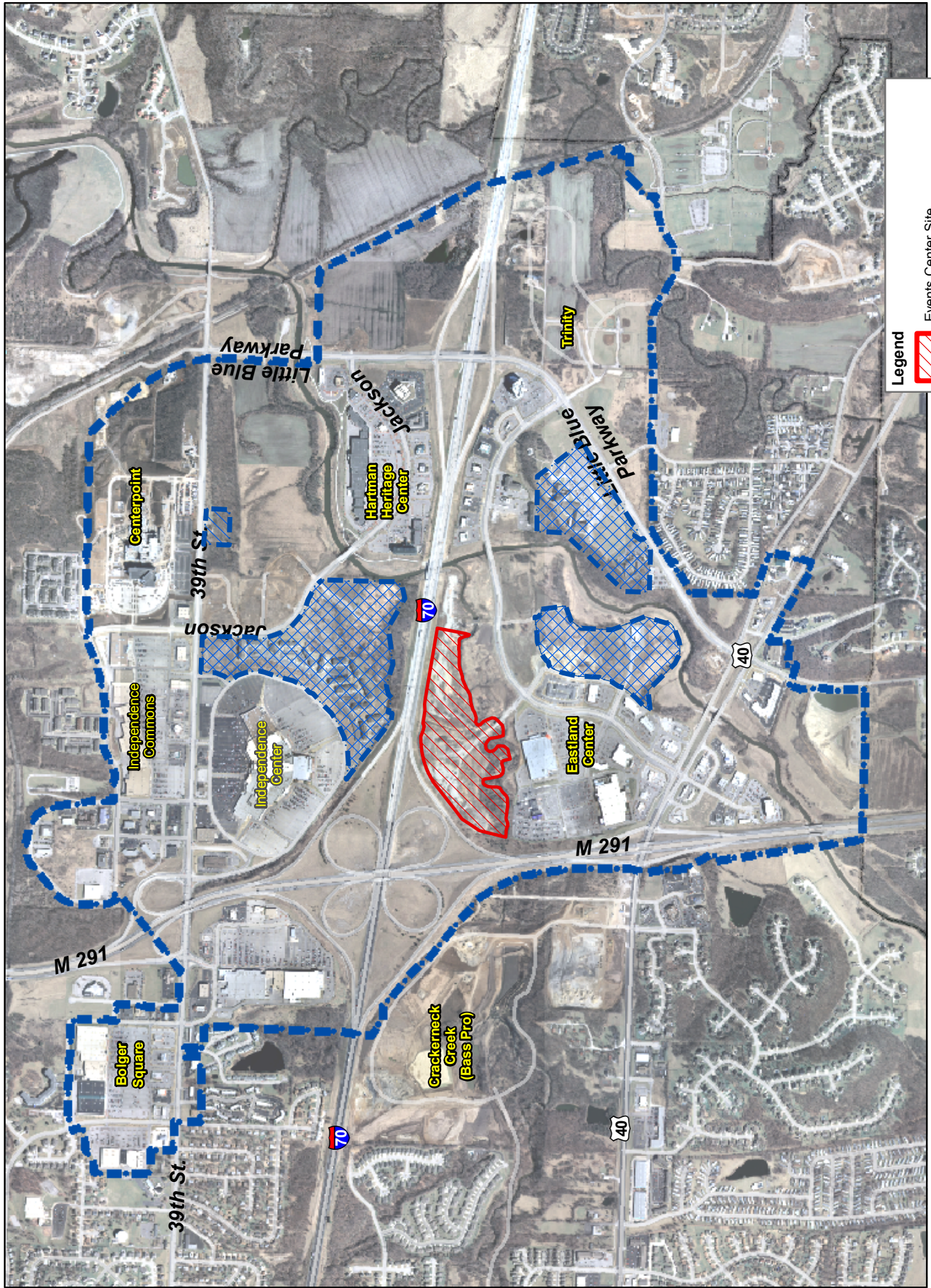
8. Hartman Heritage Center – Hartman Heritage Center is a tax increment financing project that is comprised of a large number of restaurant and retail establishments, including Dress Barn, Linens & Things, World Market, Thomasville Basset, Pier One Imports and Herford House as well as a 201 room Hilton Garden Inn with an 11,322 square foot ballroom.

The CID includes numerous other smaller retail establishments, restaurants and other commercial uses. Annual sales in the area of what has since become the CID during calendar year 2007 were approximately \$684,306,579. As determined by the Jackson County Assessor, the market value of real property and improvements in the CID is \$407,976,315. This figure does not include the total value of the Centerpoint Hospital, which was recently completed.

The CID is also adjacent to the Crackerneck Creek redevelopment project. This project is anticipated to include 450,000 square feet of retail space, including a 150,000 square foot Bass Pro Outdoor World Store. The Bass Pro Store is open. No other retail space is leased or under construction as of the date hereof. The Crackerneck Creek Project is not within the CID.

A map of the boundaries of the CID is included on the following page. The map identifies the general location of the other development described above. Areas noted as being excluded from the CID boundaries are residential areas. The CID does not include any residential uses.

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Independence Events Center CID Boundary

1 inch equals 1,458 feet



CID Governance and Administration

The CID Act vests all power of the District in a Board of Directors. The Board of Directors is appointed by the City. Members of the Board of Directors serve a term of four years, except that the term of the initial members of the Board of Directors are staggered so that the terms of the initial members are either two-year or four-year terms. Each director serves without compensation and may be removed by the District with cause. The by-laws of the District provide for the annual election of officers.

The current directors and officers of the District and the date on which their terms expire are as follows:

Name	Office	Affiliation	Term Expires
Larry Kaufman	Chairman and Executive Director	City of Independence, Asst. City Manager	12/19/2011
Stephanie Roush	Vice-Chairman	City of Independence, Director of Tourism	12/19/2009
James C. Harlow	Treasurer	City of Independence, Director of Finance	12/19/2011
Vernon Meckel	Secretary	Simon Property Group, Mall Manager	12/19/2009
G.L. "Tom" Thomas	n/a	Blue Ridge Bank, Chairman of the Board	12/19/2009

To be eligible to serve as a Director an individual must be (1) at least twenty-one years of age; and (2) be either an owner, or representative of an owner, of real property within the District.

The CID has entered into a Cooperative Agreement with the City (the "Cooperative Agreement") which provides that the CID will, subject to annual appropriation by the CID, remit the collections of the CID Sales Tax to the City on a monthly basis. The City will then apply the CID Sales Tax Revenues to make principal and interest payments on the Bonds. Once each semiannual principal and interest payment is made, the City may expend remaining CID Sales Tax Revenue on public improvements and services eligible for funding under the CID Act and the Cooperative Agreement. These include such things as a bus or trolley system to operate in the area of the CID and any capital costs related to the Events Center not paid out of the proceeds of the Bonds.

CID Sales Tax

On February 26, 2008, the qualified voters of the District approved the imposition of a sales tax in the amount of up to one percent (1%) on all transactions that are taxable pursuant to the CID Act (the "CID Sales Tax"). The current intention of the CID, which was presented to the voters of the District during the election process, is that the CID Sales Tax will be imposed at a rate of .5% for a period of 20 years and thereafter be increased to .625% for the remaining life of the CID, provided that the rate of the tax would be increased if necessary, but only to the maximum of 1.0%, to pay debt service on any bonds issued to finance the completion of the Events Center. No further voter authorization for an increase in the CID Sales Tax Rate up to 1% is needed. While current projections, based on 2007 sales levels with no annual increase, indicate that the rate of the CID Sales Tax will need to be increased above .5% to pay debt service on the Series 2008D

Bonds, the Bonds and the Additional Bonds projected to be issued to fund completion of the Events Center, the plan of the Board of Directors of the CID remains to assess the level of CID Sales Tax Revenues in each year to determine if an increase in the rate of the CID Sales Tax is needed. See **“Projected Debt Service Coverage of the CID Sales Tax Revenues”** below.

The CID Sales Tax can remain in effect for 35 years. Businesses having taxable sales in the CID will collect the CID Sales Tax and forward it to the State of Missouri, which in turn will remit the CID Sales Tax to the District. Collection of the CID Sales Tax began July 1, 2008.

In the Cooperative Agreement, the CID has covenanted, subject to annual appropriation by the Board of Directors of the CID, to remit moneys it receives from the CID Sales Tax to the City. The City has covenanted under the Financing Agreement to use CID Sales Tax Revenues for payment of the Bonds. CID Sales Tax Revenues consist of revenues received by the City from the CID Sales Tax, less (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, (ii) such amount as is retained by the State of Missouri for collecting the CID Sales Tax, (iii) any sum received by the CID which is the subject of a suit or other claim communicated to the CID which suit or claim challenges the collection of such sum, (iv) an administration fee payable to the City for administering and accounting for the CID Sales Tax in the amount of 2% of the total CID Sales Tax, plus any actual costs and expenses incurred by the City greater than such 2% amount, (v) a one-time payment to the City of \$1,200 to reimburse the City for administrative set-up costs and expenses of the CID, (vi) actual, reasonable operating costs of the CID, and (vii) any costs and expenses incurred in connection with any collection or enforcement issues associated with the CID Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue. The City estimates that the total amount of such administrative and collection costs (exclusive of collection costs of the State which are set at 1% of collections) will be approximately \$66,400 on an annual basis.

Pursuant to the Authorizing Ordinance, on each semiannual payment date, the City will use the CID Sales Tax Revenues to make principal and interest payments on the Bonds. After making such payments, the City may use available CID Sales Tax Revenues for the purpose of paying costs of other public improvements and services in the District. See **“SUMMARY OF THE AUTHORIZING ORDINANCE”** in **Appendix C** hereto.

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Projected Debt Service Coverage of the CID Sales Tax Revenues

The following table summarizes projected debt service coverage for the Series 2008D Bonds, the Bonds and anticipated Additional Bonds (an estimated total of \$79,790,000) based on the CID Sales Tax Revenues starting in calendar year 2009 if the CID Sales Tax is levied at the highest rate that has been authorized by the voters of the CID, 1.0%, throughout the term of the Bonds. The CID Sales Tax has been initially levied at the rate of .5%. The City anticipates that the amount of the CID Sales Tax will be increased as needed to pay debt service on the Series 2008D Bonds, the Bonds and any Additional Bonds up to the maximum authorized rate of 1%. See the caption “**THE CID – CID Sales Tax**” herein.

The table uses gross sales revenues information for businesses operating within the CID District for the calendar year ending December 31, 2007 (\$6,500,912) as a base, **and assumes an annual increase in gross sales in the CID of 2.5%.**

Calendar Year	Estimated CID Sales Tax Revenues ¹	Other Revenues ²	Total Projected Revenues	Projected Total Debt Service ³	Projected Coverage
2009	\$6,663,435	\$3,527,721	\$10,191,156	\$4,314,289	2.36
2010	\$6,830,021	\$320,284	\$7,150,305	\$5,522,838	1.29
2011	\$7,000,771	\$320,284	\$7,321,055	\$5,514,838	1.33
2012	\$7,175,790	\$320,284	\$7,496,075	\$5,506,838	1.36
2013	\$7,355,185	\$320,284	\$7,675,470	\$5,548,338	1.38
2014	\$7,539,065	\$320,284	\$7,859,349	\$5,538,181	1.42
2015	\$7,727,541	\$320,284	\$8,047,826	\$5,527,478	1.46
2016	\$7,920,730	\$320,284	\$8,241,014	\$5,516,463	1.49
2017	\$8,118,748	\$320,284	\$8,439,033	\$5,529,650	1.53
2018	\$8,321,717	\$320,284	\$8,642,001	\$5,525,775	1.56
2019	\$8,529,760	\$320,284	\$8,850,044	\$5,531,275	1.60
2020	\$8,743,004	\$320,284	\$9,063,288	\$5,535,731	1.64
2021	\$8,961,579	\$320,284	\$9,281,863	\$5,670,953	1.64
2022	\$9,185,618	\$320,284	\$9,505,903	\$5,800,528	1.64
2023	\$9,415,259	\$320,284	\$9,735,543	\$5,939,241	1.64
2024	\$9,650,640	\$320,284	\$9,970,925	\$6,080,909	1.64
2025	\$9,891,906	\$320,284	\$10,212,191	\$6,224,353	1.64
2026	\$10,139,204	\$320,284	\$10,459,488	\$6,367,934	1.64
2027	\$10,392,684	\$320,284	\$10,712,968	\$6,520,178	1.64
2028	\$10,652,501	\$320,284	\$10,972,786	\$6,677,250	1.64
2029	\$10,918,814	\$320,284	\$11,239,098	\$8,455,203	1.33
2030	\$11,191,784	\$320,284	\$11,512,068	\$8,660,100	1.33
2031	\$11,471,579	\$320,284	\$11,791,863	\$8,866,706	1.33
2032	\$11,758,368	\$320,284	\$12,078,653	\$9,083,850	1.33
2033	\$12,052,327	\$320,284	\$12,372,612	\$9,303,231	1.33
2034	\$12,353,636	\$320,284	\$12,673,920	\$9,522,094	1.33
2035	\$12,662,477	\$320,284	\$12,982,761	\$9,752,094	1.33
2036	\$12,979,038	\$320,284	\$13,299,323	\$9,992,719	1.33
2037	\$13,303,514	\$320,284	\$13,623,799	\$10,224,688	1.33
2038	\$4,545,367	\$7,757,407	\$12,302,775	\$12,355,431	1.00

¹ Assumes gross sales starting at 2007 levels (\$6,500,912) as estimated by the City as a base with a 2.5% annual increase. Net of estimated collection and administration expenses, and includes TIF Revenues but no other revenues from tax increment financing. The tax can be collected through the year 2043.

² Represents estimated earnings on debt service reserve fund, capitalized interest in 2009 and release of reserves in 2038.

³ Estimated debt service on three series of bonds in the aggregate principal amount of \$79,790,000 with combined True Interest Cost of 6.757%.

The foregoing table assumes that the total amount of Bonds and Additional Bonds the City expects to issue is \$79,790,000. While the City believes this, together with the Additional Eastland Bonds, will provide adequate funds to construct, equip and begin operations of the Events Center, actual projects costs are not known at this time. See “**BONDOWNERS’ RISKS - Status of Design and Construction of Events Center.**” If costs of the Event Center exceed current estimates or if interest rates are higher than expected, the projected debt service coverage shown above will be lower. See “**BONDOWNERS’ RISKS – Projected Interest Rates.**” Nothing in the Indenture or Financing Agreement requires the City to have a positive coverage of debt service. The issuance of the Additional Bonds is not subject to any parity test so long as the City secures such Additional Bonds with its annual appropriation covenant. Pursuant to the Financing Agreement the City is obligated to complete construction of the Events Center whether or not the City is able to issue bonds or cause the Board to issue bonds to fund such costs.

THE EVENTS CENTER PROJECT

Completion of the Events Center consists of three basic categories of improvements, which include an Events Center, an Adjacent Ice and Practice Facility, and related Infrastructure Improvements, each as further described below. The site for the Events Center will be an approximately 27 acre tract of land at the southeast quadrant of the intersection of Interstate 70 and Missouri Highway 291, as identified on the map on page 9. The Events Center will be owned by the City.

Events Center

The Events Center will be capable of hosting sporting, civic and entertainment events and will contain approximately 162,000 square feet of space on two levels. The Events Center will have a maximum seating capacity of 6,100 spectators for sporting events and 8,100 for concert events, with 29 luxury suites. The capacity of the Events Center is expanded from 6,100 to 8,100 for concerts and other special events by the use of approximately 2,000 folding or stacking chairs. The seating totals also include approximately 500 club seats and a separate loge section which will be served by lounges with bars and concessions.

The rink area will be based on NHL standards of 85 feet x 200 feet, with an ice rink designed to withstand repeated quick changes from ice events to non-ice events. The facility will also include administrative offices, a box office, janitorial and equipment rooms, home team and visitor locker rooms, public toilet facilities, concession areas, and a stage for concert events. There will be separate rooms to accommodate the press, radio, and statisticians and to control sound and lighting equipment.

The City anticipates that a Central Hockey League (“CHL”) minor league hockey franchise will utilize the Events Center. The CHL currently consists of 18 teams located in mid-market communities throughout the Central and Western regions of the United States. The franchise would be owned by Global Entertainment Corporation (“Global”) which also owns the CHL, or sold to a franchisee. Global and the City have entered into an agreement for Global to manage the Events Center upon completion. See the caption “**DEVELOPMENT AND MANAGEMENT OF THE EVENTS CENTER PROJECT**” herein for a description of Global, its subsidiaries and the management agreement.

Adjacent Ice and Practice Facility

The Adjacent Ice and Practice Facility will be under the same roof as the Events Center but will be set up as a separate facility. The facility will contain approximately 28,200 square feet and will contain a standard NHL size rink of 85 feet x 200 feet. The facility will also include its own lobby and spectator bleacher seating for approximately 270 spectators, a storage area for various hockey and figure skating gear, a skate rental area, separate concession areas, a party room, restroom facilities, and shared locker rooms with the main Events Center facility. The City’s Parks and Recreation Department will have an administrative office in the facility. Scoreboards and some electronic signage will also be installed. The facility will utilize the same mechanical

equipment and infrastructure to be constructed for the Events Center. The City anticipates that the Adjacent Ice and Practice Facility will be used by the public and also for practices by the CHL franchise. See **“BONDOWNERS’ RISKS - Status of Design and Construction of Events Center.”**

Infrastructure Improvements

Site infrastructure improvements will be made to accommodate the Events Center. Parking will be provided in accordance with City of Independence design criteria. Streets necessary to access the Events Center will be constructed. Utilities will be extended to the site, and landscaping, grading, drainage, and erosion control will be provided as part of the site improvements.

Budget for Construction of the Events Center

The budget for completion of the Events Center is currently projected as follows:

Events Center and Adjacent Ice and Practice Facility*	\$58,000,000
Infrastructure	\$4,193,446
Land Acquisition	\$5,806,554
Total	\$68,000,000

The final budget will be dependent upon final design for the project and bids received by the City. Design of the Events Center is substantially complete, preliminary site work has commenced and the City is in the process of negotiating a construction contract for the completion of the Events Center. See **“DEVELOPMENT AND MANAGEMENT OF THE EVENTS CENTER PROJECT – Design and Construction”** and **“BONDOWNERS’ RISKS - Status of Design and Construction of Events Center.”** The City has acquired all real estate necessary for construction of the Events Center.

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien on the Events Center or any other facilities or property of the City. The City will not pledge any operating revenues from the Events Center to the payment of the Bonds.

DEVELOPMENT AND MANAGEMENT OF THE EVENTS CENTER PROJECT

Design of the Events Center

The City has hired The Benham Companies, L.L.C., as the project manager to act as the City’s representative in the oversight of the Events Center (“Benham”). Benham has been in business since 1909 and has provided project management services for projects such as Branson Landing, Branson, Missouri; the Branson Convention Center; Ford Center Arena, Oklahoma City; and the St. Louis Renaissance Grand Hotel and Suites.

The City has hired Sink Combs Dethlefs to provide architectural and engineering design services for the Project (“Sink Combs”). Sink Combs was founded in Denver, Colorado in 1962, and has provided architectural and engineering services for over 24 arena and event center projects throughout the United States. Facilities similar to the Events Center for which Sink Combs has provided architectural services include the following projects: HP Pavilion, San Jose, CA; MTS Centre, Winnipeg, Manitoba CAN; Broomfield Event Center, Broomfield, CO; Ford Center, Oklahoma City, OK; Rio Rancho Events Center, Rio Rancho, NM and

* Includes furniture, fixtures and equipment.

Tim's Toyota Center, Prescott Valley, AZ. See **"BONDOWNERS' RISKS - Status of Design and Construction of Events Center."**

Construction of the Events Center

The City has selected JE Dunn Construction Company ("Dunn") to construct the Events Center Project. The City and Dunn have entered into a preliminary contract for limited site work for the project and a separate contract related to acquisition of materials. The City expects to enter into multiple additional contracts with Dunn to complete the construction of the Events Center Project. The first of such additional contracts for continued construction work was approved by the City Council in September, 2008.

Dunn was founded in Kansas City, Missouri in 1924. JE Dunn Construction Group, Inc. has six operating companies and 20 offices located across the United States. According to its website, in 2006 JE Dunn Construction Group ranked as the 5th largest general building company in the United States based on revenues of \$2.3 billion in 2005.

Examples of projects for which JE Dunn Construction Midwest has provided or is providing construction services include the JQH Arena at Missouri State University in Springfield, Missouri; the Kauffman Center for the Performing Arts in Kansas City, Missouri; the Federal Reserve Bank in Kansas City, Missouri and Staley High School and District Activity Center in Kansas City, Missouri.

Development Schedule

The City currently expects that the Events Center will be developed on the following schedule:

	<u>Projected Date</u>
Acquire land	April 4, 2008 (completed)
Design Completion	June 30, 2008 (completed)
Commence construction	June 15, 2008 (completed)
Opening of Events Center	October 31, 2009

See **"BONDOWNERS' RISKS - Status of Design and Construction of Events Center."**

Management Services

The City has entered into a management agreement with Global Entertainment Corporation, a Nevada corporation ("Global") and a project consultant agreement with International Coliseums Company ("ICC"), a subsidiary of Global. Global is a public company whose stock is traded on the American Stock Exchange under the symbol "GEE." Global is an event and entertainment company that is engaged, through its seven wholly owned subsidiaries, in sports management, multipurpose events center and related real estate development, facility and venue management and marketing, venue ticketing and brand licensing. Global was organized as a Nevada corporation on August 20, 1998, under the name Global II, Inc. Global, with the assistance of its subsidiaries including ICC, will provide consultation services during the design and construction of the Events Center and Adjacent Ice and Practice Facility and will manage the facilities upon completion.

THE BONDS

General Terms

The Bonds are being issued in the principal amount shown on the cover page, are dated November 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 page, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2009, and will mature on April 1 in the years as set forth on the inside cover page. The Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The principal of the Bonds is 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. The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by The Depository Trust Company (“DTC”), New York, New York.

The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The Board, the City, the Underwriter and the Trustee take no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Bonds. 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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Redemption Price and Interest. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by

an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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, the Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry 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. The Board may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, 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), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Indenture.

Redemption

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

Optional Redemption. The Bonds maturing on April 1, 2029 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 October 1, 2013, 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 Bonds maturing on April 1, 2029 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 and October 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:

<u>Due</u>	<u>Principal Amount</u>
10/1/2027	\$250,000
04/1/2028	260,000
10/1/2028	270,000
04/1/2029*	1,220,000

*Final Maturity

The Bonds maturing on April 1, 2033 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 and October 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:

<u>Due</u>	<u>Principal Amount</u>
10/1/2029	\$230,000
04/1/2030	270,000
10/1/2030	275,000
04/1/2031	315,000
10/1/2031	325,000
04/1/2032	365,000
10/1/2032	380,000
04/1/2033*	420,000

*Final Maturity

The Bonds maturing on April 1, 2038 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 and October 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:

	<u>Principal Amount</u>
10/1/2033	\$435,000
04/1/2034	480,000
10/1/2034	500,000
04/1/2035	545,000
10/1/2035	565,000
04/1/2036	615,000
10/1/2036	640,000
04/1/2037	690,000
10/1/2037	715,000
04/1/2038*	960,000

*Final Maturity

The Trustee shall, in each year in which the Bonds are to be redeemed pursuant to the terms of the mandatory sinking fund requirements of the Indenture summarized above make timely selection of such 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 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 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 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 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 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 Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of 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 Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Election to Redeem; Notice to Trustee. The Board shall elect to redeem 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 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 the Indenture which will assign and pledge to the Trustee (1) certain rights of the Board under the Financing Agreement, including the right to receive Loan Payments and Additional Payments with respect to such Bonds thereunder, and (2) the funds and accounts, including the money and investments in them, which the Trustee holds under the terms of the 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 Financing Agreement and certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. All Loan Payments and Additional Payments by the City under the Financing Agreement are subject to annual appropriation by the City except CID Sales Tax Revenues which have been received from the CID.

As more fully described herein, the City's obligation to make Loan Payments under the Financing Agreement will be secured by CID Sales Tax Revenues and TIF Revenues. The CID Sales Tax Revenues are subject to annual appropriation by the CID. The TIF Revenues are subject to annual appropriation by the City, and are only available on a subordinate basis. Revenues from the operation of the Events Center will not be available to the City for the payment of the Bonds.

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.

Prospective investors should not rely upon the City's collection of TIF Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that sufficient revenues will be available from the CID Sales Tax Sales Tax Revenues to repay the Bonds and, if the CID Sales Tax Revenues are insufficient for that purpose, that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.

The Financing Agreement

Under the Financing Agreement the City is required to make Loan Payments to the Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Bonds 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.

City Annual Appropriation Obligation

The 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 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 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 under the Financing Agreement shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the 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.

CID Sales Tax Revenues

In the Cooperative Agreement, the CID has covenanted, subject to annual appropriation by the Board of Directors of the CID, to remit moneys it receives from the CID Sales Tax to the City. The City has covenanted under the Financing Agreement to use CID Sales Tax Revenues for payment of the Series 2008D Bonds and the Bonds and anticipates that a similar covenant would be contained in any supplemental financing agreement entered into in connection with any Additional Bonds issued on a parity therewith. CID Sales Tax Revenues consist of revenues received by the City from the CID Sales Tax, less (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, (ii) such amount as is retained by the State of Missouri for collecting the CID Sales Tax, (iii) any sum received by the CID which is the subject of a suit or other claim communicated to the CID which suit or claim challenges the collection of such sum, (iv) an administration fee payable to the City for administering and accounting for the CID Sales Tax in the amount of 2% of the total CID Sales Tax, plus any actual costs and expenses incurred by the City greater than such 2% amount, (v) a one-time payment to the City of \$1,200 to reimburse the City for administrative set-up costs and expenses of the District, (vi) actual, reasonable operating costs of the CID, and (vii) any costs and expenses incurred in connection with any collection or enforcement issues associated with the CID Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue. The annual amount estimated to be used for these administrative and collection functions (exclusive of collection costs of the State which are set at 1% of collections) is estimated to be approximately \$66,400.

