

**TAXABLE NEW ISSUE  
(Book Entry Only)**

**Standard & Poor's Rating: "A+"  
See "RATING" herein.**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, interest on the Bonds is INCLUDED in gross income as interest for federal income tax purposes. Interest on the Bonds is exempt from income taxation by the State of Missouri. See "TAX MATTERS" herein.*

**MISSOURI DEVELOPMENT FINANCE BOARD**

**\$4,130,000**

**Taxable Infrastructure Facilities Revenue Bonds  
(City of Independence, Missouri – Crackerneck Creek Project)  
Series 2009H**

**Dated: August 1, 2009**

**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 March 1 and September 1, beginning on March 1, 2010.

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

The Bonds will be payable 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") and (ii) certain other funds held by the Trustee under the Indenture. The City's obligation to make Loan Payments under the Financing Agreement will be secured by a mortgage on the Bass Pro Store described herein and an assignment of the rents payable by Bass Pro Outdoor World, L.L.C. under the Bass Pro Lease, all as more fully described herein. The City's obligation to make Loan Payments under the Financing Agreement will be secured by a subordinate pledge of certain moneys expected to be deposited in the Special Allocation Fund established for the Crackerneck Creek Project as more fully described herein. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**

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

*The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed on for the City by Allen Garner, City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about August 13, 2009.*

**PiperJaffray®**

The date of this Official Statement is August 3, 2009.

**MISSOURI DEVELOPMENT FINANCE BOARD**

**\$4,130,000**

**Taxable Infrastructure Facilities Revenue Bonds  
(City of Independence, Missouri – Crackerneck Creek Project)  
Series 2009H**

**Dated: August 1, 2009**

**Due: March 1 as shown below**

**Maturity Schedule**

<b><u>Due</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Offering Price</u></b>
3/1/2026	\$4,130,000	7.250%	98.000%

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

No dealer, broker, salesman or other person has been authorized by the Board, the City, Bass Pro 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, Bass Pro 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 Underwriter has reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors, under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. 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 City or Bass Pro since the date hereof.

**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**

This Official Statement contains “forward-looking statements.” These forward-looking statements include statements about the City’s projections and future plans and strategies, and other statements that are not historical in nature. These forward-looking statements are based on the current expectations of the City. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in forward-looking statements. These future risks and uncertainties include those discussed in the **“BONDOWNERS’ RISKS”** section of this Official Statement. The City undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

## TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
<b>INTRODUCTORY STATEMENT</b> .....	<b>BONDOWNERS' RISKS</b> .....
Purpose of the Official Statement .....	General.....
The Board .....	Risk Factors Relating to the City's Obligations
The City .....	to Make Loan Payments .....
The Project.....	Risk Factors Relating to the Bass Pro Lease
The Bonds .....	Payments and Incremental Tax Revenues .....
Additional Parity Bonds.....	No Appraisal of Bass Pro Store.....
Security for the Bonds .....	Proposed Additional Parity Bonds.....
Related Series of Bonds .....	Enforcement of Remedies.....
Bondowners' Risks .....	Amendment of Indenture.....
Continuing Disclosure .....	<b>LITIGATION</b> .....
Definitions and Summaries of Legal Documents ..	The Board .....
<b>THE BOARD</b> .....	The City .....
General .....	<b>LEGAL MATTERS</b> .....
Organization and Membership.....	<b>TAX MATTERS</b> .....
Other Indebtedness of the Board.....	The Bonds.....
<b>THE CITY</b> .....	Sale, Exchange or Retirement of Bonds .....
<b>THE PROJECT</b> .....	<b>RATING</b> .....
General Description of the Crackerneck Creek	<b>FINANCIAL STATEMENTS</b> .....
Project .....	<b>CONTINUING DISCLOSURE</b> .....
Sources and Uses of Funds .....	<b>UNDERWRITING</b> .....
Related Series of Bonds .....	<b>MISCELLANEOUS</b> .....
<b>THE BASS PRO STORE AND THE BASS</b>	
<b>PRO LEASE</b> .....	Appendix A: Information Concerning the City of
<b>SUBORDINATE LIEN ON</b>	Independence, Missouri
<b>INCREMENTAL TAX REVENUES</b> .....	Appendix B: Accountants' Report and Audited
<b>PROJECTED SHORTFALL OF BASS PRO</b>	Financial Statements of the City of
<b>LEASE PAYMENTS AND INCREMENTAL</b>	Independence, Missouri for Fiscal
<b>TAX REVENUES</b> .....	Year Ended June 30, 2008;
<b>THE BONDS</b> .....	Unaudited Financial and Operating
General Terms.....	Report for Period Ended May 31,
Book-Entry Only System.....	2009
Redemption .....	Appendix C: Summary of the Bass Pro Lease
Transfer Outside Book-Entry Only System.....	Appendix D: Definitions of Words and Terms and
CUSIP Numbers.....	Summaries of Certain Legal
<b>SECURITY AND SOURCES OF PAYMENT</b>	Documents
<b>FOR THE BONDS</b> .....	Appendix E: Form of Opinion of Bond Counsel
General .....	Appendix F: Tax Increment Financing in Missouri
Special, Limited Obligations .....	
The Financing Agreement.....	
Annual Appropriation Obligation of the City .....	
Mortgage on the Bass Pro Store.....	
Debt Service Reserve Fund.....	
Incremental Tax Revenues.....	
The Indenture .....	
Additional Parity Bonds.....	

## OFFICIAL STATEMENT

### MISSOURI DEVELOPMENT FINANCE BOARD

**\$4,130,000**

**Taxable Infrastructure Facilities Revenue Bonds  
(City of Independence, Missouri – Crackerneck Creek Project)  
Series 2009H**

### 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 D** 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 bonds (the “Bonds”), (ii) the Board, (iii) the City of Independence, Missouri (the “City”), and (iv) the financing of a portion of the Crackerneck Creek Project more fully described herein (the “Project”).

#### **The Board**

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

#### **The City**

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

#### **The Project**

The proceeds of the Bonds will be loaned to the City pursuant to the Financing Agreement dated as of March 15, 2006 as supplemented and amended by a Series 2008A Supplemental Financing Agreement dated February 1, 2008 and a Series 2009H Supplemental Financing Agreement dated August 1, 2009 (collectively, the “Financing Agreement”) between the Board and the City to finance a portion of the costs of the Project, to fund an account in a Debt Service Reserve Fund for the Bonds, to pay capitalized interest on the Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption “**THE PROJECT.**” The Project is part of the Crackerneck Creek Tax Increment Financing Project described herein.

#### **The Bonds**

The Bonds are being issued pursuant to the Act and the Bond Trust Indenture dated as of March 15, 2006, as supplemented and amended by a Series 2008A Supplemental Bond Trust Indenture dated February 1,

2008 and a Series 2009H Supplemental Bond Trust Indentured dated August 1, 2009 (collectively, the “Indenture”) between the Board and Commerce Bank, N.A., Kansas City, Missouri (the “Trustee”), for the purpose of providing funds to make a loan to the City pursuant to the Financing Agreement, 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 (the “Loan Payments”), 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.

The Bonds are being issued as Additional Bonds under the Indenture on a parity with the Board’s Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006A issued in the original principal amount of \$34,340,000 and currently outstanding in the amount of \$34,000,000 (the “Series 2006A Bonds”), the Board’s Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006B issued in the original principal amount of \$14,030,000 and currently outstanding in that amount (the “Series 2006B Bonds”) and the Board’s Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2008A issued in the original principal amount of \$5,035,000 and currently outstanding in that amount (the “Series 2008A Bonds,” together with the Series 2006A Bonds, the Series 2006B Bonds and the Bonds, the “Taxable Bonds”) with respect to the security provided by the Deed of Trust and the Financing Agreement, and in all other respects.

#### **Additional Parity Bonds**

The Indenture provides for the future issuance of additional bonds (“Additional Parity Bonds”) which, if issued, will rank on a parity with the Taxable Bonds and any other bonds then outstanding under the Indenture issued on a parity with the Taxable Bonds as to the pledge of the Bass Pro Lease Payments and the Deed of Trust. See **“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS –Additional Parity Bonds”** and **“SUMMARY OF THE INDENTURE – Authorization of Additional Bonds”** in **Appendix D** hereto.

#### **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, and (2) certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board. Loan 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 payable thereunder.

To secure the City’s obligations to make Loan Payments pursuant to the Financing Agreement the City has executed a Deed of Trust and Assignment of Rents (the “Deed of Trust”) granting to the Trustee a first mortgage lien on the Bass Pro Store and assigning the Bass Pro Lease Payments described herein. Such mortgage lien will be subject to the occupancy rights of Bass Pro under the Bass Pro Lease described herein.

The City’s obligation to make Loan Payments under the Financing Agreement will also be secured by a **subordinate lien** on the Incremental Tax Revenues as more fully described herein.

See **“THE BASS PRO STORE AND THE BASS PRO LEASE”** herein and **“SUMMARY OF THE BASS PRO LEASE”** in **Appendix C** hereto. The Deed of Trust secures on a first lien basis only the Loan Payments with respect to the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and

the Bonds. See also “**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Mortgage on the Bass Pro Store**” and “**SUMMARY OF THE DEED OF TRUST**” in **Appendix D** hereto.

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

### **Related Series of Bonds**

The Board expects to issue at the request of the City approximately \$110,000,000 in bonds to finance the City’s obligations in connection with the Crackerneck Creek Project. The Board has previously issued \$85,440,000 in bonds for the Project consisting of both Taxable Bonds or Tax Exempt Bonds, both as described herein. See “**THE PROJECT – Related Series of Bonds.**” The collateral for each series of bonds is different. Only the Taxable Bonds are secured by a first lien on the Bass Pro Lease Payments and the Deed of Trust. All series are secured by a first or second lien on Incremental Tax Revenues and an annual appropriation obligation of the City.

### **Bondowners’ Risks**

Payment of the principal of and interest on the Bonds is primarily dependent upon the City’s decision to appropriate and to continue to appropriate sufficient moneys to make Loan Payments under the Financing Agreement. See “**BONDOWNERS’ RISKS**” for a discussion of certain risks. There are numerous risks associated with the operation of the Bass Pro Store and the collection of the Bass Pro Lease Payments. See “**BONDOWNERS’ RISKS**” for a discussion of certain of these risks.

### **Continuing Disclosure**

The City has executed 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 status of construction of the Bass Pro Store, Bass Pro Lease Payments and Incremental Tax Revenues. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in **Appendix D**.

### **Definitions and Summaries of Legal Documents**

Definitions of certain words and terms used in this Official Statement are set forth in **Appendix D** of this Official Statement. Summaries of the Indenture, the City’s Authorizing Ordinance, the Financing Agreement, the Deed of Trust and the Continuing Disclosure Agreement are included in this Official Statement in **Appendix D** hereto. A summary of the Bass Pro Lease is included in this Official Statement as **Appendix C** hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, N.A., Corporate Trust Department, 922 Walnut, 10<sup>th</sup> Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, Piper Jaffray & Co., at 11150 Overbrook Road, Suite 310, Leawood, Kansas 66211 during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

## THE BOARD

### General

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

### Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, eight of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources serve as ex-officio, voting members of the Board. No more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified, unless such position becomes vacant under Missouri law. There is currently one vacancy among members who are appointed by the Governor.

**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.

- **Linda Martínez** — Chair, Ms. Martínez is the Director of the Department of Economic Development.
- **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.
- **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** — Treasurer, 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.
- **Brian May** — term as a member expires September 14, 2012. Mr. May is a partner in the law firm of Yates & May, L.C. in Clayton, Missouri.
- **Marie Carmichael** — term as a member expires September 14, 2012. Ms. Carmichael is owner of Affordable Homes Development in Springfield, Missouri.
- **Peter D. Kinder** — ex-officio member. The Honorable Peter Kinder is the Lieutenant Governor of the State of Missouri.
- **Dr. Jon Hagler** — ex-officio member. Dr. Hagler is the Director of the Department of Agriculture.
- **Mark N. Templeton** — ex-officio member. Mr. Templeton 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 December 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members, including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four-year terms and, in alternating elections, the four district council members are elected to four-year terms. Certain information describing the City is attached hereto in **Appendix A**.

## THE PROJECT

### General Description of the Crackerneck Creek Project

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing Plan. Such approval established the Crackerneck Creek Redevelopment Area, designated such area as blighted, and designated Crackerneck Creek, L.L.C. as the developer for all projects in the Crackerneck Creek Redevelopment Area (the “Developer”). The Crackerneck Creek Tax Increment Financing Plan provides for the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek Project will include (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel.

As part of the Project, the City has entered into the Lease with Options (as amended from time to time, the “Bass Pro Lease”) with Bass Pro Outdoor World L.L.C. (“Bass Pro”). Pursuant to the Bass Pro Lease the City owns a 150,000 square foot Bass Pro retail store (the “Bass Pro Store”) and leases the Bass Pro Store to Bass Pro under the terms and conditions 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 and was used to construct the Bass Pro Store. The proceeds of the Series 2006B Bonds, as well as the Tax-Exempt Bonds, were and are being used to fund other costs related to the development of the site and completion of the Project. Similar to the proceeds of the Series 2006B Bonds, the Series 2008A Bonds and the Tax-Exempt Bonds, the proceeds of the Bonds will fund costs of development of the site and completion of the Project other than construction of the Bass Pro Store, as well as capitalized interest on the Bonds and the Taxable Bonds previously issued. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City. See **“THE BASS PRO STORE AND THE BASS PRO LEASE”** herein and **“SUMMARY OF THE BASS PRO LEASE”** in **Appendix C** hereto.

The total amount of all bonds to be issued by the Board for the Project is expected to be approximately \$110,000,000. 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 bonds will be issued as either Taxable Bonds (such as the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Bonds) or Tax-Exempt Bonds (defined herein).

Development of basic infrastructure for the Crackerneck Creek Project site is substantially complete. Improvements completed include roads, water and sewer line relocation, utility installation, lake and dam construction, grading and fill and related hard and soft costs.

The Bass Pro Store opened for business in March, 2008. No other businesses have opened within the Crackerneck Creek Redevelopment Area as of the date hereof. In December, 2008 Crackerneck Creek, L.L.C. (the “Developer”) made a public announcement that a 55,000 square foot Hobby Lobby and a 25,000 square foot Mardel (a retailer selling Christian-oriented merchandise) would locate in the project. The pad sites for these buildings have been prepared but construction of the buildings has not yet commenced.

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

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

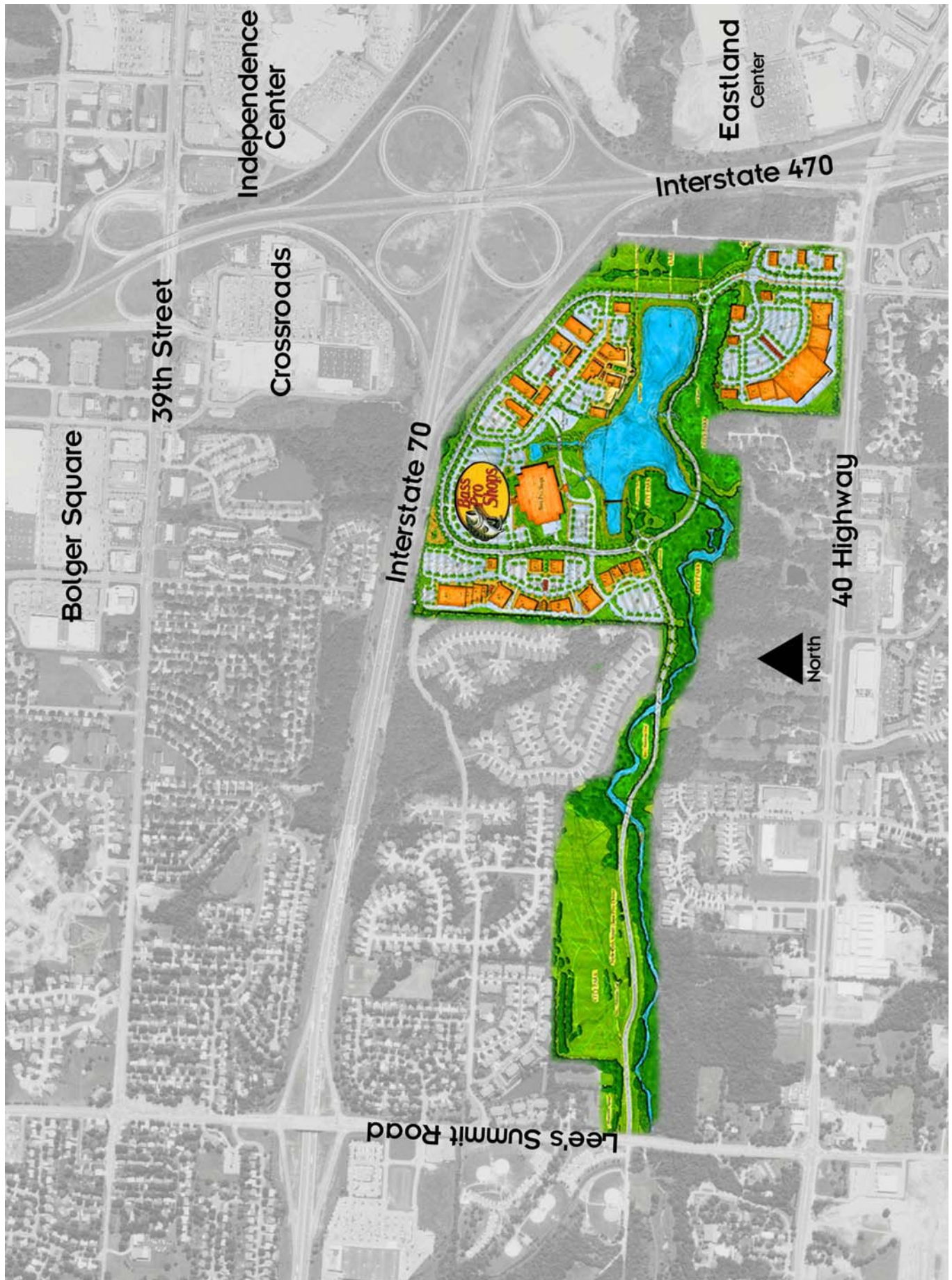
The Developer failed to take the requested action, and on June 22, 2007, the City provided written notice to the Developer stating “[d]eveloper is hereby terminated as the developer of record under the TIF Agreement” for Developer’s failure to comply with Section 8.01 and Section 8.06 of the TIF Agreement, relating to compliance with the Additional Retail Development Leasing Schedule and the submission of covenants, conditions and restrictions that will be applicable to the Project.

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 the Hobby Lobby store described above, a hotel and other development.

The Developer is currently protesting the assessed value assigned by Jackson County, Missouri, to certain property in the Crackerneck Creek Redevelopment Area. During the time the protest is pending, the PILOTS attributable to such parcels are not available to the City to pay debt service. The City cannot predict the timing of the resolution of the tax protest or the likely outcome.

The City and Developer remain in discussions regarding securing additional retail and hotel development for the project. However, no agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

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



## Sources and Uses of Funds

### *Sources of Funds:*

	<u>Prior Series of Bonds*</u>	<u>Series 2009H Bonds</u>	<u>Total</u>
Principal amount of the Bonds	\$85,440,000.00	\$4,130,000.00	\$89,570,000.00
Reoffering Premium (Net or Discount)	(20,357.05)	(82,600.00)	(102,957.05)
Accrued Interest	<u>188,764.92</u>	<u>9,980.83</u>	<u>198,745.75</u>
Total sources of funds	<u>\$85,608,407.87</u>	<u>\$4,057,380.83</u>	<u>\$89,665,788.70</u>

### *Uses of Funds:*

	<u>Prior Series of Bonds*</u>	<u>Series 2009H Bonds</u>	<u>Total</u>
Deposit to the Project Fund	\$63,520,698.41	\$2,363,124.00	\$65,883,822.41
Costs of Issuance **	2,047,392.12	172,179.75	2,219,571.87
Deposit to Capitalized Interest (CIF) Fund	11,307,552.42	1,212,671.25	12,520,223.67
Deposit to Debt Service Fund	188,764.92	9,980.83	198,745.75
Deposit to Debt Service Reserve Fund	<u>8,544,000.00</u>	<u>299,425.00</u>	<u>8,843,425.00</u>
Total uses of funds	<u>\$85,608,407.87</u>	<u>\$4,057,380.83</u>	<u>\$89,665,788.70</u>

\*Includes the Series 2006A Bonds, Series 2006B Bonds and Series 2008A Bonds, as well as the Series 2005C Bonds, Series 2006C Bonds and Series 2008B Bonds issued under a separate indenture and separately secured as described below.

\*\*Includes Underwriter's Discount.

## Related Series of Bonds

The Board expects to issue approximately \$110,000,000 in bonds to finance the City's obligations in connection with the Crackerneck Creek Project. On March 9, 2005, the Board issued its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2005C in the

principal amount of \$11,325,000 (the "Series 2005C Bonds"). The Series 2005C Bonds were issued by the Board under a separate Bond Trust Indenture dated as of March 1, 2005. The Board loaned the proceeds of the Series 2005C Bonds to the City pursuant to a separate Financing Agreement dated as of March 1, 2005. The Series 2005C Bonds, together with the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2006C in the principal amount of \$12,790,000 (the "Series 2006C Bonds"), the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2008B in the principal amount of \$7,920,000 (the "Series 2008B Bonds" together with any additional tax-exempt bonds issued to fund costs of the Project, are collectively referred to herein as the "Tax-Exempt Bonds." The Tax-Exempt Bonds will finance that portion of the Crackerneck Creek Project that is eligible for tax-exempt financing under Federal tax laws. The Tax-Exempt Bonds are secured on a separate and independent basis from the Taxable Bonds and any Additional Bonds. The City's Loan Payments with respect to the Tax-Exempt Bonds are secured by a lien on the Bass Pro Store and the Bass Pro Lease Payments that is **subordinate** to the lien securing the Taxable Bonds under the Deed of Trust. The City's Loan Payments relating to the Tax-Exempt Bonds are also secured by an annual appropriation obligation of the City.

### **THE BASS PRO STORE AND THE BASS PRO LEASE**

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

Pursuant to the Bass Pro Lease, the City leases to Bass Pro approximately twenty (20) acres on which Bass Pro constructed a "Bass Pro Shops Outdoor World" retail store building containing approximately 160,000 square feet (the "Bass Pro Store"), which is in excess of the minimum requirement of 150,000 square feet contained in the Bass Pro Lease. \$25,000,000 of the cost of constructing the Bass Pro Store was funded by the City through the issuance of the Series 2006A Bonds. The City also constructed and made available to Bass Pro approximately 600 parking spaces pursuant to the terms of the Bass Pro Lease. The Bass Pro Store offers the general public retail sales of sporting goods, sporting equipment and sporting services primarily relating to fishing, hunting, camping and boats. The Bass Pro Store opened in March, 2008.

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

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

During any of the nine one-year renewal options, Bass Pro will pay rent equal to \$10 per year. However, if the TIF bond financing provided by the City in a maximum amount of \$35,000,000 (the "Leased Premises TIF") has not been fully paid at the expiration of the initial term, then during each year thereafter (if any) until the Leased Premises TIF has been paid in full or until the expiration of the third one year renewal option (if exercised by Bass Pro), whichever occurs first, Bass Pro shall be obligated to pay \$1,000,000 per year. During any of the three five year renewal options, Bass Pro will pay rent equal to 1% of Gross Sales in

excess of \$30,000,000, except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which shall be 0.5% of such Gross Sales. The Leased Premises TIF includes \$35,000,000 of either Taxable or Tax-Exempt Bonds and has not yet been fully paid.

The City and Bass Pro are currently in a dispute over the amount of the initial rent payment due. See **“BONDOWNERS’ RISKS - Risk Factors Relating to the Bass Pro Lease Payments and Incremental Tax Revenues - Status of Initial Bass Pro Lease Payment.”**

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

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

The Lease also requires the City to purchase, prepare and give to Bass Pro at no cost an approximate five acre parcel located near or adjacent to the Bass Pro Store to be used for the construction of a hotel containing at least 150 rooms (the “Hotel”) and such other improvements thereon as desired by Bass Pro. Bass Pro has agreed that (subject to force majeure) it will cause the Hotel to be open for business within two (2) years of the opening date of the Bass Pro Store. Any sales generated from the Hotel will be excluded from Bass Pro’s gross sales and will not be included in the calculation of rent due under the Bass Pro Lease. The Hotel will not be exempt from real estate taxes. As of the date hereof, the City is not aware of any hotel committing to locate in the Crackerneck Creek Redevelopment Area.

Under the Lease the City also constructed at its cost an approximate 15-acre lake and an additional wilderness/habitat area of approximately 15 acres. The City park includes a waterfall and presents a unique natural setting. The lake and park development was completed at approximately the same time the Bass Pro Store opened for business.

See **“SUMMARY OF THE BASS PRO LEASE”** in **Appendix C** hereto.

## **SUBORDINATE LIEN ON INCREMENTAL TAX REVENUES**

In addition to the assignment of the Bass Pro Lease Payments, the Deed of Trust and the City’s annual appropriation obligation, the City’s Loan Payments under the Financing Agreement are secured by a **subordinate lien** on the Incremental Tax Revenues. The Incremental Tax Revenues are pledged on a senior lien basis to secure the City’s obligation to make loan payments with respect to the Tax-Exempt Bonds. **It is unlikely that any Incremental Tax Revenues will be available to pay the Loan Payments with respect to the Bonds or any Additional Parity Bonds.**

A general description of Tax-Increment Financing is contained in **Appendix F**.

## **PROJECTED SHORTFALL OF BASS PRO LEASE PAYMENTS AND INCREMENTAL TAX REVENUES**

Primarily because of the failure of the Developer to meet leasing levels set forth in the TIF Agreement, Incremental Tax Revenues received from the Crackerneck Creek Project have been materially short of the City’s original internal projections. As a result, the City currently projects that Incremental Tax Revenues from the Bass Pro Store, when combined with the Bass Pro Lease Payments and other Incremental Tax Revenues from the Crackerneck Creek Redevelopment Area, will be insufficient in the future to fund debt

service payments on the Tax-Exempt Bonds and the Taxable Bonds without significant additional development.

The City anticipates the issuance of additional Taxable Bonds and Tax-Exempt Bonds to fund capitalized interest on the Taxable Bonds and Tax-Exempt Bonds previously issued. The City anticipates funding such additional capitalized interest to allow time for additional development to occur in the Crackerneck Creek Redevelopment Area. The City is currently evaluating the amount of capitalized interest to be funded, and does not anticipate the issuance of bonds to fund additional capitalized interest until 2010.

There can be no assurance that additional development will occur in the Crackerneck Creek Redevelopment Area in the future or that, if additional development does occur, that Incremental Tax Revenues and Bass Pro Lease Payments, when applied in the priority described herein, will be sufficient to pay debt service on the Taxable Bonds and the Tax-Exempt Bonds when due. See **“BONDOWNERS’ RISKS - Risk Factors Relating to the Bass Pro Lease Payments and Incremental Tax Revenues.”**

In addition, the City has recently adjusted its revenue projections, including those for sales tax, downward for Fiscal Year 2009 based upon eleven months of operating results. See **“BONDOWNERS RISKS - Risk Factors Relating to the Bass Pro Lease Payments and Incremental Tax Revenues – Factors Impacting Bass Pro Retail Sales”** and **“APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MAY 31, 2009.”** The City will continue to monitor sales tax receipts to assist in evaluating its projections of Incremental Tax Revenues and Bass Pro Lease Payments.

## **THE BONDS**

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

### **General Terms**

The Bonds are being issued in the principal amount shown on the cover page, are dated August 1, 2009, 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 March 1 and September 1 of each year beginning March 1, 2010, and will mature on March 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 Depository Trust Company (“DTC”), New York, NY, 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.

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

**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 Bonds 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

**Purchase 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 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 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 the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Notices.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 shall 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 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 City or the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Board or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the 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.

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

**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 Bond 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board, the City and the Underwriter believe to be reliable, but the Board, the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the*

*Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participant, as the case may be.*

## **Redemption**

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

***Optional Redemption.*** The Bonds are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after March 1, 2014, 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.

***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.

***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 to be so 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 under which the Board will assign and pledge to the Trustee (1) certain rights of the Board under the Financing Agreement, including the right to receive Loan Payments with respect to the 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 payments by the City under the Financing Agreement are subject to annual appropriation.

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

### **The Financing 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 described herein, all general fund revenues of the City. The taxing power of the City is not pledged to the payment of Loan Payments either as to principal or interest.

## **Annual Appropriation Obligation of the City**

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 15<sup>th</sup> day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

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

***Loan Payments to Constitute Current Expenses of the City.*** The Board and the City acknowledge and agree that the Loan Payments and Additional Payments hereunder shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and

Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. 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.

### **Mortgage on the Bass Pro Store**

The City will own both the Bass Pro Store and the 20 acre parcel on which the store is located. Pursuant to the Financing Agreement the City has executed a Deed of Trust granting to the Trustee a first mortgage lien on the Bass Pro Store. Such mortgage lien will be subject to the rights of Bass Pro under the Bass Pro Lease described herein. Pursuant to the Deed of Trust the City will also assign as additional security for the Bonds the Bass Pro Lease Payments described herein. See **“THE BASS PRO STORE AND THE BASS PRO LEASE”** herein. The Deed of Trust and assignment of rents secures only the Taxable Bonds and any Additional Parity Bonds on a priority basis and the Tax-Exempt Bonds on a subordinate basis.