In the Authorizing Ordinance, the City pledges the CID Sales Tax Revenues to make semiannual principal and interest payments on the Bonds. During each year, once such payments have been made, the City intends to use the CID Sales Tax Revenues for other purposes authorized under the Cooperative Agreement.

Subordinate Lien on Certain TIF Revenues

The City's obligation to make Loan Payments with respect to the Bonds will be secured by a subordinate lien on certain TIF Revenues, which are subject to annual appropriation by the City. The TIF Revenues are economic activity taxes equal to 50% of the CID Sales Tax collected within four existing

redevelopment areas in the City, which are commonly known as the Eastland, Hartman Heritage, Centerpoint and Trinity Redevelopment Areas, and not from any other revenues generated as a result of tax increment financing in those redevelopment areas. The City has completed amendments to the Eastland, Hartman Heritage, Centerpoint and Trinity tax increment financing plans to add the Events Center project as an eligible project cost, but to limit the funding of such costs to an amount equal to 50% of the CID Sales Tax captured as EATS, and then only on a subordinate basis as described herein during the time that other project costs and bonds issued to fund those costs remain unpaid. The City has previously pledged the revenues of the Eastland, Hartman Heritage and Centerpoint redevelopment areas to repayment of bonds issued by the Board, and may in the future request the Board to issue additional bonds payable on a parity with already outstanding Bonds. With respect to the Trinity redevelopment area, the City has previously committed TIF Revenues to payment of various project costs of the City, the developer for the Trinity project and to other taxing districts. The redevelopment agreements related to the Eastland, Hartman Heritage and Centerpoint projects also contain commitments for the payment of project costs related to these projects.

The TIF Revenues may be required to be used to pay bonds which have already been issued or may be issued in the future, or may be needed to reimburse the applicable developers, various taxing district or the City for redevelopment costs not associated with the Events Center. There is no limit on the amount of additional bonds the City may issue from such TIF Revenues. For these reasons, **prospective investors should not rely upon the City's collection of TIF Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that sufficient revenues will be available from the CID Sales Tax Revenues to repay the Bonds and, if the CID Sales Tax Revenues are insufficient for that purpose, that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.**

Debt Service Reserve Fund

Pursuant to the Indenture, the Board will establish a Debt Service Reserve Fund for the Bonds. The Debt Service Reserve Fund will be fully funded at the time of the issuance of the Bonds from the proceeds of the Bonds in an amount equal to "Debt Service Reserve Requirement." The Debt Service Reserve Requirement for the Bonds is \$1,039,790.24. Moneys in each account of the 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. Amounts in the Debt Service Reserve Fund are to be used to pay principal of and interest on the Bonds to the extent of any deficiency in the Debt Service Fund and to retire the last Outstanding Bonds.

The Indenture

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

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 on a parity with the Series 2008D Bonds and the Bonds for the purposes and upon the terms and conditions provided in the related 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 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 related Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the related Financing Agreement;

and (3) the Board, the City shall have otherwise complied with the provisions of the related Financing Agreement and the related Indenture with respect to the issuance of such Additional Bonds.

The City expects that Additional Bonds will be issued as construction proceeds. See **“PLAN OF FINANCING - Financing of the Events Center”**. The proposed Additional Bonds will be secured on a parity with the Series 2008D Bonds and the Bonds (except that the account of the Debt Service Reserve Fund established for each series of bonds secures only the associated series of bonds), and therefore will share an equal claim on the CID Sales Tax Revenues and TIF Revenues. Subsequent to the issuance of the Series 2008H Bonds, the City anticipates the issuance of \$56,740,000 in Additional Bonds to complete the Events Center. The City also anticipates the issuance of the Additional Eastland Bonds to fund approximately \$3,500,000 in costs of the Events Center. If issued, the Additional Eastland Bonds would be issued under a separate bond trust indenture. See **Appendix A – Obligations of the City – Future Obligations - Eastland Center Redevelopment Project**.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008D Bonds and the 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 2008D Bonds and the Bonds even if the CID Sales Tax Revenues and TIF Revenues are not sufficient to provide for the Loan Payments on such Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the TIF Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that sufficient revenues will be available from the CID Sales Tax Sales Tax Revenues to repay the Bonds and, if the CID Sales Tax Revenues are insufficient for that purpose, that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.**

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 Financing Agreement and from certain other funds held by the Trustee under the Indenture. No representation or assurance can be given that the City will realize revenues in amounts sufficient to make such payments under the Financing Agreement.

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

General. All payments by the City under the Financing Agreement are subject to annual appropriation except that CID Sales Tax Revenues which have been appropriated by the CID are not subject to annual appropriation by the City.

Risk of Non-Appropriation. The City’s obligation to make Loan Payments under the Financing Agreement is subject to annual appropriation. Although the City has covenanted to request annually that the appropriation of the Loan Payments be included in the budget submitted to the City Council for each fiscal

year, there can be no assurance that such appropriation will be made, and the City is not legally obligated to do so.

In addition, while the City has covenanted to use the CID Sales Tax Revenues to make payments of principal and interest on the Bonds, the availability of such revenues is subject to annual appropriation by the Board of Directors of the CID.

No Pledge, Lease or Mortgage of the Events Center or any other Facilities of the City. Payment of the principal of and interest on the Bonds is **not** secured by any deed of trust, mortgage or other lien on the Events Center, 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 and other money held by the Trustee.

No Availability of Revenues from Events Center. Revenues from the operation of the Events Center will not be available to the City for the payment of the Bonds.

Risk Factors Relating to the Collection of CID Sales Tax and TIF Revenues

As noted herein the payment by the City of Loan Payments under the Financing Agreement is secured by a pledge of CID Sales Tax Revenues and a subordinate pledge of certain TIF Revenues.

Prospective investors should evaluate factors which could cause such the CID Sales Tax Revenues and TIF Revenues to be below the City's estimates in order to determine the capacity of the City's General Fund to provide for the Loan Payments with respect to the Bonds in the event such the CID Sales Tax Revenues and TIF Revenues are not sufficient to make such payments.

To the extent that in any year the CID Sales Tax Revenues and TIF Revenues are insufficient to repay the Bonds, the City anticipates causing the CID Sales Tax to be levied at a higher rate to make up any deficiency, provided that the maximum rate at which the CID Sales Tax can be levied is 1%. See "**THE CID – CID Sales Tax**" herein.

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

Changes in Retail Sales Market Conditions. The estimates of the CID Sales Tax Revenues and TIF Revenues used in the City's internal projections and in the projections contained under the caption "**THE CID - Projected Debt Service Coverage of the CID Sales Tax Revenues**" are based on the current status of the national and local business economy and assume a future performance of the retail sales 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 amount of the CID Sales Tax Revenues and TIF Revenues collected.

Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. A decline in general economic conditions could reduce the number and value of taxable transactions and thus reduce the amount of CID Sales Tax Revenues and TIF Revenues available for repayment of the Bonds.

While certain recent economic indicators and studies suggest a decline in economic conditions may occur, it is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial activity will occur, and what impact any such changes would have on CID Sales Tax Revenues and TIF Revenues.

Competition from Development Outside the CID. Retail businesses outside of the CID which are currently existing or which are developed after the date of this Official Statement will be competitive with retail businesses in the CID and could have an adverse impact on the available amount of TIF Revenues and CID Sales Tax Revenues generated for repayment of the Bonds.

A primary example of this is the Crackerneck Creek project, which is not within the CID and includes a Bass Pro Outdoor World Store that is in excess of 150,000 square feet. An additional 300,000 square feet of retail and commercial development has been projected for completion in the Crackerneck Creek project. While only the Bass Pro Store is currently open for business and no leases or other binding commitments exist for tenants to occupy the remaining 300,000 square feet of space, and such space is not currently under construction, the existence and further development of the Crackerneck Creek project and other area development that is outside the CID could negatively impact sales within the CID.

Risk of Damage or Destruction. The partial or complete destruction of improvements within the CID, as a result of fire, natural disaster or similar casualty event, would adversely impact the collection of the CID Sales Tax and TIF Revenues.

Changes in State and Local Tax Laws. The City's internal estimates of CID Sales Tax and TIF Revenues assume no substantial change in the basis of levying and collecting sales taxes and TIF Revenues. Any change in the current system of collection and distribution of sales taxes or TIF Revenues in the County or the City, including without limitation judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the availability of revenues to pay the principal of and interest on the Bonds.

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 CID could lower its tax rate, which would have the effect of reducing the amount of TIF Revenues that could be available to make payments on the Bonds.

Risk of Non-Appropriation of CID Sales Tax

The application of CID Sales Tax and the receipt of such revenues by the City is subject to annual appropriation by the CID. Although the CID has covenanted to request annually that the appropriation of the proceeds of the CID Sales Tax be included in the budget submitted to the Board of Directors for each fiscal year, there can be no assurance that such appropriation will be made by the Board of Directors, and the Board of Directors is not legally obligated to do so.

Risk of Non-Appropriation of TIF Revenues

The application of TIF Revenues in the various special allocation funds for the Eastland Center, Hartman Heritage, Centerpoint and Trinity redevelopment projects is subject to annual appropriation by the City. Although the City has covenanted to request annually that the appropriation of the TIF Revenues in the various special allocation funds 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.

Prior Pledge of TIF Revenues

The TIF Revenues may be required to be used to pay bonds which have already been issued or may be issued in the future, or may be needed to reimburse the applicable developers, various taxing district or the City for redevelopment costs not associated with the Events Center. There is no limit on the amount of additional bonds the City may issue from such TIF Revenues. For these reasons, **prospective investors should not rely upon the City's collection of TIF Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that sufficient revenues will be available from the CID Sales Tax**

Sales Tax Revenues to repay the Bonds and, if the CID Sales Tax Revenues are insufficient for that purpose, that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.

Status of Design and Construction of Events Center

Information under the caption “**THE EVENTS CENTER PROJECT**” related to such things as the Events Center facility, related infrastructure, the construction schedule and overall budget for completion are preliminary estimates based on information received by the City from Global. The City has not yet formally retained a construction contractor for the completion of the project. However, design is substantially complete.

As the City completes design and construction of the Events Center, the final facility, the schedule for completion and the cost thereof will likely differ from the information set forth herein, and such differences could be material.

If costs for completion of the Events Center increase because of construction delays, design or construction difficulties or other reasons, the amount of bonds that the City will request that MDFB issues for the project will likely increase over the amounts described under the captions “**THE CID - Projected Debt Service Coverage of the CID Sales Tax Revenues**” and “**PLAN OF FINANCING – Financing of the Events Center.**” Such bonds would be Additional Bonds that would have a lien on the CID Sales Tax Revenues and the TIF Revenues equal to the lien of the Series 2008D Bonds and the Bonds. See “**Proposed Additional Bonds**” below. The City also anticipates the issuance of the Additional Eastland Bonds to fund approximately \$3,500,000 in costs of the Events Center. See **Appendix A – Obligations of the City – Future Obligations - Eastland Center Redevelopment Project**

Proposed Additional Bonds

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008D Bonds and the 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 such Bonds even if the CID Sales Tax Revenues and TIF Revenues are not sufficient to provide for the Loan Payments relating to such Bonds, without regard to the proposed Additional Bonds. The City expects to cause Additional Bonds to be issued as described above under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds.**”

Projected Interest Rates

The City anticipates the issuance of Additional Bonds subsequent to the Bonds in order to finance costs of completing the Events Center. The Additional Bonds will be issued as funds are needed for design, construction and equipping of the Events Center. The City is pursuing this financing plan to reduce interest costs. If interest rates increase beyond current projections prior to the time when such Additional Bonds are issued, debt service costs associated with the Additional Bonds will also increase and will result in lower debt service coverage from amounts available to the City from the CID Sales Tax. Debt service on the Series 2008D Bonds, the Bonds and Additional Bonds has been calculated based on an assumed True Interest Cost (TIC) of 6.757%. See “**THE CID - Projected Debt Service Coverage of the CID Sales Tax Revenues.**”

Loss of Premium Upon Early Redemption

Purchasers of the those maturities of the Bonds sold 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.**”

No Additional Interest or Mandatory Redemption upon Missouri Taxability

The Indenture does not provide for the payment of any additional interest or penalty on the Bonds if the interest thereon becomes includable in gross income for Missouri income tax purposes.

Determination of Taxability

The interest rates on the Bonds are not 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 includable 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 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 the Indenture and the Financing Agreement may be limited or restricted by federal or state laws or by the application of judicial discretion, and may be delayed in the event of litigation to enforce the remedies. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the 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 Indenture

Certain amendments to the Indenture and the Financing Agreement 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 Indenture or the Financing Agreement or to secure the Bonds in the manner provided in the Indenture or the Act.

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the 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 Indenture or the Financing Agreement or to secure the Bonds in the manner provided in the Indenture, the Act or the City's right to enter into the Financing Agreement.

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 will be passed upon for the CID 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 the CID 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.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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 excluded 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, excluded from gross income for federal income tax purposes. The Board and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 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 excluded 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 excluded 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.

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.

RATING

Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., has given the 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 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 and an unaudited Financial and Operating Report for the period ended June 30, 2008 are included in **Appendix B** to this Official Statement. These financial statements for the fiscal year ended June 30, 2007 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. The unaudited Financial and Operating report has been prepared by the City.

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 owners 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 Bonds at a purchase price of \$10,237,027.45 (which represents the principal amount of the Bonds less an underwriter's discount of \$160,875.00 and original issue discount of \$327,097.55) plus accrued interest. In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all 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 Indenture, the Financing Agreement and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indenture, the Financing Agreement and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the 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 Indenture, 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

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:

<u>Councilmembers</u>	<u>Occupation</u>	<u>District</u>	<u>Expiration of Term</u>
Don B. Reimal, Mayor	Retired	n/a	2010
Marcie Gragg	Church leader	District 1	2012
Will Swoffer	Retired	District 2	2012
Myron Paris	Retired	District 3	2012
Jim Page	Retired	District 4	2012
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 a \$3,000,000 excess worker's compensation insurance policy 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 and Associated Electric and Gas Insurance Services 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 \$1,500,000 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 and Associated Electric and Gas Insurance Services 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 \$1,500,000 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:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Alliant Tech Systems	Small Arms Ammunition	2,250
Independence School District	Education	1,800
City of Independence	Government	1,176
Centerpoint Medical Center	Medical Care	1,130
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 and Centerpoint Medical Center. Centerpoint Medical Center opened in May 2007 and has been added to the above list. Also Independence Regional Health Center and the Medical Center of Independence which had previously appeared on this list were recently closed in connection with the opening of Centerpoint Medical Center and have been removed from the list.

General and Demographic Information

The following tables set forth certain population information.

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

*Estimated

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

Population Distribution by Age

	<u>City of Independence</u>	<u>Jackson County</u>	<u>State of Missouri</u>
Under 0-4	6.7%	7.47%	6.41%
5-9 years	6.45	6.82	6.28
10-14 years	6.20	6.68	6.57
15-20 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.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007*</u>
<u>Kansas City MSA</u>						
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%
<u>Jackson County</u>						
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%
<u>State of Missouri</u>						
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.

	<u>Per Capita</u>		<u>Median Household</u>	
	<u>2000</u>	<u>2007</u>	<u>2000</u>	<u>2007</u>
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.

<u>Housing type</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
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	<u>27</u>	<u>0.05</u>
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:

	<u>Median Value</u>	
	<u>2000</u>	<u>2006</u>
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.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<i>Residential</i>					
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
<i>Non-Residential</i>					
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 Vick & Co., P.C., Kansas City, Missouri. Copies of the audit reports for the past 5 years are on file in the City Clerk'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.

<u>Year</u>	<u>Total</u>	<u>Real Estate Tax</u>	<u>Railroad Utilities Tax</u>	<u>Cigarette Tax</u>	<u>Transient Guest Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>In Lieu of Taxes</u>
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):

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
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	2.2

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.

<u>Name of Taxpayer</u>	<u>Type</u>	<u>Local Assessed Valuation</u>	<u>Percentage of Total Local Assessed Valuation</u>
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	<u>3,321,200</u>	<u>0.26</u>
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 June 1, 2008. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

(i) \$95,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of \$111,000, and

(ii) \$770,000 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:

	<u>Balance Payable</u>
<u>Power and Light Fund:</u>	
\$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% (\$10,940,000), less Deferred Loss on Refunding of \$1,560,444 (as of 09/1/2008)	\$9,379,556
\$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% (\$3,520,000). less Deferred Loss on Refunding \$853,377 (as of 09/1/2008)	\$2,666,623
<u>Water Fund:</u>	
\$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 09/1/2008)	\$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 09/1/2008)	\$13,265,000
<u>Bonds Secured by the City's Annual Appropriation Powers</u>	
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 09/1/2008)	\$1,700,000
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 09/1/2008)	\$130,000
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	\$415,000

Balance Payable

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 09/1/2008)

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 09/1/2008)

\$8,005,000

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 09/1/2008)

\$270,000

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 09/1/2008)

\$4,120,000

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 an annual appropriation pledge of the City's general fund. (as of 09/1/2008)

\$6,135,000

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

\$870,000

Balance Payable

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 09/1/2008)

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 09/1/2008)

\$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 09/1/2008)

\$1,315,000

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 09/1/2008).

\$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 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

\$14,030,000

Balance Payable

general fund, subject to annual appropriation. (as of 09/1/2008).

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 09/1/2008)

\$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 09/1/2008)

\$1,445,000

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 09/1/2008)

\$5,485,000

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 09/1/2008)

\$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

\$4,980,000

Balance Payable

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 09/1/2008)

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 09/1/2008)

\$18,185,000

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 09/1/2008)

\$9,775,000

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 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 09/1/2008)

\$9,655,000

On May 30, 2007, at the request of the City, MDFB issued \$995,000 Infrastructure 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,

\$920,000

Balance Payable

and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 09/1/2008)

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 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 09/1/2008)

\$19,720,000

On February 19, 2008, at the request of the City, MDFB issued \$5,035,000 Taxable Infrastructure Facilities Revenue Bonds, Series 2008A, due in annual installments of \$280,000 to \$925,000 through March 1, 2017 and bearing interest at the rates ranging from 4.30% to 5.70% The proceeds of the bonds were loaned by MDFB to the City to be used to pay for the cost of improvements for the Crackerneck Creek 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 09/1/2008)

\$5,035,000

On February 19, 2008, at the request of the City, MDFB issued \$7,920,000 Infrastructure Facilities Revenue Bonds, Series 2008B, due in annual installments of \$615,000 to \$1,635,000 through March 1, 2025 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 to pay for the cost of improvements for the Crackerneck Creek 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 09/1/2008)

\$7,920,000

On February 19, 2008, at the request of the City, MDFB issued \$8,000,000 Infrastructure Facilities Revenue Bonds, Series 2008C, due in annual installments of \$370,000 to \$2,515,000 through April 1, 2022 and bearing interest at the rates ranging from 4.00% 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 Eastland Center 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 09/1/2008)

\$8,000,000

On April 3, 2008, at the request of the City, MDFB issued \$12,325,000 Infrastructure Facilities Revenue Bonds, Series 2008D, due in annual installments of \$30,000 to \$410,000 through April 1, 2038 and bearing interest at the rates ranging from 4.00% to

\$12,325,000

Balance Payable

5.75% The proceeds of the bonds were loaned by MDFB to the City to be used to pay for the cost of improvements for the Events Center 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 09/1/2008)

On April 23, 2008, at the request of the City, MDFB issued \$1,230,000 Infrastructure Facilities Revenue Bonds, Series 2008E, due in annual installments of \$120,000 to \$420,000 through April 1, 2022 and bearing interest at the rates ranging from 3.25% to 5.00% 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 09/1/2008)	\$1,230,000
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On July 30, 2008, at the request of the City, MDFB issued \$13,315,000 Infrastructure Facilities Revenue Bonds, Series 2008F, due in annual installments of \$195,000 to \$1,940,000 through April 1, 2027 and bearing interest at the rates ranging from 4.00% to 6.00% 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 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 09/1/2008)	\$13,315,000
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On July 30, 2008, at the request of the City, MDFB issued \$4,600,000 Infrastructure Facilities Revenue Bonds, Series 2008G, due in annual installments of \$120,000 to \$885,000 through April 1, 2022 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 to pay for the cost of improvements for the Eastland Center 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 09/1/2008)	\$4,600,000
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Santa Fe Redevelopment Project

The Santa Fe Redevelopment Project (the "Santa Fe Project") consists of the redevelopment of approximately 29 acres in the City (the "Santa Fe Redevelopment Area"). Tax increment financing was approved for the Santa Fe Redevelopment Project in 2001. The project involved clearing existing retail, commercial and residential buildings within the 29 acre area and new mixed use commercial, retail and residential development and related off-site improvements. Total projected redevelopment costs are estimated

at \$25,567,017, including approximately \$7,500,000 in reimbursable project costs funded from a series of bonds issued in 2001 by the Board.

To date, the 29 acre area has been cleared of buildings and debris and is ready for construction. To date, no tenants have been secured which would allow for commencement of construction.

In 2007, the Board issued its \$10,060,000 Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Santa Fe Project) (the “Series 2007C Bonds”), of which \$9,655,000 remains outstanding, to refund the bonds issued in 2001 to fund costs related to the Santa Fe Project. The Series 2007C Bonds are secured by PILOTS and EATS generated within the Santa Fe Redevelopment Area and by the City’s general fund, subject to annual appropriation. In addition, the developer of the Santa Fe Project, McProperties L.L.C. (the “Santa Fe Developer”), has voluntarily made payments to the City to cover shortfalls in debt service payments through April 1, 2008.

There can be no assurance that the Santa Fe Developer will continue to make such voluntary payments. PILOTS and EATS generated within the Santa Fe Redevelopment Area are insufficient to make debt service payments on the Series 2007C Bonds. According to the City’s audited financial statements, PILOTS and EATS generated in the Santa Fe Redevelopment Area in Fiscal Year 2007 were approximately \$12,979. Other revenues consisting of interest earnings and incremental tax payments based on auto sales made within the Santa Fe Redevelopment Area totaling \$220,802 were also received by the City during FY 2007. Maximum annual debt service and average annual debt service (net of the self-liquidating debt service reserve fund) on the Series 2007C Bonds is approximately \$951,000 per year. If the Santa Fe developer does not continue to make voluntary payments to cover debt service shortfalls until development occurs sufficient to generate PILOTS and EATS sufficient to make principal and interest payments on the Series 2007C Bonds, debt service payments would need to be funded from the City’s general fund, which amounts are subject to annual appropriation by the City Council of the City. Tax Increment Financing for the Santa Fe Redevelopment Area terminates in the year 2023, which is also the final maturity of the Series 2007C Bonds.

Future Obligations

Crackerneck Creek Redevelopment Project

The City anticipates the issuance of additional bonds to fund costs related to a redevelopment project known as the Crackerneck Creek Redevelopment Project. This project includes the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek project will include an approximately 150,000 square foot Bass Pro Shops Outdoor World retail store, and is expected to include a minimum of 300,000 square feet of additional retail space and a hotel. Under a lease with the City, Bass Pro will be required to operate its retail store for a twenty (20) year period and will make lease payments to the City equal to approximately 2% of gross sales. The Board has passed a resolution expressing its intent to issue one or more series of bonds to finance the City’s costs associated with this development. The bonds are expected to be issued in an approximate principal amount of \$98,000,000. 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. 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 pledge of the Bass Pro lease payments, certain tax increment revenues (local and state sales taxes and property taxes), revenues from a transportation development district sales tax, and if not paid from such lease payments and tax revenues, from the City’s general fund, subject to annual appropriation. Of the projected \$98,000,000 in bonds anticipated to be issued by the Board, \$85,440,000 have been issued to date. While the Bass Pro store is open, no other retail space has been leased or is under construction.

Because of the previous failure of Crackerneck Creek, L.L.C. (the “Developer”) to produce sufficient retail commitments as required by the redevelopment agreement related to the project (the “Redevelopment Agreement”), on June 22, 2007 the City delivered to the Developer a notice of termination under the terms of the Redevelopment Agreement. On February 7, 2008, the City and Developer entered into an Agreement for Stay of Termination (the “Stay of Termination”). Under the provisions of the Stay of Termination, the City consented to stay the provisions of the termination until June 30, 2008 to provide the Developer additional time to procure retail development for the project. Because commitments for such retail development have not been secured, the City can proceed at any time with the termination of the Developer and the Developer has expressly waived any ability to challenge the termination proceedings as part of the Stay of Termination. The City has not yet acted to permanently terminate Developer as the developer of record under the Redevelopment Agreement. Subsequent to the execution of the Stay of Termination, the City and Developer have entered into a parcel development agreement where the City will make up to \$5,054,100 from amounts saved under the original public improvements budget available to the Developer to assist in funding actual development costs of certain parcels in the Crackerneck Creek project for a Hobby Lobby, hotel and other development. The City and Developer remain in discussions regarding securing additional retail development for the project.

Eastland Center Redevelopment Project

Related to the Eastland Center Redevelopment Project, a tax increment project involving mixed retail and commercial development, the City anticipates the future issuance of additional bonds to fund approximately \$6,225,000 in project costs and City costs, plus reserves and costs of issuance. The City does not anticipate the issuance of these bonds until the year 2009. Bonds related to the Eastland Center Project are secured by tax increment revenues from the approximately 212 acre area (the “Eastland Redevelopment Area”) which has been designated a redevelopment area under the TIF Act and, if not paid from such revenues, from the City’s general fund, subject to annual appropriation.

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 Redevelopment Area in order to cure the blighted conditions that exist in the Eastland Redevelopment Area. The Eastland Redevelopment Area consists of approximately 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 \$14,820,000 in City Improvements (the “Public Project”) and \$242,000,000 in Developer Improvements (the “Private Project”). Developer Improvements include \$16,336,000 in Developer On-Site Reimbursable Project Costs and about \$9,192,000 in Developer Off-Site Reimbursable Project Costs.

Except for off-site street improvements, a portion of which will be funded from the proceeds of the Series 2008G Bonds previously issued by the Board and described herein, 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. Proceeds of the Series 2008G Bonds include sufficient amounts to pay to the Eastland Developer all remaining reimbursable amounts, subject to certain final conditions on payment. Subsequent to the issuance of the Series 2008G Bonds, the City also expects to issue Additional Bonds to fund additional City improvements in the amount of \$6,225,000, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will be secured on a parity with the Series 2007A Bonds, the Series 2008C Bonds and the Series 2008G Bonds described herein as to incremental tax revenues (which are 50% of certain incremental economic activity taxes and 100% of certain incremental payments in lieu of taxes) from the Eastland Center Redevelopment Project.

A portion of the proceeds of the Board’s Series 2008G Bonds as described herein and the future bonds anticipated to be issued on a parity with the Board’s Series 2007A Bonds, the Series 2008C Bonds and the

Series 2008G Bonds will be used to fund approximately \$3,500,000 of the estimated \$68,000,000 budget for the Events Center Project.

Centerpoint Redevelopment Project

The Centerpoint Redevelopment Plan provides for the development and construction of Centerpoint Medical Center, a 221-bed acute care hospital facility, an ambulatory surgery center, a medical office building and, as demand requires, additional medical office buildings and other facilities on approximately 86 acres generally located north of 39th Street and west of Little Blue Parkway. The City expects the future issuance of additional bonds to finance portions of the Centerpoint Redevelopment Project in the amount of \$14,800,000, plus reserves and costs of issuance.

Other Projects

In addition to bonds expected to be issued for the Crackerneck Creek Project, the Eastland Center Project, the Centerpoint Project and the Events Center 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.	<u>132,776</u>
TOTAL	\$712,484

Overlapping or Underlying Indebtedness Debt

The following table sets forth overlapping and underlying debt repaid with property taxes of political subdivisions with boundaries overlapping the City as of June 30, 2007, 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.

<u>Jurisdiction</u>	<u>General Obligation Bond Issues Outstanding*</u>	<u>Percentage Applicable to City of Independence</u>	<u>Amount Applicable to City of Independence</u>
City of Independence	\$ 0	-	\$ 0
Jackson County	0	-	0
Jackson County School Districts:			
Metropolitan Junior College	0	-	0
Independence	101,530,000	100.0%	101,530,000
Raytown	100,450,000	-	6,027,000
Raytown	112,875,000	6.0	22,575,000
Fort Osage #1	<u>40,251,000</u>	12.5	<u>5,031,375</u>
TOTAL	\$355,106,000		\$135,163,375

* Does not include amounts available in certain debt service funds

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APPENDIX B

**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2007;
UNAUDITED FINANCIAL AND OPERATING REPORT
FOR PERIOD ENDED JUNE 30, 2008**

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**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2007**

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COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

Independent Auditors' Report

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

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.

Other Offices

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(816) 453-7014
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(913) 378-1177 FAX

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

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.

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 Uick & Co R

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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.

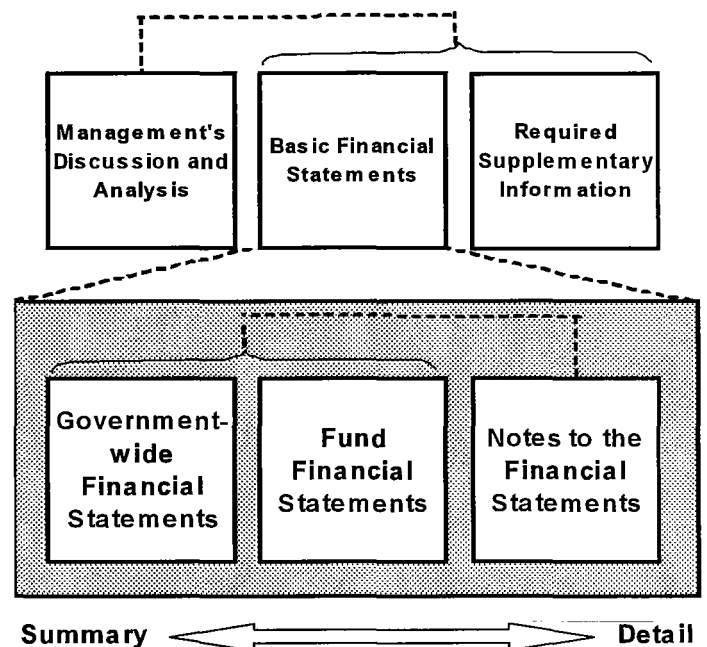
Site work continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel. This store is scheduled to open by late January 2008.

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



CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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	* Balance Sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* 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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
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	<u>268,314,251</u>	<u>228,314,822</u>	<u>404,221,336</u>	<u>392,302,252</u>	<u>672,535,587</u>	<u>620,617,074</u>
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	<u>48,030,699</u>	<u>40,866,403</u>	<u>76,149,139</u>	<u>75,418,930</u>	<u>124,179,838</u>	<u>116,285,333</u>
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	<u>\$ 220,283,552</u>	<u>187,448,419</u>	<u>328,072,197</u>	<u>316,883,322</u>	<u>548,355,749</u>	<u>504,331,741</u>

(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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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

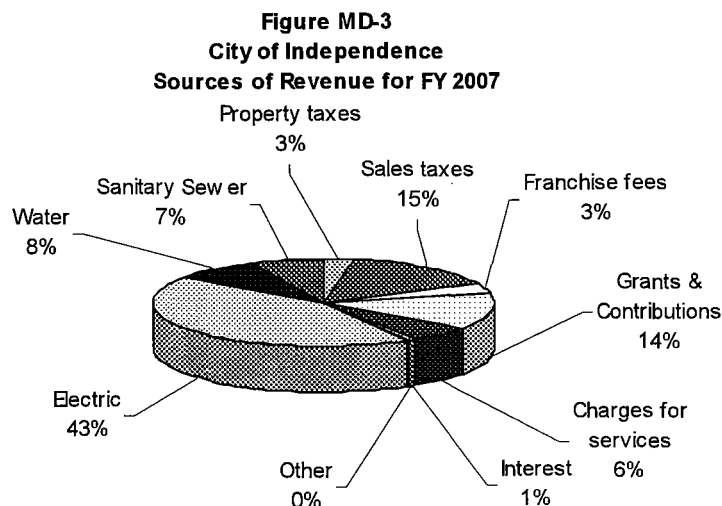
Total revenues increased 2.5% or \$6.0 million and Governmental revenues decreased 1.2% or \$1.3 million. This increase can be attributed mostly to the increase in charges for services. Of significance is the slow growth of taxes, particularly the decrease in sales tax. This is a reflection of the general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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

Revenues

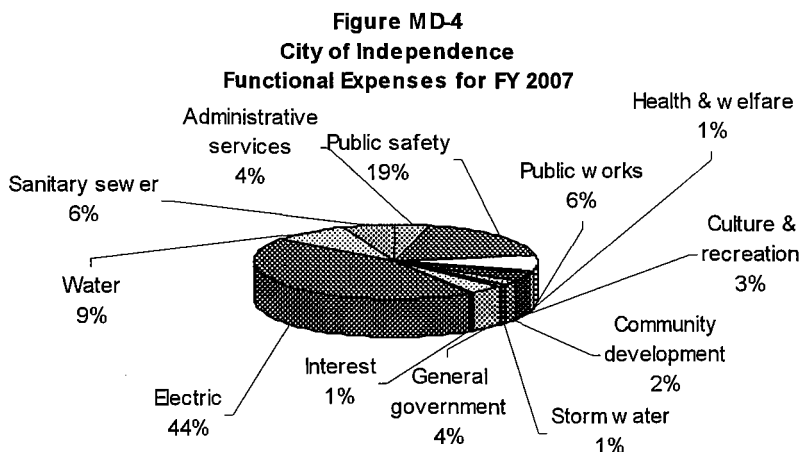
For the fiscal year ending June 30, 2007 revenues totaled \$248.4 million. Of this amount charges for services (governmental and business type) was \$151.0 million or 60.8% of the total. Revenue from business-type activities represents \$144.1 million or 58.0% of the total City revenues (Figure MD-3).



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).



CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 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 Services	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
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	<u>\$ 84,664,444</u>	<u>77,898,731</u>	<u>39,148,178</u>	<u>27,561,451</u>

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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
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Actual expenditures, including encumbrances, were \$1.9 million less than 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
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2007

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
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	<u>\$ 25,506,111</u>	<u>20,309,437</u>	<u>55,548,038</u>	<u>59,361,323</u>	<u>81,054,149</u>	<u>79,670,760</u>	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.

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	<u>43,841,541</u>	<u>78,288,258</u>	<u>122,129,799</u>	<u>4,425,928</u>
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	<u>224,472,710</u>	<u>325,933,078</u>	<u>550,405,788</u>	<u>73,186,758</u>
Total assets	<u>\$ 268,314,251</u>	<u>404,221,336</u>	<u>672,535,587</u>	<u>77,612,686</u>
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	<u>17,681,313</u>	<u>19,054,561</u>	<u>36,735,874</u>	<u>6,635,220</u>
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	<u>30,349,386</u>	<u>57,094,578</u>	<u>87,443,964</u>	<u>163,545,712</u>
Total liabilities	<u>48,030,699</u>	<u>76,149,139</u>	<u>124,179,838</u>	<u>170,180,932</u>
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)	<u>220,283,552</u>	<u>328,072,197</u>	<u>548,355,749</u>	<u>(92,568,246)</u>
Total liabilities and net assets (deficit)	<u>\$ 268,314,251</u>	<u>404,221,336</u>	<u>672,535,587</u>	<u>77,612,686</u>

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.

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	<u>\$ 10,166,376</u>	<u>4,575,174</u>	<u>33,623,908</u>	<u>48,365,458</u>
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	<u>3,431,678</u>	<u>4,877,057</u>	<u>6,540,996</u>	<u>14,849,731</u>
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)	<u>6,734,698</u>	<u>(301,883)</u>	<u>27,082,912</u>	<u>33,515,727</u>
Total liabilities and fund balance	<u>\$ 10,166,376</u>	<u>4,575,174</u>	<u>33,623,908</u>	<u>48,365,458</u>

See accompanying notes to financial statements.

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	<u>(129,583,655)</u>
	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)	<u>(4,626)</u>
	(38,680,171)
Deferred debt costs	<u>276,861</u>
Net assets of governmental activities (exhibit 1)	<u><u>\$ 220,283,552</u></u>

See accompanying notes to financial statements.

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.

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
	<u>37,192,307</u>
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
	<u>(5,139,970)</u>
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)
	<u>(787,411)</u>
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)	\$ <u><u>32,835,133</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2007

Assets	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
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	<u>54,284,767</u>	<u>10,279,003</u>	<u>12,521,195</u>	<u>77,084,965</u>	<u>5,307,001</u>
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	<u>155,443,369</u>	<u>105,166,032</u>	<u>65,323,677</u>	<u>325,933,078</u>	<u>96,179</u>
Total assets	<u>\$ 209,728,136</u>	<u>115,445,035</u>	<u>77,844,872</u>	<u>403,018,043</u>	<u>5,403,180</u>
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	<u>13,333,931</u>	<u>4,705,035</u>	<u>1,015,595</u>	<u>19,054,561</u>	<u>1,410,871</u>
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	<u>16,298,227</u>	<u>40,207,404</u>	<u>588,947</u>	<u>57,094,578</u>	<u>43,320</u>
Total liabilities	<u>29,632,158</u>	<u>44,912,439</u>	<u>1,604,542</u>	<u>76,149,139</u>	<u>1,454,191</u>
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	<u>180,095,978</u>	<u>70,532,596</u>	<u>76,240,330</u>	<u>326,868,904</u>	<u>3,948,989</u>
Total liabilities and net assets	<u>\$ 209,728,136</u>	<u>115,445,035</u>	<u>77,844,872</u>	<u>403,018,043</u>	<u>5,403,180</u>
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds				1,203,293	
Net assets of business-type activities				<u>\$ 328,072,197</u>	

See accompanying notes to financial statements.

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	
Operating revenues:				
Charges for services	\$ 101,840,755	17,392,058	14,918,036	14,761,552
Miscellaneous	1,292,494	352,346	140,659	—
Total operating revenues	103,133,249	17,744,404	15,058,695	14,761,552
Operating expenses:				
Personal services	14,429,332	6,204,951	4,326,029	633,877
Other services	11,940,792	3,251,272	5,924,517	11,371,019
Supplies	48,500,700	1,354,438	543,723	902,035
Capital Outlay	2,685	30,333	—	—
Other expenses	5,549,796	2,507,386	90,298	—
Depreciation and amortization	9,429,199	2,388,295	2,321,143	550
Total operating expenses	89,852,504	15,736,675	13,205,710	12,907,481
Operating income	13,280,745	2,007,729	1,852,985	1,854,071
Nonoperating revenues (expenses):				
Interest revenue	1,683,827	404,633	444,393	196,753
Miscellaneous revenue	496,722	1,632,683	16,190	698,060
Interest expense	(1,040,238)	(2,014,033)	—	—
Inter-Local agreement	—	(872,607)	—	—
Total nonoperating revenue (expenses)	1,140,311	(849,324)	460,583	894,813
Income before contributions and transfers	14,421,056	1,158,405	2,313,568	2,748,884
Capital contributions	2,628,123	1,701,567	1,232,359	—
Transfers out – utility payments in lieu of taxes	(9,950,729)	(1,651,501)	(1,437,233)	—
Transfers in	—	—	105,357	—
Transfers out	(81,983)	(81,983)	(81,983)	—
Change in net assets	7,016,467	1,126,488	2,132,068	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.

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	<u>61,282</u>	<u>85,267</u>
Liabilities:		
Accounts and contracts payable	47	1,594
Funds held in escrow	—	49,697
Flexible benefit payable	—	33,976
Total liabilities	<u>47</u>	<u>\$ 85,267</u>
Net assets:		
Held in trust	\$ <u>61,235</u>	

See accompanying notes to financial statements.

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	<u>22,702</u>
Deductions:	
Capital outlay	<u>23,667</u>
Total deductions	<u>23,667</u>
Change in net assets	(965)
Net assets, beginning	<u>62,200</u>
Net assets, ending	<u>\$ 61,235</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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 not 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.

CITY OF INDEPENDENCE, MISSOURI

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June 30, 2007

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:

	<u>Years</u>
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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

	<u>Years</u>
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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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."

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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 postemployment 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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	<u>60,596,797</u>
Total investments	136,060,450
Deposits and repurchase obligations	16,346,356
Petty cash	<u>12,095</u>
Total	<u><u>\$ 152,418,901</u></u>

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
	<u>\$ 76,444,825</u>	<u>\$ 146,056</u>	<u>\$ 76,590,881</u>	<u>\$ 75,828,020</u>	<u>\$152,418,901</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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	<u>\$ 60,956,929</u>	

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage</u>
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:

	<u>General</u>	<u>Nonmajor governmental funds</u>
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	-
	<u>\$ 32,261,435</u>	<u>\$ 20,629,478</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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	<u>51,243</u>	<u>3,257,658</u>	<u>5,114,279</u>	<u>8,423,180</u>
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	<u>5,602,759</u>	<u>1,816,465</u>	<u>692,029</u>	<u>8,111,253</u>
Grand Total	<u>\$ 5,654,002</u>	<u>\$ 5,074,123</u>	<u>\$ 5,806,308</u>	<u>\$ 16,534,433</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
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
	<u>29,559</u>	<u>806,000</u>	<u>2,607</u>	<u>838,166</u>
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
	<u>1,541,264</u>	<u>184,730</u>	<u>1,100,164</u>	<u>2,826,158</u>
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
	<u>798,922</u>	<u>134,997</u>	<u>-</u>	<u>933,920</u>
Totals	<u>\$ 2,369,745</u>	<u>\$ 1,125,727</u>	<u>\$ 1,102,771</u>	<u>\$ 4,598,244</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(5) Interfund Activity

(a) Interfund Balances

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

	<u>Due from Street Improvements</u>	<u>Due from nonmajor governmental</u>	<u>Total Governmental Activities</u>	<u>Due from internal service fund</u>	<u>Total</u>
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	<u>3,422,379</u>	<u>1,672,205</u>	<u>5,094,584</u>	<u>75,000</u>	<u>5,169,584</u>
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	<u>—</u>	<u>19,974</u>	<u>19,974</u>	<u>—</u>	<u>19,974</u>
Total	<u>\$ 3,422,379</u>	<u>\$ 1,692,179</u>	<u>\$ 5,114,558</u>	<u>\$ 75,000</u>	<u>\$ 5,189,558</u>

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:

	<u>Interfund charges</u>	<u>Rent</u>
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
	<u>\$ 3,105,514</u>	<u>\$ 101,279</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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	<u>1,077,472</u>
	<u>\$ 1,301,946</u>

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	<u>675,132</u>
	<u>\$ 795,696</u>

(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					Total
	General	Power and Light	Sanitary Sewer	Water	Nonmajor Governmental	
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	<u>\$ 125,287</u>	<u>\$ 81,983</u>	<u>\$ 81,983</u>	<u>\$ 81,983</u>	<u>\$ 1,836,420</u>	<u>\$ 2,207,656</u>

- (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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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		<u>646,617</u>
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	<u>\$ 9,618,390</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

	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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

	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	<u>\$ 304,223,794</u>	<u>\$ 46,757,683</u>	<u>\$ (29,208,569)</u>	<u>\$ 321,772,908</u>

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	<u>\$ 14,138,637</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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	<u>20,309,437</u>	<u>8,477,809</u>	<u>3,281,135</u>	<u>25,506,111</u>	<u>3,352,225</u>
Other liabilities:					
Compensated absences	<u>12,496,408</u>	<u>5,494,619</u>	<u>4,744,112</u>	<u>13,246,915</u>	<u>5,051,415</u>
	<u>\$ 32,805,845</u>	<u>\$ 13,972,428</u>	<u>\$ 8,025,247</u>	<u>\$ 38,753,026</u>	<u>\$ 8,403,640</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

	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
Discretely-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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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
	<u>\$ 23,651,111</u>	<u>\$ 3,714,897</u>	<u>\$ 924,000</u>	<u>\$ 23,666</u>	<u>\$ 24,575,111</u>	<u>\$ 3,738,562</u>

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
	<u>\$ 16,525,000</u>	<u>\$ 3,026,648</u>	<u>\$ 40,550,000</u>	<u>\$ 14,459,027</u>	<u>\$ 57,075,000</u>	<u>\$ 17,485,674</u>

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
	<u>\$ 150,430,000</u>	<u>\$ 98,531,008</u>	<u>\$ 213,890</u>	<u>\$ 18,854</u>	<u>\$ 150,643,890</u>	<u>\$ 98,549,862</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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
	\$	<u>712,484</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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		<u>186,468</u>
		818,846
Less imputed interest		<u>(106,362)</u>
Present value of minimum lease payments	\$	<u><u>712,484</u></u>

(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		<u>(1,526,962)</u>
Total power and light fund		<u>14,998,038</u>

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%.		<u>13,795,000</u>
Total water fund		<u>40,550,000</u>
Total revenue bonds	\$	<u><u>55,548,038</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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:

Account	Enterprise funds		
	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	<u>\$ 1,332,724</u>	<u>\$ 797,556</u>	<u>\$ 220,022</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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
		<u>1,386,765</u>

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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.

CITY OF INDEPENDENCE, MISSOURI

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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.

CITY OF INDEPENDENCE, MISSOURI

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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 Reacquisition 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)
	<u>\$ 934,702</u>	<u>\$ 81,250</u>	<u>\$ 156,875</u>

Due to contributions for debt service payments by the developer it was necessary to convert the obligations payable for the Santa 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.

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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:

<u>Year</u>	<u>Amount</u>
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	<u>\$ 20,000,000</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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	—

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

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

CITY OF INDEPENDENCE, MISSOURI

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June 30, 2007

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	<u>\$ 227,635</u>	<u>\$ 186,307</u>	<u>\$ 1,389,102</u>	<u>\$ 1,215,829</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(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

CITY OF INDEPENDENCE, MISSOURI

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June 30, 2007

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2007

(14) Fund Equity

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

	Governmental Funds			Total
	General	Street Improvements	Nonmajor	
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	<u>2,200,693</u>	<u>1,526,657</u>	<u>9,401,778</u>	<u>13,129,128</u>
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	<u>2,404,214</u>	<u>-</u>	<u>4,088,450</u>	<u>6,492,664</u>
Undesignated	<u>2,129,791</u>	<u>(1,828,540)</u>	<u>13,592,684</u>	<u>13,893,935</u>
Total fund equity	<u>\$ 6,734,698</u>	<u>\$ (301,883)</u>	<u>\$ 27,082,912</u>	<u>\$ 33,515,727</u>

(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	<u>881,250</u>	<u>881,250</u>	<u>(881,250)</u>
Beginning net assets (deficit), as restated	<u>\$ 187,448,419</u>	<u>\$ 33,116,490</u>	<u>\$ (68,910,107)</u>

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, Stormwater 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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
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	

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	\$ <u>64,928,874</u>
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	<u>966,048</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	\$ <u>65,998,063</u>

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.

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	<u>\$ 32,154,723</u>	<u>67,490</u>	<u>9,670</u>	<u>1,392,025</u>	<u>33,623,908</u>
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	<u>5,176,252</u>	<u>54,948</u>	<u>—</u>	<u>1,309,796</u>	<u>6,540,996</u>
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	<u>26,978,471</u>	<u>12,542</u>	<u>9,670</u>	<u>82,229</u>	<u>27,082,912</u>
Total liabilities and fund balances	<u>\$ 32,154,723</u>	<u>67,490</u>	<u>9,670</u>	<u>1,392,025</u>	<u>33,623,908</u>

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

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

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	1,232,707	—	—	1,525,599
Storm water	—	—	—	—	134,592	—	—	1,232,707
General government	—	353	—	—	17,991,350	—	147,054	281,646
Capital outlay	—	—	—	—	—	—	—	17,991,703
Debt service:	—	—	—	—	2,850,000	—	—	2,850,000
Principal	—	—	3	3	881,649	—	—	881,655
Interest and fiscal agent fees	—	—	—	—	—	—	—	—
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

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.

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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,252,470</u></u>
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)	<u>73,350</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>992,212</u></u>
(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
 Community Development Block Grant Fund
 Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Federal grant - CDBG	\$ 776,034	776,034	1,124,174	348,140
Total revenues	<u>776,034</u>	<u>776,034</u>	<u>1,124,174</u>	<u>348,140</u>
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	<u>213,700</u>	<u>1,428,076</u>	<u>850,906</u>	<u>577,170</u>
Other financing uses:				
Transfers out	—	150,000	387,703	(237,703)
Total other financing uses	<u>—</u>	<u>150,000</u>	<u>387,703</u>	<u>(237,703)</u>
Total expenditures and other uses	<u>213,700</u>	<u>1,578,076</u>	<u>1,238,609</u>	<u>339,467</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>562,334</u>	<u>(802,042)</u>	<u>(114,435)</u>	<u>687,607</u>
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			\$ <u>(114,435)</u>	

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Community Development Block Grant Fund

Year ended June 30, 2007

	<u>Community Development Block Grant</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,124,174</u>
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)	<u>(115,735)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 735,171</u>
(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

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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2007

	<u>Rental Rehabilitation</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 790,434
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>790,434</u>
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)	<u>(106,832)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>790,434</u>
(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
 Street Improvements Sales Tax Fund
 Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget Basis)	
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	<u>6,547,787</u>	<u>6,547,787</u>	<u>6,021,912</u>	<u>(525,875)</u>
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	<u>—</u>	<u>—</u>	<u>2,789,335</u>	<u>2,789,335</u>
Total revenues and other financing sources	<u>6,547,787</u>	<u>6,547,787</u>	<u>8,811,247</u>	<u>2,263,460</u>
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	<u>15,066,125</u>	<u>15,901,970</u>	<u>9,825,152</u>	<u>6,076,818</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>(8,518,338)</u>	<u>(9,354,183)</u>	<u>(1,013,905)</u>	<u>8,340,278</u>
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			\$ <u>(109,360)</u>	

(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.