### **Debt Service Reserve Fund**

Pursuant to the Indenture the Board will establish accounts within the Debt Service Reserve Fund created under the Indenture for each series of bonds issued under the Indenture. Such accounts within the Debt Service Reserve Fund will be fully funded at the time of the issuance of the respective series of bonds from the proceeds thereof in an amount equal to the “Debt Service Reserve Requirement” which is applicable to each series. The Debt Service Reserve Requirement for the Series 2006A Bonds is an amount equal to \$3,434,000. The Debt Service Reserve Requirement for the Series 2006B Bonds is an amount equal to \$1,403,000. The Debt Service Reserve Requirement for the Series 2008A Bonds is an amount equal to \$503,500. The Debt Service Reserve Requirement for the Bonds is an amount equal to \$299,425. Moneys in each series account of the Debt Service Reserve Fund shall only be available to fund a deficiency in the applicable account in the Debt Service Fund with respect to either the Series 2006A Bonds, Series 2006B Bonds or the Bonds, as applicable, and not any Additional Parity Bonds. Amounts in the applicable account of the Debt Service Reserve Fund are to be used to pay principal of and interest on the Series 2006A Bonds, Series 2006B Bonds, the Series 2008A Bonds or the Bonds to the extent of any deficiency in the account of the Debt Service Fund related to such series of bonds and to retire the last Outstanding bonds of that series. If Additional Bonds are issued, the Board expects to fund a separate reserve for the Additional Bonds.

### **Incremental Tax Revenues**

The City’s Loan Payments under the Financing Agreement are secured by a **subordinate lien** on the Incremental Tax Revenues. The Incremental Tax Revenues are pledged on a senior lien basis to secure the City’s obligation to make loan payments with respect to the Tax-Exempt Bonds. **It is unlikely that any Incremental Tax Revenues will be available to pay the Loan Payments with respect to the Bonds or any Additional Parity Bonds.** See **“SUBORDINATE LIEN ON INCREMENTAL TAX REVENUES”** herein.

### **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 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 D** hereto.

## **Additional Parity Bonds**

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

The sole economic test for the issuance of Additional Parity 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 Parity Bonds. This means that the City may issue or cause to be issued an unlimited amount of Additional Parity Bonds on a parity with the Bonds even if the Bass Pro Lease Payments or the subordinate lien on Incremental Tax Revenues are not sufficient to provide for the Loan Payments on any Outstanding Bonds, without regard to the proposed Additional Parity Bonds. **For this reason prospective investors should not rely upon the Bass Pro Lease Payments or Incremental Tax Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood 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 Board 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 D**, 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.** 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. As described herein, projections by the City show that current levels of development in the Crackerneck Creek Redevelopment Area will not produce sufficient Incremental Tax Revenues and Bass Pro Lease Payments to pay debt service on the Taxable Bonds and the Tax Exempt Bonds. See “**PROJECTED SHORTFALL OF BASS PRO LEASE PAYMENTS AND INCREMENTAL TAX REVENUES.**”

**Limited Availability of General Fund Revenues.** If Incremental Tax Revenues and Bass Pro Lease Payments are insufficient to pay debt service on the Taxable Bonds and the Tax-Exempt Bonds, any deficiencies would need to be made up from moneys in the City's General Fund, subject to annual appropriation by the City.

Because of the general decline in economic activity, the City has adjusted projections for its General Fund revenues for fiscal year 2009 to reflect a decrease of approximately \$1,682,795 or 2.4%. This includes a reduction in projections for sales tax revenue of \$684,315 or 3.87% and reductions in estimates of business license and permit revenues, based on eleven months of operating results. The City also projects that the fund balance in the General Fund will decrease by \$3,057,264 to \$6,270,554 from the beginning to the end of the 2009 fiscal year as a result of the expected use of \$1,570,826 of reserved and designated funds and the \$1,486,438 decrease of undesignated funds. The projected General Fund balance on June 30, 2009, is \$6,270,554 which is equal to 9.14% of projected fiscal 2009 General Fund revenues. The City is taking steps to reduce expenditures accordingly, including evaluating vacancies for possible salary savings during the year. See **"APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MAY 31, 2009."** If General Fund revenues continue to decline, the City would be less likely to appropriate moneys to pay debt service from the General Fund to the extent such appropriations would adversely impact the provision of basic City services.

#### **Risk Factors Relating to the Bass Pro Lease Payments and Incremental Tax Revenues**

*Status of Initial Bass Pro Lease Payment.* The City and Bass Pro currently disagree on the amount owed by Bass Pro for rent on the Bass Pro Store for the initial lease period. Bass Pro contends that \$500,000 is sufficient, while the City contends that Bass Pro owes \$1,000,000. The City also claims that Bass Pro owes approximately \$421,650 for a construction license surcharge related to construction of the Bass Pro Store. The City has withheld the total amount of claimed rent and the construction license surcharge (a total of approximately \$1,421,650) from amounts Bass Pro claims are due to it under the Bass Pro Lease for construction of the Bass Pro Store. The City cannot predict at this time when, or if, the dispute over the \$1,421,650 will be resolved. Based on communications received by the City from Bass Pro, it is possible that Bass Pro may commence litigation to resolve the dispute. To date, rent payments for periods subsequent to the initial lease period have been paid on time by Bass Pro.

*Status of Developer.* The Developer of the Crackerneck Creek Project has been formally terminated by the City for failure to lease sufficient space in the project but is still working to develop the Project under the terms of the Parcel Development Agreement. The Developer also continues to solicit interest in the project. The City may determine to select another developer in the future. Selection of a different developer would likely lead to further delays in finding tenants for the project. If the Crackerneck Creek Developer is replaced, or if the Crackerneck Creek Developer remains in place but is unsuccessful in finding tenants for the project, there may be insufficient PILOTS and EATS (particularly EATS) to pay the Tax-Exempt Bonds and any Additional Bonds issued on a parity therewith. Potential investors should not rely on the availability of PILOTS and EATS to pay the Taxable Bonds, including the Bonds.

*Factors Impacting Bass Pro Retail Sales.* The Bass Pro Lease Payments are calculated as a percentage of sales, with a minimum payment of \$1,000,000 per year. The retail sales industry is highly competitive. While Bass Pro Stores in other locations have been successful, there can be no assurance that this Bass Pro Store will also be successful. Bass Pro has stores in St. Charles, Missouri (221 miles from Independence), Columbia, Missouri (118 miles from Independence), Springfield, Missouri (165 miles from Independence), Branson, Missouri on Lake Taneycomo (239 miles from Independence) and Olathe, Kansas, approximately 30 miles from the Bass Pro Store. The Bass Pro Store in Springfield is the original Bass Pro store and is approximately 300,000 square feet. Bass Pro has a total of 53 stores in the United States and Canada and has plans for 7 other stores. Bass Pro also has a successful catalog sales operation.

There are currently no binding agreements for tenants to occupy any space in the shopping center other than the Bass Pro Store and there can be no assurance that additional tenants will be secured. If the Bass Pro Store continues to be surrounded by vacant, undeveloped property the store will not receive the benefit of being part of a regional shopping center which may result in lower sales.

Demand for retail goods, especially specialty retail goods, can be highly volatile, cyclical and is generally subject to a variety of economic conditions that significantly impact consumers and the demand for consumer goods. Such factors include economic conditions in the surrounding trade area, rental rates and occupancy rates, local unemployment, availability of transportation, neighborhood changes, crime levels in the area, vandalism and rising operating costs, interruption or termination of operations as a result of fire, natural disaster, strikes or similar events, among many other factors. As a result of all of the above factors, it is difficult to predict with certainty the expected sales which may be realized from the Bass Pro Store.

The City has recently revised its projections of sales tax receipts downward for Fiscal Year 2009 based on eleven months of operating results. See **“APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MAY 31, 2009.”** The trends identified by the City are consistent with other certain recent economic indicators, including declining retail sales and a resulting decline in local sales tax revenues, and studies indicating a decline in economic conditions has occurred. The City will continue to monitor Bass Pro retail sales to determine the impact of the general economic decline on revenues available to pay debt service on the Taxable Bonds and Tax-Exempt Bonds.

*Property Tax Protest.* The Developer is currently protesting the assessed value assigned by Jackson County, Missouri, to certain property in the Crackerneck Creek Redevelopment Area. During the time the protest is pending, the Payments in Lieu of Taxes (“PILOTS”) attributable to such parcels are not available to the City to pay debt service. The City cannot predict the timing of the resolution of the tax protest or the likely outcome. If the current assessed valuation is not upheld, the City will ultimately receive less PILOTS for payment of debt service on bonds issued for the Project.

*Risk of Damage or Destruction.* The partial or complete destruction of the Bass Pro Store, as a result of fire, natural disaster or similar casualty event, would adversely impact the collection of Bass Pro Lease Payments. Under the Bass Pro Lease, Bass Pro is obligated to rebuild the Bass Pro Store in the event of damage or destruction.

### **No Appraisal of Bass Pro Store**

The City does not have an appraisal of the current value of the property that is subject to the Deed of Trust. Consequently, no prediction can be made as to the amount that may be realized upon a foreclosure under the Deed of Trust and sale of such property.

### **Proposed Additional Parity Bonds**

The sole economic test for the issuance of Additional Parity 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 Parity Bonds. This means that the City may issue or cause to be issued Additional Parity Bonds on a parity with the Bonds even if Bass Pro Lease Payments are not sufficient to provide for the Loan Payments relating to the Bonds, without regard to the proposed Additional Parity Bonds.

### **Enforcement of Remedies**

The enforcement of the remedies under the Indenture, the Financing Agreement, the Deed of Trust and the Bass Pro Lease 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 to enter into the Indenture or the Financing Agreement or to secure the City's Loan Payments with respect to 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 relating to the Official Statement will be passed upon for the City and the Underwriter by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by its counsel, Allen Garner, City Counselor.

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

*The following is a summary of the material federal income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.*

*TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF THE BONDS ARE HEREBY NOTIFIED THAT: (A) THE OPINION OF BOND COUNSEL AND ANY DISCUSSION OF FEDERAL TAX ISSUERS IN THIS OFFICIAL STATEMENT, RELATING TO THE BONDS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS OF THE BONDS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF THE BONDS UNDER THE INTERNAL REVENUE CODE; (B) THE DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF THE BONDS SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR BASED ON THEIR PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS.*

### **The Bonds**

*Opinion of Bond Counsel.* In the opinion of Gilmore & Bell, P.C., Bond Counsel, interest on the Bonds is *included* in gross income as interest for federal income tax purposes. However, based upon existing statutes, regulations, rulings and court decisions, it is Bond Counsel's opinion that interest on the Bonds is exempt from income taxation by the State of Missouri.

*Interest.* For federal income tax purposes interest payments on the Bonds will be includable in an owner's gross income as interest in accordance with such owner's method of accounting for tax purposes. A cash basis owner will include interest in income when received (or when made available for receipt, if earlier). An accrual basis owner will generally include interest in income when all events necessary to establish the right to receive such interest have occurred.

*Reporting Requirements.* In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

*State and Local Taxation.* Except with respect to Missouri income taxation, the discussion above does not address the tax consequences of purchase, ownership or disposition of the Bonds under any state or local tax law. Investors should consult their own tax advisors regarding state and local tax consequences.

*Other Tax Consequences.* The forgoing is not intended to be a complete description of all Federal or Missouri income tax consequences associated with an investment in the Bonds, and except as described under “*Opinion of Bond Counsel*,” Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their own tax advisors regarding the particular tax consequences to them of an investment in such bonds.

### **Sale, Exchange or Retirement of Bonds**

Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent the Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

### **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, 2008 excerpted from the City’s Comprehensive Annual Financial Report and an unaudited Financial and Operating Report for the period ended May 31, 2009 are included in **Appendix B** to this Official Statement. These financial statements for the fiscal year ended June 30, 2008 have been audited by Cochran Head Vick & 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 holders of the Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A summary of the Continuing Disclosure Agreement is included in **Appendix D**.

### **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 \$3,995,430.83 (which represents the principal amount of the Bonds less an underwriter’s discount of \$61,950.00 and original issue discount of \$82,600.00, plus accrued interest of \$9,980.83). 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.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Bonds, allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

### **MISCELLANEOUS**

The references herein to the Act, the Indenture, the Financing Agreement, the Deed of Trust 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, the Deed of Trust 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 as described above under the caption **"INTRODUCTION - Definitions and Summaries of Legal Documents"**.

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

## **APPENDIX A**

### **INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**APPENDIX A**  
**INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI**

**TABLE OF CONTENTS**

	<b><u>Page A-</u></b>
THE CITY .....	1
General Information.....	1
Employee Retirement System and Other Post Employment Benefits (“OPEB”).....	1
Insurance .....	2
Payment Record .....	2
ECONOMIC INFORMATION CONCERNING THE CITY .....	2
Commerce and Industry.....	2
General and Demographic Information .....	3
Income Statistics .....	4
Housing Structures.....	4
Building Construction.....	4
FINANCIAL INFORMATION CONCERNING THE CITY .....	5
Accounting, Budgeting and Auditing Procedures .....	5
Tax Revenues.....	5
Property Valuations .....	6
Obligations of the City.....	7
Capital Leases .....	12
Overlapping or Underlying Indebtedness .....	12

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

## 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	At-Large	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 and Other Post Employment Benefits (“OPEB”)

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, 2007 and 2008 was \$5,763,388 and \$4,813,003, respectively.

Pursuant to Governmental Accounting Standards Board (“GASB”) Statement 45, the City has commissioned an actuarial analysis to determine its unfunded OPEB liability. As reflected in its financial statements, the City’s unfunded actuarial accrued liability for OPEB as of June 30, 2008, was \$156,700,731. See “**APPENDIX B – ACCOUNTANTS’ REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2008** – Exhibit 11.”

## 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 Midwest Employers Casualty Company for claims exceeding the \$1,000,000 retention limit per accident.

The City purchases all-risk property insurance from National Union Fire Insurance Co. of PA (AIG), Zurich America and AEGIS 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 \$300 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 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 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 \$10,000 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 OneBeacon Insurance Company. This policy provides an additional \$4,000,000 liability insurance coverage above MOPERM's coverage limits for claims that are not subject to the State 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:

<b><u>Employer</u></b>	<b><u>Product/Service</u></b>	<b><u>Number of Employees</u></b>
Alliant Tech Systems	Small Arms Ammunition	2,400
Independence School District	Education	1,800
Centerpoint Medical Center	Health Care	1,600
City of Independence	Local Government	1,176
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
Mid-Continent Public Library	Library	248

Source: Independence Council for Economic Development and MARC.

## General and Demographic Information

The following tables set forth certain population information.

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2007*</u>	<u>2008*</u>
City of Independence	111,797	112,301	113,288	110,704	109,159
Jackson County	629,266	633,234	654,880	666,000	668,417
State of Missouri	4,916,686	5,117,073	5,595,211	5,878,399	5,911,605

Source: U.S. Census Bureau, except 2008 City estimate provided by City's Community Development Department

\*Estimates

### Population Distribution by Age

	<u>City of Independence</u>	<u>Jackson County</u>	<u>State of Missouri</u>
Under 0-4	7.11%	7.62%	6.62%
5-9 years	6.73%	7.05%	6.46%
10-14 years	6.39%	6.82%	6.66%
15-20 years	7.28%	7.93%	8.60%
21-24 years	4.52%	4.79%	5.45%
25-34 years	12.16%	12.90%	13.15%
35-44 years	13.56%	14.39%	13.52%
45-54 years	14.83%	14.87%	14.62%
55-59 years	6.63%	6.32%	6.30%
60-64 years	5.54%	4.87%	5.03%
65-74 years	7.73%	6.39%	7.01%
75-84 years	5.36%	4.21%	4.57%
85 and older	2.15%	1.83%	2.01%
Median Age	39.28	37.00	37.26
Average Age	39.18	37.28	38.03

Source: Claritas, Inc.

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008*</u>
<b><u>Kansas City MSA</u></b>						
Total Labor Force	1,011,190	1,019,058	1,024,681	1,026,514	1,040,925	1,044,494
Unemployed	60,709	62,062	57,727	51,305	51,536	57,327
Unemployment Rate	6.0%	6.1%	5.6%	5.0%	5.0%	5.5%
<b><u>Jackson County</u></b>						
Total Labor Force	339,011	337,663	334,653	333,477	338,027	337,277
Unemployed	21,930	23,329	21,262	18,891	19,427	21,829
Unemployment Rate	6.5%	6.9%	6.4%	5.7%	5.7%	6.5%
<b><u>State of Missouri</u></b>						
Total Labor Force	2,979,187	2,985,686	2,996,836	3,016,211	3,031,187	3,028,854
Unemployed	165,616	171,725	160,482	144,878	152,788	178,225
Unemployment Rate	5.6%	5.8%	5.4%	4.8%	5.0%	5.9%

\*Average estimated through July 2008. Source: Mid-America Regional Council

## Income Statistics

The following table sets forth income figures from the 2000 census and an estimate for 2008.

	<u>Per Capita</u>		<u>Median Household</u>	
	<u>2000</u>	<u>2008</u>	<u>2000</u>	<u>2008</u>
City of Independence	\$19,384	\$22,638	\$45,876	\$53,624
Jackson County	20,788	24,418	48,435	57,761
State of Missouri	19,936	23,651	37,934	55,380

Source: Claritas, Inc.

## Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2008.

<u>Housing type</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Single Detached	35,407	70.69%
Single Attached	1,747	3.49%
Double	2,157	4.31%
3 to 19 Unites	6,660	13.30%
20 to 49 Units	1,014	2.02%
50 + Units	1,552	3.10%
Mobile Home	1,521	3.04%
All Other	<u>27</u>	<u>0.05</u>
Total Units	50,085	100.00%

Source: Claritas, Inc.

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 2008 by Claritas, Inc., as follows:

	<u>Median Value</u>	
	<u>2000</u>	<u>2008*</u>
City	\$77,000	\$104,380
Jackson County	85,000	121,360
State of Missouri	89,900	125,899

Source Claritas, Inc. \*Estimated.

## 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<i>Residential</i>					
Number of Permits	657	737	567	434	224
Estimated Cost	\$47,280,932	\$66,838,976	\$40,861,800	\$27,365,631	\$18,755,251
<i>Non-Residential</i>					
Number of Permits	186	188	150	180	119
Estimated Cost	\$50,594,507	\$32,069,290	\$52,568,560	\$74,867,315	\$36,840,594

Source: City's Community Development Department

## 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 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, 2008 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>
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	6,912,877	39,502	567,039	1,020,663	36,141,098	8,209,734	13,039,463
2008*	72,177,347	7,033,526	34,441	555,974	1,084,379	36,446,589	13,319,852	13,702,586

\* 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, 2008 (the last completed assessment):

	<b><u>Assessed Valuation*</u></b>	<b><u>Assessment Rate</u></b>	<b><u>Actual Valuation</u></b>
Real Estate:			
Residential	\$835,415,560	19%	\$4,396,924,000
Commercial	280,076,363	32%	875,238,634
Agricultural	1,092,071	12%	9,100,592
Railroad and Utilities	6,105,289	32%	19,079,028
Real Estate Sub-Total	1,122,689,283		5,300,342,254
Personal Property	<u>289,243,271</u>	33.3%	<u>868,598,411</u>
Total	\$1,411,932,554		\$6,168,940,666

\* 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>
2008	\$1,411,932,554	0.8%
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	8.0

Source: Jackson and Clay Counties Assessor's Office

#### *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, 2007.

<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	\$24,255,536	1.90%
DDR MDT Independence Commons	Retail Center	10,755,121	0.84%
Space Center	Underground Commercial	8,516,803	0.67%
Sprint Spectrum	Communications	7,591,371	0.60%
Unilever Bestfoods NA	Food Manufacturer	6,761,280	0.53%
Bradley Operating LTD PTP	Retail Center	6,046,633	0.47%
Burd & Fletcher	Paper Cartons	5,866,234	0.46%
Noland Fashion Square Partners	Retail Center	5,103,999	0.40%
MCI and Independence Regional	Health Care	4,758,831	0.37%
Southern Union Company	Utility	<u>4,705,107</u>	<u>0.37%</u>
Total		\$84,360,915	6.61

Source: Jackson County Collection Department

#### **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 currently has no General Obligation debt outstanding. However, the City did have the following Neighborhood Improvement District bonds outstanding as of July 1, 2009:

- (i) \$91,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of \$111,000, and

(ii) \$710,000 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 as of July 1, 2009:

**Power and Light Fund**

<b><u>Original Principal Amount</u></b>	<b><u>Issuer</u></b>	<b><u>Issue Name</u></b>	<b><u>Series</u></b>	<b><u>Amount Outstanding</u></b>
\$23,520,000	City	Electric Utility Refunding Revenue Bonds	1998	\$9,320,000
\$5,975,000	City	Electric Utility Refunding Revenue Bonds	2003	\$2,985,000
\$31,415,000	MDFB	Infrastructure Facilities Revenue Bonds*	2009D	\$31,415,000

**Water Fund**

<b><u>Original Principal Amount</u></b>	<b><u>Issuer</u></b>	<b><u>Issue Name</u></b>	<b><u>Series</u></b>	<b><u>Amount Outstanding</u></b>
\$36,000,000	City	Water Utility Revenue Bonds	1986	\$23,245,000
\$14,785,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	\$12,725,000
\$17,520,000	MDFB	Infrastructure Facilities Revenue Bonds**	2009C	\$17,520,000

*[remainder of page intentionally left blank]*

**Bonds Secured by the City's Annual Appropriation Powers**

<b><u>Original Principal Amount</u></b>	<b><u>Issuer</u></b>	<b><u>Issue Name</u></b>	<b><u>Series</u></b>	<b><u>Amount Outstanding</u></b>
\$530,000	MDFB	Infrastructure Facilities Revenue Bonds	2000A	\$65,000
\$1,635,000	MDFB	Infrastructure Facilities Revenue Bonds	2001	\$215,000
\$8,715,000	MDFB	Infrastructure Facilities Revenue Bonds	2003	\$7,705,000
\$14,785,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	\$12,725,000
\$6,175,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	\$3,370,000
\$8,225,000	MDFB	Infrastructure Facilities Revenue Bonds	2005A	\$5,380,000
\$1,030,000	MDFB	Infrastructure Facilities Revenue Bonds	2005B	\$810,000
\$11,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2005C	\$11,140,000
\$34,340,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006A	\$34,000,000
\$14,030,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006B	\$14,030,000
\$12,790,000	MDFB	Infrastructure Facilities Revenue Bonds	2006C	\$12,790,000
\$1,590,000	MDFB	Infrastructure Facilities Revenue Bonds	2006	\$1,365,000
\$5,485,000	MDFB	Infrastructure Facilities Revenue Bonds	2006D	\$4,475,000
\$4,980,000	MDFB	Infrastructure Facilities Revenue Bonds	2006F	\$4,860,000
\$19,390,000	MDFB	Infrastructure Facilities Revenue Bonds	2007A	\$16,930,000
\$10,330,000	MDFB	Infrastructure Facilities Revenue Bonds	2007B	\$9,225,000
\$10,060,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2007C	\$9,270,000
\$995,000	MDFB	Infrastructure Facilities Revenue Bonds	2007D	\$850,000
\$19,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2007E	\$19,140,000
\$5,035,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2008A	\$5,035,000
\$7,920,000	MDFB	Infrastructure Facilities Revenue Bonds	2008B	\$7,920,000
\$8,000,000	MDFB	Infrastructure Facilities Revenue Bonds	2008C	\$8,000,000
\$12,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2008D	\$12,325,000
\$1,230,000	MDFB	Infrastructure Facilities Revenue Bonds	2008E	\$1,200,000
\$13,315,000	MDFB	Infrastructure Facilities Revenue Bonds	2008F	\$13,120,000
\$4,600,000	MDFB	Infrastructure Facilities Revenue Bonds	2008G	\$4,420,000
\$10,725,000	MDFB	Infrastructure Facilities Revenue Bonds	2008H	\$10,725,000
\$15,190,000	MDFB	Infrastructure Facilities Revenue Bonds	2009A	\$15,190,000
\$3,220,000	MDFB	Infrastructure Facilities Revenue Bonds	2009B	\$3,220,000
\$17,520,000	MDFB	Infrastructure Facilities Revenue Bonds**	2009C	\$17,520,000
\$31,415,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds*	2009D	\$31,415,000
\$44,045,000	MDFB	Infrastructure Facilities Revenue Bonds	2009F	\$44,045,000

\*Same issue, listed under both "Power and Light Fund" and "Bonds Secured by the City's Annual Appropriation Powers."

\*\*Same issue, listed under both "Water Fund" and "Bonds Secured by the City's Annual Appropriation Powers."

***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 and 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 \$9,270,000 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, 2009. There can be no assurance that the Developer will continue to make such voluntary payments, and the Developer has not made a written commitment to do so.

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 2008 were approximately \$3,783. Other revenues consisting of interest earnings and incremental tax payments based on auto sales made within the Santa Fe Redevelopment Area totaling \$114,941 were also received by the City during FY 2008. 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 by the City, 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*

##### *Street Projects*

Concurrently with the issuance of the Bonds, MDFB, at the request of the City, is issuing \$4,020,000 in bonds to fund the cost of certain street improvements in the City. The City intends to satisfy its obligation to make payments with respect to these bonds out of revenues generated from a ½ cent sales tax levied by the City for street purposes. The City’s obligation to make such payments is not, however, limited to revenues of the ½ cent sales tax, and such sales tax revenues are not, and cannot be, pledged to the payment of the payments. Each year, the City Council will decide whether to appropriate revenues from the ½ cent sales tax or from other available sources during the then current fiscal year to make Loan Payments during such fiscal year.

The City has identified over \$100 million in street projects to be funded from the ½ cent sales tax over the next 11 years. The City may in the future issue or cause to be issued additional bonds that are repaid from annual appropriation of ½ cent sales tax revenues.

##### *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 \$2,004,000 in Developer costs and City costs, plus reserves and costs of issuance in 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 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. Sites along Interstate 70 are the location of the Events Center Project.

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, the Series 2008G Bonds and the Series 2009B Bonds (the “Outstanding Eastland Bonds”) described elsewhere in this Appendix A 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.

#### *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.

#### *Water Utility*

The City expects the future issuance of bonds by the Board in an amount sufficient to fund approximately \$5,500,000 of improvements to the City’s water utility which began with issuance of the Series 2009C Bonds described herein. These bonds will be secured by loan payments to be made by the City from net revenues of the City’s water utility, and if not paid from such revenues, from the City’s general fund, all subject to annual appropriation.

#### *Electric Utility*

The City expects the future issuance of bonds by the Board in the amount of \$85,575,000 to fund improvements to the City’s electric utility which began with issuance of the Series 2009D Bonds described herein. These bonds will be secured by a leasehold interest in equipment financed with the proceeds of the bonds together with lease payments to be made by the City from net revenues of the City’s electric utility, and if not paid from such revenues, from the City’s general fund, all subject to annual appropriation.

#### *Water Pollution Control*

Under the terms of a consent decree released filed on March 31, 2009, between the United States of America, the United States Environmental Protection Agency (“EPA”) and the City related to operation of the City’s wastewater utility, the City has agreed to pay a penalty of \$255,000 and spend an additional \$450,000 on a supplemental environmental project to improve storm water detention and stabilize stream banks. As part of the settlement, the City also agrees to make various improvements to its sanitary sewer system at an estimated cost of \$35 million to \$39 million. The improvements must be completed by 2015. The consent decree and resulting penalties and requirements for improvements to the City’s wastewater system resulted from alleged violations of the Clean Water Act documented by the EPA.

The City is currently engaged in the early stages of evaluating options for funding the required improvements. A cost of service study for the wastewater utility is underway which includes evaluation of possible rate increases to fund the improvements. The City is evaluating financing options which may include

the issuance of bonds. Such bonds may be payable from a variety of sources, including net revenues of the wastewater utility and possibly from the City's general fund, subject to annual appropriation.

### *Other Projects*

In addition to bonds expected to be issued for the projects described above, the City expects to issue additional bonds or other obligations secured by the City's annual appropriation authority.

### **Capital Leases**

Capital leases payable at June 30, 2008 are comprised of the following:

Sun Trust Leasing, interest at 4.19% annual installments through July 2013. A lease to purchase a fire truck.	\$ 485,735
IBM Corporation, interest at 4.057% monthly installments through April 10, 2010. A lease to purchase an I Series 520 System along with other computer equipment.	86,196
IBM Corporation, interest at 3.199% monthly installments through 2011. A lease to purchase an I Series System along with other computer equipment.	78,742
<b>TOTAL</b>	<b>\$650,673</b>

### **Overlapping or Underlying Indebtedness**

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, 2008, 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.

<b><u>Jurisdiction</u></b>	<b><u>General Obligation Bond Issues Outstanding*</u></b>	<b><u>Percentage Applicable to City of Independence</u></b>	<b><u>Amount Applicable to City of Independence</u></b>
City of Independence	\$ 0	-	\$ 0
Jackson County	0	-	0
Jackson County School Districts:			
Metropolitan Junior College	0	-	0
Blue Springs R-4 School District	88,500,000	20.0%	17,700,000.00
Independence School District	108,530,000	100.00%	108,530,000.00
Raytown School District	97,505,000	6.00%	5,850,300.00
Fort Osage #1	40,173,012	12.50%	5,021,626.50
<b>TOTAL</b>	<b>\$334,708,012</b>		<b>\$137,101,926.50</b>

\* Does not include amounts available in certain debt service funds

**APPENDIX B**

**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF  
INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2008;  
UNAUDITED FINANCIAL AND OPERATING REPORT  
FOR PERIOD ENDED MAY 31, 2009**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

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

**(THIS PAGE LEFT BLANK INTENTIONALLY)**



COCHRAN HEAD VICK & CO., P.C.

& Co

*Certified Public Accountants*

### Independent Auditors' Report

1251 NW Briarcliff Parkway  
Suite 125  
Kansas City, MO 64116  
(816) 453-7014  
Fax (816) 453-7016

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, 2008, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, 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.

As discussed in Note 10 to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, in 2008.

#### Other Offices

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2008, 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 important for assessing 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.