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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,021,912</u>
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)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 9,825,152</u>
(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
 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	\$ <u>(2,413,148)</u>	<u>(2,660,496)</u>	<u>(199,226)</u>	<u>2,461,270</u>
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			\$ <u><u>(1,442,471)</u></u>	

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2007

	<u>Park Improvements Sales Tax</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>4,576,230</u></u>
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	\$ <u><u>10,376,526</u></u>
(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
Storm Water Sales Tax Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
			(Budget Basis)	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	<u>4,467,802</u>	<u>4,467,802</u>	<u>4,760,334</u>	<u>292,532</u>
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	<u>7,755,401</u>	<u>8,004,644</u>	<u>2,909,994</u>	<u>5,094,650</u>
Excess of revenues over (under) expenditures	\$ <u>(3,287,599)</u>	<u>(3,536,842)</u>	<u>1,850,340</u>	<u>5,387,182</u>
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			<u>\$ 10,073,133</u>	

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2007

	<u>Storm Water Sales Tax</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>4,760,334</u></u>
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	\$ <u><u>2,903,651</u></u>
(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
 Police 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	\$ 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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2007

	<u>Police Public Safety Sales Tax</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,211,574</u>
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	<u>\$ 2,941,190</u>
(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2007

	<u>Fire Public Safety Sales Tax</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>4,081,871</u></u>
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	\$ <u><u>2,546,623</u></u>
(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
Grants Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with 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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2007

	<u>Grants</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,703,176</u></u>
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)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,703,689</u></u>
(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	<u>\$ 4,482,405</u>	<u>1,997,505</u>	<u>11,234,700</u>	<u>2,795,926</u>	<u>5,769,574</u>	<u>26,280,110</u>
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	<u>1,374,302</u>	<u>2,081,901</u>	<u>223,935</u>	<u>43,511</u>	<u>435,907</u>	<u>4,159,556</u>
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	<u>(109,361)</u>	<u>(1,442,471)</u>	<u>10,007,130</u>	<u>2,349,147</u>	<u>2,568,216</u>	<u>13,372,661</u>
Total fund balances	<u>3,108,103</u>	<u>(84,396)</u>	<u>11,010,765</u>	<u>2,752,415</u>	<u>5,333,667</u>	<u>22,120,554</u>
Total liabilities and fund balances	<u>\$ 4,482,405</u>	<u>1,997,505</u>	<u>11,234,700</u>	<u>2,795,926</u>	<u>5,769,574</u>	<u>26,280,110</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Sales Tax Funds
Year ended June 30, 2007

	<u>Street Sales Tax</u>	<u>Park Improvements Sales Tax</u>	<u>Storm Water Sales Tax</u>	<u>Police Sales Tax</u>	<u>Fire Sales Tax</u>	<u>Total (Exhibit 15)</u>
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	<u>6,021,912</u>	<u>4,576,230</u>	<u>4,760,334</u>	<u>2,211,574</u>	<u>4,081,871</u>	<u>21,651,921</u>
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	<u>9,825,152</u>	<u>10,376,526</u>	<u>2,903,651</u>	<u>2,941,190</u>	<u>2,546,623</u>	<u>28,593,142</u>
Excess (deficiency) of revenues over expenditures	<u>(3,803,240)</u>	<u>(5,800,296)</u>	<u>1,856,683</u>	<u>(729,616)</u>	<u>1,535,248</u>	<u>(6,941,221)</u>
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)	<u>2,789,335</u>	<u>5,544,345</u>	<u>—</u>	<u>(122,519)</u>	<u>(136,002)</u>	<u>8,075,159</u>
Net change in fund balances	<u>(1,013,905)</u>	<u>(255,951)</u>	<u>1,856,683</u>	<u>(852,135)</u>	<u>1,399,246</u>	<u>1,133,938</u>
Fund balances, beginning	<u>4,122,008</u>	<u>171,555</u>	<u>9,154,082</u>	<u>3,604,550</u>	<u>3,934,421</u>	<u>20,986,616</u>
Fund balances, ending	<u>\$ 3,108,103</u>	<u>(84,396)</u>	<u>11,010,765</u>	<u>2,752,415</u>	<u>5,333,667</u>	<u>22,120,554</u>

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	<u>\$ 19,000</u>	<u>38,942</u>	<u>1</u>	<u>9,547</u>	<u>67,490</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	\$ —	38,792	—	—	38,792
Due to other funds	—	—	16,156	—	16,156
Total liabilities	<u>—</u>	<u>38,792</u>	<u>16,156</u>	<u>—</u>	<u>54,948</u>
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)	<u>19,000</u>	<u>150</u>	<u>(16,155)</u>	<u>9,547</u>	<u>12,542</u>
Total liabilities and fund balances	<u>\$ 19,000</u>	<u>38,942</u>	<u>1</u>	<u>9,547</u>	<u>67,490</u>

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.

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

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			Total (Exhibit 7)
	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	
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
151,450	6,189	507	39,087	—	—	—	—	115	924,951
2,050,825	—	—	—	—	43,956,392	—	21,980,972	—	319,443
3,152,037	21,886	96,836	119,105	14,552	43,956,392	36,048	22,172,931	6,323	71,892,933
—	—	—	—	—	—	—	—	—	—
809,408	—	—	—	—	924,836	—	—	—	924,951
809,408	—	—	—	—	30,137	—	481,943	—	1,321,488
—	—	—	—	—	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
<u>3,417,032</u>	<u>82,756</u>	<u>92,647</u>	<u>634,390</u>	<u>13,122</u>	<u>2,698,110</u>	<u>300,146</u>	<u>260,598</u>	<u>315</u>	<u>12,222,700</u>
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
<u>4,709,033</u>	<u>72,296</u>	<u>1,883</u>	<u>638,250</u>	<u>32,622</u>	<u>19,398,181</u>	<u>552,736</u>	<u>2,428,914</u>	<u>4,810</u>	<u>33,402,352</u>
(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)
<u>(294,473)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,435,530</u>	<u>—</u>	<u>25,043,669</u>
(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
<u>2,342,629</u>	<u>21,886</u>	<u>96,836</u>	<u>119,105</u>	<u>14,552</u>	<u>43,001,419</u>	<u>36,048</u>	<u>21,690,988</u>	<u>6,323</u>	<u>74,997,373</u>

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)
	<u>(20,392,093)</u>

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)

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

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics – Power and Light Fund
Year ended June 30, 2007

	Number of customers		Revenue	KWH
	Beginning of year	End of year		
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
	<u>56,401</u>	<u>56,563</u>	<u>98,890,846</u>	<u>1,104,549,402</u>
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
	<u>12,789</u>	<u>13,077</u>	<u>1,437,654</u>	<u>10,636,081</u>
Increase in unbilled revenue			1,571,828	3,747,587
Other operating revenue			1,232,921	
Total operating revenue and total energy sales			<u>\$ 103,133,249</u>	<u>1,118,933,070</u>
Net generation				394,541,596
Wholesale power purchased				786,117,786
Unintentional interchange				(27,000)
Net generation and power purchased				<u>1,180,632,382</u>
Retail energy sales				1,096,772,876
Wholesale (border customers) sales				22,160,194
Power and light usage (building and substations)				<u>1,425,761</u>
Net disposition				<u>1,120,358,831</u>
Transmission and distribution operating losses			\$	<u>60,273,551</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2007 and 2006

	2007			2006		
	Operations	Maintenance	Total	Operations	Maintenance	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

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	—
	<u>48,210</u>	<u>48,358</u>	17,542,532	<u>9,395,189</u>
Decrease in unbilled revenue			(150,474)	
Other operating revenue			<u>352,346</u>	
Total operating revenue			\$ <u>17,744,404</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				10,852,778
Less total sales				<u>9,395,189</u>
Unaccounted for water				<u>1,457,589</u>

* Thousand gallons sold.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2007

	Number of customers		Revenue	CCF*
	Beginning of year	End of year		
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	—
	<u>44,304</u>	<u>44,365</u>	14,886,764	<u>4,750,777</u>
Other operating revenue			138,170	
Increase in unbilled revenue			<u>33,761</u>	
Total operating revenue			<u>\$ 15,058,695</u>	

* 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.

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Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

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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

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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.

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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.

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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	<u>\$ 32,831,148</u>	<u>40,950,826</u>	<u>50,151,360</u>	<u>122,409,342</u>	<u>186,567,169</u>	<u>220,283,552</u>
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	<u>\$ 281,777,319</u>	<u>288,934,472</u>	<u>298,783,514</u>	<u>306,552,132</u>	<u>316,883,322</u>	<u>328,072,197</u>
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	<u>\$ 314,608,467</u>	<u>329,885,298</u>	<u>348,934,874</u>	<u>428,961,474</u>	<u>503,450,491</u>	<u>548,355,749</u>

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 2

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	<u>83,588,633</u>	<u>71,306,192</u>	<u>75,351,489</u>	<u>67,445,022</u>	<u>77,898,731</u>	<u>84,664,444</u>
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	<u>86,506,808</u>	<u>92,673,855</u>	<u>98,375,425</u>	<u>101,922,019</u>	<u>113,898,818</u>	<u>119,710,273</u>
Total primary government expenses	<u>\$ 170,095,441</u>	<u>163,980,047</u>	<u>173,726,914</u>	<u>169,367,041</u>	<u>191,797,549</u>	<u>204,374,717</u>
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	<u>27,389,474</u>	<u>22,009,521</u>	<u>23,614,318</u>	<u>29,442,539</u>	<u>50,337,280</u>	<u>49,019,227</u>
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	<u>102,025,168</u>	<u>106,815,872</u>	<u>115,295,778</u>	<u>117,139,507</u>	<u>133,920,164</u>	<u>141,498,397</u>
Total primary government program revenues	<u>\$ 129,414,642</u>	<u>128,825,393</u>	<u>138,910,096</u>	<u>146,582,046</u>	<u>184,257,444</u>	<u>190,517,624</u>

	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	<u>\$ (40,680,799)</u>	<u>(35,154,654)</u>	<u>(34,816,818)</u>	<u>(22,784,995)</u>	<u>(7,540,105)</u>	<u>(13,857,093)</u>
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	<u>56,541,495</u>	<u>57,416,349</u>	<u>60,937,705</u>	<u>59,477,407</u>	<u>67,585,163</u>	<u>68,480,350</u>
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	<u>(4,823,837)</u>	<u>(6,984,864)</u>	<u>(7,071,311)</u>	<u>(7,448,870)</u>	<u>(10,282,175)</u>	<u>(10,599,249)</u>
Total primary government	<u>\$ 51,717,658</u>	<u>50,431,485</u>	<u>53,866,394</u>	<u>52,028,537</u>	<u>57,302,988</u>	<u>57,881,101</u>
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	<u>\$ 11,036,859</u>	<u>15,276,831</u>	<u>19,049,576</u>	<u>29,243,542</u>	<u>49,762,883</u>	<u>44,024,008</u>

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	8,619,890	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	\$ 28,781,029

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

Table 4

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	4,870,617	5,073,944	5,472,192
Intergovernmental	9,260,166	10,913,472	13,815,850	10,843,440	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	2,686,064	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	266,950	667,564	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580
Total revenues	<u>47,129,542</u>	<u>52,572,747</u>	<u>63,728,882</u>	<u>67,478,379</u>	<u>75,260,480</u>	<u>70,085,237</u>	<u>73,914,987</u>	<u>75,450,260</u>	<u>90,835,594</u>	<u>90,382,701</u>
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	7,592,953
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	6,596,771	7,173,004
Health and welfare	1,089,234	1,214,950	1,175,739	1,292,388	2,193,035	2,300,201	2,395,284	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	7,148,593	6,678,208	7,582,224
Capital 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	<u>53,537,876</u>	<u>66,404,917</u>	<u>79,480,953</u>	<u>90,065,293</u>	<u>98,020,507</u>	<u>83,337,998</u>	<u>89,469,435</u>	<u>88,393,899</u>	<u>108,759,018</u>	<u>111,692,162</u>
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)	<u>7,844,462</u>	<u>15,967,445</u>	<u>27,134,996</u>	<u>24,425,831</u>	<u>22,267,945</u>	<u>12,861,971</u>	<u>20,682,729</u>	<u>30,843,652</u>	<u>13,471,185</u>	<u>21,708,898</u>
Net change in fund balances	<u>\$ 1,436,128</u>	<u>2,135,275</u>	<u>11,382,925</u>	<u>1,838,917</u>	<u>(492,082)</u>	<u>(390,790)</u>	<u>5,128,281</u>	<u>17,900,013</u>	<u>(4,452,239)</u>	<u>399,237</u>
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 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

Table 7

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

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

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 estimated 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.

Table 8

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

Fiscal Year	City Direct Rates (1)				Overlapping Rates (2 & 3)			
	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	<u>1.063</u>

(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 Reorganized #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

	2007			1998		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	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%

Table 11

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

Sales by Category:	Calendar Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	808,000	688,000	779,000	1,838,000	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	8,144,287	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:	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	\$ 14.96	\$ 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				1998			
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales	Total Sales	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 Fletcher (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 Auditorium				247,280	10	0.39%		
Total	\$ 6,747,959		6.62%	\$ 4,632,564		7.26%		

Table 14

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

Utility Customer - Water	2007				1999			
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales	Total Sales	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%	101,508	9	0.72%		
Buckner	141,431	9	0.79%	104,081	8	0.74%		
Lipton Tea	130,447	10	0.73%	65,389	10	0.47%		
Sugar Creek								
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				1999			
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	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.

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

Fiscal Year	Governmental Activities				Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Loans Payable	Neighborhood Improvement District	Capital Leases					
1998	\$ 4,875,000	-	\$ 1,829,472	\$ 68,801		80,929,472	Not Available	\$ 698.57
1999	11,980,000	-	1,495,200	-		79,997,990	5.21%	688.72
2000	27,040,000	-	1,700,639	-		92,651,846	4.17%	792.80
2001	38,550,000	-	2,130,126	-		101,593,799	4.58%	880.31
2002	50,448,580	-	1,622,013	-		109,922,207	4.34%	964.68
2003	52,301,676	-	1,086,597	-		107,214,452	4.27%	937.64
2004	59,317,916	995,000	718,955	-		126,919,764	5.15%	1,106.10
2005	21,498,153	1,039,990	1,015,831	-		86,523,582	3.39%	751.42
2006	18,590,023	982,044	737,370	-		79,670,760	3.03%	687.10
2007	23,870,529	923,099	712,483	-		81,054,149	3.06%	696.59

Fiscal Year	Business-Type Activities				Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Loans Payable	Capital Leases					
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.

Table 17

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Less Amounts Available in Debt Service	Total		
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 outstanding 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			<u>135,163,375</u>
City direct debt			<u>25,506,111</u>
Total direct and overlapping debt			<u>\$ 160,669,486</u>

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 outstanding 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.

Table 19

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

	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 thereon, to incur an indebtedness to 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(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, 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, constructing, 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		Coverage			
							Principal	Interest (2)				
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.

Table 21

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

<u>Calendar Year (3)</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (1)</u>
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.

City of Independence, Missouri
Principal Employers
Current Year and Eight 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
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	10.50	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	5.75	5.50	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										
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	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Water Poll Control - General Fund	-	-	-	-	9.00	7.00	7.00	8.00	8.00	8.00
Storm Water Sales Tax fund	-	-	-	-	-	-	-	-	-	-
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 Pollution Control	72.50	72.50	71.50	73.50	72.00	72.00	69.00	70.00	70.00	70.00
Central Garage fund										
Central Garage fund	10.00	10.00	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00
Total	<u>1,137.93</u>	<u>1,148.75</u>	<u>1,158.46</u>	<u>1,174.72</u>	<u>1,173.62</u>	<u>1,175.27</u>	<u>1,162.61</u>	<u>1,182.18</u>	<u>1,188.18</u>	<u>1,195.66</u>

Source: City of Independence Budget

Table 24

Function/Program	City of Independence, Missouri! Operating Indicators by Function/Program Last Ten Fiscal Years									
	Fiscal Year									
	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	13,628	12,619	14,747	18,363	18,618	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	280,342
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	Fiscal Year									
	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

**UNAUDITED FINANCIAL AND OPERATING REPORT
FOR PERIOD ENDED JUNE 30, 2008**

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CITY OF INDEPENDENCE, MISSOURI

FINANCIAL AND OPERATING REPORT



FOR PERIOD ENDED

June 30, 2008

**PREPARED BY:
FINANCE DEPARTMENT**



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

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



July 23, 2008

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

Re: June 2008 Financial Report

The Financial Report of the City of Independence for the period ended June 30th is submitted herewith. This report reflects 100% of the 2007-2008 fiscal year operations for the funds represented.

The budget for General Fund revenues increased \$175,075 from the original estimate. Revenues for the year are \$2,208,909 greater than the estimate. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Sales tax was \$585,382 less than the original estimate. Revenue from the gas franchise was down by \$228,478. Weather this last winter has been a strong variable and made projecting the gas franchise difficult. There is a negative

variance from City owned utilities of \$149,862. The telephone franchise tax is up \$5,334,646.

This is the result of the settlement of the cell phone litigation with Verizon, AT&T, and Sprint. We are still in settlement discussions with T-Mobile. Detail for these utilities and other General Fund revenues can be found at the end of this letter.

General Fund Revenues					
	Original Est. Revenue	Adjusted Est. Revenue	Actual	Variance of Act. to Adj.	%
Taxes	\$47,215,164	\$47,215,164	\$51,347,209	\$4,132,045	8.0%
Licenses & Permits	4,582,966	4,582,966	3,603,589	(979,377)	-27.2%
Grants	5,712,021	5,730,872	5,177,146	(553,726)	-10.7%
Charges for Services	1,561,951	1,564,609	1,954,151	389,542	19.9%
Interfund Services	3,139,780	3,139,780	3,222,406	82,626	2.6%
Fines & Forfeitures	4,323,410	4,323,410	3,724,608	(598,802)	-16.1%
Interest	377,000	377,000	215,696	(161,304)	-74.8%
Other Revenue	416,300	569,866	467,770	(102,096)	-21.8%
Debt Proceeds				0	
Total	<u>\$67,328,592</u>	<u>\$67,503,667</u>	<u>\$69,712,576</u>	<u>\$2,208,909</u>	<u>3.3%</u>

The fiscal year expenditures for the General Fund were \$66,340,195 and encumbrances are \$649,913. The total is \$66,990,108. This represents 96.8% of the adjusted budget. The Variance of Actual to Adjusted Budget column includes unexpended allocations for Council Goals and TIF Distributions totaling \$1,000,010.

This amount will be designated for Council Goals and TIF Distributions in the year end Fund Balance. The remaining \$1,183,841 will be closed to Unreserved Fund Balance. The Adjusted Budget column includes \$575,980 of year-end appropriation adjustments for Police overtime (\$569,830), and Parks fuel (\$6,150).

General Fund Expenditures & Encumbrances					
	Adopted Budget	Adjusted Budget	Actual	%	Variance of Act. to Adj.
General Government	\$7,712,779	\$7,859,687	\$7,459,804	94.9%	\$399,883
Public Safety	37,418,291	39,637,056	39,526,014	99.7%	\$111,042
Public Works	7,440,408	7,515,355	7,487,666	99.6%	\$27,689
Health	2,454,091	2,534,651	2,425,483	95.7%	\$109,168
Parks & Recreation	2,045,189	2,116,377	2,116,311	100.0%	\$66
Council Goals	300,000	626,138	389,318	62.2%	\$236,820
TIF Distribution	200,000	910,447	147,256	16.2%	\$763,191
Other	9,644,227	7,974,248	7,438,256	93.3%	\$535,992
TOTAL	\$67,214,985	\$69,173,959	\$66,990,108	96.8%	\$2,183,851

Projected Financial Position - June 30:

The chart on the right is the fund balance account for the General Fund for this fiscal year. It includes all of the fund balance components including those amounts listed as Reserved Fund Balance, such as, Encumbrances, Debt Service, and Protested Taxes; the Unreserved Fund Balance items that include Designated Fund Balance components, such as, Capital Projects, Council Strategic Goals, TIF Distributions; and the Undesignated Fund Balance. Total Fund Balance is increasing by \$2,593,119 as a result of the decrease of reserved funds of \$934,930 and the \$3,528,049 increase of unreserved funds.

Fund Balance Activity	
Beginning Fund Balance	\$6,734,699
Current Fiscal Year	
Revenues	69,712,576
Expenditures	66,990,108
Rev. over/(under) Expenditures	2,722,468
Adj. for Carryover Encumbrances	2,729
Transfers In	
Transfers Out	132,078
Projected Ending Fund Balance	\$9,327,818

Projected Undesignated Fund Balance - June 30

Of the \$9,327,818 of ending fund balance reported above, the undesignated portion is \$3,557,840. The balance represents reserved and designated fund balance components. The undesignated portion increased by \$1,428,049. This is primarily the result of the cell phone settlements. Detail information regarding undesignated fund balance can be found following this transmittal letter.

Undesignated Fund Balance Activity	
Beginning Unreserved Fund Balance	\$2,129,791
Revenue	69,712,576
Expenditure	(66,990,108)
Adj. for Carryover Encumbrances	2,729
Transfers Authorized by the Budget	(132,078)
Other:	
Increases	1,124,948
Decreases	2,290,018
Projected Ending Undesignated Fund Balance	\$ 3,557,840

City Council Goals Account

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

City Council Goals Account Summary			
Description	Allocation Amount	Expended or Encumbered	Balance
Carry-over Balance from Prior Year	\$426,138		
Current Year Authorization	<u>300,000</u>		
	<u>\$726,138</u>		
<u>Carry-Over Allocations from Prior Years:</u>			
Police Academy Scholarship Program	418		418
Neighborhood Park Matching Grants	23,200	1,580	21,620
Mowing & Refuse Cleanup on Private Property	49,483	49,483	
Neighborhood Block Celebrations	11,464	2,299	9,165
Recycling Center	674		674
Walnut Street NID	100,000	100,000	
Demo. of Dangerous Bld. & Property Clean-up	11,812	11,812	
Northwest '353' Impact Analysis	10,000		10,000
Electronic Agendas	2,300	2,300	
Sidewalk Repairs Revolving Fund	40,000	9,960	30,040
Animal Control Overtime	18,190	20,867	(2,677)
<u>Current Year Allocations:</u>			
Demo. of Dangerous Bld. & Property Clean-up	79,500	44,087	35,413
Mowing & Refuse Cleanup on Private Property	70,000	70,311	(311)
Neighborhood Block Celebrations	10,000		10,000
Police K-9 Officer Replacement	10,000		10,000
Youth Recreation Program Scholarships	50,000	50,000	
Vaile Mansion Window Replacement	50,000	50,000	
Fire Station #9 Staffing	75,000	46,371	28,629
Northwest CDC	20,000	20,000	
Flags, Banners & Brackets	10,000	6,106	3,894
Sister Cities Program	7,000	3,592	3,408
Total	<u>\$649,041</u>	<u>\$488,768</u>	<u>\$160,273</u>
Unallocated Balance	<u><u>\$77,097</u></u>		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is \$1,039,130 and interest is \$125,150 and unreserved fund balance is (\$136,608).

Street Improvements Sales Tax Fund

The Street Improvement Sales Tax Fund has been set-up to account for the transportation sales tax identified for streets and bridges.

Fund balance for June 30th is \$2,303,040. Of this total fund balance amount \$3,046,687 is encumbered for projects in process. The negative unreserved fund balance is the result of contracts being issued with the anticipation of issuing obligations or using future revenues.

<u>Street Improvement Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$5,839,963	6,394,426	5,878,783	(515,643)
Interest	181,951	229,000	77,609	(151,391)
Other			4	4
Total Revenues	<u>\$6,021,914</u>	<u>6,623,426</u>	<u>5,956,396</u>	<u>(667,030)</u>
<u>Expenditures:</u>				
Operating	0	1,479,225	1,470,725	(8,500)
Capital	9,828,492	9,368,890	4,825,405	(4,543,485)
Total Expenditures	<u>9,828,492</u>	<u>10,848,115</u>	<u>6,296,130</u>	<u>(4,551,985)</u>
Excess of Revenues Over (Under) Expenditures	(3,806,578)		(339,734)	
Other Fin. Sources (Uses)				
Debt Proceeds	2,803,185			
Transfers In				
Transfers Out	10,511	10,582	465,331	
Total Other Financing	<u>2,792,674</u>		<u>(465,331)</u>	
<u>Fund Balance:</u>				
Encumbrances	3,195,351		3,046,687	
Other Reserves	5,233		565,082	
Unreserved	(92,479)		(1,308,729)	
Total	<u>3,108,105</u>		<u>2,303,040</u>	

Park Improvements Sales Tax Fund

The Park Improvements Sales Tax Fund has been set-up to account for the sales tax identified for parks and recreation.

Fund balance for June 30th is (\$1,895,768). Of this total fund balance amount \$573,609 is encumbered for projects in process. The negative fund balance is the result of contracts being issued with the anticipation of issuing obligations or using future revenues.

<u>Park Improvement Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$3,892,971	4,262,950	3,918,521	(344,429)
Interest	67,957	52,000	14,153	(37,847)
Charges for Services	514,750	663,356	579,567	(83,789)
Other	100,552		31,383	31,383
Total Revenues	<u>\$4,576,230</u>	<u>4,978,306</u>	<u>4,543,624</u>	<u>(434,682)</u>
<u>Expenditures:</u>				
Debt Service		1,444,602	1,441,902	(2,700)
Operating	3,464,983	4,107,757	2,449,097	(1,658,660)
Capital	6,948,415	3,588,066	2,459,535	(1,128,531)
Total Expenditures	<u>10,413,398</u>	<u>7,695,823</u>	<u>6,350,534</u>	<u>(1,345,289)</u>
Excess of Revenues Over (Under) Expenditures	(5,837,168)		(1,806,910)	
Other Fin. Sources (Uses)				
Debt Proceeds	5,588,225			
Transfers In				
Transfers Out	7,008	5,031	4,461	
Total Other Financing	<u>5,581,217</u>		<u>(4,461)</u>	
<u>Fund Balance:</u>				
Encumbrances	1,294,561		573,609	
Other Reserves	63,514		74,701	
Unreserved	(1,442,472)		(2,544,078)	
Total	<u>(84,397)</u>		<u>(1,895,768)</u>	

Fire Sales Tax Fund

The Fire Sales Tax Fund has been set-up to account for the sales tax identified for the fire service.

Fund balance for June 30th is \$6,085,653. Of this total fund balance amount \$4,193,766 is encumbered for projects in process. \$1,891,887 is unreserved and available for other projects.

<u>Fire Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	Prior Fiscal Year	Budget	Actual	Variance
Sales Tax	\$3,891,487	4,262,950	3,916,886	(346,064)
Interest	190,384	250,000	172,072	(77,928)
Other	72		32	
Total Revenues	\$4,081,943	4,512,950	4,088,990	(423,992)
<u>Expenditures:</u>				
Debt Service		553,713	550,313	(3,400)
Operating	1,540,274	1,360,912	549,854	(811,058)
Capital	999,341	7,952,926	2,232,376	(5,720,550)
Total Expenditures	2,539,615	9,867,551	3,332,543	(6,531,608)
Excess of Revenues Over (Under) Expenditures	1,542,328		756,447	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out	143,010	5,031	4,461	
Total Other Financing	(143,010)		(4,461)	
<u>Fund Balance:</u>				
Encumbrances	2,765,393		4,193,766	
Other Reserves	58			
Unreserved	2,568,216		1,891,887	
Total	5,333,667		6,085,653	

Police (Capital) Sales Tax Fund

The Police (Capital) Sales Tax Fund has been set-up to account for the capital improvements sales tax identified for police equipment.

Fund balance for June 30th is \$1,837,804. Of this total fund balance amount \$378,811 is encumbered for projects in process. \$1,458,993 is unreserved and available for other projects.

<u>Police (Capital) Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	Prior Fiscal Year	Budget	Actual	Variance
Sales Tax	\$2,066,938	2,131,475	2,089,282	(42,193)
Interest	141,200	154,000	71,502	(82,498)
Other	3,436		17	17
Total Revenues	\$2,211,574	2,285,475	2,160,801	(124,674)
<u>Expenditures:</u>				
Debt Service		516,363	512,963	(3,400)
Capital	2,937,686	3,531,919	2,560,218	(971,701)
Total Expenditures	2,937,686	4,048,282	3,073,181	(975,101)
Excess of Revenues Over (Under) Expenditures	(726,112)		(912,380)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out	126,023	2,515	2,231	
Total Other Financing	(126,023)		(2,231)	
<u>Fund Balance:</u>				
Encumbrances	403,214		378,811	
Other Reserves	54		0	
Unreserved	2,349,147		1,458,993	
Total	2,752,415		1,837,804	

Storm Water Sales Tax Fund

The Storm Water Sales Tax Fund has been set-up to account for the sales tax identified for storm water system improvements.

Fund Balance for June 30th is \$10,856,037. Of this total fund balance amount, \$2,404,718 is encumbered for projects in process. \$8,451,319 is unreserved and available for other projects.

<u>Storm Water Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$3,895,405	\$4,262,950	\$3,919,288	(343,662)
Intra-governmental	\$324,684			
Interest	431,463	599,000	475,034	(123,966)
Other	108,782		135,588	135,588
Total Revenues	\$4,760,334	\$4,861,950	\$4,529,910	(\$332,040)
<u>Expenditures:</u>				
Operating	1,225,699	1,756,857	1,084,316	(672,541)
Capital	1,670,944	11,059,002	3,595,826	(7,463,176)
Total Expenditures	2,896,643	12,815,859	4,680,142	(8,135,717)
Excess of Revenues Over (Under) Expenditures	1,863,691		(150,232)	
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	7,008	5,031	4,496	
Debt Proceeds				
Total Other Financing	(7,008)		(4,496)	
Fund Balance				
Encumbrances	1,003,635		2,404,718	
Designated Fund Balance				
Unreserved	10,007,130		8,451,319	
Total	11,010,765		10,856,037	

Central Garage

The garage realized a net loss of \$58,079 for this month of the fiscal year and a net loss of \$66,947 for the fiscal year. During the month of June the garage purchased a large amount of fuel which caused the change from last month's statement. The Director of Public Works must review this closely during the next year to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for the fiscal year. Also, the Director should look at the fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after twelve months of operation.

<u>Central Garage Operating Statement</u>		
	Current	
	<u>Month</u>	<u>Year to Date</u>
<u>Revenue:</u>		
Repairs & Other Income	<u>178,361</u>	<u>\$2,184,643</u>
<u>Operating Expenses:</u>		
Personal Services	65,157	702,553
Other Services	13,768	336,161
Supplies	165,521	1,261,458
Capital Outlay		
Depreciation Expense	<u>46</u>	<u>550</u>
Total Expenses	<u>244,492</u>	<u>2,300,722</u>
<u>Net Income from Operations</u>	<u>(66,131)</u>	<u>(116,079)</u>
<u>Other Income/Expense:</u>		
Interest Income/Expense	194	3,196
Misc. Income	7,858	<u>45,936</u>
<u>Net Income/(Loss)</u>	<u>(\$58,079)</u>	<u>(\$66,947)</u>
Fund Equity, Beginning		196,548
<u>Fund Equity, Ending</u>		<u>\$129,601</u>

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. In this analysis the amount shown as 'Due from Federal Government' represents receivables from the Missouri Department of Transportation for work performed on 39th Street, 35th Street & Noland Road Intersection, and Hidden Valley Road. The amount for 'Due from Other Local Government' represents receivables from the County Urban Road System (CURS). Of the \$2,639,880 the City has submitted \$285,782 in requests for reimbursements. Approximately \$1,078,773 is retained from payments to contractors, thus leaving \$1,275,325 ready for submission.

<u>Street Improvements Fund</u>	
Assets	
Cash	\$132
Special Assessment Receivable	
Due From Federal Government	694,368
Due From Other Local Government	305,030
Due From Other	1,640,481
Contributions Receivable	
Total	<u>2,640,012</u>
Liabilities & Credits	
Accounts Payable	1,362,383
Deferred Revenue	625,075
Due To Other Funds	689,131
Funds In Escrow	
Total	<u>2,676,589</u>
Fund Balance	<u><u>(\$36,577)</u></u>

Stay Well Health Care Plan

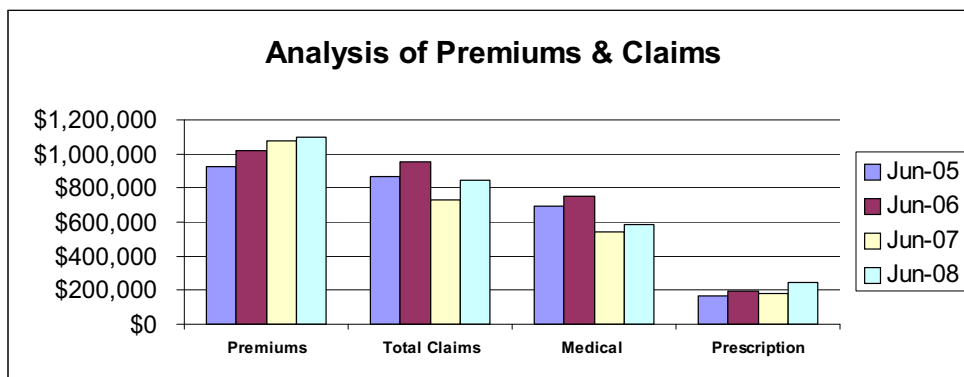
The Stay Well Health Care Plan is the City's self-funded health care plan for employees and retirees. The plan year for this benefit is January 2008 through December 2008. However, the current reinsurance policy is for the eighteen-month period from July 2007 through December 2008.

For the month ending June 30, 2008, the Plan's receipts were \$261,370 more than the Plan's disbursements. This resulted in the Plan's cash

balance increasing to \$7,026,414. During June 2007, the Plan's receipts were \$412,238 more than the Plan's disbursements, resulting in the Plan's cash balance increasing to \$5,038,624 at June 30, 2007.

The following information summarizes the financial activity of the Plan and provides an explanation of the Plan's financial results for the first six months of the plan year ending December 31, 2008. Since January 1, 2008, the Plan's cash balance has increased by approximately \$711,000.

Claims Processed FMH processed 2,814 medical and vision claims in June or 6% more than the 2,654 claims processed in May. During June 2008, FMH processed 11.2% more medical and vision claims than in June 2007.



The top 20 individual claims during June accounted for 184 payments, totaling \$259,987. The individual amounts paid for these members ranged from \$4,930 to \$52,310. During June, the top 20

individuals accounted for 44% of the total medical claims paid. Since January 2008, the top 20 medical claims have totaled \$1,305,713 or 31% of the total medical claims paid. Twenty covered lives represent less than 0.01% of the employees, retirees, spouses and children covered by the Plan as of June 30, 2008.

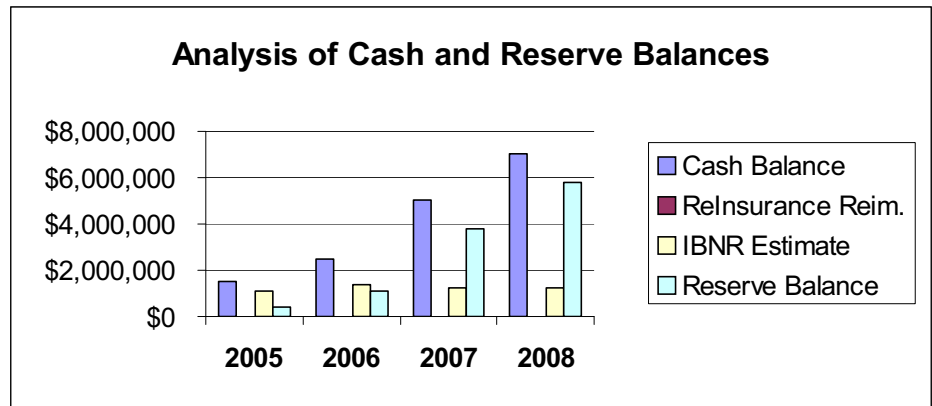
During June, FMH took claims discounts of \$1,189,466 or approximately 57% of the gross medical claims submitted for the month. Since January 2008, claims discounts total \$7,066,649 or 53% of the

Stay Well Health Care Plan						
	June 30, 2008			Plan Year To Date		
	Last Year	This Year	Change	Last Year	This Year	Change
Claims Paid	2,530	2,814	11.2%	17,468	18,056	3.4%
Participants	1,203	1,222	1.6%	1,203	1,219	1.3%
(Participants are an average.)						
Receipts	\$1,199,623	\$1,170,654	-2.4%	\$6,809,100	\$6,841,645	0.5%
Disbursements:						
Benefits	729,524	847,528	16.2%	5,471,664	5,753,379	5.1%
Administratio	15,147	15,860	4.7%	91,380	95,077	4.0%
ReInsurance	30,127	41,121	36.5%	182,077	247,080	35.7%
PPO	4,021	4,207	4.6%	24,024	25,252	5.1%
Other	8,566	568	-93.4%	11,290	9,487	-16.0%
Total	\$787,385	\$909,284	15.5%	\$5,780,435	\$6,130,275	6.1%
Ending Cash Balance				\$5,038,624	\$7,026,414	39.5%
Accrued Reinsurance Reimbursements				0	0	
Accrued Liabilities				-1,215,829	-1,248,555	2.7%
Ending Reserve				\$3,822,795	\$5,777,859	51.1%

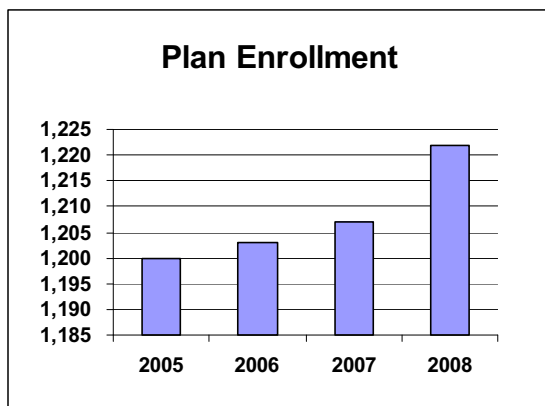
gross medical claims submitted.

Reinsurance Coverage - During the reinsurance policy period starting July 1, 2007, no claim has exceeded the Plan's \$250,000 specific deductible.

Cash Balance, IBNR & Reserve Balance - The Stay Well Health Care Plan's estimated reserve balance increased during June to \$5,777,859. This increase in the Plan's reserve balance is due to June's receipts being approximately \$261,000 more than June's disbursements and increasing the accrued liabilities amount by \$32,766.



Plan Enrollment - The Plan's enrollment has increased by 22 participants or 2% since June 2005 to 1,222 as of June 30, 2008. Currently 67% of employees and retirees have health insurance coverage through the Stay Well Health Care Plan; while 23% chose the Coventry HMO program and 10% chose neither health care plan offered by the City.



Premiums and Benefit Disbursements - During June, the benefit disbursements were approximately \$75,000 less than in May. Benefit disbursements during June 2008 were approximately \$118,000 more than in June 2007. Total disbursements during June 2008 were approximately \$122,000 more than June 2007 disbursements. Premium receipts for June 2008 increased by approximately \$23,000 over the previous year.

Projected Cash Balance - On October 1, 2007, the City Council approved benefit changes to the Plan for the 2008 plan year. These benefit changes were implemented in conjunction with a one percent (1.0%) increase in the Plan's monthly premiums for the plan year starting January 1, 2008. Based on these benefit changes and increase in monthly premiums, staff projected the Plan's December 31, 2008, cash balance to be \$8,062,725. Including the Plan's actual results through June, the projected December 31, 2008 cash balance is \$7,518,000.

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

Power and Light

Total operating revenues of the Power and Light Fund of \$107,619,947 reflect an increase of \$4,486,698 over fiscal year 2006-07 operating revenues of \$103,133,249 or 4.4%. An increase of \$6,733,458 in retail and interchange energy sales was offset by a decrease in unbilled revenue of \$2,299,266.

Total operating expenses of the Power and Light Fund of \$112,795,095 reflect an increase of \$12,991,863 over fiscal year 2006-07 operating expenses of \$99,803,232 or 13.0 %. Coal costs increased \$4,138,000 which increased production costs. In addition, general and administration costs increased \$3,252,434, which was due to higher injuries and damages of \$330,105, increases in outside services employed of \$422,388, increases in current and postretirement benefits of \$1,60,824, further contributed to the increase. Due to higher revenue, payments in lieu of taxes increased \$588,490. Distribution costs increased \$1,069,200, which was due primarily to increased maintenance costs on overhead lines of \$617,527, also contributing were increased costs of \$228,297 for station equipment. Fuel surcharges on shipments received are commonplace now and have contributed in raising our costs of doing business.

Water

Total operating revenues of the Water Fund of \$18,114,183 reflect an increase of \$369,778 from fiscal year 2006-07 total operating revenues of \$17,744,405 or 2.08%. This increase is attributable to an accounting adjustment at the end of last fiscal year that reduced wholesale revenues in response to recognition of overpayments to Lee's Summit and District #2. Throughout the current fiscal year, operating revenues have been falling behind last year's revenues due to a reduction in wholesale rates and a payback to Lee's Summit and District #2.

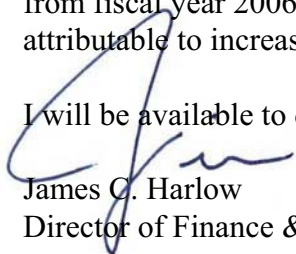
Total operating expenses of the Water Fund of \$18,069,545 reflect an increase of \$2,332,869 from fiscal year 2006-07 total operating expenses of \$15,736,676 or 14.82%. Increases in worker's compensation premiums, maintenance of mains and services, chemical costs, and recognition of post-retirement benefits are the main reasons for the overall increase in expenses.

Sanitary Sewer

Total operating revenues of the Sanitary Sewer Fund of \$15,283,055 reflect an increase of \$224,361 from fiscal year 2006-07 total operating revenues of \$15,058,694 or 1.49%. This increase is attributable in large part to the rate increase authorized on ordinance 15527.

Total operating expenses of the Sanitary Sewer Fund of \$16,377,172 reflect an increase of \$1,734,228 from fiscal year 2006-07 total operating expenses of \$14,642,943 or 11.8%. This increase is mainly attributable to increased personnel costs and increased inter-jurisdictional agreement costs.

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



James C. Harlow
Director of Finance & Administration

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

Months of Actual Revenue: 12				
Description	Original Budget	Revised Budget	Actual Revenue Through June	Variance To Budgeted Revenues
Property Taxes:				
General Property Taxes:				
Real Estate	7,278,006	7,278,006	7,010,528	-267,478
R.R. & Other Utility	33,500	33,500	34,441	941
Total Property Taxes	7,311,506	7,311,506	7,044,969	-266,537
Sales and Use Taxes:				
Local Option Sales Tax	17,309,210	17,309,210	16,723,828	-585,382
Cigarette Tax	590,000	590,000	555,974	-34,026
Total Sales and Use Taxes	17,899,210	17,899,210	17,279,802	-619,408
Utility Franchise Fees:				
Water	22,000	22,000	18,843	-3,157
Gas	5,400,000	5,400,000	5,171,522	-228,478
Telephone	1,820,000	1,820,000	7,154,646	5,334,646
Electricity	310,000	310,000	363,336	53,336
Cable Television	600,000	600,000	611,505	11,505
Total Utility Franchise Fees	8,152,000	8,152,000	13,319,852	5,167,852
Payments in Lieu of Taxes				
Power & Light in Lieu of Taxes	10,598,723	10,598,723	10,539,219	-59,504
Water Service in Lieu of Taxes	1,733,545	1,733,545	1,705,015	-28,530
Sanitary Sewer in Lieu of Taxes	1,520,180	1,520,180	1,458,352	-61,828
Total Payments in Lieu of Taxes	13,852,448	13,852,448	13,702,586	-149,862
Total Taxes	47,215,164	47,215,164	51,347,209	4,132,045
Business Licenses & Permits:				
Occupation Licenses	1,482,000	1,482,000	1,397,247	-84,753
Liquor Licenses	96,000	96,000	103,865	7,865
Bld. Trades Licenses and Exams	104,040	104,040	118,386	14,346
Fin - Other License/Permits	44,000	44,000	51,630	7,630
Building Permits, Com. Develop.	1,349,916	1,349,916	732,291	-617,625
Construction Permits, Public Works	800,000	800,000	445,597	-354,403
Nursing Home Permits	750	750	2,160	1,410
Day Care Permits	7,200	7,200	3,882	-3,318
Food Handler's Permits	110,000	110,000	141,640	31,640
Massage Therapist Appl	2,010	2,010	2,675	665
Other Food Permits	87,750	87,750	99,793	12,043
Ambulance Permits & Licenses	41,600	41,600	41,706	106
Plan Reviews - Health Dept.	2,700	2,700	4,700	2,000
Subtotal Bus. Licenses & Permits	4,127,966	4,127,966	3,145,573	-982,393
Non-business Licenses & Permits:				
Motor Vehicle Licenses	455,000	455,000	458,016	3,016
Subtotal Non-bus. Lic. & Permits	455,000	455,000	458,016	3,016
Total Licenses & Permits	4,582,966	4,582,966	3,603,589	-979,377
Intergovernmental Revenue:				
Federal:				
Emergency Management				
Public Health Nursing				
Community Health ed				
Dial-a-ride	25,393	44,244	25,393	-18,851
Other			783	783
Total Federal	25,393	44,244	26,176	-18,068

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

Months of Actual Revenue: 12				
Description	Original Budget	Revised Budget	Actual Revenue Through June	Variance To Budgeted Revenues
State:				
Financial Institutions Tax	35,000	35,000	31,960	-3,040
Gasoline Tax	3,350,000	3,350,000	3,283,590	-66,410
Motor Vehicle License Fees	750,000	750,000	459,912	-290,088
Motor Vehicle Sales Tax	841,278	841,278	721,327	-119,951
Other				
Total State	4,976,278	4,976,278	4,496,790	-479,488
Other:				
Jackson County Drug Task Force	353,273	353,273	330,130	-23,143
Jackson County Dare Program	332,077	332,077	299,051	-33,026
Mid Am Reg Council	25,000	25,000	25,000	
Other Misc. Grants				
Total Other	710,350	710,350	654,181	-56,169
Total Intergovernmental Revenue	5,712,021	5,730,872	5,177,146	-553,726
Charges for Current Services:				
General Government:				
Planning & Zoning Fees	45,300	45,300	35,103	-10,197
Board of Adjustment Fees	4,900	4,900	4,900	
Sale of Maps, Books, Plans	10,000	10,000	13,743	3,743
Sale of Police Reports	44,500	44,500	37,105	-7,395
Sale of Fire Reports	35	35	160	125
Computer Service Charges	27,000	27,000	27,926	926
Health:				
Animal Shelter Fees	93,000	93,000	88,653	-4,347
Animal ID Tags	18,000	18,000	20,710	2,710
Health Training Programs				
Public Safety:				
Reimb. For Police Services	40,000	40,000	44,798	4,798
School Resource Officers	488,000	488,000	471,866	-16,134
Alarm Charges - Police	39,300	39,300	39,300	
Alarm Charges - Fire	2,025	2,025	1,500	-525
Recreation:				
Class Fees	53,250	53,250	77,069	23,819
Park Concessions	8,000	8,000	6,811	-1,189
Pool Fees				
Recreation Centers	23,241	23,241	21,991	-1,250
Recreation Rentals	97,600	97,600	144,822	47,222
National Frontier Trails Center:				
NFTC - Admissions & Rentals	50,000	50,000	48,507	-1,493
NFTC - Gift Shop	32,000	32,000	30,683	-1,317
Cemetery:				
Sale of Cemetery Lots	8,200	8,200	7,350	-850
Sale of Monument Bases	3,100	3,100	3,806	706
Grave Opening Charges	49,000	49,000	66,200	17,200
Other Charges:				
Sale of Street Signs	500	500	718	218
Special Assessments	160,000	160,000	144,223	-15,777
Sale of Recycled Material			15,273	15,273
Solid Waste Disp Fees	85,000	85,000	73,278	-11,722
Miscellaneous Charges	180,000	182,658	527,655	344,997
Total Charges for Current Services	1,561,951	1,564,609	1,954,151	389,542

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

Months of Actual Revenue: 12				
Description	Original Budget	Revised Budget	Actual Revenue Through June	Variance To Budgeted Revenues
Fines and Court Costs				
Fines & Forfeitures	3,691,563	3,691,563	3,225,591	-465,972
Court Costs	462,062	462,062	374,217	-87,845
Police Training	65,145	65,145	51,280	-13,865
Domestic Violence	66,335	66,335	51,245	-15,090
Dwi/drug	38,305	38,305	22,275	-16,030
Special Warrant Collection				
Total Fines and Court Costs	4,323,410	4,323,410	3,724,608	-598,802
Interest Income				
Interest	290,000	290,000	137,211	-152,789
Special Assessments - Interest	7,000	7,000	156	-6,844
Interest - Other	80,000	80,000	78,329	-1,671
Total Interest Income	377,000	377,000	215,696	-161,304
Interfund Chgs. For Supp. Serv.	3,139,780	3,139,780	3,222,406	82,626
Other Revenue:				
Sale of Land				
Sale of Fixed Assets	45,000	45,501	23,581	-21,920
Rents	156,000	156,000	105,888	-50,112
Damage Claims	15,000	15,000	(3,231)	-18,231
Contributions		52,370	73,288	20,918
Housing Auth. In Lieu of Taxes				
Cash Over/Short			(192)	-192
Discounts Taken	300	300	672	372
Misc. Non-operating Revenue	200,000	200,000	167,068	-32,932
Proceed from Capital Lease		100,695	100,695	
Total Other Revenue	416,300	569,866	467,770	-102,096
Total Revenue	67,328,592	67,503,667	69,712,576	2,208,909

City of Independence, Missouri
Analysis of General Fund Undesignated Fund Balance

	<u>Estimated</u>	<u>Actual</u>	<u>Variance</u>
Beginning Undesignated Fund Balance		\$2,129,791	
Revenues	67,503,667	69,712,576	2,208,909
Expenditures	69,173,959	66,990,108	(2,183,851)
Adj. for Carryover Encumbrances		2,729	
Transfers In & Other Financial Sources		0	
Transfers Out		(132,078)	
Net Change In Fund Balance Components:			
Reserve for Encumbrances		97,559	
Reserve for Domestic Violence		3,215	
Reserve for Debt Service		(653)	
Reserve for Protested Revenues		834,856	
Designated for Capital Projects		(91,125)	
Designated for Police Equipment		(45,497)	
Designated for Leave Pay-Outs		(1,000,000)	
Designated for Economic Development		(1,100,000)	
Designated for Council Strategic Goals		189,318	
Designated for TIF Distributions		(52,743)	
Undesignated Fund Balance at June 30th		<u><u>\$3,557,840</u></u>	

City of Independence, Missouri
Balance Sheet
Governmental Funds
June 30, 2008

Assets	General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	3,955,047	31,924,978	35,880,026
Receivables:			
Taxes	7,651,244	3,364,129	11,015,373
Accounts	179,369	115,988	295,356
Special assessment principal and accrued interest	514,845	1,625,942	2,140,787
Accrued interest	6,488	216,927	223,416
Due from other funds	3,195,705	710,287	3,905,992
Due from component unit to primary gvmt	-	1,237,414	1,237,414
Due from other governments	773,911	2,607,262	3,381,173
Restricted assets	497,731	32,016,089	32,513,820
Total assets	<u>\$ 16,774,340</u>	<u>\$ 73,819,017</u>	<u>\$ 90,593,357</u>

	General	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	766,786	3,626,426	4,393,212
Due to other funds	-	3,232,697	3,232,697
Due to primary government from component unit	-	1,237,414	1,237,414
Accrued items	1,580,031	91,654	1,671,685
Other current liabilities	767,643	36,274	803,918
Deferred revenue	4,059,119	2,337,637	6,396,756
Liabilities payable from restricted assets:			
Deposits and court bonds	272,943	-	272,943
Total liabilities	<u>7,446,522</u>	<u>10,562,102</u>	<u>18,008,625</u>

Fund Balances:			
Reserved for:			
Encumbrances	845,315	40,455,141	41,300,456
Domestic violence	10,402	-	10,402
Other purposes	410,000	25,171,736	25,581,737
Unreserved, reported in:			
General fund	3,557,839	-	3,557,839
Special revenue funds	-	8,021,145	8,021,145
Debt Service fund	-	71,068	71,068
Capital project funds	-	(22,025,226)	(22,025,226)
Designated general fund	4,504,261	-	4,504,261
Designated special revenue funds	-	4,627,812	4,627,812
Designated capital project funds	-	6,935,237	6,935,237
Total fund balance	<u>9,327,818</u>	<u>63,256,914</u>	<u>72,584,732</u>
Total liabilities and fund balance	<u>\$ 16,774,340</u>	<u>\$ 73,819,017</u>	<u>\$ 90,593,357</u>