November 5, 2008

*Cochran Herb Vick Flo R*

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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, 2008. 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 \$33.9 million. The City's 'governmental-type activities' had an increase of \$36.3 million and the 'business-type activities' had a decrease of \$2.3 million.

Sales tax revenue increased by \$358,142. 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 was intended to settle the dispute between cell phone providers and local jurisdictions concerning franchise fees and 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 1<sup>st</sup> rate of 9.08%. Several cities, including Independence, have reached settlements or are working with individual providers to avoid continued litigation.

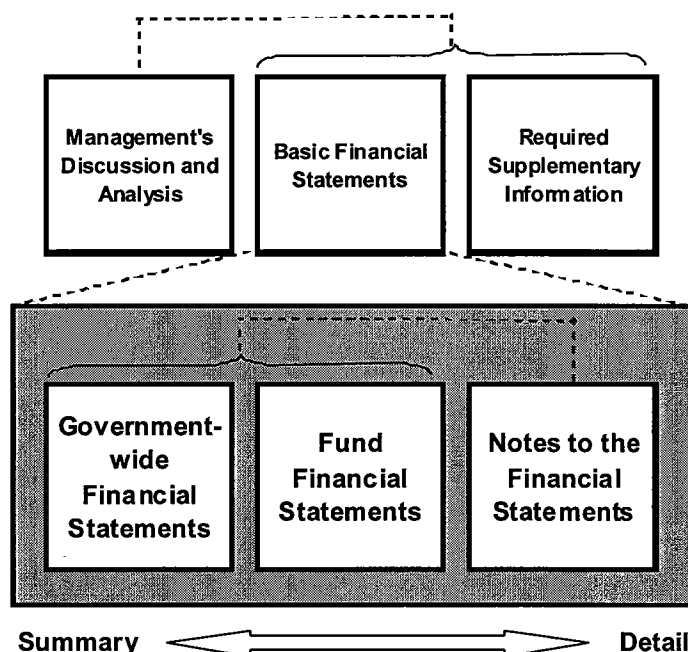
Site work continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel. This store opened during February 2008.

Rate studies were started for each of the three utilities: electric, water, and sanitary sewer. The City has since the end of the fiscal year authorized rate increases for water service in each of the next four fiscal years.

The City has entered into a contract 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 required the establishment—of a community improvement district and a sales tax in the district.

Construction was completed on a multi-purpose sports complex. This facility is expected to open during the spring of 2009.

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



**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2008**

**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 an optional 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 system, water system, sanitary sewer system, and the events center.
  - 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, 2008**

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 system, water system, sanitary sewer system, and events center 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, 2008**

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-term 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.
  - The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has four internal service funds. These are the self-funded health insurance fund, central garage fund, the pharmacy benefit fund, and the workers' compensation 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, 2008**

**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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 55,967,090	47,556,469	64,410,060	82,448,428	120,377,150	130,004,897
Capital assets	255,546,959	220,757,782	344,195,683	321,772,908	599,742,642	542,530,690
<b>Total assets</b>	<b>311,514,049</b>	<b>268,314,251</b>	<b>408,605,743</b>	<b>404,221,336</b>	<b>720,119,792</b>	<b>672,535,587</b>
Long-term obligations	42,935,261	38,753,026	74,150,308	63,215,539	117,085,569	101,968,565
Other liabilities	14,368,011	11,614,521	11,995,483	16,206,752	26,363,494	27,821,273
<b>Total liabilities</b>	<b>57,303,272</b>	<b>50,367,547</b>	<b>86,145,791</b>	<b>79,422,291</b>	<b>143,449,063</b>	<b>129,789,838</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	233,350,380	195,251,671	285,931,913	267,330,916	519,282,293	462,582,587
Restricted	25,270,518	28,164,683	5,216,672	731,101	30,487,190	28,895,784
Unrestricted	(4,410,121)	(5,469,650)	31,311,367	56,737,028	26,901,246	51,267,378
<b>Total net assets</b>	<b>\$ 254,210,777</b>	<b>217,946,704</b>	<b>322,459,952</b>	<b>324,799,045</b>	<b>576,670,729</b>	<b>542,745,749</b>

(Certain amounts for 2007 have been restated.)

The City's combined net assets increased 6.25% to \$576.7 million from \$542.7 million. Net assets of the City's governmental activities increased 16.6% to \$254.2 million. Governmental assets increased \$43.2 million and liabilities increased \$6.9 million. Long-term obligations for Governmental Activities increased \$4.2 million and Business-type Activities increased \$10.9 million. The increase in long term obligations is due, for the most part, to the implementation of GASB Statement No. 45, Other Post-Employment Benefits.

Total unrestricted net assets were \$26.9 million with the business-type activities being \$31.3 million. The City's unrestricted net assets (deficit) for governmental activities were (\$4.4) million.

Unrestricted net assets for business activities were \$31.3 million and decreased \$25.4 million from the previous year. Net assets invested in capital assets, net of related debt were \$285.9 million and increased \$18.6 million from the previous year.

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2008**

**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	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 14,515,300	15,098,737	141,017,185	135,936,348	155,532,485	151,035,085
Operating grants and contributions	8,902,787	9,957,178	—	—	8,902,787	9,957,178
Capital grants and contributions	27,772,386	23,963,312	4,363,127	5,562,049	32,135,513	29,525,361
General revenues						
Property taxes	7,067,966	6,952,380	—	—	7,067,966	6,952,380
Sales taxes	38,086,941	37,728,799	—	—	38,086,941	37,728,799
Other taxes	16,551,812	8,244,536	—	—	16,551,812	8,244,536
Interest	1,476,448	1,785,111	1,850,519	2,532,853	3,326,967	4,317,964
Other	348,143	589,469	37,982	47,953	386,125	637,422
<b>Total revenues</b>	<b>114,721,783</b>	<b>104,319,522</b>	<b>147,268,813</b>	<b>144,079,203</b>	<b>261,990,596</b>	<b>248,398,725</b>
<b>Expenses</b>						
Administrative services	8,487,120	10,014,655	—	—	8,487,120	10,014,655
Public works	13,013,430	13,231,006	—	—	13,013,430	13,231,006
Public safety	44,390,164	38,253,819	—	—	44,390,164	38,253,819
Culture & recreation	7,813,486	6,980,593	—	—	7,813,486	6,980,593
Community development	4,381,932	4,108,652	—	—	4,381,932	4,108,652
Health & welfare	3,287,200	2,898,542	—	—	3,287,200	2,898,542
Electric	—	—	101,665,442	91,357,503	101,665,442	91,357,503
Water	—	—	19,131,054	18,527,955	19,131,054	18,527,955
Sanitary sewer	—	—	14,451,363	13,097,967	14,451,363	13,097,967
Events center	—	—	179,032	—	179,032	—
Storm water	2,270,858	2,238,112	—	—	2,270,858	2,238,112
General government	7,921,217	8,225,760	—	—	7,921,217	8,225,760
Interest	1,073,318	1,050,153	—	—	1,073,318	1,050,153
<b>Total expenses</b>	<b>92,638,725</b>	<b>87,001,292</b>	<b>135,426,891</b>	<b>122,983,425</b>	<b>228,065,616</b>	<b>209,984,717</b>
Excess (deficiency) of revenues or expenses before transfers	22,083,058	17,318,230	11,841,922	21,095,778	33,924,980	38,414,008
Transfers - In (Out)	14,181,015	13,180,055	(14,181,015)	(13,180,055)	—	—
<b>Increase in net assets</b>	<b>36,264,073</b>	<b>30,498,285</b>	<b>(2,339,093)</b>	<b>7,915,723</b>	<b>33,924,980</b>	<b>38,414,008</b>
Net assets, beginning of year	217,946,704	187,448,419	324,799,045	316,883,322	542,745,749	504,331,741
Net assets, end of year	\$ 254,210,777	217,946,704	322,459,952	324,799,045	576,670,729	542,745,749

(Certain amounts for 2007 have been restated.)

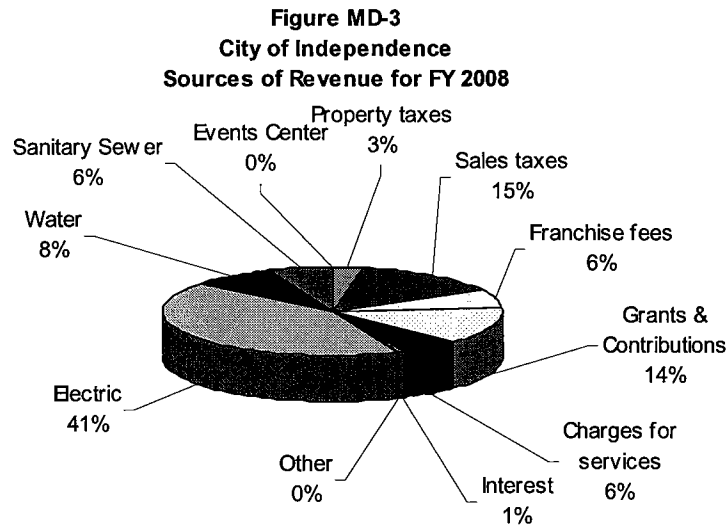
Total revenues increased 5.5% or \$13.6 million and Governmental revenues increased 10.0% or \$10.4 million. This increase can be attributed mostly to the increase in charges for services and the settlement of litigation regarding a franchise fee on cell phones. Of significance is the slow growth of property and sales taxes. This is a reflection of the economy and retail competition.

Total expenses increased 8.6% or \$18.1 million and Governmental expenses increased 6.5% or \$5.6 million. This increase can be attributed, to a great extent, 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, 2008**

**Revenues**

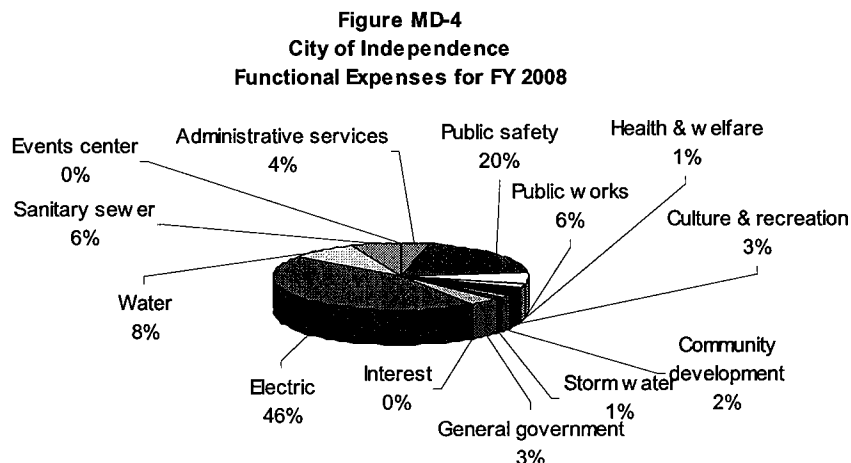
For the fiscal year ending June 30, 2008 revenues totaled \$262.0 million. Of this amount charges for services (governmental and business type) was \$155.5 million or 59.4% of the total. Revenue from business-type activities represents \$147.3 million or 56.2% of the total City revenues (Figure MD-3).



Revenues from governmental activities were \$114.7 million. Sales taxes, the largest governmental category, were \$38.1 million or 33.2%. All taxes represent \$61.7 million or 53.8% of governmental revenue. Operating and capital grants were \$36.7 million or 32.0% of governmental revenues. Charges for services at \$14.5 million were 12.7% of the total.

**Expenses**

For the fiscal year ending June 30, 2008 expenses totaled \$228.1 million. Of this amount the electric utility was \$101.7 million or 44.6% of the total. Business-type expenses represent \$135.4 million or 59.4% of the total City expenses (Figure MD-4).



**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2008**

Expenses from governmental activities were \$92.6 million. Public safety expenses, the largest governmental category, were \$44.4 million or 47.9% of the total. Public Works is the next largest category at \$13.0 million, which is 14.1% of the total.

**Governmental Activities**

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Administrative services	\$ 8,487,120	10,014,655	2,527,396	4,274,227
Public works	13,013,430	13,231,006	(6,259,150)	(2,306,952)
Public safety	44,390,164	38,253,819	38,406,937	29,942,094
Culture & Recreation	7,813,486	6,980,593	6,585,876	5,311,710
Community development	4,381,932	4,108,652	853,226	(252,962)
Health & Welfare	3,287,200	2,898,542	2,051,329	1,615,782
Storm water	2,270,858	2,238,112	1,962,740	80,719
General government and interest on long-term debt	8,994,535	9,275,913	(4,680,102)	(682,553)
<b>Total</b>	<b>\$ 92,638,725</b>	<b>87,001,292</b>	<b>41,448,252</b>	<b>37,982,065</b>

(Certain amounts for 2007 have been restated.)

As noted in Table MD-3 expenses from governmental activities for fiscal year 2008 were \$92.6 million. However, the net costs of these services were \$41.4 million. The difference represents direct revenues received from charges for services of \$14.5 million, operating grants and contributions of \$8.9 million, and capital grants and contributions of \$27.8 million. Taxes and other revenues of \$63.5 million were collected to cover these net costs.

**Business-type Activities**

Revenues of the City's business-type activities increased \$3.2 million or 2.2% and expenses increased \$12.4 million or 10.1%. This change is primarily the result of increased customer consumption caused by growth and weather conditions. Fluctuations in weather for 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, 2008**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$33.9 million. The fund balance of the General Fund increased \$2,593,119 during fiscal year 2008. The unreserved, undesignated portion of the General Fund's fund balance increased \$1,428,048. 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 is 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 \$36,577. The decrease in the deficit from the prior year is due to increased revenues over expenditures. The Fund has a receivable from other governments in the amount of \$1.3 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 \$55,028 from the original estimate. Actual revenues at the end of the year were more than projected by \$2.4 million. The largest positive variance was in the area of taxes, accounting for \$4.3 million of the revenue increase. The largest negative variance was in the area of Licenses and Permits, accounting for \$1.0 million of the revenue decrease.

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

- Re-appropriation of \$1.0 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**  
**June 30, 2008**

Actual expenditures, including encumbrances, were \$2.3 million less than the amount appropriated, representing operating savings of 3.2%. 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 2008, the City had invested \$599.7 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased \$57.2 million or 10.5% during the period.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2007-2008</b>
Land & land imp	\$ 20,664,176	19,150,530	11,244,437	5,443,122	31,908,613	24,593,652	29.7%
Buildings & Improvements	70,499,675	43,834,902	—	—	70,499,675	43,834,902	60.8%
Office furniture & equipment	71,254	55,172	—	—	71,254	55,172	29.1%
Computer equipment	690,436	778,185	—	—	690,436	778,185	-11.3%
Mobile equipment	7,582,112	7,989,271	—	—	7,582,112	7,989,271	-5.1%
Other equipment	2,004,864	2,008,444	26,014	26,014	2,030,878	2,034,458	-0.2%
Infrastructure	98,039,565	88,382,589	312,349,946	286,666,231	410,389,511	375,048,820	9.4%
Construction in progress	55,994,877	58,558,689	20,575,286	29,637,541	76,570,163	88,196,230	-13.2%
<b>Total</b>	<b>\$ 255,546,959</b>	<b>220,757,782</b>	<b>344,195,683</b>	<b>321,772,908</b>	<b>599,742,642</b>	<b>542,530,690</b>	<b>10.5%</b>

The budget for fiscal year 2009 projects the City will spend an additional \$22 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, 2008**

**Debt Administration**

Table MD-5  
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Loans Payable	\$ 20,681,754	23,870,529	63,829,753	55,548,038	84,511,507	79,418,567	6.41%
Capital lease obligations	650,673	712,483	—	—	650,673	712,483	-8.68%
Neighborhood Improvemnt District	864,153	923,099	—	—	864,153	923,099	-6.39%
<b>Total</b>	<u>\$ 22,196,580</u>	<u>25,506,111</u>	<u>63,829,753</u>	<u>55,548,038</u>	<u>86,026,333</u>	<u>81,054,149</u>	6.13%

The City at the end of fiscal year 2008 had a total of \$86.0 million of outstanding obligations. This was an increase of \$5.0 million or 6.1% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$63.8 million or 74.2% are obligations of the business-type activities.

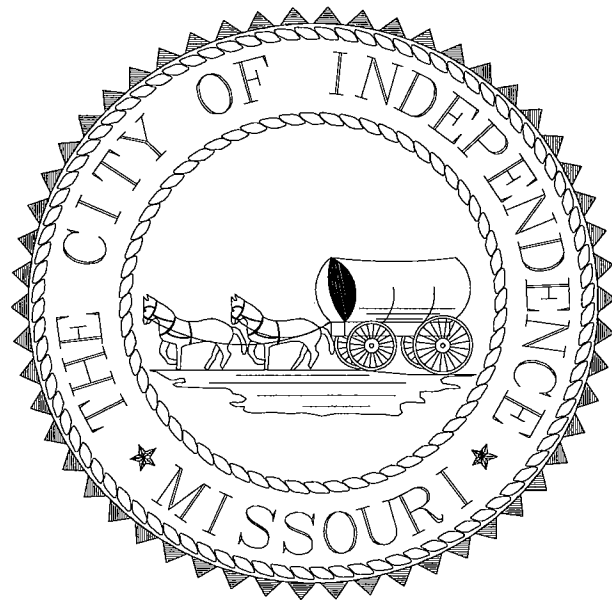
Additional information regarding debt can be found in the 'Notes to Financial Statements', section (7), of this report.

**Economic Factors**

In the last five years the City, as a community, lost 287 jobs, with current total employment at 55,469 jobs. Unemployment by mid-2008 was 6.0%, while this is lower than Jackson County at 6.5% it is greater than the State at 5.9%. As with most of the rest of the country the City's unemployment rate has increased during the last two years. Median income for 2008 is estimated to be \$43,434, compared to \$45,109 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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
<b>Assets:</b>				
<b>Current assets:</b>				
Pooled cash and investments	\$ 35,552,014	23,644,191	59,196,205	7,772,297
Receivables:				
Taxes	10,484,565	—	10,484,565	530,807
Accounts	409,356	9,378,608	9,787,964	94,701
Unbilled revenue	—	9,738,000	9,738,000	—
Special assessment principal and accrued interest	2,140,788	49,922	2,190,710	—
Accrued interest	291,900	344,861	636,761	—
Internal balances	1,179,070	(1,179,070)	—	—
Due from component unit	1,237,414	—	1,237,414	—
Due from other governments	3,034,693	546,067	3,580,760	346,482
Inventory	103,774	12,336,217	12,439,991	—
Prepaid items	—	67,425	67,425	—
Restricted cash and investments	371,276	6,379,279	6,750,555	—
Total current assets	<u>54,804,850</u>	<u>61,305,500</u>	<u>116,110,350</u>	<u>8,744,287</u>
<b>Noncurrent assets:</b>				
Capital assets:				
Nondepreciable	75,000,673	31,819,723	106,820,396	—
Depreciable, net	180,546,286	312,375,960	492,922,246	—
Deferred debt issue costs	203,669	1,460,250	1,663,919	1,469,110
Other deferred charges	—	912,336	912,336	—
Restricted cash and investments	958,571	731,974	1,690,545	31,183,974
Total noncurrent assets	<u>256,709,199</u>	<u>347,300,243</u>	<u>604,009,442</u>	<u>32,653,084</u>
Total assets	<u>\$ 311,514,049</u>	<u>408,605,743</u>	<u>720,119,792</u>	<u>41,397,371</u>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts and contracts payable	\$ 4,500,923	8,378,418	12,879,341	—
Accrued items	1,995,963	947,335	2,943,298	2,668,541
Other current liabilities	803,917	159,414	963,331	—
Due to primary government	—	—	—	1,237,414
Unearned revenue	1,025,968	—	1,025,968	—
Current portion of long-term obligations	12,617,401	6,943,295	19,560,696	4,025,128
Self-insurance claims payable	2,291,297	—	2,291,297	—
Liabilities payable from restricted assets	272,943	2,045,932	2,318,875	—
Total current liabilities	<u>23,508,412</u>	<u>18,474,394</u>	<u>41,982,806</u>	<u>7,931,083</u>
<b>Noncurrent liabilities:</b>				
Noncurrent portion of long-term obligations	24,004,282	64,421,947	88,426,229	190,314,669
Self-insurance claims payable	3,477,000	—	3,477,000	—
Other post-employment benefits	6,313,578	2,785,066	9,098,644	—
Advances for construction	—	464,384	464,384	—
Total noncurrent liabilities	<u>33,794,860</u>	<u>67,671,397</u>	<u>101,466,257</u>	<u>190,314,669</u>
Total liabilities	<u>57,303,272</u>	<u>86,145,791</u>	<u>143,449,063</u>	<u>198,245,752</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	233,350,380	285,931,913	519,282,293	—
Restricted for:				
Capital projects	401,144	—	401,144	—
Special revenue	23,586,985	—	23,586,985	—
Debt service	1,282,389	5,216,672	6,499,061	—
Unrestricted (deficit)	<u>(4,410,121)</u>	<u>31,311,367</u>	<u>26,901,246</u>	<u>(156,848,381)</u>
Total net assets (deficit)	<u>254,210,777</u>	<u>322,459,952</u>	<u>576,670,729</u>	<u>(156,848,381)</u>
Total liabilities and net assets (deficit)	<u>\$ 311,514,049</u>	<u>408,605,743</u>	<u>720,119,792</u>	<u>41,397,371</u>

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary government:</b>					
Governmental activities:					
Administrative services	\$ 8,487,120	5,905,973	53,751	—	(2,527,396)
Public safety	44,390,164	4,202,059	1,781,168	—	(38,406,937)
Public works	13,013,430	739,643	4,642,552	13,890,385	6,259,150
Health and welfare	3,287,200	791,825	444,046	—	(2,051,329)
Culture and recreation	7,813,486	925,880	267,122	34,608	(6,585,876)
Community development	4,381,932	1,949,275	1,579,431	—	(853,226)
Storm water	2,270,858	645	134,717	172,756	(1,962,740)
General government	7,921,217	—	—	13,674,637	5,753,420
Interest on long-term debt	1,073,318	—	—	—	(1,073,318)
Total governmental activities	92,638,725	14,515,300	8,902,787	27,772,386	(41,448,252)
Business-type activities:					
Power and light	101,665,442	107,619,947	—	1,310,874	7,265,379
Water	19,131,054	18,114,183	—	2,634,518	1,617,647
Sewer	14,451,363	15,283,055	—	417,735	1,249,427
Events center	179,032	—	—	—	(179,032)
Total business-type activities	135,426,891	141,017,185	—	4,363,127	9,953,421
Total primary government	\$ 228,065,616	155,532,485	8,902,787	32,135,513	(31,494,831)
<b>Component unit:</b>					
Tax increment financing	\$ 77,489,566	1,229,942	—	696,721	(75,562,903)
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
Changes in net assets:					
Net (expense) revenue	\$	(41,448,252)	9,953,421	(31,494,831)	(75,562,903)
General revenues:					
Property taxes		7,067,966	—	7,067,966	—
Sales and use taxes		38,086,941	—	38,086,941	9,491,852
Franchise taxes		16,519,852	—	16,519,852	—
Financial institutions tax		31,960	—	31,960	—
Investment earnings		1,476,448	1,850,519	3,326,967	1,714,634
Miscellaneous		348,143	37,982	386,125	76,282
Transfers in (out)		14,181,015	(14,181,015)	—	—
Total general revenue and transfers		77,712,325	(12,292,514)	65,419,811	11,282,768
Change in net assets		36,264,073	(2,339,093)	33,924,980	(64,280,135)
Net assets (deficit), beginning (as restated)		217,946,704	324,799,045	542,745,749	(92,568,246)
Net assets (deficit), ending	\$	254,210,777	322,459,952	576,670,729	(156,848,381)

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Balance Sheet

## Governmental Funds

June 30, 2008

Assets	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 3,955,047	132	24,152,547	28,107,726
Receivables:				
Taxes	7,651,244	—	2,833,321	10,484,565
Accounts	179,369	—	21,286	200,655
Special assessment principal and accrued interest	514,845	424,521	1,201,422	2,140,788
Accrued interest	6,488	—	216,928	223,416
Due from other funds	3,195,705	—	719,141	3,914,846
Due from component unit	—	1,115,312	122,102	1,237,414
Due from other governments	773,911	1,300,048	960,734	3,034,693
Restricted assets	497,731	—	832,116	1,329,847
Total assets	<u>\$ 16,774,340</u>	<u>2,840,013</u>	<u>31,059,597</u>	<u>50,673,950</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts and contracts payable	\$ 766,787	1,362,384	2,264,042	4,393,213
Due to other funds	—	689,131	2,552,420	3,241,551
Accrued items	1,580,031	—	91,655	1,671,686
Other current liabilities	767,643	—	36,274	803,917
Deferred revenue	4,059,119	825,075	1,512,561	6,396,755
Liabilities payable from restricted assets:				
Deposits and court bonds	272,943	—	—	272,943
Total liabilities	<u>7,446,523</u>	<u>2,876,590</u>	<u>6,456,952</u>	<u>16,780,065</u>
Fund balances:				
Reserved for:				
Encumbrances	845,315	29,181,415	11,267,048	41,293,778
Other purposes	420,402	—	643,324	1,063,726
Unreserved, reported in:				
General fund	8,062,100	—	—	8,062,100
Special revenue funds	—	—	12,648,957	12,648,957
Debt service fund	—	—	71,068	71,068
Capital projects funds	—	(29,217,992)	(27,752)	(29,245,744)
Total fund balance (deficit)	<u>9,327,817</u>	<u>(36,577)</u>	<u>24,602,645</u>	<u>33,893,885</u>
Total liabilities and fund balance	<u>\$ 16,774,340</u>	<u>2,840,013</u>	<u>31,059,597</u>	<u>50,673,950</u>

See accompanying notes to financial statements.

**Exhibit 3.1****CITY OF INDEPENDENCE, MISSOURI****Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets**

June 30, 2008

Fund balances – total governmental funds	\$ 33,893,885
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	394,737,355
Less accumulated depreciation	<u>(139,286,025)</u>
	255,451,330
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid	(313,476)
Adjustment of deferred revenue	5,370,787
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	2,342,128
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	(21,434,872)
Capital lease obligations	(650,673)
Compensated absences	(13,800,530)
Discounts (premiums)	(111,034)
Other post-employment benefits	(6,240,437)
Claims payable	<u>(500,000)</u>
	(42,737,546)
Deferred debt costs	<u>203,669</u>
Net assets of governmental activities (exhibit 1)	<u>\$ 254,210,777</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, 2008

	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 37,644,623	—	20,830,138	58,474,761
Licenses and permits	3,603,589	—	1,039,130	4,642,719
Intergovernmental	5,177,146	2,369,724	3,315,447	10,862,317
Charges for services	1,954,151	57,989	772,004	2,784,144
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	—	982,094	1,197,790
Reimbursements from component unit	—	9,438,370	1,975,074	11,413,444
Other	343,495	222,711	174,229	740,435
<b>Total revenues</b>	<b>55,885,714</b>	<b>12,088,794</b>	<b>29,088,116</b>	<b>97,062,624</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Administrative services	7,421,058	—	39,363	7,460,421
Public safety	36,591,734	—	4,358,984	40,950,718
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	—	3,699,627	5,800,784
Community development	2,754,408	—	1,335,910	4,090,318
Storm water	300,079	—	1,088,777	1,388,856
General government	7,482,031	—	130,509	7,612,540
Capital outlay	340,821	13,039,532	15,180,676	28,561,029
<b>Debt service:</b>				
Principal	349,132	—	3,029,000	3,378,132
Interest and fiscal agent fees	60,550	—	1,053,522	1,114,072
<b>Total expenditures</b>	<b>67,005,225</b>	<b>13,039,532</b>	<b>30,361,214</b>	<b>110,405,971</b>
<b>Deficiency of revenues over expenditures</b>	<b>(11,119,511)</b>	<b>(950,738)</b>	<b>(1,273,098)</b>	<b>(13,343,347)</b>
<b>Other financing sources (uses):</b>				
Proceeds from capital leases	100,695	—	—	100,695
Transfers in – utility payments in lieu of taxes	13,702,586	—	—	13,702,586
Transfers in	—	1,216,044	50,250	1,266,294
Transfers out	(114,232)	—	(1,257,419)	(1,371,651)
Sale of property, plant, and equipment	23,581	—	—	23,581
<b>Total other financing sources</b>	<b>13,712,630</b>	<b>1,216,044</b>	<b>(1,207,169)</b>	<b>13,721,505</b>
<b>Net change in fund balances</b>	<b>2,593,119</b>	<b>265,306</b>	<b>(2,480,267)</b>	<b>378,158</b>
<b>Fund balances (deficit), beginning</b>	<b>6,734,698</b>	<b>(301,883)</b>	<b>27,082,912</b>	<b>33,515,727</b>
<b>Fund balances (deficit), ending</b>	<b>\$ 9,327,817</b>	<b>(36,577)</b>	<b>24,602,645</b>	<b>33,893,885</b>

See accompanying notes to financial statements.

Exhibit 4.1

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 2008

Net change in fund balances—total governmental funds	\$ 378,158
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	30,637,927
Depreciation expense	(10,227,380)
Donated assets	13,948,783
	<u>34,359,330</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	(69,603)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	3,252,721
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	(100,695)
Principal payments	3,378,132
Debt issuance costs amortization	(121,155)
Debt premiums and discounts amortizations	80,058
	<u>3,236,340</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	(626,470)
Accrued interest	40,754
Other post-employment benefits	(6,240,437)
	<u>(6,826,153)</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	1,933,280
Change in net assets of governmental activities (Exhibit 2)	\$ <u>36,264,073</u>

See accompanying notes to financial statements.