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	37,644,623	30,321,983	67,966,606
Licenses and permits	3,603,589	1,039,130	4,642,718
Intergovernmental	5,177,146	5,685,171	10,862,318
Charges for services	1,954,151	839,993	2,794,145
Interfund charges for support services	3,222,406	-	3,222,406
Fines, forfeitures, and court costs	3,724,608	-	3,724,608
Investment Income	215,696	2,696,559	2,912,256
Sale of property, plant, and equipment	23,581	-	23,581
TIF Developer Contributions	-	696,721	696,721
Reimbursements from component unit	-	11,413,444	11,413,444
Other	343,493	1,652,567	1,996,061
Total revenues	55,909,295	54,345,569	110,254,864
Expenditures:			
Current:			
General government	7,421,058	39,363	7,460,421
Public safety	36,591,734	4,352,293	40,944,027
Public works	7,173,709	-	7,173,709
Health and welfare	2,430,546	444,846	2,875,392
Culture and recreation	2,101,157	3,689,957	5,791,114
Community development	2,754,408	1,335,911	4,090,319
Storm Water	300,079	1,084,316	1,384,395
Nondepartmental/other	7,464,185	119,354	7,583,540
Capital outlay	340,821	84,397,124	84,737,945
Debt service:			
Principal	349,132	10,298,485	10,647,617
Interest and fiscal agent fees	60,550	9,045,523	9,106,073
Total expenditures	66,987,379	114,807,172	181,794,551
Excess (deficiency) of revenues over expenditures	(11,078,085)	(60,461,603)	(71,539,688)
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	100,695	-	100,695
Proceeds from bond issuance	-	22,185,000	22,185,000
Reoffering premium/original issue discount	-	(261,937)	(261,937)
Payment to refunded loans escrow agent	-	-	-
Transfers in-utility payments in lieu of taxes	13,702,586	-	13,702,586
Transfers in	-	1,424,315	1,424,315
Transfers out	(132,078)	(1,397,594)	(1,529,672)
Total other financing sources (uses)	13,671,204	21,949,784	35,620,987
Net change in fund balances	2,593,119	(38,511,819)	(35,918,700)
Fund balances, beginning	6,734,699	101,768,734	108,503,432
Fund balances, ending	\$ 9,327,818	\$ 63,256,914	\$ 72,584,732

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Year Ended June 30, 2008

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	384,076	392,428	388,516	589	389,105	3,600
City Clerk	444,395	444,395	408,602	9,115	417,717	5,365
City Manager	1,008,238	1,027,448	1,010,763	6,711	1,017,474	2,828
National Frontier Trails Center	361,516	373,180	367,536	8,124	375,660	5,642
Technology Services	1,698,079	1,734,413	1,631,727	3,139	1,634,866	15,320
Municipal Court	757,022	767,605	679,747	4,383	684,130	5,681
Law	739,685	755,031	645,382	38	645,420	3,129
Finance	1,813,004	1,845,739	1,781,439	32,547	1,813,986	34,219
Human Resources	506,764	519,448	468,654	1,416	470,070	1,654
Total General Government	7,712,779	7,859,687	7,382,366	66,063	7,448,429	77,437
Public Safety:						
Community Development	2,673,178	2,890,583	2,743,967	10,441	2,754,408	39,167
Police	20,740,646	22,318,498	22,202,277	56,714	22,258,991	112,629
Fire	14,004,467	14,427,975	14,394,318	105,674	14,499,992	33,656
Total Public Safety	37,418,291	39,637,056	39,340,562	172,830	39,513,392	185,452
Public Works:						
Public Works	7,145,395	7,214,904	7,006,886	166,824	7,173,709	180,330
Storm Water	295,013	300,451	300,079	-	300,079	371
Health	2,454,091	2,534,651	2,406,561	23,985	2,430,546	18,922
Parks and Recreation	2,045,189	2,116,377	2,101,242	(84)	2,101,157	15,069
Non-Departmental	9,135,131	7,364,457	6,917,092	5,356	6,922,447	11,461
Council Goals	300,000	626,138	334,991	106,052	441,043	54,327
Debt Service	-	100,695	100,695	-	100,695	-
Capital Outlay	509,096	509,096	308,186	46,911	355,096	100,822
TIF Distribution	200,000	910,447	141,536	59,250	200,786	5,722
Total Other	22,083,915	21,677,216	19,617,267	408,291	20,025,559	387,024
Total Expenditures & Encumbrances	67,214,985	69,173,959	66,340,195	647,184	66,987,379	649,913

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
Proprietary Funds
June 30, 2008

Assets	Enterprise Funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Current assets:						
Pooled cash and investments	\$ 12,522,448	1,703,533	9,418,210	0	23,644,192	7,444,288
Receivables:						
Accounts (net of allowance of \$1,007,155)	5,859,915	1,993,081	1,525,612	—	9,378,608	146,023
Unbilled revenue	7,910,269	844,131	983,600	—	9,738,000	68,484
Special assessment principal and accrued interest	3,904	—	46,018	—	49,922	103,774
Accrued interest	242,262	6,488	96,111	—	344,862	—
Other	—	—	—	—	—	—
Due from other funds	25,956	15,619	11,429	—	53,004	—
Due from other governments	546,067	—	—	—	546,067	—
Inventory	11,651,505	609,974	74,738	—	12,336,216	—
Prepaid items	67,425	—	—	—	67,425	—
Restricted assets	1,161,872	317,122	243,492	4,656,793	6,379,278	—
Total current assets	<u>39,991,623</u>	<u>5,489,949</u>	<u>12,399,210</u>	<u>4,656,793</u>	<u>62,537,575</u>	<u>7,762,569</u>
Noncurrent assets:						
Restricted assets	231,974	500,000	—	—	731,974	—
Capital assets:						
Nondepreciable	18,011,415	3,567,345	3,002,842	7,238,121	31,819,723	93,979
Depreciable, net	146,353,294	102,881,519	63,141,147	—	312,375,960	1,650
Advance to other funds	—	—	—	—	—	—
Deferred debt issue costs	249,464	746,676	—	464,110	1,460,250	—
Prepaid employee benefits	—	—	—	—	—	—
Other deferred charges	77,750	834,586	0	—	912,336	—
Total noncurrent assets	<u>164,923,898</u>	<u>108,530,126</u>	<u>66,143,989</u>	<u>7,702,231</u>	<u>347,300,244</u>	<u>95,629</u>
Total assets	<u>\$ 204,915,522</u>	<u>114,020,074</u>	<u>78,543,199</u>	<u>12,359,024</u>	<u>409,837,819</u>	<u>7,858,198</u>
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	\$ 7,324,227	681,564	347,647	24,983	8,378,420	832,935
Accrued items	448,576	221,081	277,678	—	947,335	10,801
Other current liabilities	100,000	—	59,414	1,073	160,487	—
Deferred revenue	—	—	—	—	—	—
Current portion of long-term obligations	3,335,354	3,332,304	275,637	—	6,943,294	47,411
Employee benefits payable	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	1,806,809
Liabilities payable from restricted assets	1,077,099	582,370	214,368	172,095	2,045,933	—
Total current liabilities	<u>12,285,255</u>	<u>4,817,319</u>	<u>1,174,744</u>	<u>198,151</u>	<u>18,475,468</u>	<u>2,697,957</u>
Noncurrent liabilities:						
Revenue bonds payable	10,999,752	35,970,000	—	12,325,000	59,294,752	—
Other long term liabilities	—	421,100	—	—	421,100	—
Other post employment benefits	1,542,526	641,192	535,652	—	2,719,370	71,451
Compensated absences – long-term	3,135,796	944,169	626,130	—	4,706,094	77,163
Advances for construction	362,062	102,322	—	—	464,384	—
Medical self-insurance claims	—	—	—	—	—	2,477,000
Total noncurrent liabilities	<u>16,040,137</u>	<u>38,078,783</u>	<u>1,161,782</u>	<u>12,325,000</u>	<u>67,605,701</u>	<u>2,625,614</u>
Total liabilities	<u>28,325,392</u>	<u>42,896,102</u>	<u>2,336,525</u>	<u>12,523,151</u>	<u>86,081,169</u>	<u>5,323,571</u>
Net Assets						
Invested in capital assets, net of related debt	151,459,421	68,294,479	66,143,989	(4,622,769)	281,275,120	95,629
Restricted for:						
Debt service	231,974	500,000	—	—	731,974	—
Unrestricted	24,898,734	2,329,494	10,062,685	4,458,642	41,749,555	2,438,998
Total net assets	<u>176,590,130</u>	<u>71,123,973</u>	<u>76,206,674</u>	<u>(164,127)</u>	<u>323,756,649</u>	<u>2,534,628</u>
Total liabilities and net assets	<u>\$ 204,915,522</u>	<u>114,020,074</u>	<u>78,543,199</u>	<u>12,359,024</u>	<u>409,837,819</u>	<u>7,858,198</u>

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2008

	Enterprise Funds					Internal
	Power and Light	Water	Sanitary Sewer	Events Center	Totals	Service Funds
Operating revenues:						
Charges for services	\$ 106,220,698	17,774,694	15,135,518	—	139,130,910	2,184,643
Miscellaneous	1,399,249	339,489	147,537	—	1,886,275	13,814,262
Total operating revenues	107,619,947	18,114,183	15,283,055	—	141,017,185	15,998,905
Operating expenses:						
Personal services	17,955,598	6,988,604	5,076,111	—	30,020,312	3,510,940
Other services	14,651,808	3,974,346	6,537,849	—	25,164,003	13,088,943
Capital Outlay	—	145,438	2,847	—	148,285	4,852
Supplies	51,913,655	1,523,900	665,055	—	54,102,611	1,268,306
Other expenses	7,163,440	2,714,694	106,752	—	9,984,885	—
Depreciation and amortization	10,571,375	2,722,564	2,530,205	—	15,824,144	550
Total operating expenses	102,255,876	18,069,545	14,918,819	—	135,244,241	17,873,591
Operating income	5,364,071	44,638	364,235	—	5,772,944	(1,874,686)
Nonoperating revenues (expenses):						
Interest revenue	1,044,369	239,518	551,727	14,905	1,850,519	278,826
Miscellaneous revenue	693,902	1,430,382	26,186	—	2,150,469	4,207,713
Interest expense	(960,996)	(1,928,270)	—	(179,032)	(3,068,297)	—
Total nonoperating revenue (expenses)	777,276	(258,370)	577,912	(164,127)	932,691	4,486,538
Income before contributions and transfers	6,141,346	(213,732)	942,148	(164,127)	6,705,635	2,611,852
Capital contributions	1,310,874	2,634,518	417,735	—	4,363,126	—
Transfers out - Utility payments in lieu of taxes	(10,539,219)	(1,705,015)	(1,458,352)	—	(13,702,586)	—
- Other	(418,849)	(124,394)	(40,543)	—	(583,786)	—
Transfers in	—	—	105,357	—	105,357	583,786
Change in net assets	(3,505,849)	591,377	(33,656)	(164,127)	(3,112,255)	3,195,638
Total net assets:						
Beginning of the period	180,095,979	70,532,596	76,240,330	—	326,868,905	(661,011)
End of the period	\$ 176,590,130	71,123,973	76,206,674	(164,127)	323,756,652	2,534,628

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

Assets	Private-Purpose Trust Funds	Agency Funds
Pooled cash and investments	\$ 62,386	121,810
Accrued interest receivable	-	494
Total assets	<u>\$ 62,386</u>	<u>122,304</u>
Liabilities		
Accounts and contacts payable	\$ 168	5,693
Funds held in Escrow	800	54,183
Employee deferred credit	—	62,428
Total liabilities	<u>\$ 968</u>	<u>122,304</u>
Net Assets		
Held in trust	<u>\$ 61,418</u>	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
June 30, 2008

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Pooled cash and investments	1,486,513	1	1	1	18,784,137	3,811,414	713	24,082,780
Receivables:								
Taxes	95,000	1,835	-	-	2,736,487	-	-	2,833,322
Accounts	6,537	-	-	-	-	-	14,749	21,286
Accrued interest	-	-	-	-	179,463	37,464	-	216,927
Due from other funds	-	-	-	-	705,287	-	-	705,287
Due from other governments	106,296	-	182,459	314,416	-	-	357,561	960,732
Restricted assets	-	-	-	-	738,115	-	-	738,115
Total assets	\$ 1,694,346	\$ 1,836	\$ 182,460	\$ 314,417	\$ 23,143,490	\$ 3,848,878	\$ 373,023	\$ 29,558,449

Liabilities and Fund Balances	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Liabilities:								
Accounts and contracts payable	208,681	-	1,227	23,112	1,943,898	-	20,982	2,197,900
Due to other funds	-	71	172,672	252,515	1,863,094	-	117,597	2,405,949
Accrued items	8,230	-	7,878	2,566	51,343	-	21,638	91,654
Other current liabilities	-	-	-	36,220	54	-	-	36,274
Deferred revenue	-	-	-	-	98,333	-	212,807	311,140
Total liabilities	216,911	71	181,777	314,413	3,956,722	-	373,023	5,042,917
Fund Balances:								
Reserved for:								
Encumbrances	79,734	-	302,593	158,278	10,597,592	-	87,899	11,226,096
Other purposes	-	696	-	-	639,783	-	-	640,479
Unreserved, reported in:								
Special revenue funds	755,374	1,069	(301,910)	(158,275)	7,949,394	(136,607)	(87,899)	8,021,145
Designated special revenue funds	642,327	-	-	-	-	3,985,485	-	4,627,812
Total fund balance	1,477,435	1,765	683	4	19,186,768	3,848,878	(0)	24,515,532
Total liabilities and fund balance	\$ 1,694,346	\$ 1,836	\$ 182,460	\$ 314,417	\$ 23,143,490	\$ 3,848,878	\$ 373,023	\$ 29,558,449

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2008

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	1,084,379	22,997	-	-	19,722,760	-	-	20,830,136
Licenses and permits	-	-	-	-	-	1,039,130	-	1,039,130
Intergovernmental	184,849	-	772,035	614,146	-	-	1,744,417	3,315,448
Charges for services	350	-	1,300	-	579,567	-	94,184	675,401
Investment Income	42,369	885	-	-	810,369	125,150	-	978,773
Other	6,130	-	-	-	167,024	-	1,076	174,230
Total revenues	1,318,076	23,882	773,335	614,146	21,279,720	1,164,280	1,839,678	27,013,118
Expenditures:								
Current:								
General government	-	-	-	-	-	-	39,363	39,363
Public safety	-	-	-	-	3,110,074	-	1,242,219	4,352,293
Health and welfare	-	-	-	-	-	-	444,846	444,846
Culture and recreation	1,241,666	-	-	-	2,448,291	-	-	3,689,957
Community development	-	-	721,764	614,146	-	-	-	1,335,911
Storm water	-	-	-	-	1,084,316	-	-	1,084,316
Nondepartmental	-	-	-	-	5,143	-	113,250	118,393
Capital outlay	-	46,551	-	-	13,108,801	-	-	13,155,352
Debt service:								
Principal	-	-	-	-	2,970,000	-	-	2,970,000
Interest and fiscal agent fees	-	-	-	-	1,005,902	-	-	1,005,902
Total expenditures	1,241,666	46,551	721,764	614,146	23,732,527	-	1,839,678	28,196,332
Excess (deficiency) of revenues over expenditures	76,410	(22,668)	51,571	(0)	(2,452,807)	1,164,280	0	(1,183,214)
Other financing sources (uses):								
Transfers out	-	-	(52,188)	-	(480,980)	(746,557)	-	(1,279,726)
Total other financing sources (uses)	-	-	(52,188)	-	(480,980)	(746,557)	-	(1,279,726)
Net change in fund balances	76,410	(22,668)	(617)	(0)	(2,933,787)	417,722	0	(2,462,940)
Fund balances, beginning	1,401,025	24,433	1,300	4	22,120,555	3,431,156	-	26,978,473
Fund balances, ending	\$ 1,477,435	\$ 1,765	\$ 683	\$ 4	\$ 19,186,768	\$ 3,848,878	\$ 0	\$ 24,515,532

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
June 30, 2008

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Pooled cash and investments	755,076	(13,855)	10,636,760	1,665,330	5,740,828	18,784,137
Receivables:						
Taxes	816,743	544,162	544,198	287,264	544,118	2,736,487
Accrued interest	-	-	145,652	11,958	21,853	179,463
Due from other funds	689,131	-	16,156	-	-	705,287
Restricted assets	565,082	74,701	98,333	-	-	738,115
Total assets	\$ 2,826,031	\$ 605,008	\$ 11,441,099	\$ 1,964,552	\$ 6,306,799	\$ 23,143,490

Liabilities and Fund Balances	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Liabilities:						
Accounts and contracts payable	522,990	598,289	474,726	126,748	221,145	1,943,898
Due to other funds	-	1,863,094	-	-	-	1,863,094
Accrued items	-	39,339	12,004	-	-	51,343
Other current liabilities	-	54	-	-	-	54
Deferred revenue (note 20)	-	-	98,333	-	-	98,333
Total liabilities	522,990	2,500,776	585,062	126,748	221,145	3,956,722

Fund Balances:						
Reserved for:						
Encumbrances	3,046,687	573,609	2,404,718	378,811	4,193,766	10,597,592
Other purposes	565,082	74,701	-	-	-	639,783
Unreserved, reported in:						
Special revenue funds	(1,308,728)	(2,544,078)	8,451,318	1,458,993	1,891,888	7,949,394
Total fund balance	2,303,041	(1,895,768)	10,856,037	1,837,804	6,085,654	19,186,768
Total liabilities and fund balance	\$ 2,826,031	\$ 605,008	\$ 11,441,099	\$ 1,964,552	\$ 6,306,799	\$ 23,143,490

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Year Ended June 30, 2008

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Revenues:						
Taxes	5,878,783	3,918,521	3,919,288	2,089,282	3,916,886	19,722,760
Charges for services	-	579,567	-	-	-	579,567
Investment income	77,609	14,153	475,034	71,502	172,072	810,369
Other	4	31,383	135,588	17	32	167,024
Total revenues	5,956,396	4,543,624	4,529,910	2,160,801	4,088,990	21,279,720
Expenditures:						
Current:						
Public safety	-	-	-	2,560,220	549,854	3,110,074
Culture and recreation	-	2,448,291	-	-	-	2,448,291
Storm water	-	-	1,084,316	-	-	1,084,316
Nondepartmental/other	4,338	806	-	-	-	5,143
Capital outlay	4,821,065	2,459,535	3,595,825	-	2,232,376	13,108,801
Debt service:						
Principal	1,260,000	985,000	-	350,000	375,000	2,970,000
Interest and fiscal agent fees	210,725	456,902	-	162,963	175,313	1,005,902
Total expenditures	6,296,127	6,350,534	4,680,142	3,073,182	3,332,543	23,732,527
Excess (deficiency) of revenues over expenditures	(339,732)	(1,806,910)	(150,232)	(912,381)	756,447	(2,452,807)
Other financing sources (uses):						
Transfers out	(465,331)	(4,461)	(4,496)	(2,231)	(4,461)	(480,980)
Total other financing sources (uses)	(465,331)	(4,461)	(4,496)	(2,231)	(4,461)	(480,980)
Net change in fund balances	(805,062)	(1,811,371)	(154,729)	(914,611)	751,986	(2,933,787)
Fund balances, beginning	3,108,103	(84,397)	11,010,765	2,752,416	5,333,668	22,120,555
Fund balances, ending	\$ 2,303,041	\$ (1,895,768)	\$ 10,856,037	\$ 1,837,804	\$ 6,085,654	\$ 19,186,768

City of Independence, Missouri
Balance Sheet
Debt Service Fund
June 30, 2008

Assets	Debt Service Fund	Total
Pooled cash and investments	1	1
Receivables:		
Special assessment principal and accrued interest	1,201,421	1,201,421
Restricted assets	94,000	94,000
Total assets	<u>\$ 1,295,422</u>	<u>\$ 1,295,422</u>

	Debt Service	Total
Liabilities and Fund Balances		
Liabilities:		
Due to other funds	20,088	20,088
Deferred revenue	1,201,421	1,201,421
Total liabilities	<u>1,221,509</u>	<u>1,221,509</u>
Fund Balances:		
Reserved for:		
Other purposes	2,845	2,845
Unreserved, reported in:		
Debt Service fund	71,068	71,068
Total fund balance	<u>73,913</u>	<u>73,913</u>
Total liabilities and fund balance	<u>\$ 1,295,422</u>	<u>\$ 1,295,422</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2008

	Debt Service Fund	Total
Revenues:		
Charges for services	96,603	96,603
Investment Income	2,662	2,662
Total revenues	<u>99,265</u>	<u>99,265</u>
Expenditures:		
Current:		
Nondepartmental	962	962
Debt service:		
Principal	59,000	59,000
Interest and fiscal agent fees	47,619	47,619
Total expenditures	<u>107,580</u>	<u>107,580</u>
Excess (deficiency) of revenues over expenditures	<u>(8,316)</u>	<u>(8,316)</u>
Other financing sources (uses):		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(8,316)	(8,316)
Fund balances, beginning	82,229	82,229
Fund balances, ending	<u><u>\$ 73,913</u></u>	<u><u>\$ 73,913</u></u>

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
June 30, 2008

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Pooled cash and investments	132	19,553	7,772,296	50,215	1	0	7,842,198
Receivables:							
Taxes	-	-	530,808	-	-	-	530,808
Accounts	-	-	94,701	-	-	-	94,701
Special assessment principal and accrued interest	424,521	-	-	-	-	-	424,521
Due from other funds	-	-	5,000	-	-	-	5,000
Due from component unit to primary gvmnt	1,115,312	-	-	-	-	122,102	1,237,414
Due from other governments	1,300,048	-	346,483	-	-	-	1,646,530
Restricted assets	-	-	31,183,973	-	-	-	31,183,973
Total assets	\$ 2,840,012	\$ 19,553	\$ 39,933,261	\$ 50,215	\$ 1	\$ 122,103	\$ 42,965,145

Liabilities and Fund Balances	Street Improvements	Revolving Public Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Liabilities:							
Accounts and contracts payable	1,362,383	-	-	50,000	-	16,143	1,428,526
Due to other funds	689,131	-	5,000	-	16,156	96,373	806,660
Due to primary government from component unit	-	-	1,237,414	-	-	-	1,237,414
Deferred revenue	825,075	-	-	-	-	-	825,075
Total liabilities	2,876,589	-	1,242,414	50,000	16,156	112,516	4,297,676

Fund Balances:							
Reserved for:							
Encumbrances	29,181,415	-	6,678	10,000	-	30,952	29,229,045
Other purposes	-	-	24,528,412	-	-	-	24,528,412
Unreserved, reported in:							
Capital project funds	(29,217,992)	19,553	7,220,519	(9,785)	(16,155)	(21,365)	(22,025,226)
Designated capital project funds	-	-	6,935,237	-	-	-	6,935,237
Total fund balance	(36,577)	19,553	38,690,847	215	(16,155)	9,586	38,667,469
Total liabilities and fund balance	\$ 2,840,012	\$ 19,553	\$ 39,933,261	\$ 50,215	\$ 1	\$ 122,103	\$ 42,965,145

City of Independence, Missouri
Balance Sheet
TIF Funds
63008

Assets	Mid Town Truman	RSO	Bolger Square	Santa Fe	Sterling Village	Hartman Heritage	Drum Farm	Eastland Center	North Indep.	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apts	Trinity	HCA	TIF App Fees	Total TIF Funds
Pooled cash and investments (note 3)	421,712	90,733	-	6,256	4,023	1,475,716	1,101,454	1,124,273	3,619	16,678	147,018	37,874	1,350,430	222	0	73,550	1,909,079	9,659	7,772,296
Receivables:																			
Taxes	157	8,300	-	4,331	1,385	24,000	26,011	241,844	3,900	600	34,000	-	147,358	21	36,919	81	1,900	-	530,808
Accounts (net of allowance of \$443,838) (note 1D)	-	-	-	-	-	-	-	-	-	-	-	-	94,671	-	-	-	-	30	94,701
Due from other funds (note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Due from other governments (note 5)	-	16,693	-	3,012	-	52,689	1,847	163,305	3,209	200	39,961	-	64,203	-	-	-	1,984	-	3,000
Reinstated assets (notes 3 and 8)	-	-	-	974,554	-	1,960,223	40,107	5,597,087	-	-	-	-	19,818,741	-	-	-	2,993,292	-	31,183,973
Total assets	\$ 421,869	\$ 115,726	\$ -	\$ 988,154	\$ 5,408	\$ 3,512,007	\$ 1,169,419	\$ 7,126,478	\$ 10,728	\$ 17,478	\$ 220,979	\$ 37,874	\$ 21,275,403	\$ 243	\$ 36,919	\$ 73,631	\$ 4,906,255	\$ 14,690	\$ 39,933,261

Liabilities and Fund Balances	Mid Town Truman	RSO	Bolger Square	Santa Fe	Sterling Village	Hartman Heritage	Drum Farm	Eastland Center	North Indep.	Mount Washington	Hy-Vee	Noland Rd Autobody	Crackerneck Creek	Old Landfill	Cornerstone Apts	Trinity	HCA	TIF App Fees	Total TIF Funds
Liabilities:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds (note 6)	-	-	-	-	-	-	-	43,444	-	-	-	-	171,801	-	5,000	-	1,022,189	-	5,000
Due to primary government from component unit	-	-	-	-	-	-	-	43,444	-	-	-	-	171,801	-	5,000	-	1,022,189	-	1,237,414
Total liabilities	-	-	-	-	-	-	-	43,444	-	0	-	-	171,801	-	5,000	-	1,022,189	-	1,242,414
Fund Balances:																			
Reserved for:																			
Encumbrances	-	-	-	-	-	1,539,575	19,480	2,993,937	-	-	-	-	-	-	-	-	-	6,678	6,678
Other purposes	-	-	-	977,706	-	-	-	-	-	-	-	-	-	-	-	-	2,746,809	-	24,528,412
Unreserved, reported in:																			
Capital project funds	421,869	115,726	(0)	10,448	5,408	1,551,784	1,129,312	1,915,194	10,728	17,478	220,979	37,874	1,375,180	243	31,919	73,631	890,784	8,012	7,202,519
Designated capital project funds	-	-	-	-	-	20,648	29,827	2,775,983	-	-	-	-	3,973,517	-	-	-	246,483	-	6,935,237
Total fund balance	421,869	115,726	(0)	988,154	5,408	3,512,007	1,169,419	7,085,094	10,728	17,478	220,979	37,874	21,103,601	243	31,919	73,631	3,884,086	14,690	38,630,847
Total liabilities and fund balance	\$ 421,869	\$ 115,726	\$ (0)	\$ 988,154	\$ 5,408	\$ 3,512,007	\$ 1,169,419	\$ 7,126,478	\$ 10,728	\$ 17,478	\$ 220,979	\$ 37,874	\$ 21,275,403	\$ 243	\$ 36,919	\$ 73,631	\$ 4,906,255	\$ 14,690	\$ 39,933,261

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Month Ending July 31, 2008

	Mid Town Truman	RSO	Santa Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Indep.	Mount Washington	Hy Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apts	Trinity	HCA	TIF App Fees	Total TIF Funds
Revenues:																		
Taxes (note 4)	-	-	-	-	34,335	2,855	103,867	5,335	915	46,560	-	47,694	-	-	-	1,405	-	243,065
Investment income	645	-	9	8	2,834	2,089	2,405	8	33	205	72	2,865	0	3,389	139	1,677	26	16,404
Other (note 6)	-	-	-	-	-	-	-	-	-	-	-	48,151	-	-	-	-	-	48,151
Total revenues	645	-	9	8	37,169	5,044	106,271	5,343	948	46,765	72	99,710	0	3,389	139	3,082	26	308,620
Expenditures:																		
Current:																		
Capital outlay	-	-	1,500	-	1,500	750	251,303	-	-	-	-	197	-	-	-	5,590	755	261,594
Debt service:																		
Principal (note 8)	80,058	20,432	-	-	-	-	-	-	-	30,371	-	-	-	-	-	-	-	130,861
Interest and fiscal agent fees	-	70,301	-	-	-	-	-	3,619	-	43,179	-	-	-	-	-	-	-	117,099
Total expenditures	80,058	90,733	1,500	-	1,500	750	251,303	3,619	-	73,550	-	197	-	-	-	5,590	755	509,554
Excess (deficiency) of revenues over expenditures	(79,412)	(90,733)	(1,491)	8	35,669	4,294	(145,032)	1,724	948	(26,785)	72	99,514	0	3,389	139	(2,507)	(729)	(200,934)
Other financing sources (uses):																		
Proceeds from bond issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refloating premium/original issue discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(79,412)	(90,733)	(1,491)	8	35,669	4,294	(145,032)	1,724	948	(26,785)	72	99,514	0	3,389	139	(2,507)	(729)	(200,934)
Fund balances, beginning	421,869	115,726	986,154	5,408	3,512,007	1,189,419	7,063,034	10,728	17,478	220,979	37,874	21,103,601	243	31,919	73,631	3,884,086	14,890	38,690,847
Fund balances, ending	\$ 342,457	\$ 24,993	\$ 986,663	\$ 5,416	\$ 3,547,675	\$ 1,173,713	\$ 6,938,002	\$ 12,452	\$ 18,426	\$ 194,194	\$ 37,945	\$ 21,203,115	\$ 244	\$ 35,309	\$ 73,770	\$ 3,881,579	\$ 13,861	\$ 38,489,913

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Year Ended June 30, 2008

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	-	-	9,491,848	-	-	-	9,491,848
Intergovernmental	2,369,724	-	-	-	-	-	2,369,724
Charges for services	57,989	-	10,000	-	-	-	67,989
Investment income	(167)	553	1,714,634	64	-	39	1,715,124
TIF Developer Contributions	-	-	696,721	-	-	-	696,721
Reimbursements from component unit	9,438,370	-	-	-	-	1,975,074	11,413,444
Other	222,877	-	1,256,072	(612)	-	-	1,478,337
Total revenues	12,088,793	553	13,169,275	(548)	-	1,975,113	27,233,187
Expenditures:							
Capital outlay	13,039,532	-	56,177,528	49,638	-	1,975,074	71,241,771
Debt service:							
Principal	-	-	7,269,485	-	-	-	7,269,485
Interest and fiscal agent fees	-	-	7,992,003	-	-	-	7,992,003
Total expenditures	13,039,532	-	71,439,016	49,638	-	1,975,074	86,503,259
Excess (deficiency) of revenues over expenditures	(950,738)	553	(58,269,741)	(50,186)	-	39	(59,270,073)
Other financing sources (uses):							
Proceeds from bond issuance	-	-	22,185,000	-	-	-	22,185,000
Refinancing premium/original issue discount	-	-	(261,937)	-	-	-	(261,937)
Transfers in	1,216,044	-	40,152	50,250	-	-	1,306,447
Total other financing sources (uses)	1,216,044	-	21,963,216	50,250	-	-	23,229,510
Net change in fund balances	265,306	553	(36,306,526)	64	-	39	(36,040,563)
Fund balances, beginning	(301,883)	19,000	74,997,373	150	(16,155)	9,547	74,708,032
Fund balances, ending	\$ (36,577)	\$ 19,553	\$ 38,690,847	\$ 215	\$ (16,155)	\$ 9,586	\$ 38,667,469

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2008

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Worker's Compensation	Total (Exhibit 5)
Assets					
Current assets:					
Pooled cash and investments	\$ 171,008	149,596	7,123,683	1	7,444,288
Accounts receivable	7,591	103,602	—	34,831	146,023
Accrued interest receivable	—	—	68,484	—	68,484
Inventory	103,774	—	—	—	103,774
Property, plant, and equipment, net:					
Land and infrastructure	—	—	—	—	—
Buildings, property, and equipment, net	—	—	—	—	—
Advance to other funds	—	—	—	—	—
Deferred debt issue costs	—	—	—	—	—
Prepaid employee benefits	—	—	—	—	—
Other deferred charges	—	—	—	—	—
Total current assets	282,372	253,198	7,192,167	34,832	7,762,569
Noncurrent assets:					
Property, plant, and equipment:					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	146,481	—	—	—	146,481
Less accumulated depreciation	(144,831)	—	—	—	(144,831)
Total noncurrent assets	95,629	—	—	—	95,629
Total assets	\$ 378,002	253,198	7,192,167	34,832	7,858,198
Liabilities					
Current liabilities:					
Accounts and contracts payable	\$ 81,192	195,000	—	556,743	832,935
Accrued liabilities	9,584	—	—	1,217	10,801
Compensated absences - current	35,706	—	—	11,706	47,411
Employee benefits payable	—	—	—	—	—
Medical self-insurance claims	—	36,867	1,248,555	521,387	1,806,809
Total current liabilities	126,482	231,867	1,248,555	1,091,053	2,697,957
Noncurrent liabilities:					
Compensated absences - long-term	50,467	—	—	26,696	77,163
Other post employment benefits	71,451	—	—	—	71,451
Medical self-insurance claims	—	—	—	2,477,000	2,477,000
Total liabilities	248,400	231,867	1,248,555	3,594,749	5,323,571
Net Assets					
Invested in capital assets, net of related debt	95,629	—	—	—	95,629
Unrestricted	33,973	21,331	5,943,612	(3,559,917)	2,438,998
Total net assets (deficit)	129,602	21,331	5,943,612	(3,559,917)	2,534,628
Total liabilities and net assets	\$ 378,002	253,198	7,192,167	34,832	7,858,198

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2008

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Worker's Comp	Total (Exhibit 6)
Operating revenues:					
Charges for services	\$ 2,184,643	—	—	—	2,184,643
Miscellaneous	—	711,608	13,102,654	—	13,814,262
Total operating revenues	2,184,643	711,608	13,102,654	—	15,998,905
Operating expenses:					
Personal services	702,553	—	—	2,808,388	3,510,940
Other services	336,161	714,525	11,608,070	430,186	13,088,943
Supplies	1,261,458	—	—	6,849	1,268,306
Capital outlay	—	—	—	4,852	4,852
Depreciation and amortization	550	—	—	—	550
Total operating expenses	2,300,722	714,525	11,608,070	3,250,274	17,873,591
Operating Income	(116,078)	(2,917)	1,494,584	(3,250,274)	(1,874,686)
Nonoperating revenues:					
Interest revenue	3,196	1,292	271,952	2,386	278,826
Miscellaneous revenue	45,936	127,183	320,407	3,714,186	4,207,713
Total nonoperating revenue	49,132	128,475	592,360	3,716,572	4,486,538
Income before transfers	(66,946)	125,558	2,086,944	466,297	2,611,852
Transfers in (out)	—	—	—	583,786	583,786
Change in net assets	(66,946)	125,558	2,086,944	1,050,083	3,195,638
Total net assets (deficit):					
Beginning of the period	196,548	(104,227)	3,856,668	(4,610,000)	(661,011)
End of the period	\$ 129,602	21,331	5,943,612	(3,559,917)	2,534,628

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Private- Purpose Trust Fund	Agency Funds				
	Miscellaneous Expendable Trust	Total	Flexible Benefit Plan	Susie Block Trust	Seniors Travel Programs	Total
Assets						
Pooled cash and investments	\$ 62,386	62,386	62,428	31,086	28,296	121,810
Accrued interest receivable	—	—	—	494	—	494
Total assets	\$ 62,386	62,386	62,428	31,580	28,296	122,304
Liabilities						
Accounts and contacts payable	\$ 168	168	—	—	5,693	5,693
Internal balances (note 6)						
Liabilities payable from restricted assets:						
Funds held in Escrow	800	800	—	31,580	22,603	54,183
Employee deferred credi	—	—	62,428	—	—	62,428
Total liabilities	968	968	62,428	31,580	28,296	122,304
Net Assets						
Held in trust	\$ 61,418	61,418				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
June 30, 2008

FUND	CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	3,955,047.22	497,730.88	-	4,452,778.10
SPECIAL REVENUE				
TOURISM	1,486,513.31	-	-	1,486,513.31
CDA	0.84	-	-	0.84
RENTAL REHAB	0.50	-	-	0.50
INDEP. SQUARE BENEFIT	0.99	-	-	0.99
STREET SALES TAX	755,075.66	565,081.78	-	1,320,157.44
PARKS SALES TAX	-	74,700.79	(13,855.16)	60,845.63
STORM WATER SALES TAX	10,636,759.66	98,332.68	-	10,735,092.34
POLICE SALES TAX	1,665,329.50	-	-	1,665,329.50
FIRE SALES TAX	5,740,827.53	-	-	5,740,827.53
LICENSE SURCHARGE	3,811,414.10	-	-	3,811,414.10
GRANT	712.98	-	-	712.98
TOTAL	24,096,635.07	738,115.25	(13,855.16)	24,820,895.16
DEBT SERVICE FUND	0.91	94,000.00	-	94,000.91
CAPITAL PROJECTS				
STREET	132.15	-	-	132.15
TIF	7,772,296.33	31,183,973.39	-	38,956,269.72
BUILDING	50,214.82	-	-	50,214.82
STORM DRAINAGE	0.63	-	-	0.63
PARKS	0.34	-	-	0.34
REVOLVING PUBLIC IMPROV.	19,553.37	-	-	19,553.37
TOTAL	7,842,197.64	31,183,973.39	-	39,026,171.03
ENTERPRISE				
POWER & LIGHT	12,522,448.44	1,393,845.85	-	13,916,294.29
WATER	1,703,533.17	817,122.08	-	2,520,655.25
SEWER	9,418,210.36	243,492.19	-	9,661,702.55
EVENTS CENTER	0.25	4,656,792.65	-	4,656,792.90
TOTAL	23,644,192.22	7,111,252.77	-	30,755,444.99
INTERNAL SERVICE				
CENTRAL GARAGE	171,007.73	-	-	171,007.73
PHARMACY BENEFIT FUND	149,596.44	-	-	149,596.44
STAYWELL INSURANCE	7,123,682.90	-	-	7,123,682.90
WORKER'S COMPENSATION	0.98	-	-	0.98
TOTAL	7,444,288.05	-	-	7,444,288.05
TRUST & AGENCY				
WAGGONER	-	-	-	-
MISC TRUST	62,386.42	-	-	62,386.42
SUSIE PAXTON BLOCK TRUST	31,085.69	-	-	31,085.69
SENIORS TRAVEL PROGRAMS	28,295.58	-	-	28,295.58
FLEXIBLE BENEFITS	62,428.30	-	-	62,428.30
TOTAL	184,195.99	-	-	184,195.99
GRAND TOTAL	67,166,557.10	39,625,072.29	(13,855.16)	106,777,774.23

**CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY**

June 30, 2008

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		56,744,775.49	56,744,775.49	
CERTIFICATE OF DEPOSIT				
Commerce	11/26/08	8,000,000.00	8,000,000.00	4.100%
Commerce	07/18/08	10,000,000.00	10,000,000.00	3.030%
Commerce	08/08/08	6,000,000.00	6,000,000.00	2.250%
Bank of Kansas City	07/24/08	6,000,000.00	6,000,000.00	2.290%
Bank of Kansas City	10/01/08	6,000,000.00	6,000,000.00	2.290%
TOTAL		<u>36,000,000.00</u>	<u>36,000,000.00</u>	
U. S. TREASURY NOTES & AGENCY NOTES				
Commerce	02/15/27	18,887.50	26,652.34	7.074%
Commerce	10/15/08	6,007,946.40	6,007,946.40	4.486%
UMB	12/26/08	7,998,400.00	7,998,400.00	4.020%
TOTAL		<u>14,025,233.90</u>	<u>14,032,998.74</u>	
GRAND TOTAL		<u><u>106,770,009.39</u></u>	<u><u>106,777,774.23</u></u>	

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
PLAN YEAR 2008

	Feb-08	Mar-08	Apr-08	May-08	Jun-08	PLAN YEAR TOTALS	AVG COST PLAN YEAR
NUMBER OF PARTICIPANTS							
MEDICAL PLAN:							
REGULAR RATES	199	198	204	202	201	1,203	201
FAMILY	518	519	518	522	522	3,119	520
RETIREE RATES							
EMPLOYEE	59	60	60	61	60	358	60
FAMILY	94	90	91	88	89	548	91
MEDICARE RATE INDIVIDUAL	149	147	144	146	147	880	147
FAMILY + 1	77	77	76	79	78	462	77
FAMILY + 2	122	126	125	124	125	745	124
OTHER						0	0
MEDICAL PLAN PARTICIPANTS	1,218	1,217	1,218	1,222	1,222	7,315	1,219
CASH BALANCE FORWARD	6,444,023.92	6,742,644.42	7,009,662.88	6,640,736.77	6,765,044.03		
RECEIPTS:							
PREMIUMS:							
MEDICAL	1,100,685.43	1,096,091.73	1,096,996.80	1,101,571.01	1,101,939.80	6,599,630.64	1,099,938.44
INTEREST INCOME	5,472.77	3,182.45	2,962.58	2,377.12	2,770.98	27,434.81	4,572.47
REINSURANCE REIMB.:						0.00	0.00
AGGREGATE						0.00	0.00
SPECIFIC						0.00	0.00
SUBTOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLAIM REFUNDS:	20,319.90	24,056.25	15,975.08	5,025.80	5,149.00	80,173.68	13,362.28
MEDICARE D	73,612.16				60,793.86	134,406.02	22,401.00
TOTAL RECEIPTS	1,200,090.26	1,123,330.43	1,115,934.46	1,108,973.93	1,170,653.64	6,841,645.15	1,117,873.19
DISBURSEMENTS:							
BENEFITS:							
MEDICAL	583,150.06	520,239.42	1,124,641.74	666,425.10	587,636.90	4,177,502.12	696,250.35
VISION	15,822.81	11,501.62	18,588.60	14,751.02	12,002.76	84,636.72	14,106.12
PREFERRED RX	241,110.58	262,775.07	274,315.93	241,446.85	247,887.89	1,491,240.24	248,540.04
SUBTOTAL	840,083.45	794,516.11	1,417,546.27	922,622.97	847,527.55	5,753,379.08	958,896.51

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
PLAN YEAR 2008

	Feb-08	Mar-08	Apr-08	May-08	Jun-08	TOTALS	PLAN YEAR
DISBURSEMENTS CONT.:							
ADMINISTRATION:							
THIRD PARTY ADMINISTRATOR	12,679.20	12,719.60	12,708.80	12,771.20	12,740.00	76,350.40	12,725.07
UTILIZATION REVIEW	3,100.80	3,139.38	3,090.48	3,142.64	3,119.82	18,726.34	3,121.06
SUBTOTAL	15,780.00	15,858.98	15,799.28	15,913.84	15,859.82	95,076.74	15,846.12
REINSURANCE PREMIUM:							
AGGREGATE	38,537.52	38,796.67	38,667.35	38,962.68	38,744.07	232,804.14	38,800.69
SPECIFIC	2,387.65	2,398.25	2,305.50	2,392.95	2,377.05	14,275.55	2,379.26
SUBTOTAL	40,925.17	41,194.92	40,972.85	41,355.63	41,121.12	247,079.69	41,179.95
PPO							
NETWORK	4,181.60	4,233.20	4,167.20	4,237.60	4,206.80	25,251.60	4,208.60
NON NETWORK DISCOUNT						0.00	0.00
SUBTOTAL	4,181.60	4,233.20	4,167.20	4,237.60	4,206.80	25,251.60	4,208.60
OTHER:							
BANK SERV CHARGES	499.54	508.76	479.97	536.63	502.00	2,965.63	494.27
RECORDS					66.25	147.35	24.56
MISCELLANEOUS			5,895.00			6,374.50	1,062.42
CONSULTING						0.00	0.00
SUBTOTAL	499.54	508.76	6,374.97	536.63	568.25	9,487.48	1,581.25
TOTAL DISB.	901,469.76	856,311.97	1,484,860.57	984,666.67	909,283.54	6,130,274.59	1,021,712.43
ENDING CASH BALANCE	6,742,644.42	7,009,662.88	6,640,736.77	6,765,044.03	7,026,414.13	---	---
ACCRUED REINSURANCE PROCEED	0.00	0.00	0.00	0.00	0.00		
ACCRUED ACCOUNTS PAYABLE	1,215,829.00	1,215,829.00	1,215,829.00	1,215,829.00	1,248,555.00		
ENDING RESERVE BALANCE	5,526,815.42	5,793,833.88	5,424,907.77	5,549,215.03	5,777,859.13		

**CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
JUNE 2008**

CURRENT MONTH			DESCRIPTION	PLAN YEAR TO DATE				
THIS YEAR	LAST YEAR	CHANGE		% CHANGE	THIS YEAR	LAST YEAR	CHANGE	% CHANGE
NUMBER OF PARTICIPANTS								
MEDICAL PLAN:								
REGULAR RATES								
201	206	(5)	(2.43)	EMPLOYEE	201	203	(3)	(1.23)
522	523	(1)	(0.19)	FAMILY	520	525	(5)	(1.02)
RETIREE RATES								
60	55	5	9.09	EMPLOYEE	60	55	5	8.84
89	91	(2)	(2.20)	FAMILY	91	98	(7)	-
MEDICARE RATES								
147	138	9	6.52	INDIVIDUAL	147	134	13	9.45
78	68	10	14.71	FAMILY + 1	77	62	15	24.19
113	114	(1)	(0.88)	FAMILY + 2	113	117	(4)	-
12	8	4	50.00	OTHER	11	9	2	24.53
1,222	1,203	19	1.58	TOTAL MEDICAL PLAN PARTICIPANTS	1,219	1,203	16	1.36
6,765,044.03	4,626,386.05	2,138,657.98	46.23	CASH BALANCE FORWARD	6,315,043.57	4,009,959.19	2,305,084.38	57.48
RECEIPTS:								
PREMIUMS:								
1,101,939.80	1,078,909.64	23,030.16	2.13	MEDICAL	6,599,630.64	6,521,526.93	78,103.71	1.20
2,770.98	32,687.02	(29,916.04)	(91.52)	INTEREST INCOME	27,434.81	110,609.37	(83,174.56)	(75.20)
-	-	-	-	REINSURANCE REIMBURSEMENT	-	-	-	-
-	23,688.65	(23,688.65)	(100.00)	AGGREGATE	-	72,645.92	(72,645.92)	(100.00)
-	-	-	-	SPECIFIC	-	-	-	-
1,104,710.78	1,135,285.31	(30,574.53)	(2.69)	SUBTOTAL	6,627,065.45	6,704,782.22	(77,716.77)	(1.16)
5,149.00	6,435.91	(1,286.91)	(20.00)	CLAIM REFUNDS	80,173.68	26,634.97	53,538.71	201.01
60,793.86	57,902.25	2,891.61	5.00	MEDICARE D	134,406.02	77,682.41	56,723.61	72.84
1,170,653.64	1,199,623.47	(28,969.83)	(2.41)	TOTAL RECEIPTS	6,841,645.15	6,809,099.60	32,545.55	0.48
DISBURSEMENTS:								
BENEFITS:								
587,636.90	545,549.73	42,087.17	7.71	MEDICAL	4,177,502.12	4,010,052.92	167,449.20	4.18
-	-	-	-	CHECKS WRITTEN OFF	-	-	-	-
12,002.76	5,903.91	6,098.85	103.30	VISION	84,636.72	51,262.88	33,373.84	65.10
247,887.89	178,070.37	69,817.52	39.21	PREFERRED RX	1,491,240.24	1,410,347.92	80,892.32	5.74
-	-	-	-	REVERSE JANUARY ADJUSTMENT	-	-	-	-
-	-	-	-	VOIDS AND STOP PAYMENTS	-	-	-	-
847,527.55	729,524.01	118,003.54	16.18	SUBTOTAL	5,753,379.08	5,471,663.72	281,715.36	5.15

**CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
JUNE 2008**

CURRENT MONTH				PLAN YEAR TO DATE				
THIS YEAR	LAST YEAR	CHANGE	% CHANGE	DESCRIPTION	THIS YEAR	LAST YEAR	CHANGE	% CHANGE
DISBURSEMENTS CONT'D								
ADMINISTRATION								
12,740.00	12,110.00	630.00	5.20	THIRD PARTY ADMINISTRATOR	76,350.40	73,219.00	3,131.40	4.28
3,119.82	3,036.86	82.96	2.73	UTILIZATION REVIEW	18,726.34	18,161.20	565.14	3.11
15,859.82	15,146.86	712.96	4.71	SUBTOTAL	95,076.74	91,380.20	3,696.54	4.05
REINSURANCE PREMIUM								
38,744.07	27,724.05	11,020.02	39.75	AGGREGATE	232,804.14	167,570.43	65,233.71	38.93
2,377.05	2,403.55	(26.50)	(1.10)	SPECIFIC	14,275.55	14,506.10	(230.55)	(1.59)
41,121.12	30,127.60	10,993.52	36.49	SUBTOTAL	247,079.69	182,076.53	65,003.16	35.70
PPO								
4,206.80	4,021.40	185.40	4.61	NETWORK	25,251.60	24,023.80	1,227.80	5.11
-	-	-	-	NON NETWORK DISCOUNT	-	-	-	-
4,206.80	4,021.40	185.40	4.61	SUBTOTAL	25,251.60	24,023.80	1,227.80	5.11
OTHER:								
502.00	535.60	(33.60)	(6.27)	BANK SERV CHARGES	2,965.63	2,952.67	12.96	0.44
0.00	0.00	-	-	PRIOR PERIOD SERVICE CHARGES	0.00	0.00	-	-
66.25	0.00	66.25	100.00	RECORDS	147.35	18.82	128.53	682.94
0.00	8,030.00	(8,030.00)	(100.00)	CONSULTING	5,895.00	8,319.00	(2,424.00)	(29.14)
0.00	0.00	-	-	MISCELLANEOUS	479.50	0.00	479.50	100.00
-	0.00	-	-	BANK ERROR	-	-	-	-
568.25	8,565.60	(7,997.35)	(93.37)	SUBTOTAL	9,487.48	11,290.49	(1,803.01)	(15.97)
909,283.54	787,385.47	121,898.07	15.48	TOTAL DISBURSEMENTS	6,130,274.59	5,780,434.74	349,839.85	6.05
261,370.10	412,238.00	(150,867.90)	(36.60)	NET INCOME/LOSS	711,370.56	1,028,664.86	(317,294.30)	(30.85)
7,026,414.13	5,038,624.05	1,987,790.08	39.45	ENDING CASH BALANCE	7,026,414.13	5,038,624.05	1,987,790.08	39.45
ACCRUED REINSURANCE PROCEEDS								
-	-	-	-		-	-	-	-
1,248,555.00	1,215,829.00	32,726.00	2.69	ACCRUED ACCOUNTS PAYABLE MEDICAL	1,248,555.00	1,215,829.00	32,726.00	2.69
5,777,859.13	3,822,795.05	1,955,064.08	51.14	ENDING RESERVE BALANCE	5,777,859.13	3,822,795.05	1,955,064.08	51.14

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

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

“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 2008D Bonds and the Series 2008H Bonds.

“Authorizing Ordinance” means the Ordinances of the City authorizing the execution of the Financing Agreement and certain other documents relating to the Series 2008D Bonds and the Series 2008H Bonds.

“Bond” or **“Bonds”** means the Series 2008D Bonds, the Series 2008H 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.

“CID” means the Independence Events Center Community Improvement District, a political subdivision of the State.

“CID Act” means the Missouri Community Improvement District Act, Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri, as amended.

“CID EATS” means 50% of the revenues of the CID Sales Tax which are captured as Economic Activity Tax Revenues in the Redevelopment Areas.

“CID Sales Tax” means a sales tax levied by the CID in an amount not to exceed 1% under the provisions of the CID Act.

“CID Sales Tax Revenues” means of revenues received by the City from the CID Sales Tax, less (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, (ii) such amount as is retained by the State of Missouri for collecting the CID Sales Tax, (iii) any sum received by the CID which is the subject of a suit or other claim communicated to the CID which suit or claim challenges the collection of such sum, (iv) an administration fee payable to the City for administering and accounting for the CID Sales Tax in the amount of 2% of the total CID Sales Tax, plus any actual costs and expenses incurred by the City greater than such 2% amount, (v) a one-time payment to the City of \$1,200 to reimburse the City for administrative set-up costs and expenses of the CID, (vi) actual, reasonable operating costs of the CID, and (vii) any costs and expenses incurred in connection with any collection or enforcement issues associated with the CID Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue.

“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 and the CID 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 and the CID Act.

“Debt Service Reserve Fund Requirement” means (i) with respect to the Series 2008D Bonds, an amount equal to \$883,475, (ii) with respect to the Series 2008H Bonds, an amount equal to \$1,039,790.24 (iii) with respect to Additional Bonds issued on a parity with the Series 2008D Bonds and the Series 2008H 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 separate reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

“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

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

“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.

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

“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.

"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."

"Project" means the Events Center as described in the body of this Official Statement.

"Redevelopment Area" means, as applicable, the Eastland Redevelopment Area, the Hartman Heritage Redevelopment Area, the Trinity Redevelopment Area and the Centerpoint Redevelopment Area, with the governing body of the City having adopted tax increment financing for each.