## 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	—	23,644,191	7,444,287
Receivables:						
Accounts (net of allowance of \$1,007,155)	5,859,915	1,993,081	1,525,612	—	9,378,608	208,702
Unbilled revenue	7,910,269	844,131	983,600	—	9,738,000	—
Special assessment principal and accrued interest	3,904	—	46,018	—	49,922	—
Accrued interest	242,262	6,488	96,111	—	344,861	68,484
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	—	12,336,217	103,774
Prepaid items	67,425	—	—	—	67,425	—
Restricted cash and investments	1,161,872	317,122	243,492	4,656,793	6,379,279	—
Total current assets	39,991,623	5,489,948	12,399,210	4,656,793	62,537,574	7,825,247
Noncurrent assets:						
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
Deferred debt issue costs	249,464	746,676	—	464,110	1,460,250	—
Other deferred charges	77,750	834,586	—	—	912,336	—
Restricted cash and investments	231,974	500,000	—	—	731,974	—
Total noncurrent assets	164,923,897	108,530,126	66,143,989	7,702,231	347,300,243	95,629
Total assets	\$ 204,915,520	114,020,074	78,543,199	12,359,024	409,837,817	7,920,876
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	\$ 7,324,226	681,563	347,646	24,983	8,378,418	107,709
Due to other funds	—	—	—	1,073	1,073	725,226
Accrued items	448,576	221,081	277,678	—	947,335	10,801
Other current liabilities	100,000	—	59,414	—	159,414	—
Current portion of long-term obligations	3,335,354	3,332,304	275,637	—	6,943,295	47,412
Self-insurance claims payable	—	—	—	—	—	2,291,297
Liabilities payable from restricted assets	1,077,099	582,370	214,368	172,095	2,045,932	—
Total current liabilities	12,285,255	4,817,318	1,174,743	198,151	18,475,467	3,182,445
Noncurrent liabilities:						
Revenue bonds payable	10,999,752	35,970,000	—	12,325,000	59,294,752	—
Compensated absences – long-term	3,135,796	944,169	626,130	—	4,706,095	77,163
Other long-term obligations	—	421,100	—	—	421,100	—
Other post employment benefits	1,614,308	637,067	533,691	—	2,785,066	73,141
Self-insurance claims payable	—	—	—	—	—	3,477,000
Advances for construction	362,062	102,322	—	—	464,384	—
Total noncurrent liabilities	16,111,918	38,074,658	1,159,821	12,325,000	67,671,397	3,627,304
Total liabilities	28,397,173	42,891,976	2,334,564	12,523,151	86,146,864	6,809,749
Net assets:						
Invested in capital assets, net of related debt	151,459,421	68,294,479	66,143,989	34,024	285,931,913	95,629
Restricted for:						
Debt service/capital outlay	231,974	500,000	—	4,484,698	5,216,672	—
Unrestricted	24,826,952	2,333,619	10,064,646	(4,682,849)	32,542,368	1,015,498
Total net assets (deficit)	176,518,347	71,128,098	76,208,635	(164,127)	323,690,953	1,111,127
Total liabilities and net assets	\$ 204,915,520	114,020,074	78,543,199	12,359,024	409,837,817	7,920,876
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					(1,231,001)	
Net assets of business-type activities					\$ 322,459,952	

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, 2008**

	<b>Enterprise funds</b>				<b>Internal Service Funds</b>
	<b>Power and Light</b>	<b>Water</b>	<b>Sanitary Sewer</b>	<b>Events Center</b>	<b>Total</b>
Operating revenues:					
Charges for services	\$ 106,220,698	17,774,694	15,135,518	—	139,130,910
Other reimbursements	—	—	—	—	—
Miscellaneous	1,399,249	339,489	147,537	—	1,886,275
Total operating revenues	107,619,947	18,114,183	15,283,055	—	141,017,185
Operating expenses:					
Personal services	18,027,380	6,984,479	5,074,150	—	30,086,009
Other services	14,651,808	3,974,346	6,537,849	—	25,164,003
Supplies	51,913,655	1,523,900	665,055	—	54,102,610
Capital Outlay	—	145,438	2,847	—	148,285
Other expenses	7,163,440	2,714,694	106,752	—	9,984,886
Depreciation and amortization	10,571,375	2,722,564	2,530,205	—	15,824,144
Total operating expenses	102,327,658	18,065,421	14,916,858	—	135,309,937
Operating income	5,292,289	48,762	366,197	—	5,707,248
Nonoperating revenues (expenses):					
Interest revenue	1,044,369	239,518	551,727	14,905	1,850,519
Miscellaneous revenue	693,901	1,430,383	26,184	—	2,150,468
Interest expense	(960,996)	(1,928,270)	—	(179,032)	(3,068,298)
Total nonoperating revenue (expenses)	777,274	(258,369)	577,911	(164,127)	932,689
Income before contributions and transfers	6,069,563	(209,607)	944,108	(164,127)	6,639,937
Capital contributions	1,310,874	2,634,518	417,735	—	4,363,127
Transfers out – utility payments in lieu of taxes	(10,539,219)	(1,705,015)	(1,458,352)	—	(13,702,586)
Transfers in	—	—	105,357	—	105,357
Transfers out	(418,849)	(124,394)	(40,543)	—	(583,786)
Change in net assets	(3,577,631)	595,502	(31,695)	(164,127)	(3,177,951)
Total net assets:					
Beginning of the year (deficit)	180,095,978	70,532,596	76,240,330	—	(1,661,011)
End of the year (deficit)	\$ 176,518,347	71,128,098	76,208,635	(164,127)	1,111,127
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					838,858
Change in net assets of business-type activities.					\$ (2,339,093)

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Cash Flows

## Proprietary Funds

Year ended June 30, 2008

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total
Cash flows from operations:					
Receipts from customers and others	\$ 109,842,568	18,949,465	15,613,604	—	144,405,637
Payments to suppliers	(73,934,368)	(8,466,714)	(7,177,935)	—	(89,579,017)
Payments to employees	(16,138,647)	(6,259,382)	(4,482,545)	—	(26,880,574)
Net cash provided by operating activities	19,769,553	4,223,369	3,953,124	—	27,946,046
Cash flows from noncapital financing activities:					
Transfers in/(out)	(418,849)	(124,394)	64,814	—	(478,429)
Transfers out – payments in lieu of taxes	(10,539,219)	(1,705,015)	(1,458,352)	—	(13,702,586)
Advances to/(from) other funds	(15,973)	(9,611)	(7,446)	1,073	(31,957)
Net cash provided by (used in) noncapital financing activities	(10,974,041)	(1,839,020)	(1,400,984)	1,073	(14,212,972)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(17,825,157)	(3,495,251)	(2,932,782)	(7,213,138)	(31,466,328)
Interest paid on revenue bonds and equipment contracts	(967,622)	(1,852,685)	—	—	(2,820,307)
Debt expense paid on revenue bonds	—	(12,750)	—	(2,199)	(14,949)
Disposal costs from disposition of equipment	(590,831)	(57,485)	—	—	(648,316)
Proceeds from bond issue	—	—	—	11,856,152	11,856,152
Redemption of revenue bonds	(2,155,000)	(2,200,000)	—	—	(4,355,000)
Interest received on special assessment	—	—	375	—	375
Net cash used in capital and related financing activities	(21,538,610)	(7,618,171)	(2,932,407)	4,640,815	(27,448,373)
Cash flows from investing activities:					
Purchases of investments	(21,007,646)	(4,408,847)	(13,408,547)	—	(38,825,040)
Proceeds from sales and maturities of investments	32,431,546	8,841,698	14,114,346	—	55,387,590
Interest on investments	1,282,647	369,648	551,001	14,905	2,218,201
Net cash provided by (used in) investing activities	12,706,547	4,802,499	1,256,800	14,905	18,780,751
Net increase (decrease) in cash and cash equivalents	(36,551)	(431,323)	876,533	4,656,793	5,065,452
Cash and cash equivalents at beginning of year	(7,054,801)	1,451,978	1,285,469	—	(4,317,354)
Cash and cash equivalents at end of year	(7,091,352)	1,020,655	2,162,002	4,656,793	748,098
Investments with original maturities greater than 90 days	21,007,646	1,500,000	7,499,700	—	30,007,346
Pooled cash and investments	\$ 13,916,294	2,520,655	9,661,702	4,656,793	30,755,444
Noncash capital and related financing activities:					
Contributed capital	\$ 1,310,874	2,634,518	417,735	—	4,363,127
Components of cash and short-term investments at end of fiscal year:					
Unrestricted assets	\$ 12,522,448	1,703,533	9,418,210	—	23,644,191
Restricted assets	1,393,846	817,122	243,492	4,656,793	7,111,253
Total pooled cash and investments	\$ 13,916,294	2,520,655	9,661,702	4,656,793	30,755,444
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 5,292,289	48,762	366,197	—	5,707,248
Adjustments not affecting cash:					
Depreciation and amortization	10,571,375	2,722,564	2,530,205	—	15,824,144
Nonoperating revenues	693,906	1,430,383	26,184	—	2,150,473
Nonoperating expenses	—	(414,604)	—	—	(414,604)
Change in assets and liabilities:					
Accounts receivable	1,034,820	(324,153)	281,878	—	992,545
Inventory	1,122,700	(15,143)	(11,293)	—	1,096,264
Prepaid items	(62,723)	—	—	—	(62,723)
Unbilled revenue	727,438	19,550	12,429	—	759,417
Due from FEMA/SEMA	(217,772)	—	—	—	(217,772)
Special assessments receivable	201	—	—	—	201
Other receivable	—	124,108	17,502	—	141,610
Accounts and contracts payable	(1,339,980)	(233,000)	30,947	—	(1,542,033)
Accrued and other liabilities	105,361	141,539	95,918	—	342,818
Other post-employment benefits	1,614,308	637,067	533,691	—	2,785,066
Self-insurance claims payable	—	—	—	—	—
Customer deposits	58,566	19,121	23,113	—	100,800
Compensated absences	169,064	67,175	46,353	—	282,592
Total adjustments	14,477,264	4,174,607	3,586,927	—	22,238,798
Net cash provided by operating activities	\$ 19,769,553	4,223,369	3,953,124	—	27,946,046

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2008

	<b>Private- Purpose Trust Funds</b>	<b>Agency Funds</b>
Assets:		
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 contracts payable	168	5,693
Funds held in escrow	800	54,183
Flexible benefit payable	—	62,428
Total liabilities	<u>968</u>	<u>\$ 122,304</u>
Net assets:		
Held in trust	\$ <u>61,418</u>	

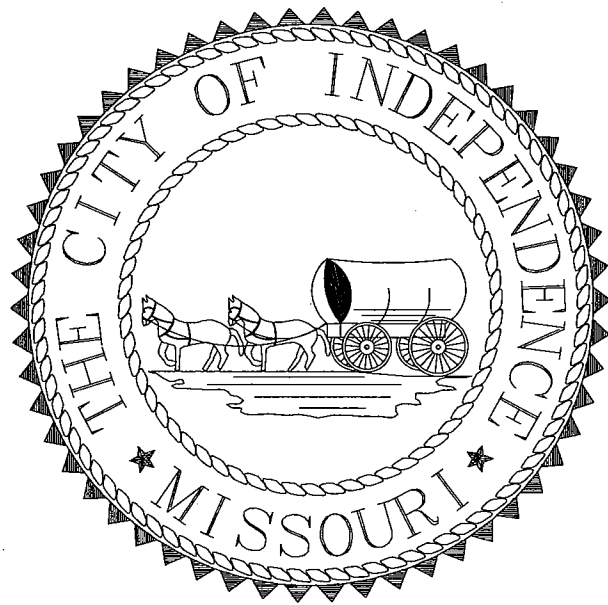
See accompanying notes to financial statements.

**Exhibit 9**

**CITY OF INDEPENDENCE, MISSOURI**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2008**

	<b><u>Private- Purpose Trust Funds</u></b>
Additions:	
Charges for services	\$ 16,605
Interest	<u>1,917</u>
Total additions	<u>18,522</u>
Deductions:	
Capital outlay	<u>18,339</u>
Total deductions	<u>18,339</u>
Change in net assets	183
Net assets, beginning	<u>61,235</u>
Net assets, ending	<u><u>\$ 61,418</u></u>

See accompanying notes to financial statements.



**CITY OF INDEPENDENCE, MISSOURI**

**Index to Notes to Financial Statements**

June 30, 2008

(1)	Summary of Significant Accounting Policies.....	33
(a)	The Financial Reporting Entity .....	33
(b)	Basis of Presentation .....	33
(c)	Basis of Accounting .....	35
(d)	Accounts Receivable .....	36
(e)	Investments.....	36
(f)	Inventory .....	36
(g)	Prepaid Items .....	36
(h)	Interfund Activity .....	36
(i)	Capital Assets .....	37
(j)	Bond Premiums, Discounts, and Issuance Costs.....	38
(k)	Compensated Absences .....	39
(l)	Fund Balances .....	39
(m)	Permanent Fund.....	39
(n)	Net Assets.....	39
(o)	Statement of Cash Flows .....	40
(p)	Use of Estimates .....	40
(q)	New Accounting Pronouncements .....	40
(2)	Deposits and Investments .....	41
(3)	Tax Revenue .....	43
(4)	Intergovernmental Revenue and Receivables .....	44
(5)	Interfund Activity .....	46
(a)	Interfund Balances.....	46
(b)	Interfund Charges for Support Services .....	46
(c)	Payments in Lieu of Taxes .....	47
(d)	Interfund Transfers .....	47

**CITY OF INDEPENDENCE, MISSOURI**

**Index to Notes to Financial Statements**

June 30, 2008

(6)	Capital Assets .....	48
(7)	Long-Term Obligations .....	53
(a)	Governmental activities.....	56
(1)	Loans Payable .....	56
(2)	Neighborhood Improvement District .....	57
(3)	Capital Lease Obligations .....	57
(b)	Business-type Activities.....	59
(1)	Revenue Bonds.....	59
(2)	Other Obligations .....	61
(c)	Discretely-presented component unit.....	61
(1)	Tax Increment Financing Loans and Developer Obligations.....	61
(a)	Prior Year Defeasance of Debt .....	63
(2)	Bass Pro Lease .....	63
(8)	Advances for Construction.....	65
(9)	Employee Retirement System.....	65
(10)	Post-Employment Health Benefits.....	66
(11)	Risk Management .....	69
(12)	Commitments.....	70
(13)	Deficits.....	72
(14)	Fund Equity .....	73
(15)	Prior Period Adjustment .....	74

# **CITY OF INDEPENDENCE, MISSOURI**

## **Notes to Financial Statements**

June 30, 2008

### **(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, 2008

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.

**Events Center Fund** – This fund accounts for the acquisition, operation, and maintenance of the City's events center facility 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.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2008

**Capital Projects Funds** – These funds account for the expenditures and relating financing sources of major City projects.

**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, Workers' Compensation fund, 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, 2008

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

### Notes to Financial Statements

June 30, 2008

**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 a capital contribution 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, 2008

	<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
Events Center Fund:	
Buildings and improvements	20-40
Improvements other than buildings	20
Other equipment	10
Computer equipment	5

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, 2008

#### **(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. The State of Missouri requires that recipients of endowment gifts 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. During the year ended June 30, 2008, the net appreciation on assets available for expenditure of \$9,670 was contributed to the Parks Sales Tax Fund.

#### **(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, 2008

#### ***(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) New Accounting Pronouncements***

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*. The statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City will implement Statement No. 50 beginning with the year ended June 30, 2009.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The City is currently evaluating the impact of adopting Statement No. 51. The City will implement GASB No. 51 beginning with the year ended June 30, 2010.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

### (2) Deposits and Investments

At June 30, 2008, the carrying values of deposits and investments are summarized as follows:

Investments:	
Short-term investments held in trust	\$ 36,907,822
U.S. government securities	26,652
U.S. agency securities	<u>14,006,346</u>
Total investments	50,940,820
Deposits and repurchase obligations	55,821,994
Petty cash	<u>14,958</u>
Total	<u>\$ 106,777,772</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	\$ 59,196,205	\$ 184,196	\$ 59,380,401	\$ 7,772,297	\$ 67,152,698
Restricted cash and investments	<u>8,441,100</u>	<u>—</u>	<u>8,441,100</u>	<u>31,183,974</u>	<u>39,625,074</u>
	<u>\$ 67,637,305</u>	<u>\$ 184,196</u>	<u>\$ 67,821,501</u>	<u>\$ 38,956,271</u>	<u>\$ 106,777,772</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, 2008

### *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, 2008
Federal Home Loan Bank	\$ 14,045,347	AAA
U.S. Treasury Bond	26,652	Exempt from rating requirement
Total	<u>\$ 14,071,999</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, 2008, 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, 2008.

### *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, 2008, 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, 2008

### *Concentration of Credit Risk*

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of June 30, 2008, the following table lists the issuers of securities, and the respective fair value of those securities, that represent 5% or more of total City's investments:

Issuer	Investment Type	Total Fair Value	Percentage
Fed. Home Loan Banks	U.S. agency securities	\$ 14,045,347	100%

### (3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2008 is as follows:

	General	Nonmajor Governmental Funds	Total
Real estate tax	\$ 7,010,528	\$ 22,998	\$ 7,033,526
Railroad utilities tax	34,441	—	34,441
Cigarette tax	555,974	—	555,974
Transient guest tax	—	1,084,379	1,084,379
Sales tax	16,723,828	19,722,761	36,446,589
Franchise tax	13,319,852	—	13,319,852
	<u>\$ 37,644,623</u>	<u>\$ 20,830,138</u>	<u>\$ 58,474,761</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, 2007, on which the fiscal 2008 levy was based, was \$1,400,611,015.

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, 2008 were \$0.4421 for the General Fund, \$0.2082 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, 2008

### (4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2008 consisted of the following:

	General Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total
<b>Federal</b>				
Department of Housing & Urban Development				
Community Development Block Grant	\$ —	\$ —	\$ 772,035	\$ 772,035
Emergency Shelter Grant	—	—	68,044	68,044
Home Investment Partnership	—	—	614,146	614,146
Department of Justice	—	—	753,734	753,734
Department of Transportation	25,393	1,816,393	329,641	2,171,427
Environmental Protection Agency	—	—	12,851	12,851
Department of Health & Human Services	25,000	—	310,999	335,999
Department of Homeland Security	783	—	55,585	56,368
<b>Total Federal</b>	<u>51,176</u>	<u>1,816,393</u>	<u>2,917,035</u>	<u>4,784,604</u>
<b>State &amp; Local</b>				
Department of Health & Human Services	—	—	121,500	121,500
Department of Revenue				
Motor Vehicle Fuel Tax	3,283,590	—	—	3,283,590
Motor Vehicle Sales Tax	459,912	—	—	459,912
Motor Vehicle Fees	721,327	—	—	721,327
Financial Institutions Tax	31,960	—	—	31,960
Division of Tourism	—	—	184,849	184,849
Department of Public Safety	—	—	36,117	36,117
Missouri Highway and Transportation Commission	—	—	2,490	2,490
Missouri State Safety Center	—	—	8,654	8,654
Jackson County Anti Drug Tax	330,130	—	—	330,130
Jackson County DARE	299,051	—	—	299,051
Jackson County Urban Road System	—	553,331	—	553,331
Target	—	—	900	900
Healthcare Foundation of Greater Kansas City	—	—	42,797	42,797
Truman Heartland Community Foundation	—	—	1,105	1,105
<b>Total State &amp; Local</b>	<u>5,125,970</u>	<u>553,331</u>	<u>398,412</u>	<u>6,077,713</u>
<b>Grand Total</b>	<u>\$ 5,177,146</u>	<u>\$ 2,369,724</u>	<u>\$ 3,315,447</u>	<u>\$ 10,862,317</u>

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

Amounts due from other governments at June 30, 2008 are as follows:

	Federal	State	Local	Total
<b>General Fund:</b>				
Department of Health & Human Services	\$ 27,476	\$ —	\$ —	\$ 27,476
Department of Revenue				
Motor Vehicle Fuel Tax	—	550,000	—	550,000
Motor Vehicle Sales Tax	—	60,000	—	60,000
Motor Vehicle License Fees	—	117,000	—	117,000
39th St Transportation Development District	—	—	19,435	19,435
	<u>27,476</u>	<u>727,000</u>	<u>19,435</u>	<u>773,911</u>
<b>Street Improvements Fund:</b>				
Department of Transportation	694,368	—	—	694,368
Jackson County Urban Road System	—	—	505,031	505,031
39th St Transportation Development District	—	—	100,649	100,649
	<u>694,368</u>	<u>—</u>	<u>605,680</u>	<u>1,300,048</u>
<b>Nonmajor Governmental Funds:</b>				
Department of Justice	209,079	—	—	209,079
Department of Transportation	62,011	9,643	—	71,654
Department of Health & Human Services	45,877	—	—	45,877
Department of Homeland Security	27,496	—	—	27,496
Department of Housing & Urban Development				
Community Development Block Grant	182,459	—	—	182,459
Home Investment Partnership	314,416	—	—	314,416
Missouri Division of Tourism	—	106,296	—	106,296
Healthcare Foundation of Greater Kansas City	—	—	3,457	3,457
	<u>841,338</u>	<u>115,939</u>	<u>3,457</u>	<u>960,734</u>
<b>Totals</b>	<u>\$ 1,563,182</u>	<u>\$ 842,939</u>	<u>\$ 628,572</u>	<u>\$ 3,034,693</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2008

**(5) Interfund Activity**

**(a) Interfund Balances**

Interfund balances at June 30, 2008 consisted of the following:

	<u>Due from Street Improvements</u>	<u>Due from Nonmajor Governmental</u>	<u>Total Governmental Activities</u>	<u>Events Center</u>	<u>Due from Internal Service Fund</u>	<u>Total</u>
Due to:						
Governmental activities:						
General Fund	\$ —	\$ 2,522,410	\$ 2,522,410	\$ —	\$ 673,295	\$ 3,195,705
Nonmajor governmental	689,131	30,010	719,141	—	—	719,141
Total governmental activities	689,131	2,552,420	3,241,551	—	673,295	3,914,846
Business-type activities:						
Power and Light Fund	—	—	—	—	25,956	25,956
Water Fund	—	—	—	—	15,619	15,619
Sanitary Sewer Fund	—	—	—	1,073	10,356	11,429
Total business-type activities	—	—	—	1,073	51,931	53,004
Total	\$ 689,131	\$ 2,552,420	\$ 3,241,551	\$ 1,073	\$ 725,226	\$ 3,967,850

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 2008 were as follows:

	<u>Interfund Charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 35,000	\$ 13,728
Power and Light Fund	1,553,113	40,835
Sanitary Sewer Fund	562,750	12,784
Water Fund	1,071,543	27,474
	<u>\$ 3,222,406</u>	<u>\$ 94,821</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, 2008

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2008 as follows:

Sanitary Sewer Fund	\$	231,563
Power and Light Fund		1,111,533
	\$	<u>1,343,096</u>

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2008 as follows:

Sanitary Sewer Fund	\$	116,689
Water Fund		652,701
	\$	<u>769,390</u>

### (c) Payments in Lieu of Taxes

The payments in lieu of taxes of \$10,539,219, \$1,705,015 and \$1,458,352 in fiscal year 2008 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, 2008 consisted of the following:

	Transfer Out					
	General	Nonmajor Governmental	Power and Light	Water	Sanitary Sewer	Total
Transfers In:						
Street Improvements	\$ 8,625	\$ 1,207,419	\$ —	\$ —	\$ —	\$ 1,216,044
Sanitary Sewer Fund	105,357	—	—	—	—	105,357
Workers' Compensation	—	—	418,849	124,394	40,543	583,786
Nonmajor governmental	250	50,000	—	—	—	50,250
Total Primary Government	<u>\$ 114,232</u>	<u>\$ 1,257,419</u>	<u>\$ 418,849</u>	<u>\$ 124,394</u>	<u>\$ 40,543</u>	<u>\$ 1,955,437</u>

Transfers are the result of payment for capital project and other expenditures.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

### (6) Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 18,962,023	\$ 43,773	\$ —	\$ 19,005,796
Construction work in progress	58,558,689	28,121,110	(30,684,922)	55,994,877
Total nondepreciable capital assets	77,520,712	28,164,883	(30,684,922)	75,000,673
Depreciable capital assets:				
Land improvements	255,647	1,506,785	—	1,762,432
Buildings	13,944,163	25,870,179	—	39,814,342
Building improvements	12,171,423	758,611	—	12,930,034
Improvements other than buildings	28,518,562	2,704,943	—	31,223,505
Office furniture and equipment	831,881	32,955	(48,760)	816,076
Computer equipment	1,451,075	182,567	(188,116)	1,445,526
Mobile equipment	19,595,096	1,199,000	(163,260)	20,630,836
Other equipment	4,064,713	328,295	(194,475)	4,198,533
Infrastructure	192,132,448	15,023,412	—	207,155,860
Total depreciable capital assets	272,965,008	47,606,747	(594,611)	319,977,144
Less accumulated depreciation for:				
Land improvements	(67,140)	(36,912)	—	(104,052)
Buildings	(6,439,279)	(588,415)	—	(7,027,694)
Building improvements	(2,115,213)	(610,781)	—	(2,725,994)
Improvements other than buildings	(2,244,754)	(1,469,764)	—	(3,714,518)
Office furniture and equipment	(776,709)	(16,873)	48,760	(744,822)
Computer equipment	(672,890)	(229,658)	147,458	(755,090)
Mobile equipment	(11,605,825)	(1,579,196)	136,297	(13,048,724)
Other equipment	(2,056,269)	(329,894)	192,494	(2,193,669)
Infrastructure	(103,749,859)	(5,366,436)	—	(109,116,295)
Total accumulated depreciation	(129,727,938)	(10,227,929)	525,009	(139,430,858)
Total depreciable capital assets, net	143,237,070	37,378,818	(69,602)	180,546,286
Governmental activities capital assets, net	\$ 220,757,782	\$ 65,543,701	\$ (30,754,524)	\$ 255,546,959

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2008

Depreciation expense was charged to functions as follows:

General government	\$	549,824
Public safety		2,164,441
Public works		5,074,033
Health and welfare		71,358
Culture and recreation		1,498,571
Community development		73,708
Storm water		<u>795,444</u>
Total		10,227,379

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

		<u>550</u>
Total depreciation expense	\$	<u><u>10,227,929</u></u>

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 2,948,206	\$ 5,000	\$ —	\$ 2,953,206
Construction in progress	24,330,333	20,613,623	(29,885,747)	15,058,209
Total nondepreciable capital assets	27,278,539	20,618,623	(29,885,747)	18,011,415
Depreciable capital assets:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	145,304,963	12,364,573	(431,166)	157,238,370
Transmission plant	22,559,618	3,202,736	—	25,762,354
Distribution plant	108,066,832	11,728,224	(773,757)	119,021,299
General plant	17,850,098	1,985,215	(17,130)	19,818,183
Total depreciable capital assets	296,537,079	29,280,748	(1,222,053)	324,595,774
Less accumulated depreciation:				
Acquisition adjustment	(2,755,568)	—	—	(2,755,568)
Production plant	(102,600,631)	(5,600,674)	431,157	(107,770,148)
Transmission plant	(11,778,393)	(706,386)	1,235	(12,483,544)
Distribution plant	(37,867,497)	(3,710,964)	1,363,361	(40,215,100)
General plant	(13,960,875)	(1,074,380)	17,135	(15,018,120)
Total accumulated depreciation	(168,962,964)	(11,092,404)	1,812,888	(178,242,480)
Total depreciable capital assets, net	127,574,115	18,188,344	590,835	146,353,294
Total power and light capital assets	\$ 154,852,654	\$ 38,806,967	\$ (29,294,912)	\$ 164,364,709

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Water Fund:				
Nondepreciable capital assets:	\$	\$	\$	\$
Land	2,164,725	—	—	2,164,725
Construction in progress	2,115,155	7,637,623	(8,350,158)	1,402,620
Total nondepreciable capital assets	4,279,880	7,637,623	(8,350,158)	3,567,345
Depreciable capital assets:				
Acquisition adjustment	12,547,766	—	—	12,547,766
Nonutility property	40,014	—	—	40,014
Source of supply	7,129,326	329,195	—	7,458,521
Pumping plant	14,390,817	194,293	(3,861)	14,581,249
Treatment plant	22,256,548	165,840	(110,071)	22,312,317
Transmission plant	63,728,809	5,298,077	(239,166)	68,787,720
General plant	5,970,783	2,362,753	(228,381)	8,105,155
Total depreciable capital assets	126,064,063	8,350,158	(581,479)	133,832,742
Less accumulated depreciation:				
Acquisition adjustment	(9,294,943)	(371,751)	—	(9,666,694)
Nonutility property	(14,000)	—	—	(14,000)
Source of supply	(4,339,861)	(403,103)	—	(4,742,964)
Pumping plant	(533,301)	(410,312)	3,860	(939,753)
Treatment plant	(4,624,641)	(568,204)	114,581	(5,078,264)
Transmission plant	(7,270,931)	(766,767)	318,702	(7,718,996)
General plant	(2,669,689)	(349,539)	228,676	(2,790,552)
Total accumulated depreciation	(28,747,366)	(2,869,676)	665,819	(30,951,223)
Total depreciable capital assets, net	97,316,697	5,480,482	84,340	102,881,519
Total water capital assets	\$ 101,596,577	\$ 13,118,105	\$ (8,265,818)	\$ 106,448,864