"Redevelopment Project" means, as applicable, the improvements to be completed and funded as part of the Eastland Redevelopment Project, the Hartman Heritage Redevelopment Project, the Trinity Redevelopment Project and the Centerpoint Redevelopment Project.

"Special Allocation Funds" means the Eastland Special Allocation Fund, the Hartman Heritage Special Allocation Fund, the Trinity Special Allocation Fund and the Centerpoint Special Allocation Fund.

"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.

"State" means the State of Missouri.

"Transaction Documents" means the Indenture, the Bonds, the 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.

“Unassigned Board’s Rights” means the Board’s rights to reimbursement and payment of its costs and expenses under the Financing Agreement, as more fully defined in the Indenture.

SUMMARY OF THE BOND TRUST INDENTURE

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

Trust Estate

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

- (a) All rights, title and interest of the Board (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the 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 2008D Bonds, the Series 2008H 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 caption, 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 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 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 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 establishes 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 - Events Center Infrastructure Facilities Project Fund” (the “Project Fund”), and within such fund separate accounts for each Series of Bonds.

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

(c) “Missouri Development Finance Board–City of Independence, Missouri – Events Center Infrastructure Facilities Debt Service Fund” (the “Debt Service Fund”) and within such fund separate accounts for each Series of Bonds and, as applicable, separate capitalized interest subaccounts for each Series of Bonds.

(d) “Missouri Development Finance Board–City of Independence, Missouri – Events Center Infrastructure Facilities Debt Service Reserve Fund” (the “Debt Service Reserve Fund”) and within such fund separate accounts for each Series of Bonds.

(f) “Missouri Development Finance Board–City of Independence, Missouri – Events Center Infrastructure Facilities Rebate Fund” (the “Rebate Fund”) and within such fund separate accounts for each Series of Bonds.

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

Each Series of Bonds is separately secured by an account in the Debt Service Reserve Fund relating solely to that Series of Bonds.

The moneys in the applicable Series accounts of 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. 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 the applicable 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.

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 semiannually on the dates specified in the Indenture. The Trustee shall promptly deliver 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 the Indenture), and continuance of such default or breach for a period of **60** days after there has been given to the Board, the City by the Trustee or to the Board, the City and the Trustee by the owners of at least **10%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Board shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

- (d) any event of default under the Financing Agreement shall occur and is continuing and has not been waived.

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

Acceleration of Maturity; Rescission and Annulment

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

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in the Indenture, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Board, the City and the Trustee, rescind and annul such declaration and its consequences if:

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

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

Exercise of Remedies by the Trustee

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

- (a) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Board as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.
- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee shall deem most expedient in the interests of the bondowners.
- (c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.
- (d) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Board, the City is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the bondowners.
- (e) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions of the Indenture, be for the equal and ratable benefit of the owners of the Bonds in respect of which such judgment has been recovered.
- (f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in

every case the Board, the City, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

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

- (a) such owner has previously given written notice to the Trustee of a continuing event of default;
- (b) the owners of not less than **25%** in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;
- (c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such **60-day** period by the owners of a majority in principal amount of the Outstanding Bonds.

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

Control of Proceedings by Bondowners

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

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

- (3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the owners not taking part in such direction.

Application of Moneys Collected

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

- (a) **First:** To the payment of all unpaid amounts due the Trustee under the Indenture;
- (b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and
- (c) **Third:** To the payment of the remainder, if any, to the Board or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

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

Resignation and Removal of Trustee

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

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

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Board and the Trustee signed by the owners of a majority in principal amount of the

Outstanding Bonds, or, so long as the City is not in default and no condition that with the giving of notice or passage of time, or both, would constitute a default under the Financing Agreement, by the City. The Board, the City or any bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

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

Appointment of Successor Trustee

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Board, with the written consent of the City (which consent shall not be unreasonably withheld) or the owners of a majority in principal amount of Bonds Outstanding (if an event of default under the Indenture or under the Financing Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Board and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Board or the bondowners. If, within **30** days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner provided in the Indenture, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If no successor Trustee shall have been so appointed and accepted appointment in the manner provided in the Indenture, any bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Trustee appointed pursuant to the provisions of the Indenture shall be a bank or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Indenture.

Supplemental Indentures without Consent of Bondowners

Without the consent of the owners of any Bonds, 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 to the Indenture or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether

theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith.

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

Payment, Discharge and Defeasance of Bonds

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

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

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

Satisfaction and Discharge of Indenture

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

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;
- (b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;
- (c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any

Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and

- (d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in the Indenture to the satisfaction and discharge of the Indenture have been complied with.
- (e) if such Bonds are to be redeemed or final payment is to occur on a date which is more than 90 days from the date of the deposit under the Indenture, the Board and the City shall have received (1) the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations; and (2) the escrow deposit agreement

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

SUMMARY OF THE FINANCING AGREEMENT

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

Use of Proceeds

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

Loan Payments

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

- (a) *Debt Service Fund -- Interest:* On or before 10:00 a.m. on or before the Business Day preceding each April 1 and October 1, commencing October 1, 2008, an amount which is not less than the interest to become due on the next interest payment date on the Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.
- (b) *Debt Service Fund -- Principal:* On or before 10:00 a.m. on or before the Business Day preceding each April and October 1 commencing October 1, 2009, an amount which is not less than the next installment of principal due on the 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 necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement.

(c) to the Board, its 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;

(d) 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;

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

(f) 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 in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the 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

Except as provided in the following paragraph, the City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City and from the CID Sales Tax Revenues 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, CID Sales Tax Revenues are not subject to annual appropriation by the City and are pledged by the City pursuant to the Authorizing Ordinance to secure the Loan Payments and Additional Payments.

The City's obligation to make payments pursuant to the Financing Agreement is also secured on a subordinate basis by, subject to annual appropriation by the City Council, the CID EATS deposited in the Economic Activity Tax Account of the Special Allocation Fund relating to each Redevelopment Project. The pledge of the CID EATS to make Loan Payments on the Loan shall be junior and subordinate in all respects to the pledge of the CID EATS to make payments on loans incurred by the City either prior or subsequent to the date of the Financing Agreement to fund costs of the Redevelopment Projects other than the Project as provided in the Authorizing Ordinance.

The obligation of the City to use CID Sales Tax Revenues and the CID EATS for the purpose of making Loan Payments and Additional Payments shall be on a parity with use of such funds to make Loan Payments and Additional Payments under any Supplemental Financing Agreement related to the loan of proceeds of any Additional Bonds issued to fund Project Costs, to the extent provided in the ordinance authorizing each such loan and related Supplemental Financing Agreement, as provided in the Authorizing Ordinance.

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.

Project Completion

If the proceeds of the Series 2008D Bonds, the Series 2008H Bonds and any Additional Bonds shall be insufficient to complete the Project, the City shall pay, but only from legally available funds, the full amount of any such deficiency by making payments directly to the contractors and suppliers of materials and services as the same shall become due.

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 caption, for a period of 30 days after written notice of such default has been given to the City, by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.
- (d) Any representation or warranty by the City in the Financing Agreement or in any certificate or other instrument delivered under or pursuant to the Financing Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Board and the Trustee or cured by the City, if such representation or warranty can be cured to the satisfaction of the Board and the Trustee within 30 days after notice thereof has been given to the City.

Remedies on Default

Subject to the provisions of the Financing Agreement, whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Board, may 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 caption:

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

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

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

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

Without the consent of the owners of any Bonds, the Board, 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 caption, 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 caption to approve the particular form of any proposed Supplemental Financing Agreement, but it shall be sufficient if such act shall approve the substance thereof.

SUMMARY OF THE AUTHORIZING 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.

Limited Obligations

Except as otherwise provided in the Authorizing Ordinance with respect to the CID Sales Tax Revenues, the City's obligation to make payments under the Financing Agreement are subject to annual appropriation and do not constitute a debt, liability or indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction.

Security for the Loan

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

Notwithstanding the foregoing, CID Sales Tax Revenues are not subject to annual appropriation and are hereby pledged by the City pursuant to the Authorizing Ordinance to secure the payments required pursuant to the Financing Agreement.

As additional security for the City's obligation to make payments pursuant to the Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest by, subject to annual appropriation by the City Council as provided in the Authorizing Ordinance, on a subordinate basis as provided in the Authorizing Ordinance, the CID EATS deposited in the Economic Activity Tax Accounts of the Special Allocation Funds relating to the Centerpoint Project, the Hartman Heritage Project and the Eastland Project, and on a priority basis as provided in the Authorizing Ordinance from the CID EATS deposited in the Economic Activity Tax Account of the Special Allocation Fund relating to the Trinity Project. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The Loan shall not constitute a general obligation of the City, nor shall it constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Funds constituting CID EATS, and the CID Sales Tax Revenues are pledged in the Authorizing Ordinance to the payment of the Loan in the manner described in the Authorizing Ordinance; provided, however CID EATS deposited therein shall remain subject to annual appropriation as described in the Authorizing Ordinance and the pledge of the CID EATS shall be on a subordinate basis as described in the Authorizing Ordinance. Such pledge is on a parity with the pledge of the City securing all other loans incurred by the City with respect to Project Costs, whether previously or to be incurred, to the extent provided in the ordinance authorizing each loan.

The City currently intends to appropriate in each year the CID EATS in the Special Allocation Funds relating to the Centerpoint Project, the Eastland Project, the Hartman Heritage Project and the Trinity Project to the repayment of the Loan on a subordinate basis as described in the Authorizing Ordinance. 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 CID EATS, the City shall immediately notify in writing the following persons of such event of nonappropriation: (i) the Board, (ii) Commerce Bank, N.A., as trustee for the Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds or the Board's bonds issued for the benefit of the City.

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

Application of CID Sales Tax Revenues

Not later than the last Business Day preceeding each April 1 and October 1, commencing October 1, 2008, the City shall transfer to the Trustee from the CID Sales Tax Revenues, to the extent available, an aggregate amount equal to the Loan Payments due under the Financing Agreement and any other financing agreement relating to bonds issued to fund Project Costs that are secured on a parity with the Series 2008D Bonds and the Series 2008H 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.

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 2008D Bonds and the Series 2008H Bonds (the “Indenture”) is less than the Debt Service Reserve Requirement (as defined in the Indenture) for the Series 2008D Bonds and the Series 2008H Bonds and any other bonds issued to fund Project Costs that are secured on a parity basis with the Series 2008D Bonds and the Series 2008H Bonds, the City shall transfer to the Trustee from the CID Sales Tax Revenues, 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 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.

All CID Sales Tax Revenues, after making the foregoing payments, shall be expended at the discretion of the City for any purposes allowed by the CID Act and the Cooperative Agreement.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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

Pursuant to the Continuing Disclosure Agreement, the City will, 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, and (B) the amount of CID Sales Tax Revenues and TIF Revenues received by the City. 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.

SUMMARY OF THE COOPERATIVE AGREEMENT

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

Whenever used in the Cooperative Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

“Administration Fee” means that amount of the District Sales Tax Revenue that the City shall receive as compensation for performing the administrative duties of the District and administering and accounting for the District Sales Tax, as set forth in the Cooperative Agreement.

“Applicable Laws and Requirements” means any applicable constitution, treaty, statute, rule, regulation, ordinance, order, directive, code, interpretation, judgment, decree, injunction, writ, determination,

award, permit, license, authorization, directive, requirement or decision of or agreement with or by any unit of government.

“Board” or “Board of Directors” means the governing body of the Independence Events Center Community Improvement District.

“Bond Documents” means any bonds, indentures or other financing agreements, disbursement agreements and all other agreements and certificates executed in connection with the issuance of any Obligations.

“CID Act” means the Missouri Community Improvement District Act, Sections 67.1401, *et seq.*, RSMo, as amended.

“City” means the City of Independence, Missouri, a political subdivision and constitutional home rule charter city.

“City Council” means the governing body of the City of Independence, Missouri.

“Debt Service” means an amount required for the payment of interest on, principal of and premium, if any, on Obligations as they come due, for the payment of mandatory or optional redemption payments, and for payments to reserve funds required by the terms of the Obligations to retire or secure the Obligations.

“District Sales Tax” means the sales tax levied by the District on the receipts from the sale at retail of all tangible personal property or taxable services at retail within its boundaries pursuant to the CID Act in the amount not to exceed one percent (1.0%), as established by resolution of the District and approved by the qualified voters of the District and in accordance with the plan set forth in Article 3 of the Cooperative Agreement.

“District Sales Tax Revenues” means the monies actually collected, pursuant to the Cooperative Agreement and the CID Act, from the imposition of the District Sales Tax.

“Event of Default” means any event specified in the Cooperative Agreement.

“Events Center” means a structure to be constructed by or at the direction of the City on the property described in the Cooperative Agreement, which shall serve as public facilities for an arena and event center space, as directed by and in accordance with contracts entered into by the City.

“Excusable Delays” means delays due to acts of terrorism, acts of war or civil insurrection, strikes, riots, floods, earthquakes, fires, tornadoes, casualties, acts of God, labor disputes, governmental restrictions or priorities, embargoes, national or regional material shortages, failure to obtain regulatory approval from any Federal or State regulatory body, unforeseen site conditions, material litigation by parties other than the Parties not caused by the Parties’ failure to perform, or any other condition or circumstances beyond the reasonable or foreseeable control of the applicable party using reasonable diligence to overcome which prevents such party from performing its specific duties or obligation hereunder in a timely manner.

“Fiscal Year” means July 1 through June 30 of each year, which Fiscal Year coincides with the City’s fiscal year.

“Obligations” means any bonds, loans, debentures, notes, special certificates, or other evidences of indebtedness issued by or at the direction of the City, the District or any other public entity at the direction of the City, which pay for the Public Improvements, in whole or in part, or to refund outstanding Obligations.

“Operating Costs” means the actual, reasonable expenses which are necessary for the operation of the District which shall include, but are not limited to, costs associated with notices, publications, meetings, supplies, equipment, photocopying, the engagement of special legal counsel, financial auditing services, and other consultants or services. Time expended by City employees, and materials and supplies used by the City, in the performance of the administrative services set forth in the Cooperative Agreement, for which the City receives the Administration Fee, shall not be included as Operating Costs. Costs incurred by the District or City to add property to the District, as allowed by the CID Act, shall be treated as Operating Costs. Costs incurred by the City regarding enforcement of the District Sales Tax in the performance of any actions authorized in the Cooperative Agreement shall also be treated as Operating Costs.

“Ordinance” means an ordinance enacted by the City Council.

“Petition” means the Petition to Establish the Independence Events Center Community Improvement District, filed with the City Clerk of Independence, Missouri, on November 30, 2007.

“Public Improvements” means those improvements described in the Cooperative Agreement, along with any other Public Improvements that may be approved by the District in accordance with the CID Act and the Cooperative Agreement.

“Public Improvement Costs” means all actual and reasonable costs and expenses which are incurred by or at the direction of the City with respect to construction of the Public Improvements, including the actual and reasonable cost of labor and materials payable to contractors, builders, suppliers, vendors and materialmen in connection with the construction contracts awarded in connection with the Public Improvements that are constructed or undertaken, plus all actual and reasonable costs to plan, finance, develop, design and acquire the Public Improvements, including but not limited to the following:

A. actual and reasonable costs of issuance and capitalized interest, if any, for any Obligations issued to finance the Public Improvements;

B. actual and reasonable fees and expenses of architects, appraisers, attorneys, surveyors and engineers for estimates, surveys, soil borings and soil tests and other preliminary investigations and items necessary to the commencement of construction, financing, preparation of plans, drawings and specifications and supervision of construction, as well as for the performance of all other duties of architects, appraisers, attorneys, surveyors and engineers in relation to the construction of the Public Improvements and all actual and reasonable costs for the oversight of the completion of the Public Improvements including overhead expenses for administration, supervision and inspection incurred in connection with the Public Improvements; and

C. all other items of expense not elsewhere specified in this definition which may be necessary or incidental to the review, approval, acquisition, construction, improvement and financing of the Public Improvements and which may lawfully be paid or incurred by the District under the CID Act.

An estimate of the Public Improvement Costs is set forth in the Cooperative Agreement, but that estimate is not intended to limit in any way the Public Improvement Costs defined herein.

“Trustee” means the banking entity named by or at the direction of the City as bond trustee in connection with the issuance of any Obligations.

Imposition of the District Sales Tax

The District shall approve a resolution that, subject to qualified voter approval, imposes the District Sales Tax. The District shall annually appropriate all District Sales Tax Revenues by resolution in accordance with the Cooperative Agreement. The District Sales Tax shall be collected by the Missouri Department of Revenue as provided in the CID Act. The City shall receive the District Sales Tax Revenue from the Department of Revenue, which shall be disbursed in accordance with the Cooperative Agreement.

The District Sales Tax shall initially be imposed at a rate of one-half of one percent (0.5%) for a period of years to be specified by the City, which the Parties anticipate will be twenty (20) years. Thereafter, the District Sales Tax shall be increased to a rate to be directed by the City, which the Parties anticipate will be five-eighths percent (0.625%). Nothing in the Cooperative Agreement shall limit the ability of the District to impose the District Sales Tax at the maximum rate of one percent (1.0%) at any time, as directed by the City. The rate of the District Sales Tax to be set in accordance with this paragraph shall be an amount that provides for Debt Service of the Obligations, as directed by the City, and pays for the Administrative Fee, Operating Costs and other eligible CID costs and expenses.

District Administration and Sales Tax Duties

The Parties anticipate that the District Sales Tax will be collected by the Missouri Department of Revenue, as provided in the CID Act. The City agrees to perform for the District all functions incident to the administration and enforcement of the District Sales Tax, to the extent not performed by the state, pursuant to the CID Act and the Cooperative Agreement. The District shall enact a resolution that (i) imposes the District Sales Tax (subject to qualified voter approval), (ii) authorizes the City to perform all functions incident to the administration, enforcement and operation of the District Sales Tax, to the extent not performed by the state, and (iii) prescribes any required forms and administrative rules and regulations for reporting and collecting the District Sales Tax. The District shall also notify the Missouri Department of Revenue, in substantial compliance with the form set forth in the Cooperative Agreement, that the District authorizes the City, on behalf of the District, to receive from the Missouri Department of Revenue all of the District Sales Tax Revenues. The District Sales Tax Revenues shall be deposited by the City in a bank account separate from other bank accounts of the City and in accordance with the resolution adopted by the District. The District may amend the forms, administrative rules and regulations applicable to the administration, collection, enforcement and operation of the District Sales Tax, as needed.

Administration Fee.

The City shall receive an Administration Fee for administering and accounting for the District Sales Tax in the amount of two percent (2%) of the total District Sales Tax Revenues for performing the duties set forth in the Cooperative Agreement. The City shall also receive from the District a one-time payment of \$1,200 to reimburse the City for establishing the accounts and other administrative set-up costs and expenses. The City shall also be reimbursed by the District for any costs and expenses incurred in connection with any collection or enforcement issues associated with the District Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue.

The Administration Fee authorized in the Cooperative Agreement shall be calculated using the total District Sales Tax Revenues generated within the District, including those amounts that are captured as economic activity taxes pursuant to any tax increment financing plan.

In the event that the Administration Fee does not fully reimburse the City for actual costs and expenses incurred in fulfilling its obligations under the Cooperative Agreement, the City shall receive reimbursement for those actual costs that exceed the Administration Fee. In the event that there are insufficient funds in any Fiscal Year to cover the actual costs incurred by the City, any unpaid Administration Fee shall be paid in subsequent Fiscal Years.

The City may, at its own election, apply any Administration Fee it receives pursuant to the Cooperative Agreement to pay for reimbursable Public Improvement Costs or Operating Costs.

Operating Costs

The City, on behalf of the District, shall pay for the Operating Costs of the District from District Sales Tax Revenue. The Operating Costs shall be included in the District's annual budget, as provided in the

Cooperative Agreement. In the course of performing the administrative duties set forth in the Cooperative Agreement or enforcement duties set forth in the Cooperative Agreement, the City may incur Operating Costs for the District which shall be approved by the District.

Enforcement of the District Sales Tax

The District authorizes the City, to the extent required or authorized by the Missouri Department of Revenue, to take all actions necessary for enforcement of the District Sales Tax. The City may, in its own name or in the name of the District, prosecute or defend an action, lawsuit or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure the payment of the District Sales Tax. The District hereby agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the District in any such action, lawsuit or proceeding if the City shall so request. All actions taken by the City for enforcement and any legal proceeding filed by the City for enforcement and collection of the District Sales Tax shall be treated as Operating Costs of the District.

Distribution of the District Sales Tax Revenue

Beginning in the first month following the effective date of the District Sales Tax and continuing each month thereafter until the expiration or repeal of the District Sales Tax, the City shall, not later than the fifteenth (15th) day of each month distribute the District Sales Tax Revenues received in the preceding month in the following order of priority:

- A. The City shall pay the Administration Fee.
- B. The City shall pay the Operating Costs of the District.
- C. The City shall make any Debt Service payments, to the extent required for outstanding Obligations.
- D. The City shall disburse all remaining District Sales Tax Revenue to pay for Public Improvement Costs actually incurred by the City, to the extent not paid from the proceeds of Obligations.

In the event that other funding sources are approved by the City and imposed by the District, revenue from such additional sources of funds shall be expended in the order of priority as set forth in the Cooperative Agreement, unless otherwise specifically approved by the City.

Repeal of the District Sales Tax

Unless extended in accordance with this Section, the District shall implement the procedures in the CID Act for repeal of the District Sales Tax and abolishment of the District (1) when all Obligations have been retired, or (2) thirty five (35) years following approval of the District by ordinance, whichever occurs first. The District shall not implement the procedures for repeal or modification of the District Sales Tax and abolishment of the District if: (1) any District Sales Tax Revenue is due to the City for outstanding Administration Fees; (2) the District, with the prior written consent of the City, has approved another project pursuant to the CID Act; or (3) the duration of the District has been extended by mutual agreement of the Parties in compliance with the CID Act. The City's obligation to perform for the District all functions incident to the administration, enforcement and operation of the District Sales Tax shall terminate concurrent with the repeal of the District Sales Tax. Upon repeal of the District Sales Tax, the City shall:

- A. Retain the City's Administration Fee to which it is entitled in accordance with the Cooperative Agreement.
- B. Pay all outstanding Operating Costs.

C. Retain any remaining District Sales Tax until such time as the District is abolished and the District has provided for the transfer of any funds remaining in a manner permitted by the CID Act.

Design and Construction of Public Improvements

The Public Improvements shall be designed and constructed by or at the direction of the City, and the District shall not have an obligation to design and to construct the Public Improvements. The Public Improvements shall be designed and constructed on a schedule to be determined by the City, in accordance with applicable City-approved zoning and subdivision ordinances and associated plans and specifications.

Financing the Public Improvements

The District shall impose the District Sales Tax within the boundaries of the District to fund the Public Improvements and other costs authorized by the Cooperative Agreement. The District shall not use or impose any taxes other than a District Sales Tax or impose any other funding mechanisms unless the City Council, by Ordinance, modifies the limitations on the District's authority as set forth in the Petition. The District may also incur Obligations in one or more series for the purpose of funding all, or an appropriate portion of, the Public Improvements. Reimbursable Public Improvement Costs shall be paid to the extent that funds are available from the proceeds of Obligations or from District Sales Tax Revenues in the order of priority set forth in the Cooperative Agreement.

Ownership and Maintenance of Public Improvements

The City or the District shall own the Public Improvements, as directed by the City and in accordance with any applicable contracts executed by the City. Maintenance of the Public Improvements shall also be as directed by the City, and the Parties may enter into a separate agreement or amend the Cooperative Agreement, as appropriate, to provide for maintenance of the Public Improvements. The City shall arrange for obtaining and maintaining insurance for the design, construction, operation and maintenance of the Public Improvements.

New Public Improvements

The District may use District Sales Tax Revenue, as such revenues are available, to pay Public Improvement Costs for new District projects which have been determined by the City Council to be necessary and approved in accordance with the CID Act. The District shall not undertake new District projects without the prior approval of the City Council. Payments due to the City pursuant to the priority established in the Cooperative Agreement for Administration Fees shall take priority over any costs associated with new District projects.

District Board of Director Qualifications

The Parties agree that, in addition to the requirements applicable to the Board of Directors under the CID Act, the Board of Directors shall, at all times, consist of at least three persons who are also appointed or elected officials of the City or who are City employees (collectively, the "**City Qualification**"). The Parties agree that the Bylaws shall at all times provide that if a District director ceases, for any reason, to meet the City Qualification, then such director's term of office as a District director shall automatically terminate. In the event of a vacancy caused by such termination then an interim director shall be appointed by the Mayor with the consent of the City Council, and thereafter the successor director shall be appointed as provided in the Bylaws.

Default and Remedies

An Event of Default shall occur upon the failure by either Party in the performance of any covenant, agreement or obligation imposed or created by the Cooperative Agreement and the continuance of such failure for fifteen (15) days after the other Party, or the Trustee of any outstanding Obligation, has given written notice to such Party specifying such failure.

Subject to any restrictions contained in the Bond Documents for any outstanding Obligations that are issued against acceleration of the maturity of any such Obligations, if any Event of Default has occurred and is continuing, then the non-defaulting party may, upon its election or at any time after its election while such default continues, by mandamus or other suit, action or proceeding at law or in equity, enforce its rights against the defaulting party and its officers, agents and employees, and require and compel duties and obligations required by the provisions of the Cooperative Agreement.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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: \$10,725,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2008H

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 April 1, 2008, as supplemented and amended by the Series 2008H Supplemental Bond Trust Indenture dated as of November 1, 2008 (as supplemented and amended, 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 April 1, 2008, as supplemented and amended by the Series 2008H Supplemental Financing Agreement dated as of November 1, 2008 (as supplemented and amended, the “Financing Agreement”) between the Board and the City to pay Costs of 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, (b) the passage and effectiveness of the Authorizing Ordinance, and (c) 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, the Financing Agreement and the Tax Compliance 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, the Financing Agreement and the Tax Compliance 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,

GILMORE & BELL, P.C.