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	\$ —	\$ —	\$ 330,191
Construction in progress	3,192,053	2,620,298	(3,139,700)	2,672,651
Total nondepreciable capital assets	3,522,244	2,620,298	(3,139,700)	3,002,842
Depreciable capital assets:				
Nonutility property	46,368	—	—	46,368
Collection plant	82,611,278	3,434,528	(6,660)	86,039,146
Pumping plant	5,033,506	16,350	(410,200)	4,639,656
Treatment plant	15,210,299	23,738	—	15,234,037
General plant	4,047,491	400,422	(65,847)	4,382,066
Total depreciable capital assets	106,948,942	3,875,038	(482,707)	110,341,273
Less accumulated depreciation:				
Nonutility property	(46,368)	—	—	(46,368)
Collection plant	(20,300,069)	(1,027,338)	6,660	(21,320,747)
Pumping plant	(5,390,978)	(218,931)	410,200	(5,199,709)
Treatment plant	(14,886,975)	(962,435)	—	(15,849,410)
General plant	(4,523,120)	(321,501)	60,729	(4,783,892)
Total accumulated depreciation	(45,147,510)	(2,530,205)	477,589	(47,200,126)
Total depreciable capital assets, net	61,801,432	1,344,833	(5,118)	63,141,147
Total sewer capital assets	65,323,676	3,965,131	(3,144,818)	66,143,989
Events Center:				
Nondepreciable capital assets:				
Land	—	5,796,315	—	5,796,315
Construction in progress	—	1,441,806	—	1,441,806
Total events center capital assets	—	7,238,121	—	7,238,121
Total business-type activities capital assets	\$ 321,772,907	\$ 63,128,324	\$ (40,705,548)	\$ 344,195,683

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	\$ 10,307,184
Water	2,722,564
Sanitary sewer	2,530,205
Total business-type activities depreciation expense	\$ 15,559,953

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, 2008

### (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, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Loans and notes payable:					
Loans payable	\$ 23,651,111	\$ —	\$ 3,156,626	\$ 20,494,485	\$ 7,064,872
Capital lease obligations	712,483	100,696	162,506	650,673	139,874
Neighborhood Improvement District	924,000	—	59,000	865,000	64,000
Premium (discount), net	218,517	—	32,095	186,422	—
Total loans and notes payable	<u>25,506,111</u>	<u>100,696</u>	<u>3,410,227</u>	<u>22,196,580</u>	<u>7,268,746</u>
Other liabilities:					
Compensated absences	13,246,915	5,957,922	5,279,734	13,925,103	5,348,655
Other post-employment benefits	—	6,313,578	—	6,313,578	—
Claims payable	—	500,000	—	500,000	—
Total Governmental Activities	<u>\$ 38,753,026</u>	<u>\$ 12,872,196</u>	<u>\$ 8,689,961</u>	<u>\$ 42,935,261</u>	<u>\$ 12,617,401</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, 2008

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	\$ 16,525,000	\$ —	\$ 2,065,000	\$ 14,460,000	\$ 2,155,000
Less deferred amount on refunding	(1,526,962)	—	(221,715)	(1,305,247)	—
Total revenue bonds	14,998,038	—	1,843,285	13,154,753	2,155,000
Compensated absences	4,147,085	1,880,747	1,711,683	4,316,149	1,180,354
Other post-employment benefits	—	1,614,308	—	1,614,308	—
Total Power and Light Fund	19,145,123	3,495,055	3,554,968	19,085,210	3,335,354
Water Fund:					
Revenue bonds	40,550,000	—	2,200,000	38,350,000	2,380,000
Compensated absences	1,278,237	559,544	492,369	1,345,412	401,243
Other long-term obligations	1,386,765	190,534	605,138	972,161	551,061
Other post-employment benefits	—	637,067	—	637,067	—
Total Water Fund	43,215,002	1,387,145	3,297,507	41,304,640	3,332,304
Sanitary Sewer Fund:					
Compensated absences	855,414	410,424	364,071	901,767	275,637
Other post-employment benefits	—	533,691	—	533,691	—
Total Sanitary Sewer Fund	855,414	944,115	364,071	1,435,458	275,637
Events Center Fund:					
Revenue bonds	—	12,325,000	—	12,325,000	—
Total Events Center Fund	—	12,325,000	—	12,325,000	—
Total business-type activities	\$ 63,215,539	\$ 18,151,315	\$ 7,216,546	\$ 74,150,308	\$ 6,943,295

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Discretely-presented component unit:					
TIF loans	\$ 150,430,000	\$ 22,185,000	\$ 4,390,000	\$ 168,225,000	\$ 3,955,000
Loans payable	213,890	—	68,375	145,515	70,128
Premium (discount), net	(1,378,437)	(275,385)	(97,082)	(1,556,740)	—
Deferred amount on refunding	(924,281)	—	(62,528)	(861,753)	—
	148,341,172	21,909,615	4,298,765	165,952,022	4,025,128
Developer obligations	18,562,915	12,835,971	3,011,111	28,387,775	—
	\$ 166,904,087	\$ 34,745,586	\$ 7,309,876	\$ 194,339,797	\$ 4,025,128

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

Debt service requirements on long-term debt with schedules maturities at June 30, 2008 are as follows:

Governmental Activities							
	Loans Payable		NID Payable		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 7,064,872	\$ 895,084	\$ 64,000	\$ 44,229	\$ 7,128,872	\$ 939,313	
2010	2,834,613	602,522	64,000	41,014	2,898,613	643,536	
2011	2,755,000	468,614	69,000	37,784	2,824,000	506,398	
2012	2,870,000	347,503	69,000	34,467	2,939,000	381,970	
2013	2,995,000	223,288	70,000	31,312	3,065,000	254,600	
2014-2018	1,975,000	154,300	397,000	99,704	2,372,000	254,004	
2019-2023	—	—	120,000	14,370	120,000	14,370	
2024	—	—	12,000	705	12,000	705	
	<u>\$ 20,494,485</u>	<u>\$ 2,691,311</u>	<u>\$ 865,000</u>	<u>\$ 303,585</u>	<u>\$ 21,359,485</u>	<u>\$ 2,994,896</u>	

Business-type Activities							
	Power and Light		Water		Events Center		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal Interest
2009	\$ 2,155,000	\$ 628,693	\$ 2,380,000	\$ 1,760,459	\$ —	\$ 666,175	\$ 4,535,000 \$ 3,055,327
2010	2,245,000	541,363	2,525,000	1,660,033	130,000	665,575	4,900,000 2,866,971
2011	2,345,000	445,838	2,765,000	1,548,508	200,000	658,975	5,310,000 2,653,321
2012	2,455,000	344,238	2,950,000	1,424,270	200,000	650,975	5,605,000 2,419,483
2013	2,560,000	236,290	3,195,000	1,283,325	225,000	642,975	5,980,000 2,162,590
2014-2018	2,700,000	122,010	17,800,000	3,694,680	1,290,000	3,057,516	21,790,000 6,874,206
2019-2023	—	—	4,575,000	1,125,818	1,640,000	2,706,875	6,215,000 3,832,693
2024-2028	—	—	2,160,000	109,250	2,135,000	2,207,547	4,295,000 2,316,797
2029-2033	—	—	—	—	2,810,000	1,525,291	2,810,000 1,525,291
2034-2038	—	—	—	—	3,695,000	606,481	3,695,000 606,481
	<u>\$ 14,460,000</u>	<u>\$ 2,318,432</u>	<u>\$ 38,350,000</u>	<u>\$ 12,606,343</u>	<u>\$ 12,325,000</u>	<u>\$ 13,388,385</u>	<u>\$ 65,135,000 \$ 28,313,160</u>

Discretely-Presented Component Unit						
	TIF Loans		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 3,955,000	\$ 8,787,077	\$ 70,128	\$ 6,333	\$ 4,025,128	\$ 8,793,410
2010	4,295,000	8,494,658	75,387	3,317	4,370,387	8,497,975
2011	5,940,000	8,291,245	—	—	5,940,000	8,291,245
2012	6,555,000	8,005,778	—	—	6,555,000	8,005,778
2013	6,595,000	7,687,888	—	—	6,595,000	7,687,888
2014-2018	40,565,000	33,100,968	—	—	40,565,000	33,100,968
2019-2023	54,450,000	20,824,801	—	—	54,450,000	20,824,801
2024-2028	45,870,000	7,042,728	—	—	45,870,000	7,042,728
	<u>\$ 168,225,000</u>	<u>\$ 102,235,143</u>	<u>\$ 145,515</u>	<u>\$ 9,650</u>	<u>\$ 168,370,515</u>	<u>\$ 102,244,793</u>

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

### (a) Governmental activities

#### (1) Loans Payable – Missouri Development Finance Board

Governmental activities loans payable at June 30, 2008 are comprised of the following:

\$530,000 Series 2000 (City Building Renovations) annual installments of \$40,000 to \$65,000 through 2010; interest at 5.00% to 6.25%. Retriected assets in the General Fund of \$53,527 consist of funds available for costs related to this debt.	\$ 130,000
\$1,635,000 Series 2001 (Various City projects) annual installments of \$160,000 to \$215,000 through 2010; interest at 4.20% to 4.40%. A portion of this debt was for additional funding on the 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 \$171,261 consist of funds available for costs related to this debt.	269,485
\$1,245,000 Series 2004 (Truman Memorial Building) annual installments of \$230,000 to \$270,000 through 2009; interest at 2.25% to 4.25%	270,000
\$4,970,000 Series 2005 (Street Projects) semi-annual installments of \$590,000 to \$665,000 through 2009; interest at 3.25% to 4.00%	1,315,000
\$6,175,000 Series 2005 (Aquatics Facilities Project) annual installments of \$300,000 to \$450,000 through 2013; interest at 3.00% to 5.00%	4,120,000
\$8,225,000 Series 2005 (Public Safety Facilities Projects) annual installments of \$670,000 to \$1,010,000 through 2015; interest at 4.00% to 5.25%	6,135,000
\$5,485,000 Series 2006 (Park Projects) annual installments of \$1,010,000 to \$1,190,000 through 2013; interest at 4.25%	5,485,000
\$2,770,000 Series 2006 (Street Projects) annual installment of \$2,770,000 due 2009; interest at 4.25%	2,770,000
Total Governmental Activities Loans Payable	<u>\$ 20,494,485</u>

Restricted assets in the General Fund of \$497,731 at June 30, 2008 consist of cash on deposit for debt service reserve on loans above and for municipal court bond deposits (also see Note 14).

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2008

#### **(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.

Neighborhood Improvement District bonds payable at June 30, 2008 are comprised of the following:

\$995,000 Series 2004 (Noland Road and Englewood Improvements) annual installments of \$55,000 to \$85,000 through 2019; interest at 4.50% to 5.75%	\$	770,000
\$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.50%		95,000
Total Neighborhood Improvement District	\$	<u>865,000</u>

#### **(3) Capital Lease Obligations**

Capital leases payable at June 30, 2008 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of \$59,484 to \$64,437 through 2013; interest at 4.19%	\$	485,735
IBM Corporation (computer equipment) monthly installments of \$3,772 to \$4,245 through 2010; interest at 4.057%		86,196
IBM Corporation (computer equipment) monthly installments of \$1,969 to \$2,232 through 2011; interest at 3.199%		78,742
Total Capital Lease Obligations	\$	<u>650,673</u>

The cumulative amount of assets acquired under the capital leases described above amounted to \$761,161 as of June 30, 2008.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2008

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

Year ending June 30:	
2009	\$ 164,696
2010	162,675
2011	120,086
2012	97,709
2013 - 2014	186,467
	<hr/> 731,633
Less imputed interest	(80,960)
Present value of minimum lease payments	<hr/> <hr/> \$ 650,673

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2008

**(b) Business-type Activities**

**(1) Revenue Bonds**

Revenue bonds payable at June 30, 2008 are comprised of the following individual issues:

Power and Light Fund:

\$23,520,000 Series 1998 annual installments of \$700,000 to \$2,040,000 through 2014; interest at 4.00% to 4.80%	\$ 10,940,000
\$5,975,000 Series 2003 annual installments of \$435,000 to \$660,000 through 2014; interest at 2.00% to 3.65%	3,520,000
Less deferred amount on refunding	(1,305,247)
Total Power and Light fund	<u>13,154,753</u>

Water Fund:

\$36,000,000 Series 1986 annual installments of \$850,000 to \$5,010,000 through 2017; interest at 3.25% to 5.00%	25,085,000
\$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2024; interest at 3.375% to 5.00%	13,265,000
Total Water Fund	<u>38,350,000</u>

Events Center Fund:

\$12,325,000 Series 2008 semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75%	12,325,000
Total Events Center Fund	<u>12,325,000</u>
Total revenue bonds	\$ <u>63,829,753</u>

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

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	Events Center
Principal and interest	\$ 231,974	\$ —	\$ —	\$ —
Depreciation and emergency	—	500,000	—	—
Bond trust	—	—	—	4,656,793
Total revenue bond reserves	231,974	500,000	—	4,656,793
Customer deposits	1,024,709	280,925	214,368	—
Workers' compensation	137,163	36,197	29,124	—
Total	\$ 1,393,846	\$ 817,122	\$ 243,492	\$ 4,656,793

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 coverage. The City is in compliance with all such financial limitations and restrictions.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

### (2) *Other Obligations*

The City entered into agreements with two of its wholesale water customers to settle disputes. The remaining future obligations as of June 30, 2008 are as follows:

Year ending June 30:		
2009	\$	551,061
2010		421,100
	\$	<u>972,161</u>

### (c) **Discretely-presented component unit**

#### (1) *Tax Increment Financing Loans and Developer Obligations*

The City's tax increment financing loan (TIF loans) 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.

The City and other taxing districts and governmental entities have pledged a portion of future property tax and sales tax revenues to repay \$178.9 million in tax increment financing loans (TIF Loans) issued at various dates beginning in 1999 to finance redevelopment projects within each of the respective TIF plans. The loans are payable solely from the incremental increase in property taxes and sales taxes generated within the TIF plans. TIF revenues were projected to produce sufficient funds to meet debt service requirements over the life of the TIF loans. Should TIF revenues not be sufficient to meet the required debt service obligations, neither the City nor the Commission is obligated to make such loan 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 loan payments during the next fiscal year.

Developer 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. TIF revenues were projected to produce sufficient funds to reimburse the developer for certified costs. The developer obligations are limited solely to the amount of incremental taxes received attributable to each respective project; any deficiencies are the sole responsibility of the developer and do not constitute an obligation of the Commission or of the City.

At June 30, 2008, total principal and interest remaining on the loans was \$270.6 million and the outstanding developer obligations was \$28.4 million. The loans are scheduled to mature at varying

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

amounts through 2028 and the developer obligations are payable to the extent incremental taxes are available for a period not to exceed 23 years.

For the current year, principal and interest paid on TIF loans and developer obligations totaled \$15.5 million. Incremental revenues from the City included \$2.6 million in sales taxes and \$.6 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, developer contributions, cash reserves, and debt trust funds.

### Missouri Development Finance Board Loans Payable

\$8,715,000 Series 2003 (Hartman Heritage TIF) annual installments of \$135,000 to \$2,675,000 through 2021; interest at 2.00% to 5.00%	\$ 8,005,000
\$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$85,000 through 2020; interest at 3.00% to 4.50%	870,000
\$11,325,000 Series 20005 C (Crackerneck Creek TIF) annual installments of \$185,000 to \$1,270,000 thorough 2026; interest at 4.00% to 5.00%	11,325,000
\$48,370,000 Series 2006 A&B (Crackerneck Creek TIF) annual installments of \$340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00%	48,370,000
\$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of \$3,500,000 to \$5,385,000 through 2026; interest at 5.00%	12,790,000
\$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%	1,445,000
\$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25%	4,980,000
\$19,390,000 Series 2007 A (Eastland Center TIF) annual installments of \$815,000 to \$2,570,000 through 2022; interest at 4.00% to 5.00%	18,185,000
\$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00%	9,775,000
\$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of \$385,000 to \$1,795,000 through 2023; interest at 5.41% to 6.096%	9,655,000
\$995,000 Series 2007 D (Drumm Farm TIF) annual installments of \$70,000 to \$80,000 through 2020; interest at 4.00% to 4.50%	920,000

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

\$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of \$425,000 to \$2,670,000 through 2028; interest at 4.75% to 5.125%	19,720,000
\$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,000 through 2017; interest at 4.30% to 5.70%	5,035,000
\$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,000 through 2025; interest at 4.00% to 5.125%	7,920,000
\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%	8,000,000
\$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00%	1,230,000
	<u>\$ 168,225,000</u>

Restricted assets held by the Commission of \$31,183,974 consist of funds available for costs related to the redevelopment of the Crackerneck Creek, Drumm Farm, Hartman Heritage, Sante Fe, Eastland Center, and HCA areas.

### ***(a) Prior Year Defeasance of Debt***

In prior years, the City defeased certain loans payable with the Missouri Development Finance Board by placing the proceeds of refunding TIF loans in an irrevocable trust to provide for all future debt service payments on the old loans. Accordingly, the trust account assets and the liability for the defeased loans are not included in the City's financial statements. At June 30, 2008, \$38,845,000 of loans payable are considered defeased.

### ***(2) 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, 2008.

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, 2006C, 2008A, and 2008B Bonds have been used to fund other costs related to the development of the site. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2008

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.

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. Construction on the Bass Pro building is completed, and the Bass Pro store opened in February 2008.

Also under the Lease the City constructed an approximate 15-acre lake and an additional wilderness habitat area of approximately 15 acres. The City park includes a waterfall and presents a unique natural setting. The City also constructed 600 parking spaces adjacent to the Bass Pro Store.

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

<b>Calendar Year</b>	<b>Amount</b>
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
2023-2026	4,000,000
<b>Total</b>	<b>\$ 19,000,000</b>

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2008

#### (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, 2008 were \$362,062.

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, 2008 were \$102,322.

#### (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 7.1% (general), 8.1% (police), and 9.9% (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:**

		<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
Fiscal year ending:				
June 30, 2006	\$	5,432,144	100	—
June 30, 2007		5,736,388	100	—
June 30, 2008		4,813,003	100	—

## **CITY OF INDEPENDENCE, MISSOURI**

### **Notes to Financial Statements**

June 30, 2008

For 2008, the City's annual pension cost of \$4,813,003 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 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 29, 2008 was 15 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2008, 2007, and 2006.

#### **(10) Post-Employment Health Benefits**

In addition to the pension benefits described in note (9), the City provides post-employment healthcare benefits to all retired employees meeting the service criteria for this benefit. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in a future year when it actually will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the City recognizes the cost of post-employment healthcare benefits in the year when the employee services are provided, reports the accumulated liability from prior years, and provides additional information useful to assess potential demands on the City's future cash flows. Recognition of the liability that has accumulated from prior years will be phased in over 30 years, commencing with the 2007-08 liability.

##### ***Plan Description***

The City provides for a continuation of medical, prescription drug, hearing and vision insurance benefits to employees that retire from City employment and who participate in the Missouri Local Government Employees Retirement System (LAGERS). The various benefit plan options offered by the City collectively operate as a single-employer defined benefit healthcare plan and are the same as provided to active City employees. Coverage is available for the lifetime of the retiree and their spouses upon payment of required retiree contribution premiums which includes an adjustment when the retiree becomes eligible to participate in the Medicare program. The contribution requirement for plan members is split between

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2008

the retiree and the City at the same percentage as applicable for active City employees and may be amended at any time by the City Council.

The number of participants that either are, or potentially could be, covered by the City's plan, as of January 1, 2007, which is the effective date of the OPEB actuarial valuation, is listed below. There have been no significant changes in the number of covered participants or the type of coverage since that date.

Active Employees	1,052
Retirees	540
Covered spouses of retirees	<u>325</u>
Total Participants	1,917

#### ***Funding Policy***

The City pays for the employer portion of eligible retiree healthcare claims, administrative fees and retiree premiums of the participants in the plan on a pay-as-you-go basis from general operating assets of the City. As noted earlier, retirees are required to make contributions to the plan at the same level as required for active employees until the retiree become Medicare eligible and then the contributions are modified to reflect the inclusion of Medicare participation in the payment of eligible healthcare costs.

#### ***Annual OPEB Cost and Net OPEB Obligation***

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) which represents an amount that is actuarially determined in accordance with the requirements of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus the amortization of the unfunded actuarial liability over a period of time that the City has selected as being thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount of expected employer contributions to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$	13,210,480
Interest on net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost (expense)		<u>13,210,480</u>
Less: Expected employer contributions		<u>(4,111,836)</u>
Increase in net OPEB obligation		9,098,644
Net OPEB obligation – July 1, 2007		—
Net OPEB obligation – June 30, 2008	\$	<u><u>9,098,644</u></u>

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2008

The City's annual OPEB cost, the percentage of annual OPEB costs estimated to be contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2008 is as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/08	\$ 13,210,480	31.1%	\$ 9,098,644

#### ***Funded Status and Funding Progress***

As of January 1, 2007, which represents both the initial and the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is \$156.7 million dollars. There are no assets set aside for funding the plan as of that date, thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$54.9 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 285 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### ***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal (level percent of pay) cost method is used in the January 1, 2007 initial actuarial valuation. At this initial valuation date, the annual cost accruals (individual normal cost for each participant) are determined as a level percentage of pay for each year from entry age until expected retirement. The sum of these individual normal costs for all active participants whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial valuation date, accumulated with interest over the plan assets, represents the initial unfunded actuarial accrued liability.

## **CITY OF INDEPENDENCE, MISSOURI**

### **Notes to Financial Statements**

June 30, 2008

The actuarial assumptions include a 4.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 4.5 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 10 percent for the first year and then declining by 1 percent per year until 5 percent is reached. The 5 percent growth is used on a go-forward basis. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

#### **(11) Risk Management**

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

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). MOPERM is a body corporate and politic created by the Missouri General Assembly to provide liability protection to participating public entities, their officials, and employees. The City pays annual premiums to MOPERM for law enforcement liability, general liability, public official errors and omissions liability, and automobile liability insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years. The City purchases excess liability insurance coverage from OneBeacon Insurance Company to provide additional liability insurance coverage above MOPERM's coverage limits for claims that are not subject to the State's Sovereign Immunity Statute.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$5,000,000 per occurrence for workers' compensation claims in excess of \$1,000,000 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 \$2,320,000 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 City's Workers' Compensation Fund.

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 \$250,000 and aggregate claims in excess of \$15,718,000. The City's share of the premiums for this employee benefit was approximately \$11,268,000. Premiums paid by the City are recorded as expenditures/expenses of the various funds and premium

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

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 fully insured 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 \$612,000. 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:

		Claims Payable					
		Workers' Compensation		Staywell		Pharmacy	
		2007	2008	2007	2008	2007	2008
Beginning of year	\$	5,837,635	\$ 5,796,307	\$ 1,389,102	\$ 1,215,829	\$ —	\$ 37,777
Incurred		1,294,738	2,511,714	10,615,954	12,069,267	378,264	703,376
Paid		(1,336,066)	(4,309,634)	(10,789,227)	(11,552,053)	(340,487)	(704,286)
End of year	\$	<u>5,796,307</u>	<u>\$ 3,998,387</u>	<u>\$ 1,215,829</u>	<u>\$ 1,733,043</u>	<u>\$ 37,777</u>	<u>\$ 36,867</u>

See Note 15 for additional information regarding the Workers' Compensation Fund.

## (12) Commitments

### *Construction Commitments*

At June 30, 2008, the City had commitments of approximately \$53.1 million to complete construction contracts. Of this amount, \$14.7 million 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 \$24,594,000 for 680,389 megawatt-hours of delivered energy during fiscal year 2008.

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

## **CITY OF INDEPENDENCE, MISSOURI**

### **Notes to Financial Statements**

June 30, 2008

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 2008, the cost of purchases was approximately \$7,339,000 for 93,748 megawatt-hours of wholesale energy. The City sold 39,456 megawatt-hours of wholesale energy for approximately \$1,968,000.

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

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

#### **Subsequent to year-end:**

In August 2008, the City entered into a renewable energy purchase agreement with Smoky Hills Wind Project II, LLC (Smoky Hills). Under this agreement, the City will purchase a 10.10% share (15 megawatts) of a new 148.5 megawatt wind farm generation project located in north-central Kansas. The agreement provides that the City will purchase its share of the energy output of the Smoky Hills project and will pay a flat fixed rate (in dollars per megawatt-hour) for the entire term of the agreement. The project is currently scheduled to begin commercial operation in the 4<sup>th</sup> quarter 2008. The term of the agreement is 20 years from the commercial operation date and can be extended for an additional 5 years by mutual agreement of the parties.

## **CITY OF INDEPENDENCE, MISSOURI**

### **Notes to Financial Statements**

**June 30, 2008**

#### ***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. Management, based on advice of counsel, has recorded an estimated obligation of \$500,000 related to a certain claim. While other 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 deficits of \$36,577 in the Street Improvements Fund, \$164,127 in the Events Center Fund, \$1,895,768 in the Parks Sales Tax Fund, \$16,155 in the Storm Drainage Fund, and \$4,559,917 in the Workers' Compensation Fund, will be eliminated by future revenues or transfers.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

### (14) Fund Equity

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

	Governmental Funds			
	General	Street Improvements	Nonmajor	Total
Fund balances:				
Reserved for:				
Encumbrances	\$ 845,315	\$ 29,181,415	\$ 11,267,048	\$ 41,293,778
Debt service	224,788	—	639,783	864,571
Protested revenues	185,212	—	3,541	188,753
Domestic violence	10,402	—	—	10,402
Total fund balances reserved	<u>1,265,717</u>	<u>29,181,415</u>	<u>11,910,372</u>	<u>42,357,504</u>
Unreserved:				
Designated for:				
Police equipment	116,436	—	—	116,436
Capital projects	333,316	—	3,985,485	4,318,801
Strategic goal	236,820	—	—	236,820
TIF distribution	763,190	—	—	763,190
Amoco settlement	54,500	—	—	54,500
Debt service	900,000	—	—	900,000
Leave pay-outs	1,000,000	—	—	1,000,000
Economic development	1,100,000	—	—	1,100,000
Total fund balances designated	<u>4,504,262</u>	<u>—</u>	<u>3,985,485</u>	<u>8,489,747</u>
Undesignated	<u>3,557,838</u>	<u>(29,217,992)</u>	<u>8,706,788</u>	<u>(16,953,366)</u>
Total fund equity	<u>\$ 9,327,817</u>	<u>\$ (36,577)</u>	<u>\$ 24,602,645</u>	<u>\$ 33,893,885</u>

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2008

### (15) Prior Period Adjustment

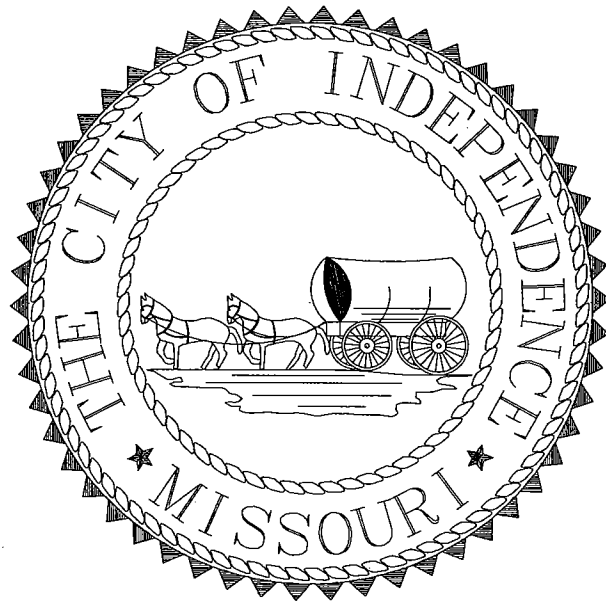
Historically the City has accounted for Workers' Compensation obligations within the City's financial records at the time that the obligations became due and payable. These obligations were recorded separately in each individual fund of the City. This pay-as-you-go approach was followed because it most closely matched the measurement focus for the City's governmental funds, which is where the majority of the Workers' Compensation claims occurred. The government wide financial statements continued to reflect the traditional pay-as-you-go approach for future Workers' Compensation claims because City management believed that this was the most appropriate approach to follow, especially when applied to the City's internal financial statements.

During the year ended June 30, 2008 City management reconsidered its policy and procedures with respect to the accounting for and recording of the workers' compensation obligations and concluded that a change from the pay-as-you-go method to the full accrual method is the most appropriate method for recognizing workers' compensation obligations on its government wide financial statements. The change came about largely due to the establishment of the city-wide Workers' Compensation Internal Service Fund and the new approach to managing workers' compensation claims more on a global basis rather than on an individual fund basis. Accordingly, the City's June 30, 2008 government wide financial statements reflect the City's estimated total workers' compensation obligation at June 30, 2008 and include a restatement (reduction) of the prior year net asset balance for the amount of the obligation attributable to the prior year. All changes in the obligation during the year ended June 30, 2008 are reflected in the statement of activities.

For the year ended June 30, 2008, management determined that the following adjustments were to be made to the opening net assets/fund balances:

	<b>Governmental Activities (Ex. 2)</b>	<b>Business-Type Activities (Ex. 2)</b>	<b>Internal Service Funds (Ex. 32)</b>
Beginning net assets, as originally reported	\$ 220,283,552	\$ 328,072,197	\$ 3,948,989
New Workers' Comp Fund	(2,336,848)	(3,273,152)	(5,610,000)
Beginning net assets (deficit), as restated	<u>\$ 217,946,704</u>	<u>\$ 324,799,045</u>	<u>\$ (1,661,011)</u>

**Required  
Supplementary  
Information**



## **CITY OF INDEPENDENCE, MISSOURI**

### **Notes to Budgetary Comparison Schedules**

Year ended June 30, 2008

#### **(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, Independence Square Benefit District, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Improvements Sales Tax, Storm Water Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax, License Surcharge, 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, 2008

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 33,362,716	33,362,716	37,644,623	4,281,907
Licenses and permits	4,582,966	4,582,966	3,603,589	(979,377)
Grants – federal and state	25,393	25,393	26,176	783
State and county shared revenue	5,686,628	5,686,628	5,150,970	(535,658)
Charges for current services	1,561,951	1,564,609	1,954,151	389,542
Interfund charges for support services	4,323,410	4,323,410	3,724,608	(598,802)
Fines and forfeitures	3,139,780	3,139,780	3,222,406	82,626
Other revenue	793,300	845,670	582,772	(262,898)
Total revenues	53,476,144	53,531,172	55,909,295	2,378,123
Other financing sources:				
Payments in lieu of taxes	13,852,448	13,852,448	13,702,586	(149,862)
Total other financing sources	13,852,448	13,852,448	13,702,586	(149,862)
Total revenues and other financing sources	67,328,592	67,383,620	69,611,881	2,228,261
Expenditures:				
City Council	384,076	392,428	392,116	312
City Clerk	444,395	444,395	413,967	30,428
City Manager	1,008,238	1,027,448	1,013,591	13,857
National Frontier Trails Center	361,516	373,180	373,178	2
Technology services	1,698,079	1,734,413	1,647,047	87,366
Municipal court	757,022	767,605	685,427	82,178
Law	739,685	755,031	648,510	106,521
Finance	1,813,004	1,845,739	1,815,658	30,081
Human resources	506,764	519,448	470,308	49,140
Community development	2,673,178	2,890,583	2,783,134	107,449
Police	20,740,646	22,318,498	22,314,906	3,592
Fire	14,004,467	14,427,975	14,427,974	1
Health	2,454,091	2,534,651	2,425,484	109,167
Public works	7,145,395	7,214,904	7,187,216	27,688
Water pollution control	295,013	300,451	300,450	1
Parks and recreation	2,045,189	2,116,377	2,116,310	67
General government	9,172,131	7,502,152	6,946,399	555,753
City Council strategic goals	300,000	626,138	389,318	236,820
Capital outlay	709,096	1,419,543	556,265	863,278
Total expenditures	67,251,985	69,210,959	66,907,258	2,303,701
Other financing uses– transfers out	105,357	230,727	114,232	116,495
Total expenditures and other financing uses	67,357,342	69,441,686	67,021,490	2,420,196
Excess of revenue and other financing sources over (under) expenditures and other financing uses	\$ (28,750)	(2,058,066)	2,590,391	4,648,457
Undesignated fund balance at beginning of year			2,129,791	
Cancellation of prior year encumbrances			100,286	
Decrease in other fund balance components during the year			(1,262,630)	
Undesignated fund balance at end of year			\$ 3,557,838	

## CITY OF INDEPENDENCE, MISSOURI

## Budgetary Basis Reconciliation Schedule

## General Fund

Year ended June 30, 2008

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:

	<b>General Fund</b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 69,611,881
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>\$ 69,611,881</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 66,907,258
Basis differences – budget to GAAP:	
Capital lease	100,695
Outstanding encumbrances at year-end charged to the current year's budget	(649,913)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>647,185</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	<u>\$ 67,005,225</u>

**CITY OF INDEPENDENCE, MISSOURI**  
Schedule of Funding Progress  
Retirement Plan and Other Post Employment Plan

**Schedule of Funding Progress:****LAGERS Retirement Plan**

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Entry-Age Actuarial Accrued Liability</b>	<b>(b) – (a) Unfunded (assets in excess of) Accrued Liability (UAL)</b>	<b>(a)/(b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>(b) – (a)/(c) UAL as a Percentage of Covered Payroll</b>
<b>Retirement Plan-</b>						
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%
February 29, 2008	167,685,693	157,816,387	(9,869,306)	106%	60,490,320	-16%

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 29, 2008 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.

**Other Post Employment Benefits**

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b) – (a) Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>(a)/(b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>(b) – (a)/(c) UAAL as a Percentage of Covered Payroll</b>
January 1, 2007	\$ —	\$ 156,700,731	\$ 156,700,731	0%	\$ 54,887,375	285%

## **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.

## **CITY OF INDEPENDENCE, MISSOURI**

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

### **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.

### **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.

## CITY OF INDEPENDENCE, MISSOURI

## Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 29)	Permanent Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 24,082,779	69,768	—	—	24,152,547
Receivables:					
Taxes	2,833,321	—	—	—	2,833,321
Accounts	21,286	—	—	—	21,286
Special assessment principal and accrued interest	—	—	—	1,201,422	1,201,422
Accrued interest	216,928	—	—	—	216,928
Due from other funds	719,141	—	—	—	719,141
Due from component unit	—	122,102	—	—	122,102
Due from other governments	960,734	—	—	—	960,734
Restricted assets	738,116	—	—	94,000	832,116
Total assets	<u>\$ 29,572,305</u>	<u>191,870</u>	<u>—</u>	<u>1,295,422</u>	<u>31,059,597</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts and contracts payable	\$ 2,197,900	66,142	—	—	2,264,042
Due to other funds	2,419,804	112,528	—	20,088	2,552,420
Accrued items	91,655	—	—	—	91,655
Other current liabilities	36,274	—	—	—	36,274
Deferred revenue	311,140	—	—	1,201,421	1,512,561
Total liabilities	<u>5,056,773</u>	<u>178,670</u>	<u>—</u>	<u>1,221,509</u>	<u>6,456,952</u>
Fund balances:					
Reserved for:					
Encumbrances	11,226,096	40,952	—	—	11,267,048
Other purposes	640,479	—	—	2,845	643,324
Unreserved, reported in:					
Special revenue funds	12,648,957	—	—	—	12,648,957
Debt service funds	—	—	—	71,068	71,068
Capital projects funds	—	(27,752)	—	—	(27,752)
Total fund balances	<u>24,515,532</u>	<u>13,200</u>	<u>—</u>	<u>73,913</u>	<u>24,602,645</u>
Total liabilities and fund balances	<u>\$ 29,572,305</u>	<u>191,870</u>	<u>—</u>	<u>1,295,422</u>	<u>31,059,597</u>

## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Governmental Funds

Year ended June 30, 2008

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 30)	Permanent Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 20,830,138	—	—	—	20,830,138
Licenses and permits	1,039,130	—	—	—	1,039,130
Intergovernmental	3,315,447	—	—	—	3,315,447
Charges for services	675,401	—	—	96,603	772,004
Investment income	978,774	658	—	2,662	982,094
Reimbursements from component unit	—	1,975,074	—	—	1,975,074
Other	174,229	—	—	—	174,229
<b>Total revenues</b>	<b>27,013,119</b>	<b>1,975,732</b>	<b>—</b>	<b>99,265</b>	<b>29,088,116</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administrative services	39,363	—	—	—	39,363
Public safety	4,358,984	—	—	—	4,358,984
Health and welfare	444,846	—	—	—	444,846
Culture and recreation	3,689,957	—	9,670	—	3,699,627
Community development	1,335,910	—	—	—	1,335,910
Storm water	1,088,777	—	—	—	1,088,777
General government	129,547	—	—	962	130,509
Capital outlay	13,155,352	2,025,324	—	—	15,180,676
<b>Debt service:</b>					
Principal	2,970,000	—	—	59,000	3,029,000
Interest and fiscal agent fees	1,005,903	—	—	47,619	1,053,522
<b>Total expenditures</b>	<b>28,218,639</b>	<b>2,025,324</b>	<b>9,670</b>	<b>107,581</b>	<b>30,361,214</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,205,520)</b>	<b>(49,592)</b>	<b>(9,670)</b>	<b>(8,316)</b>	<b>(1,273,098)</b>
<b>Other financing sources (uses):</b>					
Transfers in	—	50,250	—	—	50,250
Transfers out	(1,257,419)	—	—	—	(1,257,419)
<b>Total other financing sources (uses)</b>	<b>(1,257,419)</b>	<b>50,250</b>	<b>—</b>	<b>—</b>	<b>(1,207,169)</b>
<b>Net change in fund balances</b>	<b>(2,462,939)</b>	<b>658</b>	<b>(9,670)</b>	<b>(8,316)</b>	<b>(2,480,267)</b>
<b>Fund balances (deficit), beginning</b>	<b>26,978,471</b>	<b>12,542</b>	<b>9,670</b>	<b>82,229</b>	<b>27,082,912</b>
<b>Fund balances, ending</b>	<b>\$ 24,515,532</b>	<b>13,200</b>	<b>—</b>	<b>73,913</b>	<b>24,602,645</b>

## CITY OF INDEPENDENCE, MISSOURI

## Combining Balance Sheet

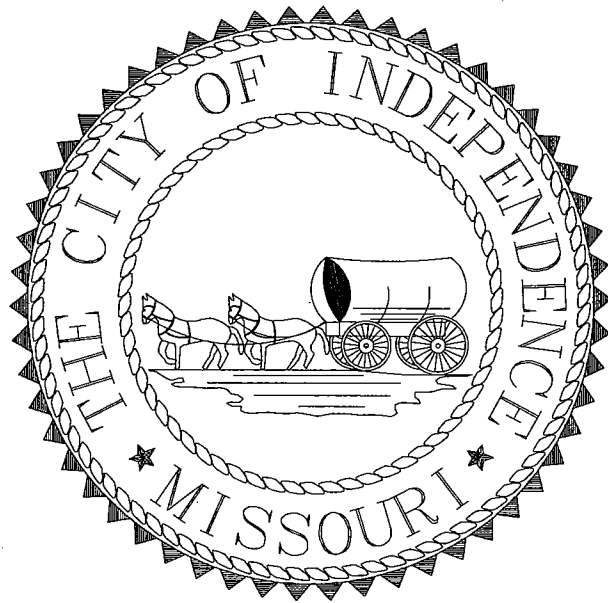
## Nonmajor Special Revenue Funds

June 30, 2008

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 27)	License Surcharge	Grants	Total
Pooled cash and investments	\$ 1,486,513	—	—	—	18,784,139	3,811,414	713	24,082,779
Receivables:								
Taxes	95,000	1,836	—	—	2,736,485	—	—	2,833,321
Accounts	6,537	—	—	—	—	—	14,749	21,286
Accrued interest	—	—	—	—	179,464	37,464	—	216,928
Due from other funds	—	—	—	—	719,141	—	—	719,141
Due from other governments	106,296	—	182,460	314,417	—	—	357,561	960,734
Restricted assets	—	—	—	—	738,116	—	—	738,116
Total assets	<u>\$ 1,694,346</u>	<u>1,836</u>	<u>182,460</u>	<u>314,417</u>	<u>23,157,345</u>	<u>3,848,878</u>	<u>373,023</u>	<u>29,572,305</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts and contracts payable	\$ 208,681	—	1,227	23,112	1,943,899	—	20,981	2,197,900
Due to other funds	—	71	172,672	252,515	1,876,949	—	117,597	2,419,804
Accrued items	8,230	—	7,878	2,566	51,343	—	21,638	91,655
Other current liabilities	—	—	—	36,220	54	—	—	36,274
Deferred revenue	—	—	—	—	98,333	—	212,807	311,140
Total liabilities	<u>216,911</u>	<u>71</u>	<u>181,777</u>	<u>314,413</u>	<u>3,970,578</u>	<u>—</u>	<u>373,023</u>	<u>5,056,773</u>
Fund balances:								
Reserved for:								
Encumbrances	79,734	—	302,593	158,278	10,597,591	—	87,900	11,226,096
Other purposes	—	696	—	—	639,783	—	—	640,479
Unreserved, reported in:								
Special revenue funds	<u>1,397,701</u>	<u>1,069</u>	<u>(301,910)</u>	<u>(158,274)</u>	<u>7,949,393</u>	<u>3,848,878</u>	<u>(87,900)</u>	<u>12,648,957</u>
Total fund balances	<u>1,477,435</u>	<u>1,765</u>	<u>683</u>	<u>4</u>	<u>19,186,767</u>	<u>3,848,878</u>	<u>—</u>	<u>24,515,532</u>
Total liabilities and fund balances	<u>\$ 1,694,346</u>	<u>1,836</u>	<u>182,460</u>	<u>314,417</u>	<u>23,157,345</u>	<u>3,848,878</u>	<u>373,023</u>	<u>29,572,305</u>

**CITY OF INDEPENDENCE, MISSOURI**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year ended June 30, 2008

	<b>Tourism</b>	<b>Independence Square Benefit District</b>	<b>Community Development Grant Act</b>	<b>Rental Rehabilitation</b>	<b>Combined Sales Tax Funds (Exhibit 28)</b>	<b>License Surcharge</b>	<b>Grants</b>	<b>Total</b>
Revenues:								
Taxes	\$ 1,084,379	22,998	—	—	19,722,761	—	—	20,830,138
Licenses and permits	—	—	—	—	—	1,039,130	—	1,039,130
Intergovernmental	184,849	—	772,035	614,146	—	—	1,744,417	3,315,447
Charges for services	350	—	1,300	—	579,567	—	94,184	675,401
Investment income	42,369	885	—	—	810,370	125,150	—	978,774
Other	6,129	—	—	—	167,024	—	1,076	174,229
Total revenues	<u>1,318,076</u>	<u>23,883</u>	<u>773,335</u>	<u>614,146</u>	<u>21,279,722</u>	<u>1,164,280</u>	<u>1,839,677</u>	<u>27,013,119</u>
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	39,363	39,363
Public safety	—	—	—	—	3,116,766	—	1,242,218	4,358,984
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	—	—	—	1,335,910
Storm water	—	—	—	—	1,088,777	—	—	1,088,777
General government	—	—	—	—	16,297	—	113,250	129,547
Capital outlay	—	46,551	—	—	13,108,801	—	—	13,155,352
Debt service:								
Principal	—	—	—	—	2,970,000	—	—	2,970,000
Interest and fiscal agent fees	—	—	—	—	1,005,903	—	—	1,005,903
Total expenditures	<u>1,241,666</u>	<u>46,551</u>	<u>721,764</u>	<u>614,146</u>	<u>23,754,835</u>	<u>—</u>	<u>1,839,677</u>	<u>28,218,639</u>
Excess (deficiency) of revenues over expenditures	<u>76,410</u>	<u>(22,668)</u>	<u>51,571</u>	<u>—</u>	<u>(2,475,113)</u>	<u>1,164,280</u>	<u>—</u>	<u>(1,205,520)</u>
Other financing sources (uses):								
Transfers out	—	—	(52,188)	—	(458,674)	(746,557)	—	(1,257,419)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(52,188)</u>	<u>—</u>	<u>(458,674)</u>	<u>(746,557)</u>	<u>—</u>	<u>(1,257,419)</u>
Net change in fund balances	<u>76,410</u>	<u>(22,668)</u>	<u>(617)</u>	<u>—</u>	<u>(2,933,787)</u>	<u>417,723</u>	<u>—</u>	<u>(2,462,939)</u>
Fund balances, beginning	<u>1,401,025</u>	<u>24,433</u>	<u>1,300</u>	<u>4</u>	<u>22,120,554</u>	<u>3,431,155</u>	<u>—</u>	<u>26,978,471</u>
Fund balances, ending	<u>\$ 1,477,435</u>	<u>1,765</u>	<u>683</u>	<u>4</u>	<u>19,186,767</u>	<u>3,848,878</u>	<u>—</u>	<u>24,515,532</u>



## CITY OF INDEPENDENCE, MISSOURI

## Budgetary Comparison Schedule

## Tourism Fund

Year ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Transient guest taxes	\$ 1,020,000	1,020,000	1,084,379	64,379
Interest	36,000	36,000	42,369	6,369
Grants – federal, state, and local	—	186,678	184,849	(1,829)
Other revenue	—	—	6,479	6,479
Total revenues	<u>1,056,000</u>	<u>1,242,678</u>	<u>1,318,076</u>	<u>75,398</u>
Expenditures:				
Tourism	<u>940,037</u>	<u>1,176,594</u>	<u>1,170,677</u>	<u>5,917</u>
Total expenditures	<u>940,037</u>	<u>1,176,594</u>	<u>1,170,677</u>	<u>5,917</u>
Excess of revenues over (under) expenditures	\$ <u>115,963</u>	<u>66,084</u>	147,399	<u>81,315</u>
Undesignated fund balance at beginning of year			724,972	
Cancellation of prior year encumbrances			5,840	
Change in other fund balance components during the year (1)			(122,837)	
Undesignated fund balance at end of year			\$ <u>755,374</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

## Tourism Fund

Year ended June 30, 2008

	<u><b>Tourism Fund</b></u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,318,076
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>\$ 1,318,076</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,170,677
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(79,734)
fiscal year (1)	<u>150,723</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,241,666</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

## Independence Square Benefit District

Year ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ —	72,000	22,998	(49,002)
Interest	—	—	885	885
Total revenues	—	72,000	23,883	(48,117)
Expenditures:				
General government	72,000	72,000	46,551	25,449
Total expenditures	72,000	72,000	46,551	25,449
Excess of revenues over (under) expenditures	\$ (72,000)	—	(22,668)	(22,668)
Undesignated fund balance at beginning of year			24,433	
Change in other fund balance components during the year (1)			(696)	
Undesignated fund balance at end of year			\$ 1,069	

(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

## Independence Square Benefit District

Year ended June 30, 2008

	<b><u>Independence Square Benefit District</u></b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 23,883
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>23,883</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 46,551
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1) fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>46,551</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, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final</b>
			<b>(Budget Basis)</b>	<b>Budget</b>
Revenues:				
Federal grant - CDBG	\$ 774,406	774,406	773,335	(1,071)
Total revenues	<u>774,406</u>	<u>774,406</u>	<u>773,335</u>	<u>(1,071)</u>
Expenditures:				
CDBG administration	239,940	195,280	165,792	29,488
CDBG expenditures	—	836,552	746,004	90,548
Public facilities and improvements	—	1,800	—	1,800
Commercial facade program	—	254,047	112,561	141,486
Total expenditures	<u>239,940</u>	<u>1,287,679</u>	<u>1,024,357</u>	<u>263,322</u>
Other financing uses:				
Transfers out	—	91,918	52,188	39,730
Total other financing uses	<u>—</u>	<u>91,918</u>	<u>52,188</u>	<u>39,730</u>
Total expenditures and other uses	<u>239,940</u>	<u>1,379,597</u>	<u>1,076,545</u>	<u>303,052</u>
Excess of revenues over (under)				
expenditures and other				
financing uses	\$ <u>534,466</u>	<u>(605,191)</u>	<u>(303,210)</u>	<u>301,981</u>
Undesignated fund balance at beginning of year			(114,435)	
Change in other fund balance				
components during the year			115,735	
Undesignated fund balance at end of year			\$ <u>(301,910)</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, 2008

	<b>Community Development Block Grant</b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 773,335
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>773,335</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,024,357
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	<u>(302,593)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>721,764</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  
 Rental Rehabilitation  
 Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>(Budget Basis)</b>	
Revenues:				
HOME program grant	\$ 454,672	454,672	614,146	159,474
Total revenues	<u>454,672</u>	<u>454,672</u>	<u>614,146</u>	<u>159,474</u>
Expenditures:				
HOME administration	45,467	48,043	53,473	(5,430)
Multi family housing	—	297,798	151,705	146,093
Single family housing	—	327,795	213,517	114,278
Community housing development	—	337,086	353,730	(16,644)
Total expenditures	<u>45,467</u>	<u>1,010,722</u>	<u>772,425</u>	<u>238,297</u>
Excess of revenues over (under) expenditures	\$ <u>409,205</u>	<u>(556,050)</u>	(158,279)	<u>397,771</u>
Undesignated fund balance (deficit) at beginning of year			(106,827)	
Change in other fund balance components during the year (1)			106,829	
Undesignated fund balance (deficit) at end of year			\$ <u>(158,277)</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

## Rental Rehabilitation

Year ended June 30, 2008

	<u><b>Rental Rehabilitation</b></u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 614,146
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>614,146</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 772,425
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	<u>(158,279)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>614,146</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  
 Street Improvements Sales Tax Fund  
 Year ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budget Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Sales taxes	\$ 6,394,426	6,394,426	5,878,784	(515,642)
Interest	229,000	229,000	77,609	(151,391)
Other revenue	—	—	4	4
Total revenues	<u>6,623,426</u>	<u>6,623,426</u>	<u>5,956,397</u>	<u>(667,029)</u>
Expenditures:				
General Government	10,582	10,582	11,030	(448)
Capital outlay	860,000	6,575,000	4,821,065	1,753,935
Debt service	1,479,225	1,479,225	1,470,725	8,500
Total expenditures	<u>2,349,807</u>	<u>8,064,807</u>	<u>6,302,820</u>	<u>1,761,987</u>
Other financing uses:				
- Transfers out	—	230,000	458,639	(228,639)
Total other financing uses	<u>—</u>	<u>230,000</u>	<u>458,639</u>	<u>(228,639)</u>
Total expenditures and other financing uses	<u>2,349,807</u>	<u>8,294,807</u>	<u>6,761,459</u>	<u>1,533,348</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>4,273,619</u>	<u>(1,671,381)</u>	<u>(805,062)</u>	<u>866,319</u>
Undesignated fund balance (deficit) at beginning of year			(109,360)	
Change in other fund balance components during the year (1)			(394,306)	
Undesignated fund balance (deficit) at end of year			\$ <u>(1,308,728)</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, 2008

	<b>Streets Improvements Sales Tax</b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 5,956,397
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>\$ 5,956,397</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 6,302,820
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>\$ 6,302,820</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, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budget Basis)</b>	<b>with Final Budget</b>
Revenues:				
Sales taxes	\$ 4,262,950	4,262,950	3,918,520	(344,430)
Public health and recreation	90,000	90,000	61,258	(28,742)
Adventure Oasis Water Park	573,356	614,356	518,309	(96,047)
Other revenue	52,000	227,186	45,536	(181,650)
Total revenues	<u>4,978,306</u>	<u>5,194,492</u>	<u>4,543,623</u>	<u>(650,869)</u>
Expenditures:				
Culture and recreation	2,622,155	2,661,155	2,552,483	108,672
General government	5,031	5,031	5,267	(236)
Capital outlay	1,850,000	2,083,473	2,459,535	(376,062)
Debt service	1,444,602	1,444,602	1,442,708	1,894
Total expenditures	<u>5,921,788</u>	<u>6,194,261</u>	<u>6,459,993</u>	<u>(265,732)</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>(943,482)</u>	<u>(999,769)</u>	(1,916,370)	<u>(916,601)</u>
Undesignated fund balance (deficit) at beginning of year			(1,442,471)	
Cancellation of prior year encumbrances			11,580	
Change in other fund balance components during the year (1)			803,183	
Undesignated fund balance (deficit) at end of year			\$ <u>(2,544,078)</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, 2008

	<b>Park Improvements Sales Tax</b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,543,623
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>\$ 4,543,623</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 6,459,993
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(245,316)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	140,318
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,354,995</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, 2008

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>(Budget Basis)</b>	
Revenues:				
Sales taxes	\$ 4,262,950	4,262,950	3,919,286	(343,664)
Interest	599,000	599,000	475,034	(123,966)
Other revenue	—	—	135,588	135,588
Total revenues	<u>4,861,950</u>	<u>4,861,950</u>	<u>4,529,908</u>	<u>(332,042)</u>
Expenditures:				
Storm water				
Administration	314,098	314,098	185,728	128,370
Maintenance	1,275,590	1,275,590	868,720	406,870
Permit completion	172,200	172,200	165,100	7,100
Capital outlay	4,492,000	6,050,797	3,595,825	2,454,972
Total expenditures	<u>6,253,888</u>	<u>7,812,685</u>	<u>4,815,373</u>	<u>2,997,312</u>
Other financing uses:				
Transfers out	—	—	35	(35)
Total other financing uses	<u>—</u>	<u>—</u>	<u>35</u>	<u>(35)</u>
Total expenditures and other financing uses	<u>6,253,888</u>	<u>7,812,685</u>	<u>4,815,408</u>	<u>2,997,277</u>
Excess of revenues over (under) expenditures	\$ <u>(1,391,938)</u>	<u>(2,950,735)</u>	<u>(285,500)</u>	<u>2,665,235</u>
Undesignated fund balance at beginning of year			10,007,130	
Cancellation of prior year encumbrances			39,720	
Change in other fund balance components during the year (1)			(1,310,032)	
Undesignated fund balance at end of year			<u>\$ 8,451,318</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, 2008

	<u>Storm Water Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,529,908
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>\$ 4,529,908</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 4,815,373
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(206,457)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	75,686
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,684,602</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, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budget Basis)</b>	<b>with Final Budget</b>
Revenues:				
Sales taxes	\$ 2,131,475	2,131,475	2,089,284	(42,191)
Investment income	154,000	154,000	71,502	(82,498)
Other revenue	—	—	17	17
Total revenues	<u>2,285,475</u>	<u>2,285,475</u>	<u>2,160,803</u>	<u>(124,672)</u>
Expenditures:				
Public safety				
Communications	598,627	359,357	78,626	280,731
Facilities	741,000	979,990	994,978	(14,988)
Equipment	1,791,593	1,791,873	1,577,823	214,050
Debt service	516,363	516,363	514,288	2,075
Total expenditures	<u>3,647,583</u>	<u>3,647,583</u>	<u>3,165,715</u>	<u>481,868</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>(1,362,108)</u>	<u>(1,362,108)</u>	(1,004,912)	<u>357,196</u>
Undesignated fund balance at beginning of year			2,349,147	
Cancellation of prior year encumbrances			114,705	
Change in other fund balance components during the year (1)			53	
Undesignated Fund Balance at end of year			<u>\$ 1,458,993</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

## Police Public Safety Sales Tax Fund

Year ended June 30, 2008

	<b>Police Public Safety Sales Tax</b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,160,803
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>\$ 2,160,803</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,165,715
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(351,382)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	261,081
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 3,075,414</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, 2008

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budget Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Sales taxes	\$ 4,262,950	4,262,950	3,916,886	(346,064)
Other revenue	250,000	250,000	172,105	(77,895)
Total revenues	<u>4,512,950</u>	<u>4,512,950</u>	<u>4,088,991</u>	<u>(423,959)</u>
Expenditures:				
Public safety	1,365,943	1,365,943	621,825	744,118
Capital outlay	2,500,000	2,500,000	2,232,376	267,624
Debt service	553,713	553,713	550,313	3,400
Total expenditures	<u>4,419,656</u>	<u>4,419,656</u>	<u>3,404,514</u>	<u>1,015,142</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>93,294</u>	<u>93,294</u>	684,477	<u>591,183</u>
Undesignated fund balance at beginning of year			2,568,215	
Cancellation of prior year encumbrances			61,934	
Change in other fund balance components during the year (1)			(1,422,738)	
Undesignated fund balance at end of year			<u>\$ 1,891,888</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

## Fire Public Safety Sales Tax Fund

Year ended June 30, 2008

	<b><u>Fire Public Safety Sales Tax</u></b>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,088,991
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>\$ 4,088,991</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,404,514
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(76,030)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	8,520
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 3,337,004</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  
 License Surcharge Fund  
 Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budget Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Building permits	\$ 980,000	980,000	1,039,130	59,130
Interest income and other revenue	181,000	181,000	125,150	(55,850)
Total revenues	<u>1,161,000</u>	<u>1,161,000</u>	<u>1,164,280</u>	<u>3,280</u>
Other financing uses:				
Transfers out	3,431,156	4,269,000	746,557	3,522,443
Total other financing uses	<u>3,431,156</u>	<u>4,269,000</u>	<u>746,557</u>	<u>3,522,443</u>
Excess of revenues over (under) expenditures	\$ <u>(2,270,156)</u>	<u>(3,108,000)</u>	417,723	<u>3,525,723</u>
Undesignated fund balance (deficit) at beginning of year			3,431,155	
Change in other fund balance components during the year (1)			—	
Undesignated fund balance (deficit) at end of year			\$ <u>3,848,878</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

## License Surcharge Fund

Year ended June 30, 2008

	<u>License Surcharge</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,164,280
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>1,164,280</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ —
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><u>—</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, 2008

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and other shared revenue	\$ 983,773	3,176,487	1,744,417	(1,432,070)
Charges for current services	63,264	94,253	94,184	(69)
Interest income and other revenue	—	1,076	1,076	—
Total revenues	<u>1,047,037</u>	<u>3,271,816</u>	<u>1,839,677</u>	<u>(1,432,139)</u>
Expenditures:				
Law department	36,109	57,053	39,363	17,690
Police department	581,628	2,198,921	1,248,665	950,256
Fire department	44,728	170,361	55,585	114,776
Health department	384,572	703,561	453,142	250,419
Community development	—	141,920	130,822	11,098
Total expenditures	<u>1,047,037</u>	<u>3,271,816</u>	<u>1,927,577</u>	<u>1,344,239</u>
Excess of revenues over (under) expenditures	\$ <u>—</u>	<u>—</u>	(87,900)	<u>(87,900)</u>
Undesignated fund balance (deficit) at beginning of year			(231,207)	
Change in other fund balance components during the year (1)			231,207	
Undesignated fund balance (deficit) at end of year			\$ <u>(87,900)</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

## Grants Fund

Year ended June 30, 2008

	<u>Grants</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,839,677
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>1,839,677</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,927,577
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(87,900)
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>1,839,677</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, 2008

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	\$ 741,221	—	10,636,760	1,665,330	5,740,828	18,784,139
Receivables:						
Taxes	816,743	544,162	544,198	287,264	544,118	2,736,485
Accrued interest	—	—	145,653	11,958	21,853	179,464
Due from other funds	702,986	—	16,155	—	—	719,141
Restricted assets	565,082	74,701	98,333	—	—	738,116
Total assets	\$ 2,826,032	618,863	11,441,099	1,964,552	6,306,799	23,157,345
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts and contracts payable	\$ 522,991	598,289	474,726	126,748	221,145	1,943,899
Due to other funds	—	1,876,949	—	—	—	1,876,949
Accrued items	—	39,339	12,004	—	—	51,343
Other current liabilities	—	54	—	—	—	54
Deferred revenue	—	—	98,333	—	—	98,333
Total liabilities	522,991	2,514,631	585,063	126,748	221,145	3,970,578
Fund balances:						
Reserved for:						
Encumbrances	3,046,687	573,609	2,404,718	378,811	4,193,766	10,597,591
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	7,949,393
Total fund balances	2,303,041	(1,895,768)	10,856,036	1,837,804	6,085,654	19,186,767
Total liabilities and fund balances	\$ 2,826,032	618,863	11,441,099	1,964,552	6,306,799	23,157,345

## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Sales Tax Funds

Year ended June 30, 2008

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
<b>Revenues:</b>						
Taxes	\$ 5,878,784	3,918,520	3,919,286	2,089,284	3,916,887	19,722,761
Charges for services	—	579,567	—	—	—	579,567
Investment income	77,609	14,153	475,034	71,502	172,072	810,370
Other	4	31,383	135,588	17	32	167,024
Total revenues	5,956,397	4,543,623	4,529,908	2,160,803	4,088,991	21,279,722
<b>Expenditures:</b>						
Current:						
Public safety	—	—	—	2,562,451	554,315	3,116,766
Culture and recreation	—	2,448,291	—	—	—	2,448,291
Storm water	—	—	1,088,777	—	—	1,088,777
General government	11,030	5,267	—	—	—	16,297
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	1,005,903
Total expenditures	6,302,820	6,354,995	4,684,602	3,075,414	3,337,004	23,754,835
Excess (deficiency) of revenues over expenditures	(346,423)	(1,811,372)	(154,694)	(914,611)	751,987	(2,475,113)
<b>Other financing sources (uses):</b>						
Transfers out	(458,639)	—	(35)	—	—	(458,674)
Total other financing sources (uses)	(458,639)	—	(35)	—	—	(458,674)
Net change in fund balances	(805,062)	(1,811,372)	(154,729)	(914,611)	751,987	(2,933,787)
Fund balances, beginning	3,108,103	(84,396)	11,010,765	2,752,415	5,333,667	22,120,554
Fund balances, ending	\$ 2,303,041	(1,895,768)	10,856,036	1,837,804	6,085,654	19,186,767

## CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2008

Assets	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ 19,553	50,215	—	—	69,768
Receivables:					
Due from component unit	—	—	—	122,102	122,102
Total assets	<u>\$ 19,553</u>	<u>50,215</u>	<u>—</u>	<u>122,102</u>	<u>191,870</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts and contracts payable	\$ —	50,000	—	16,142	66,142
Due to other funds	—	—	16,155	96,373	112,528
Total liabilities	<u>—</u>	<u>50,000</u>	<u>16,155</u>	<u>112,515</u>	<u>178,670</u>
Fund balances (deficit):					
Reserved for:					
Encumbrances	—	10,000	—	30,952	40,952
Unreserved, reported in:					
Capital projects funds	19,553	(9,785)	(16,155)	(21,365)	(27,752)
Total fund balances (deficit)	<u>19,553</u>	<u>215</u>	<u>(16,155)</u>	<u>9,587</u>	<u>13,200</u>
Total liabilities and fund balances	<u>\$ 19,553</u>	<u>50,215</u>	<u>—</u>	<u>122,102</u>	<u>191,870</u>

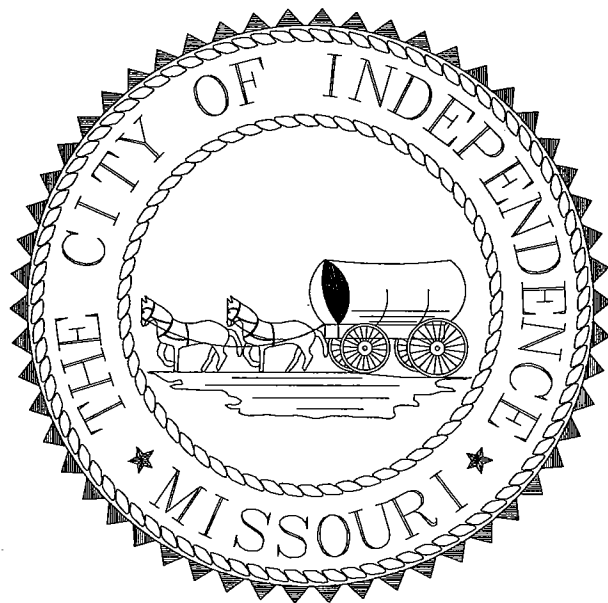
## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Capital Projects Funds

Year ended June 30, 2008

	<b>Revolving Public Improvements</b>	<b>Buildings and Other Improvements</b>	<b>Storm Drainage</b>	<b>Park Improvements</b>	<b>Total (Exhibit 13)</b>
Revenues:					
Investment income	\$ 553	65	—	40	658
Reimbursements from component unit	—	—	—	1,975,074	1,975,074
Total revenues	553	65	—	1,975,114	1,975,732
Expenditures:					
Capital outlay	—	50,250	—	1,975,074	2,025,324
Total expenditures	—	50,250	—	1,975,074	2,025,324
Excess (deficiency) of revenues over expenditures	553	(50,185)	—	40	(49,592)
Other financing sources (uses):					
Transfers in	—	50,250	—	—	50,250
Total other financing sources (uses)	—	50,250	—	—	50,250
Net change in fund balances	553	65	—	40	658
Fund balances (deficit), beginning	19,000	150	(16,155)	9,547	12,542
Fund balances (deficit), ending	\$ 19,553	215	(16,155)	9,587	13,200



## **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.

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

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

**Workers' Compensation** – This fund is used to account for the costs of the City's self-insured Worker's Compensation claims and administration plan.

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Net Assets

## Internal Service Funds

June 30, 2008

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
<b>Assets:</b>					
Current assets:					
Pooled cash and investments	\$ 171,008	149,596	7,123,683	—	7,444,287
Accounts receivable	7,591	103,602	62,677	34,832	208,702
Accrued interest receivable	—	—	68,484	—	68,484
Inventory	103,774	—	—	—	103,774
Total current assets	<u>282,373</u>	<u>253,198</u>	<u>7,254,844</u>	<u>34,832</u>	<u>7,825,247</u>
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	<u>95,629</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,629</u>
Total assets	<u>\$ 378,002</u>	<u>253,198</u>	<u>7,254,844</u>	<u>34,832</u>	<u>7,920,876</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts and contracts payable	\$ 81,192	—	—	26,517	107,709
Due to other funds	—	195,000	—	530,226	725,226
Accrued liabilities	9,584	—	—	1,217	10,801
Compensated absences – current	35,706	—	—	11,706	47,412
Self-insurance claims payable	—	36,867	1,733,043	521,387	2,291,297
Total current liabilities	<u>126,482</u>	<u>231,867</u>	<u>1,733,043</u>	<u>1,091,053</u>	<u>3,182,445</u>
Noncurrent liabilities:					
Compensated absences – long-term	50,467	—	—	26,696	77,163
Other post employment benefits	73,141	—	—	—	73,141
Self-insurance claims payable	—	—	—	3,477,000	3,477,000
Total liabilities	<u>250,090</u>	<u>231,867</u>	<u>1,733,043</u>	<u>4,594,749</u>	<u>6,809,749</u>
<b>Net assets:</b>					
Invested in capital assets	95,629	—	—	—	95,629
Unrestricted	32,283	21,331	5,521,801	(4,559,917)	1,015,498
Total net assets (deficit)	<u>127,912</u>	<u>21,331</u>	<u>5,521,801</u>	<u>(4,559,917)</u>	<u>1,111,127</u>
Total liabilities and net assets	<u>\$ 378,002</u>	<u>253,198</u>	<u>7,254,844</u>	<u>34,832</u>	<u>7,920,876</u>

## 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	Workers' Compensation	Total (Exhibit 6)
Operating revenues:					
Charges for services	\$ 2,184,643	711,608	13,102,654	1,895,661	17,894,566
Other reimbursements	—	—	—	1,818,509	1,818,509
Total operating revenues	2,184,643	711,608	13,102,654	3,714,170	19,713,075
Operating expenses:					
Personal services	704,243	—	—	130,286	834,529
Other services	336,161	714,525	12,092,558	3,108,288	16,251,532
Supplies	1,261,458	—	—	6,849	1,268,307
Capital outlay	—	—	—	4,852	4,852
Depreciation and amortization	550	—	—	—	550
Total operating expenses	2,302,412	714,525	12,092,558	3,250,275	18,359,770
Operating income (loss)	(117,769)	(2,917)	1,010,096	463,895	1,353,305
Nonoperating revenues:					
Interest revenue	3,196	1,292	271,952	2,386	278,826
Miscellaneous revenue	45,937	127,183	383,085	16	556,221
Total nonoperating revenue	49,133	128,475	655,037	2,402	835,047
Income before transfers	(68,636)	125,558	1,665,133	466,297	2,188,352
Transfers in (out)	—	—	—	583,786	583,786
Change in net assets	(68,636)	125,558	1,665,133	1,050,083	2,772,138
Total net assets:					
Beginning of the period (deficit), as restated	196,548	(104,227)	3,856,668	(5,610,000)	(1,661,011)
End of the period (deficit)	\$ 127,912	21,331	5,521,801	(4,559,917)	1,111,127

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Cash Flows

## Internal Service Funds

Year ended June 30, 2008

	Internal Service Funds				
	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	Total (Exhibit 7)
Cash flows from operations:					
Receipts from customers	\$ 2,232,035	742,189	13,474,751	3,679,354	20,128,329
Payments to suppliers	(1,574,907)	(715,435)	(11,575,344)	(4,703,868)	(18,569,554)
Payments to employees	(615,698)	—	—	(91,884)	(707,582)
Net cash provided by operating activities	41,430	26,754	1,899,407	(1,116,398)	851,193
Cash flows from noncapital financing activities:					
Transfers in/(out)	—	—	—	583,786	583,786
Advances from other funds	—	120,000	—	530,226	650,226
Net cash provided by noncapital financing activities	—	120,000	—	1,114,012	1,234,012
Cash flows from investing activities:					
Purchases of investments	—	—	(4,908,647)	—	(4,908,647)
Proceeds from sales and maturities of investments	—	—	2,154,474	—	2,154,474
Interest on investments	3,196	1,292	209,474	2,386	216,348
Net cash provided (used) by investing activities	3,196	1,292	(2,544,699)	2,386	(2,537,825)
Net increase in cash and cash equivalents	44,626	148,046	(645,292)	—	(452,620)
Cash and cash equivalents at beginning of year	126,382	1,550	4,769,175	—	4,897,107
Cash and cash equivalents at end of year	171,008	149,596	4,123,883	—	4,444,487
Investments with original maturities greater than 90 days	—	—	2,999,800	—	2,999,800
Pooled cash and investments	\$ 171,008	149,596	7,123,683	—	7,444,287
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (117,769)	(2,917)	1,010,096	463,895	1,353,305
Adjustments not affecting cash:					
Depreciation and amortization	550	—	—	—	550
Nonoperating Revenues	45,937	127,183	383,085	16	556,221
Change in assets and liabilities:					
Accounts receivable	1,455	(96,602)	(10,988)	(34,832)	(140,967)
Inventory	(13,248)	—	—	—	(13,248)
Accounts and contracts payable	35,960	(37,777)	—	26,517	24,700
Accrued liabilities	2,086	36,867	—	1,217	40,170
Other post-employment benefits	73,141	—	—	—	73,141
Self-insurance claims payable	—	—	517,214	(1,611,613)	(1,094,399)
Compensated absences	13,318	—	—	38,402	51,720
Total adjustments	159,199	29,671	889,311	(1,580,293)	(502,112)
Net cash provided by operating activities	\$ 41,430	26,754	1,899,407	(1,116,398)	851,193

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008 (Exhibit 8)
<b>Flexible Benefit Plan:</b>				
Assets:				
Pooled cash and investments	\$ 33,976	91,686	68,606	57,056
Imprest bank accounts	—	5,372	—	5,372
	<u>\$ 33,976</u>	<u>97,058</u>	<u>68,606</u>	<u>62,428</u>
Liabilities:				
Flexible benefit payable	\$ 33,976	541,722	513,270	62,428
	<u>\$ 33,976</u>	<u>541,722</u>	<u>513,270</u>	<u>62,428</u>
<b>Susie Block Trust:</b>				
Assets:				
Pooled cash and investments	\$ 31,634	1,452	2,000	31,086
Accrued interest receivable	493	1,326	1,325	494
	<u>\$ 32,127</u>	<u>2,778</u>	<u>3,325</u>	<u>31,580</u>
Liabilities:				
Funds held in escrow	\$ 32,127	1,453	2,000	31,580
	<u>\$ 32,127</u>	<u>1,453</u>	<u>2,000</u>	<u>31,580</u>
<b>Seniors Travel Programs:</b>				
Assets:				
Pooled cash and investments	\$ 19,164	60,456	51,324	28,296
	<u>\$ 19,164</u>	<u>60,456</u>	<u>51,324</u>	<u>28,296</u>
Liabilities:				
Accounts and contracts payable	\$ 1,594	52,231	48,132	5,693
Funds held in escrow	17,570	60,456	55,423	22,603
	<u>\$ 19,164</u>	<u>112,687</u>	<u>103,555</u>	<u>28,296</u>
<b>All Agency Funds:</b>				
Assets:				
Pooled cash and investments	\$ 84,774	158,966	121,930	121,810
Accrued interest receivable	493	1,326	1,325	494
	<u>\$ 85,267</u>	<u>160,292</u>	<u>123,255</u>	<u>122,304</u>
Liabilities:				
Flexible benefit payable	\$ 33,976	541,722	513,270	62,428
Accounts and contracts payable	1,594	52,231	48,132	5,693
Funds held in escrow	49,697	61,909	57,423	54,183
	<u>\$ 85,267</u>	<u>655,862</u>	<u>618,825</u>	<u>122,304</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Balance Sheet**  
**Component Unit - Tax Increment Financing**  
**June 30, 2008**

<b>Assets</b>	<b>Midtown Truman</b>	<b>RSO</b>	<b>Bolger Square</b>	<b>Sante Fe</b>	<b>Sterling Village</b>	<b>Hartman Heritage</b>	<b>Drumm Farm</b>	<b>Eastland Center</b>
Pooled cash and investments	\$ 421,712	90,733	—	6,257	4,023	1,475,716	1,101,454	1,124,272
Receivables:								
Taxes	157	8,300	—	4,331	1,385	24,000	26,011	241,844
Accounts	—	—	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—	—	—
Due from other governments	—	16,693	—	3,012	—	52,068	1,847	163,305
Restricted assets	—	—	—	974,554	—	1,960,223	40,107	5,597,057
<b>Total assets</b>	<b>\$ 421,869</b>	<b>115,726</b>	<b>—</b>	<b>988,154</b>	<b>5,408</b>	<b>3,512,007</b>	<b>1,169,419</b>	<b>7,126,478</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Due to other funds	—	—	—	—	—	—	—	—
Due to primary government	—	—	—	—	—	—	—	43,444
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>43,444</b>
Fund balances:								
Reserved for:								
Encumbrances	—	—	—	—	—	—	—	—
Other purposes	—	—	—	977,706	—	1,939,575	19,480	2,993,937
Unreserved, reported in:								
Capital projects funds	421,869	115,726	—	10,448	5,408	1,572,432	1,149,939	4,089,097
<b>Total fund balances (deficit)</b>	<b>421,869</b>	<b>115,726</b>	<b>—</b>	<b>988,154</b>	<b>5,408</b>	<b>3,512,007</b>	<b>1,169,419</b>	<b>7,083,034</b>
<b>Total liabilities and fund balances</b>	<b>\$ 421,869</b>	<b>115,726</b>	<b>—</b>	<b>988,154</b>	<b>5,408</b>	<b>3,512,007</b>	<b>1,169,419</b>	<b>7,126,478</b>

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
3,619	16,678	147,018	37,874	1,350,430	222	—	73,550	1,909,079	9,660	7,772,297
3,900	600	34,000	—	147,358	21	36,919	81	1,900	—	530,807
—	—	—	—	94,671	—	—	—	—	30	94,701
—	—	—	—	—	—	—	—	—	5,000	5,000
3,209	200	39,961	—	64,203	—	—	—	1,984	—	346,482
—	—	—	—	19,618,741	—	—	—	2,993,292	—	31,183,974
10,728	17,478	220,979	37,874	21,275,403	243	36,919	73,631	4,906,255	14,690	39,933,261
—	—	—	—	—	—	5,000	—	—	—	5,000
—	—	—	—	171,801	—	—	—	1,022,169	—	1,237,414
—	—	—	—	171,801	—	5,000	—	1,022,169	—	1,242,414
—	—	—	—	—	—	—	—	—	6,678	6,678
—	—	—	—	15,850,905	—	—	—	2,746,809	—	24,528,412
10,728	17,478	220,979	37,874	5,252,697	243	31,919	73,631	1,137,277	8,012	14,155,757
10,728	17,478	220,979	37,874	21,103,602	243	31,919	73,631	3,884,086	14,690	38,690,847
10,728	17,478	220,979	37,874	21,275,403	243	36,919	73,631	4,906,255	14,690	

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 (28,387,775)

Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due (2,668,541)

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 (165,952,022)

Unamortized issuance costs on TIF loans payable 1,469,110

Net assets (deficit) of component unit \$ (156,848,381)

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)**  
**Component Unit - Tax Increment Financing**  
**Year ended June 30, 2008**

	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center
Revenues:								
Taxes	\$ 41,912	200,152	287,629	3,783	5,558	1,773,415	429,586	3,389,882
Charges for services	—	—	—	—	—	—	—	—
Investment income	17,610	2,190	53,497	38,659	48	108,597	28,145	121,810
Developer contributions	—	—	—	696,721	—	—	—	—
Lease payments	—	—	—	—	—	—	—	—
Other	—	—	—	76,282	—	—	—	—
Total revenues	59,522	202,342	341,126	815,445	5,606	1,882,012	457,731	3,511,692
Expenditures:								
Capital outlay	1,087	5,505	32,723	8,735	84	47,509	47,683	3,610,036
Debt service:								
Principal	496,136	35,374	1,820,000	405,000	—	823,375	944,591	2,242,047
Interest and fiscal agent fees	—	105,681	91,809	539,997	—	813,136	199,842	894,266
Total expenditures	497,223	146,560	1,944,532	953,732	84	1,684,020	1,192,116	6,746,349
Excess (deficiency) of revenues over expenditures	(437,701)	55,782	(1,603,406)	(138,287)	5,522	197,992	(734,385)	(3,234,657)
Other financing sources:								
Proceeds from bond issuance	—	—	—	—	—	—	1,230,000	8,000,000
Reoffering premium/original issue discount	—	—	—	—	—	—	(30,521)	(24,938)
Total other financing sources	—	—	—	—	—	—	1,199,479	7,975,062
Net change in fund balances	(437,701)	55,782	(1,603,406)	(138,287)	5,522	197,992	465,094	4,740,405
Fund balances (deficit), beginning, as restated	859,570	59,944	1,603,406	1,126,441	(114)	3,314,015	704,325	2,342,629
Fund balances (deficit), ending	\$ 421,869	115,726	—	988,154	5,408	3,512,007	1,169,419	7,083,034

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
67,538	13,908	651,841	23,201	511,808	244	284,688	73,775	1,732,932	—	9,491,852
—	—	—	—	—	—	—	—	—	10,000	10,000
539	2,627	3,343	744	1,009,950	3	1,887	1,229	323,469	287	1,714,634
—	—	—	—	—	—	—	—	—	—	696,721
—	—	—	—	1,219,942	—	—	—	—	—	1,219,942
—	—	—	—	—	—	—	—	—	—	76,282
68,077	16,535	655,184	23,945	2,741,700	247	286,575	75,004	2,056,401	10,287	13,209,431
1,597	346	13,016	623	33,366,978	4	5,000	1,373	18,833,312	1,920	55,977,531
—	95,547	373,572	—	—	—	233,844	—	—	—	7,469,486
77,638	—	166,722	—	4,021,061	—	51,860	—	1,029,991	—	7,992,003
79,235	95,893	553,310	623	37,388,039	4	290,704	1,373	19,863,303	1,920	71,439,020
(11,158)	(79,358)	101,874	23,322	(34,646,339)	243	(4,129)	73,631	(17,806,902)	8,367	(58,229,589)
—	—	—	—	12,955,000	—	—	—	—	—	22,185,000
—	—	—	—	(206,478)	—	—	—	—	—	(261,937)
—	—	—	—	12,748,522	—	—	—	—	—	21,923,063
(11,158)	(79,358)	101,874	23,322	(21,897,817)	243	(4,129)	73,631	(17,806,902)	8,367	(36,306,526)
21,886	96,836	119,105	14,552	43,001,419	—	36,048	—	21,690,988	6,323	74,997,373
10,728	17,478	220,979	37,874	21,103,602	243	31,919	73,631	3,884,086	14,690	38,690,847

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

Change in fund balances \$ (36,306,526)

Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level (12,835,970)

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	(22,185,000)
Reoffering premium/original issue discount	261,937
Issuance costs	259,702
Principal payments	7,469,486
Amortizations of discounts & premiums	(83,634)
Amortizations of issuance costs	(84,418)
Amortizations of deferred refunding costs	(62,528)
	(14,424,455)

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 (713,184)

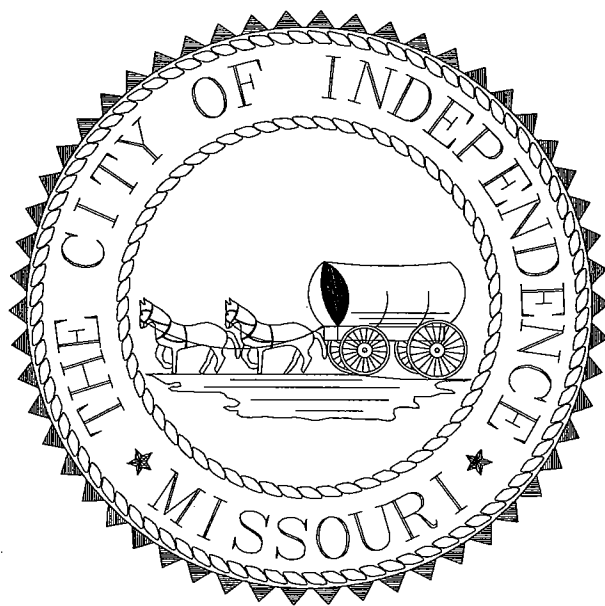
Change in net assets of Tax Increment Financing funds \$ (64,280,135)

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedules of Operating Expenses- Power and Light Fund**  
**Years ended June 30, 2008 and 2007**

	2008			2007		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 16,760,306			12,622,306
Gas			905,340			954,560
Oil			234,751			258,367
Total production fuel			17,900,397			13,835,233
Purchased power:						
Purchased energy			23,316,457			24,837,788
Purchased capacity (net)			7,755,000			7,570,000
Border customers			30,711			25,301
Control and dispatching			860,291			732,995
Total purchased power			31,962,459			33,166,084
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 623,361	645,844	1,269,205	537,061	560,579	1,097,640
Steam	823,162	3,896,045	4,719,207	753,929	2,561,813	3,315,742
Electric	799,413	780,075	1,579,488	731,897	1,017,536	1,749,433
Structures and improvements	—	54,714	54,714	—	65,623	65,623
Allowance	290,845	—	290,845	127,606	—	127,606
Miscellaneous	1,319,887	482,804	1,802,691	1,314,493	399,346	1,713,839
	3,856,668	5,859,482	9,716,150	3,464,986	4,604,897	8,069,883
Missouri City Station:						
Supervision and engineering	98,957	1,089	100,046	42,739	19,528	62,267
Steam	403,124	1,489,336	1,892,460	348,196	772,702	1,120,898
Electric	411,525	114,853	526,378	357,850	93,684	451,534
Structures and improvements	—	89,507	89,507	—	71,624	71,624
Miscellaneous	813,320	301,482	1,114,802	361,105	199,376	560,481
	1,726,926	1,996,267	3,723,193	1,109,890	1,156,914	2,266,804
Combustion Turbine Station:						
Supervision and engineering	—	557	557	7	3,396	3,403
Generation expenses	—	186,887	186,887	—	70,868	70,868
Structures and improvements	—	8,470	8,470	—	24,510	24,510
Miscellaneous	6,161	623,228	629,389	15,445	62,412	77,857
	6,161	819,142	825,303	15,452	161,186	176,638
Total production (other)	\$ 5,589,755	8,674,891	14,264,646	4,590,328	5,922,997	10,513,325
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 179,190	17,956	197,146	163,773	17,308	181,081
Overhead expenses	37,987	11,256	49,243	35,742	2,015	37,757
Station expenses	8,234	261,605	269,839	13,414	197,849	211,263
Wheeling charges	1,244,552	—	1,244,552	1,238,314	—	1,238,314
Underground line expense	3,370	—	3,370	—	6,511	6,511
Miscellaneous	20,646	—	20,646	1,271	—	1,271
Total transmission	1,493,979	290,817	1,784,796	1,452,514	223,683	1,676,197

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedules of Operating Expenses – Power and Light Fund**  
**Years ended June 30, 2008 and 2007**

	<b>2008</b>			<b>2007</b>		
	<b>Operations</b>	<b>Maintenance</b>	<b>Total</b>	<b>Operations</b>	<b>Maintenance</b>	<b>Total</b>
Distribution:						
Supervision and engineering	\$ 119,724	53,870	173,594	89,147	51,930	141,077
Overhead lines	911,220	3,211,262	4,122,482	822,660	2,593,735	3,416,395
Station expenses	15,145	623,042	638,187	214,058	394,745	608,803
Street lights and traffic signals	271,477	532,141	803,618	240,341	482,928	723,269
Meters	223,668	730,345	954,013	174,909	651,826	826,735
Customer installations	—	—	—	1,817	—	1,817
Underground lines	505,811	705,194	1,211,005	765,826	609,300	1,375,126
Dispatching communication	761,060	—	761,060	711,237	—	711,237
Line transformers	—	112,811	112,811	86,711	—	86,711
Miscellaneous	578,998	285,014	864,012	532,988	147,425	680,413
Total distribution	<u>3,387,103</u>	<u>6,253,679</u>	<u>9,640,782</u>	<u>3,639,694</u>	<u>4,931,889</u>	<u>8,571,583</u>
Total transmission and distribution	<u>\$ 4,881,082</u>	<u>6,544,496</u>	<u>11,425,578</u>	<u>5,092,208</u>	<u>5,155,572</u>	<u>10,247,780</u>
Customer service:						
Supervision			\$ 142,515			215,582
Meter reading			582,029			546,361
Customer records and collections			1,469,816			1,498,331
Provisions for doubtful accounts			755,238			666,385
Miscellaneous			67,613			39,925
Total customer service			<u>3,017,211</u>			<u>2,966,584</u>
General and administrative:						
Salaries			857,957			734,886
Office supplies			595,056			517,742
Insurance			1,128,408			876,643
Injuries and damage			713,259			383,154
Employee benefits			5,637,456			3,904,850
Outside services			1,939,083			1,516,695
Miscellaneous			1,382,843			923,913
Administrative expenses – transfers			(60,871)			(53,593)
Total general and administrative			<u>12,193,191</u>			<u>8,804,290</u>
Depreciation and amortization			10,571,375			9,429,199
Payroll taxes			992,801			890,009
Total operating expenses			<u>\$ 102,327,658</u>			<u>89,852,504</u>



**CITY OF INDEPENDENCE, MISSOURI**  
**Schedule of Operating Statistics— Power and Light Fund**  
**Year ended June 30, 2008**

	<b>Number of customers</b>			
	<b>Beginning of year</b>	<b>End of year</b>	<b>Revenue</b>	<b>KWH</b>
Sale of electric energy:				
Metered:				
Residential	51,431	51,649	\$ 55,192,152	545,272,178
Small general services	3,037	3,050	3,692,376	29,700,674
General services – space heating	2	2	1,946	25,678
Large general services	1,630	1,622	31,777,461	364,634,644
Large general services – prime voltage	10	9	1,073,240	13,744,921
Large general services – space heating	2	2	9,221	100,298
Total electric general services	89	92	4,220,732	56,890,280
Schools, churches, and hospitals	285	287	3,899,716	42,483,534
Schools, churches, and hospitals, all electric	7	9	294,014	3,874,399
Large power services	6	4	2,915,129	42,851,880
Combined interruptible services	—	—	81,717	1,459,200
Sewer pumping	6	6	160,054	1,716,792
City traffic signals	58	58	59,347	209,009
Wholesale (border customers)	—	—	113,151	4,246,374
Wholesale (interchange)	—	—	1,968,285	39,456,000
	<u>56,563</u>	<u>56,790</u>	<u>105,458,541</u>	<u>1,146,665,861</u>
Unmetered:				
Private security lighting	1,588	1,644	292,809	1,454,853
City public street lighting	11,489	11,596	1,270,358	9,559,696
	<u>13,077</u>	<u>13,240</u>	<u>1,563,167</u>	<u>11,014,549</u>
Change in unbilled revenue			(727,439)	3,291,506
Other operating revenue			1,285,428	—
EVTC			40,250	—
Total operating revenue and total energy sales			<u>\$ 107,619,947</u>	<u>1,160,971,916</u>
Net generation				452,691,860
Wholesale power purchased				775,472,103
Unintentional interchange				(13,000)
Net generation and power purchased				<u>1,228,150,963</u>
Retail energy sales				1,117,269,542
Wholesale (border customers) sales				43,702,374
Power and light usage (building and substations)				<u>1,546,817</u>
Net disposition				<u>1,162,518,733</u>
Transmission and distribution operating losses			\$	<u>65,632,230</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedules of Operating Expenses – Water Fund**  
**Years ended June 30, 2008 and 2007**

	2008			2007		
	Operations	Maintenance	Total	Operations	Maintenance	Total
<b>Production:</b>						
Source of supply:						
Supervision and engineering	\$ 15,346	—	15,346	23,033	—	23,033
Labor and expenses	273,885	—	273,885	211,547	—	211,547
Structures and improvements	—	31,766	31,766	—	124,040	124,040
Miscellaneous	—	184,694	184,694	—	98,141	98,141
Total source of supply	289,231	216,460	505,691	234,580	222,181	456,761
Power and pumping:						
Supervision and engineering	28,996	11,167	40,163	34,052	11,676	45,728
Fuel/power purchased	1,400,789	—	1,400,789	1,322,086	—	1,322,086
Labor and expenses	187,033	—	187,033	153,022	—	153,022
Structures and improvements	—	13,298	13,298	—	6,773	6,773
Miscellaneous	—	14,252	14,252	—	19,781	19,781
Total power and pumping	1,616,818	38,717	1,655,535	1,509,160	38,230	1,547,390
Water treatment:						
Supervision and engineering	32,296	16,954	49,250	41,594	16,777	58,371
Chemicals	1,024,386	—	1,024,386	849,139	—	849,139
Labor and expenses	668,582	—	668,582	531,415	—	531,415
Structures and improvements	—	78,159	78,159	—	177,817	177,817
Miscellaneous	—	314,137	314,137	—	239,910	239,910
Total water treatment	1,725,264	409,250	2,134,514	1,422,148	434,504	1,856,652
Total production	\$ 3,631,313	664,427	4,295,740	3,165,888	694,915	3,860,803
<b>Transmission and distribution:</b>						
Supervision and engineering	\$ 86,593	62,192	148,785	82,823	54,987	137,810
Storage facilities	16,438	50,404	66,842	15,586	49,868	65,454
Transmission and distribution lines	683,326	755,634	1,438,960	616,840	658,592	1,275,432
Meters	273,142	131,472	404,614	244,094	134,429	378,523
Customer installations	87,480	—	87,480	77,794	—	77,794
Services	—	444,785	444,785	—	205,625	205,625
Hydrants	—	58,883	58,883	—	61,105	61,105
Miscellaneous	668,261	151,784	820,045	498,316	105,842	604,158
Total transmission and distribution	\$ 1,815,240	1,655,154	3,470,394	1,535,453	1,270,448	2,805,901
<b>Customer service:</b>						
Customer accounting paid and collecting:						
Supervision			\$ 156,770			143,076
Meter reading			685,862			698,574
Customer records			297,440			91,511
Provision for uncollectible amounts			71,557			80,860
Total customer accounting paid and collecting			1,211,629			1,014,021
Sales promotion:						
Expenses			45,315			32,474
Total customer service			1,256,944			1,046,495
<b>General and administrative:</b>						
Salaries			620,354			452,440
Office supplies and expense			366,533			286,465
Injuries and damages			381,572			467,381
Employee benefits			1,534,356			1,567,553
Outside services			1,171,580			983,710
Miscellaneous			488,389			192,758
Total general and administrative			4,562,784			3,950,307
Depreciation and amortization			2,722,564			2,388,295
Payroll taxes			320,143			313,998
Other			74,892			63,043
Total operating expenses			16,703,461			14,428,842
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			1,361,960			1,307,833
			\$ 18,065,421			15,736,675

## CITY OF INDEPENDENCE, MISSOURI

## Schedule of Operating Statistics – Water Fund

Year ended June 30, 2008

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
Sale of water:				
Residential	44,836	44,779	\$ 8,994,600	3,215,673
Commercial	3,067	3,096	2,458,013	975,056
Industrial	8	7	308,642	213,850
Public authority	69	74	267,428	103,646
Resale	13	13	5,023,444	4,892,428
Private fire protection	365	381	67,814	—
Public fire protection	—	—	674,303	—
	<u>48,358</u>	<u>48,350</u>	<u>17,794,244</u>	<u>9,400,653</u>
Change in unbilled revenue			(19,550)	
Other operating revenue			<u>339,489</u>	
Total operating revenue			<u>\$ 18,114,183</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				10,825,149
Less total sales				<u>9,400,653</u>
Unaccounted for water				<u>1,424,496</u>

\* Thousand gallons sold.

## CITY OF INDEPENDENCE, MISSOURI

## Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2008

	Number of customers		Revenue	CCF*
	Beginning of year	End of year		
Sale of sanitary sewer services:				
Residential	40,832	40,807	\$ 9,854,124	2,937,585
Commercial:				
Base	3,519	3,510	3,955,002	1,700,923
Surcharge	—	—	604,522	—
Contract waste treatment	14	15	281,691	—
Intermunicipal agreements:				
Sugar Creek	—	—	393,038	—
Kansas City	—	—	62,741	—
	<u>44,365</u>	<u>44,332</u>	15,151,118	<u>4,638,508</u>
Other operating revenue			144,366	
Change in unbilled revenue			(12,429)	
Total operating revenue			<u>\$ 15,283,055</u>	

\* Hundred cubic feet.

## Statistical Section

## STATISTICAL SECTION

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

### Contents

### Tables

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1 - 4

#### **Revenue Capacity**

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

5 - 15

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future

16 - 20

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

21 - 22

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

23 - 25

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



Table 1

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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	233,350,380
Restricted	5,523,788	8,932,152	12,415,044	26,147,417	25,262,407	28,164,683	25,270,518
Unrestricted	(37,143,473)	(43,181,083)	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)	(4,410,121)
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>	<u>254,210,777</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	285,931,913
Restricted	500,000	500,000	500,000	500,000	731,652	731,101	5,216,672
Unrestricted	75,880,444	78,252,510	85,443,314	72,143,939	70,071,662	60,010,180	31,311,367
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>	<u>322,459,952</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	519,282,293
Restricted	6,023,788	9,432,152	12,915,044	26,647,417	25,994,059	28,895,784	30,487,190
Unrestricted	38,736,971	35,071,427	36,565,902	66,391,593	66,042,778	56,877,378	26,901,246
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>	<u>576,670,729</u>

Note: GASB 34 was implemented in the 2002 fiscal year, so only seven 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.

Note: GASB 34 Retroactive Infrastructure was added in the 2007 fiscal year.

Note: The new Workers' Compensation Internal Service Fund was added in the 2008 fiscal year.

Table 2

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>							
<b>Governmental activities:</b>							
Administrative services	\$ 6,840,135	6,846,123	6,808,416	7,148,065	7,363,102	7,749,779	8,487,120
Public safety	31,837,122	33,028,116	32,987,626	35,069,866	36,796,996	38,253,819	44,390,164
Public works	6,842,096	6,686,542	6,196,849	6,889,773	12,817,343	13,231,006	13,013,430
Health and welfare	2,267,210	2,376,921	2,524,823	2,421,255	2,638,369	2,898,542	3,287,200
Culture and recreation	3,279,161	3,861,827	4,069,244	4,247,735	5,161,139	6,965,260	7,813,486
Community development	3,554,250	3,319,609	3,471,030	3,372,610	3,809,726	4,096,835	4,381,932
Storm water	846,628	1,081,513	1,043,573	1,493,534	1,641,992	2,193,290	2,270,858
General government	25,247,320	11,149,913	15,012,715	6,266,060	6,678,208	8,225,760	7,921,217
Interest on long-term debt	2,874,711	2,955,628	3,237,213	536,124	991,856	1,050,153	1,073,318
Total governmental activities expenses	83,588,633	71,306,192	75,351,489	67,445,022	77,898,731	84,664,444	92,638,725
<b>Business-type activities:</b>							
Power and light	60,903,841	65,841,126	71,641,843	73,531,757	84,564,657	89,265,988	101,665,442
Water	14,581,301	15,297,405	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054
Sewer	11,021,666	11,535,324	11,381,487	11,995,774	12,236,654	12,721,171	14,451,363
Events center	—	—	—	—	—	—	179,032
Total business-type activities expenses	86,506,808	92,673,855	98,375,425	101,922,019	113,898,818	119,710,273	135,426,891
Total primary government expenses	\$ 170,095,441	163,980,047	173,726,914	169,367,041	191,797,549	204,374,717	228,065,616
<b>Program Revenues</b>							
<b>Governmental activities:</b>							
<b>Charges for services:</b>							
Administrative services	\$ 5,146,121	5,063,353	5,117,112	5,067,474	5,512,413	5,696,158	5,905,973
Public safety	3,420,032	3,758,528	3,618,327	3,841,471	4,588,766	4,202,328	4,202,059
Public works	640,648	649,768	1,916,080	802,206	1,003,761	1,338,479	739,643
Health and welfare	99,427	321,312	487,956	482,601	435,775	723,574	791,825
Culture and recreation	325,980	153,669	252,814	619,630	975,889	845,560	925,880
Community development	1,625,139	2,019,153	2,068,279	2,050,172	2,203,367	2,292,638	1,949,275
Storm water	33,114	(16,212)	—	—	—	—	645
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	8,902,787
Capital grants and contributions	2,020,559	1,221,356	957,411	7,242,924	26,417,977	23,963,312	27,772,386
Total governmental activities program revenues	27,389,474	22,009,521	23,614,318	29,442,539	50,337,280	49,019,227	51,190,473
<b>Business-type activities:</b>							
<b>Charges for services:</b>							
Power and light	72,278,837	77,276,647	81,333,414	82,592,294	98,278,354	103,133,249	107,619,947
Water	15,224,354	15,937,835	16,610,572	17,080,050	18,312,720	17,744,404	18,114,183
Sewer	12,652,848	12,753,946	13,320,317	13,975,780	14,364,165	15,058,695	15,283,055
Events center	—	—	—	—	—	—	—
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	4,363,127
Total business-type activities program revenues	102,025,168	106,815,872	115,295,778	117,139,507	133,920,164	141,498,397	145,380,312
Total primary government program revenues	\$ 129,414,642	128,825,393	138,910,096	146,582,046	184,257,444	190,517,624	196,570,785

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (expense)/revenue							
Governmental activities	\$ (56,199,159)	(49,296,671)	(51,737,171)	(38,002,483)	(27,561,451)	(35,645,217)	(41,448,252)
Business-type activities	15,518,360	14,142,017	16,920,353	15,217,488	20,021,346	21,788,124	9,953,421
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>	<u>(31,494,831)</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	7,067,966
Sales and use taxes	33,144,312	34,286,925	35,423,599	33,295,203	37,754,853	37,728,799	38,086,941
Franchise taxes	6,545,093	6,718,262	7,241,437	7,500,356	7,645,601	8,209,734	16,519,852
Financial institutions tax	31,592	32,412	29,000	37,149	22,181	34,802	31,960
Investment earnings	782,241	404,173	583,364	922,701	1,385,126	1,785,111	1,476,448
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149	589,469	348,143
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	14,181,015
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>	<u>77,712,325</u>
Business-type activities:							
Investment earnings	2,539,975	822,222	709,029	1,567,536	2,449,623	2,532,853	1,850,519
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132	47,953	37,982
Transfers	(8,661,735)	(9,333,977)	(9,554,727)	(10,038,823)	(13,167,930)	(13,180,055)	(14,181,015)
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>	<u>(12,292,514)</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>	<u>65,419,811</u>
Changes in Net Assets							
Governmental activities	\$ 342,336	8,119,678	9,200,534	21,474,924	40,023,712	32,835,133	36,264,073
Business-type activities	10,694,523	7,157,153	9,849,042	7,768,618	9,739,171	11,188,875	(2,339,093)
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>	<u>33,924,980</u>

Note: GASB 34 was implemented in the 2002 fiscal year, so only seven 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.

Note: GASB 34 Retroactive Infrastructure was added in the 2007 fiscal year.

Note: The new Workers' Compensation Internal Service Fund was added in the 2008 fiscal year.

Table 3

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 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	1,265,717
Unreserved	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	8,062,100
Total General Fund	<u>\$ 6,152,180</u>	<u>6,229,361</u>	<u>7,969,012</u>	<u>7,094,206</u>	<u>4,959,305</u>	<u>5,166,504</u>	<u>4,847,655</u>	<u>7,785,045</u>	<u>6,734,698</u>	<u>9,327,817</u>
All other governmental funds										
Reserved	\$ 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	41,091,787
Unreserved, reported in:										
Special revenue funds	(2,107,166)	(1,329,923)	615,397	2,377,668	6,324,381	8,619,880	17,461,153	14,250,375	17,620,241	12,648,957
Capital project funds	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)	(29,245,744)
Debt service funds	—	—	—	—	—	92,704	92,278	86,300	82,229	71,068
Permanent funds	11,158	11,770	12,606	12,966	13,160	13,274	13,616	14,220	9,670	—
Total all other governmental funds	<u>\$ 7,370,429</u>	<u>18,717,895</u>	<u>19,811,551</u>	<u>20,194,284</u>	<u>21,938,395</u>	<u>26,859,477</u>	<u>31,839,823</u>	<u>24,450,195</u>	<u>26,781,029</u>	<u>24,566,068</u>

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)**

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Taxes	\$ 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	58,474,761
Licenses, fees and permits	2,476,897	2,928,678	3,532,316	3,957,533	4,315,628	4,951,856	4,670,617	5,073,944	5,472,192	4,642,719
Intergovernmental	10,913,472	13,815,850	10,643,440	16,012,619	9,902,274	10,091,764	13,013,181	21,762,714	16,534,433	10,862,317
Charges for services	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	2,784,144
Interfund charges for support services	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	3,222,406
Fines, forfeitures, and court costs	2,666,064	2,997,092	3,010,798	3,199,906	3,502,074	3,219,276	3,521,377	4,023,981	3,900,967	3,724,608
Investment earnings	430,556	852,855	1,570,953	757,872	381,436	571,402	901,209	1,309,569	1,588,358	1,197,790
Reimbursements from component unit	—	—	—	—	—	—	—	—	3,502,961	11,413,444
Other	266,960	667,564	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580	740,435
Total revenues	<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>	<u>97,062,624</u>
<b>Expenditures</b>										
Administrative services	5,628,079	6,021,065	6,343,908	6,477,775	6,542,594	6,593,368	6,618,488	6,897,346	7,592,963	7,460,421
Public safety	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	40,950,718
Public works	6,847,093	5,976,941	6,867,407	6,227,171	6,251,537	6,035,389	5,930,041	6,586,771	7,173,004	7,173,709
Health and welfare	1,214,950	1,175,739	1,292,388	2,193,035	2,300,201	2,395,294	2,419,833	2,614,557	2,835,949	2,875,392
Culture and recreation	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	5,800,784
Community development	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	4,090,318
Storm water	—	—	—	815,654	990,671	820,703	1,180,789	1,141,595	1,538,857	1,388,856
General government	5,094,621	4,204,337	4,750,611	10,794,758	6,147,462	6,964,846	7,148,583	6,678,208	7,582,224	7,612,540
Capital outlay	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	28,561,029
Debt Service										
Principal	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	3,378,132
Interest	802,889	1,036,447	1,917,662	2,736,107	2,933,752	3,153,530	246,458	996,600	1,001,306	1,114,072
Total expenditures	<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>	<u>110,405,971</u>
Excess of revenues over (under) expenditures	(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)	(13,343,347)
<b>Other Financing Sources (Uses)</b>										
Transfers in	1,371,913	1,696,776	809,418	1,686,134	1,817,327	651,553	222,429	1,724,648	2,102,299	1,266,294
Transfers out	(1,261,630)	(1,719,652)	(876,333)	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)
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	100,695
Transfers in - utility payments in lieu of taxes	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	13,702,586
Sale of capital assets	44,245	63,838	44,659	168,381	11,109	31,537	56,379	303,255	50,834	23,581
Total other financing sources (uses)	<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>21,708,698</u>	<u>13,721,505</u>
Net change in fund balances	<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>	<u>378,158</u>
Debt service as a percentage of non capital expenditures	2.74%	6.05%	5.77%	5.37%	7.18%	8.80%	1.95%	5.76%	5.42%	5.63%

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

Note: The years 1999 - 2001 include the expendable trust funds. The years 2002 - 2008 do not include expendable trust funds, but do include the permanent fund (per GASB 34 requirements).

Note: For 2005 certain amounts have been reclassified.

Table 5

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

Sales by Retail Category:	Calendar Year								
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apparel stores	\$ 5,069	6,515	6,766	6,508	6,882	8,610	10,180	10,949	11,647
General merchandise	8,068	6,035	4,199	4,472	4,663	4,814	4,425	3,721	2,428
Food stores	149,273	153,258	152,739	151,513	149,211	176,871	192,808	198,979	192,782
Eating and drinking establishments	46,822	55,881	61,998	77,479	87,771	95,140	103,230	111,145	109,077
Home furnishings and appliances	160,725	213,235	198,519	178,942	164,914	146,574	155,934	122,354	146,407
Building materials and farm tools	2,432	5,669	6,978	7,983	8,095	8,607	7,667	7,575	7,189
Construction/Remodeling	2,241	2,573	2,935	2,880	3,392	3,356	2,869	1,725	1,569
Auto dealers and supplies	10,417	11,206	14,464	17,417	17,675	18,018	17,435	17,805	18,208
Service stations	35,080	38,716	39,528	49,392	52,896	67,021	80,534	80,008	80,135
Other retail stores	74,703	89,942	124,894	128,623	124,010	97,900	125,525	128,177	132,689
All other outlets	35,251	40,737	36,898	44,665	56,890	47,022	47,417	56,760	55,859
Total	\$ <u>530,081</u>	<u>623,767</u>	<u>649,918</u>	<u>669,874</u>	<u>676,399</u>	<u>673,933</u>	<u>748,024</u>	<u>739,198</u>	<u>757,990</u>

Note: Amounts for 2008 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 Ten Calendar Years**  
**(in percent)**

	Calendar Year									
Direct Sales Tax Rate City of Independence	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund	1.000	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	0.375
Park Improvements	0.000	0.125	0.125	0.125	0.125	0.125	0.250	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	0.250
Police Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125	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	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	2.250
Transportation Development District	0.000	0.000	0.000	0.000	0.125	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	2.375

	Calendar Year									
Total Local Option Sales Tax Rate	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
State of Missouri	4.000	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	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	0.100
Jackson County	0.875	0.875	0.875	0.875	0.750	0.750	0.750	0.750	1.125	1.125
City of Independence	1.000	1.500	1.500	1.750	1.750	1.750	1.875	2.250	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	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	7.725

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

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	Total	Personal Property	Railroads & Utilities				
1999	\$ NA	NA	NA	729,733,570	230,747,110	4,617,427	965,098,107	0.7500	4,096,490,672	23.56%
2000	NA	NA	NA	744,308,027	236,853,824	4,984,684	986,146,535	0.7500	4,240,368,802	23.26%
2001	586,564,394	1,074,288	208,300,830	795,939,512	240,711,303	6,135,652	1,042,786,467	0.7500	4,489,104,193	23.23%
2002	599,989,193	1,076,138	214,841,925	815,907,256	256,263,298	5,927,578	1,078,098,132	0.7500	4,626,269,825	23.30%
2003	680,890,499	1,042,495	236,512,469	918,445,463	246,919,958	5,437,187	1,170,802,608	0.7500	5,089,915,714	23.00%
2004	692,984,990	1,058,124	240,816,129	934,859,243	257,027,857	5,855,433	1,197,742,533	0.6930	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	1,031,786,767	256,782,138	5,777,002	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	1,046,898,676	266,654,033	6,349,801	1,319,902,510	0.6630	5,787,206,471	22.81%
2007	826,183,410	1,077,386	289,266,376	1,116,527,172	278,254,929	5,828,914	1,400,611,015	0.6510	6,115,085,122	22.90%
2008	835,415,560	1,092,071	280,076,363	1,116,583,994	289,243,271	6,105,289	1,411,932,554	0.6560	6,168,940,666	22.89%

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
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	0.442	0.209	—	0.651	0.217	5.084	1.063	0.030
2008	0.446	0.210	—	0.656	0.213	5.084	1.053	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	0.155
General Fund	0.154
Road & Bridge Fund	0.138
Park Fund	0.089
Mid-Continent Public Library	0.321
Handicap	0.075
Mental Health	0.121
Total County	<u>1.053</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	4.912
Blue Springs Reorganized #4	5.389
Kansas City School District	4.950

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

Table 9

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

Taxpayer	2008			1999		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	\$ 24,255,536	1	1.72%	\$ 14,647,130	1	1.52%
DDR MDT Independence Commons LLC	10,755,121	2	0.76%			
Geospace	8,516,803	3	0.60%	7,849,330	2	0.81%
Sprint Spectrum	7,591,371	4	0.54%			
Unilever Bestfoods NA	6,761,280	5	0.48%	5,882,510	3	0.61%
Bradley Operating LTD PTP	6,046,633	6	0.43%			
Burd & Fletcher Co	5,866,234	7	0.42%	4,515,430	5	0.47%
Noland Fashion Square Partners	5,103,999	8	0.36%			
MCI & Independence Regional	4,758,831	9	0.34%			
Southern Union Company	4,705,107	10	0.33%	3,362,970	7	0.35%
POB Apollo Independence				4,976,000	4	0.52%
Jones Communications of Missouri				3,076,390	9	0.32%
Southwestern Bell				3,815,676	6	0.40%
Independence Apartments Association				3,458,000	8	0.36%
AGCO, Inc.				2,720,720	10	0.28%
Total	\$ <u>84,360,915</u>		<u>5.97%</u>	\$ <u>54,304,156</u>		<u>5.64%</u>

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
1999	\$ 5,034,573	\$ 4,856,639	96.47%	\$ 177,670	\$ 5,034,309	99.99%
2000	5,471,751	5,135,996	93.86%	331,621	5,467,617	99.92%
2001	5,569,000	5,253,285	94.33%	315,685	5,568,970	100.00%
2002	5,973,598	5,684,526	95.16%	286,269	5,970,795	99.95%
2003	6,048,341	5,729,077	94.72%	316,474	6,045,551	99.95%
2004	6,330,731	6,084,821	96.12%	240,710	6,325,531	99.92%
2005	6,445,475	6,164,479	95.64%	271,365	6,435,844	99.85%
2006	6,819,292	6,557,341	96.16%	232,421	6,789,762	99.57%
2007	6,911,453	6,645,387	96.15%	125,956	6,771,343	97.97%
2008	7,134,431	6,556,896	91.90%	—	6,556,896	91.90%

Table 11

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

Sales by Category:	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Power and Light:</b>										
Residential	\$ 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	55,218,000
Commercial	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	44,708,000
Industrial	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	2,999,000
Sold to Other Utilities	1,443,000	2,708,000	1,406,000	131,000	809,000	689,000	779,000	1,839,000	796,000	2,081,000
Other	685,000	715,000	827,000	824,000	881,000	941,000	1,008,000	1,128,000	1,214,000	1,328,000
<b>Water:</b>										
Residential	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	8,994,600
Commercial	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	2,458,013
Industrial	219,180	225,018	215,619	256,478	324,228	336,707	331,251	362,537	367,863	308,642
Public Authority	124,333	123,779	124,919	131,219	169,383	174,092	189,489	231,257	228,957	267,428
Sold to Other Utilities	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	5,023,444
Other	796,400	817,473	846,602	856,918	856,811	934,326	960,563	968,733	1,060,453	1,081,606
<b>Sanitary Sewer:</b>										
Residential	7,724,284	7,898,920	8,015,061	8,037,051	8,144,267	8,570,232	8,834,127	9,196,013	9,584,113	9,854,124
Commercial	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	4,559,524
Other	871,415	756,543	844,729	728,334	643,687	707,755	797,791	774,222	854,930	881,836
<b>Total</b>	<b>\$ 92,263,249</b>	<b>94,768,264</b>	<b>106,333,530</b>	<b>99,319,912</b>	<b>105,004,953</b>	<b>110,373,909</b>	<b>112,625,819</b>	<b>129,655,354</b>	<b>134,819,812</b>	<b>139,763,217</b>

Table 12

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

		Fiscal Year									
Rates by Category:		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Power and Light (per Kwh):	\$										
Residential		0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.09	0.10	0.10
Commercial		0.06	0.06	0.07	0.07	0.07	0.07	0.07	0.08	0.09	0.09
Industrial		0.04	0.04	0.05	0.05	0.05	0.05	0.05	0.06	0.06	0.07
Sold to Other Utilities		0.08	0.07	0.05	0.02	0.03	0.03	0.03	0.04	0.04	0.05
Other		0.07	0.08	0.09	0.09	0.10	0.10	0.11	0.12	0.13	0.14
Water (per 1,000 gallons):											
Residential		2.39	2.34	2.37	2.37	2.35	2.37	2.49	2.54	2.63	2.80
Commercial		2.16	2.15	2.15	2.17	2.16	2.18	2.27	2.34	2.41	2.52
Industrial		1.11	1.11	1.15	1.09	1.10	1.12	1.14	1.31	1.34	1.44
Public Authority		1.96	1.97	1.94	1.97	1.94	2.02	2.28	2.34	2.42	2.58
Sold to Other Utilities		0.94	0.94	0.94	0.94	1.01	1.02	1.17	1.21	1.10	1.03
Sanitary Sewer (per 100 cubic feet):											
Residential		2.80	2.76	2.71	2.75	2.75	2.77	2.97	3.13	3.18	3.35
Commercial		2.23	2.22	2.08	2.15	2.26	2.34	2.32	2.46	2.64	2.68
Total	\$	<u>13.93</u>	<u>13.82</u>	<u>13.69</u>	<u>13.74</u>	<u>13.89</u>	<u>14.17</u>	<u>14.98</u>	<u>15.72</u>	<u>16.13</u>	<u>16.84</u>

Table 13

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

Utility Customer - Power and Light	2008			1999		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 1,538,583	1	1.45%	\$ 846,641	1	1.29%
Centerpoint Medical Center	1,257,023	2	1.18%			
Burd and Fletcher (Combined Accounts)	1,202,174	3	1.13%	431,866	4	0.66%
Simon Property Group LP	1,053,007	4	0.99%	834,560	2	1.27%
Commercial Distributions Center	967,872	5	0.91%	684,958	3	1.04%
Price Chopper (Noland Road)	485,495	6	0.46%			
Price Chopper (23rd Street)	474,295	7	0.45%			
The Boyer Company	441,401	8	0.42%			
Costco Wholesale Inc.	425,973	9	0.40%			
City's Rock Creek Sanitary Sewer Plant	414,382	10	0.39%	323,878	8	0.49%
AGCO Material Corp				401,735	5	0.61%
Independence Regional Health Center				351,183	6	0.54%
Price Chopper				333,038	7	0.51%
Medical Center of Independence				263,734	9	0.40%
GSA Financial				231,088	10	0.35%
Total	\$ <u>8,260,205</u>		<u>7.77%</u>	\$ <u>4,702,681</u>		<u>7.17%</u>

Table 14

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

Utility Customer - Water	2008			1999		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	\$ 2,580,259	1	14.23%	\$ 1,795,794	1	12.80%
Blue Springs	998,614	2	5.51%	840,568	2	5.99%
District #2, Jackson County	313,205	3	1.73%	265,737	3	1.89%
District #1, Lafayette County	276,059	4	1.52%	204,792	5	1.46%
Oak Grove	263,398	5	1.45%	208,468	4	1.49%
District #15, Jackson County	178,537	6	0.98%	106,188	7	0.76%
Grain Valley	148,530	7	0.82%	135,709	6	0.97%
Lafarge Corporation	127,183	8	0.70%			
Unilever (Thomas J. Lipton Co)	120,512	9	0.66%	104,081	8	0.74%
Buckner	113,957	10	0.63%	101,508	9	0.72%
Sugar Creek				65,389	10	0.47%
Total	\$ <u>5,120,254</u>		<u>28.24%</u>	\$ <u>3,828,234</u>		<u>27.29%</u>

Table 15

**City of Independence, Missouri**  
Principal Utility Payers -  
Sanitary Sewer  
Current Year and Nine Years Ago

Utility Customer - Sewer	2008			1999		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 377,084	1	2.47%	\$ 560,640	1	4.44%
AMOCO	262,819	2	1.72%	367,338	2	2.91%
City of Independence, Power & Light	234,557	3	1.53%	223,680	3	1.77%
Centerpoint Medical Center	73,421	4	0.48%			
Simon Property Group LP	39,872	5	0.26%	15,009	7	0.12%
Price Chopper (23rd Street)	27,620	6	0.18%			
Commercial Distributions Center	17,835	7	0.12%	21,898	6	0.17%
Wal-Mart (Bolger Drive)	10,991	8	0.07%			
Community of Christ Auditorium	9,497	9	0.06%			
The Boyer Company	9,090	10	0.06%			
AGCO				73,471	4	0.58%
Independence Regional Health Center				44,493	5	0.35%
Total	\$ <u>1,062,786</u>		<u>6.95%</u>	\$ <u>1,306,529</u>		<u>10.35%</u>

Note: Amounts for customers 8 through 10 are not available for 1999.

Table 16

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

Fiscal Year	Governmental Activities			
	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation
1999	\$ 11,980,000	\$ —	\$ 1,495,200	\$ —
2000	27,040,000	—	1,700,639	—
2001	38,550,000	—	2,130,126	—
2002	50,448,580	—	1,622,013	—
2003	52,301,676	—	1,086,597	—
2004	59,317,916	995,000	718,955	—
2005	(2) 21,498,153	1,039,990	1,015,831	—
2006	(2) 18,590,023	982,044	737,370	—
2007	23,870,529	923,099	712,483	—
2008	20,681,754	864,153	650,673	—

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation			
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
2008	63,829,753	—	—	—	86,026,333	3.48%	788.08

Notes: (1) See Table 21 for personal income and population data. The 2008 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		
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%	—
2008	—	—	—	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, 2008**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Blue Springs Reorganized #4 School District	\$ 88,500,000	20.00%	\$ 17,700,000
Independence School District	108,530,000	100.00%	108,530,000
Raytown School District	97,505,000	6.00%	5,850,300
Fort Osage Reorganized #1 School District	40,173,012	12.50%	5,021,627
Subtotal, overlapping debt			<u>137,101,927</u>
City direct debt			<u>22,196,580</u>
Total direct and overlapping debt			<u><u>\$ 159,298,507</u></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**

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit (1)	\$ 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	282,386,511
Total net debt applicable to limit	—	—	—	—	—	—	948,722	896,700	840,870	790,240
Legal Debt Margin	\$ 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	281,596,271
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%	0.366%	0.340%	0.300%	0.280%

**Legal Debt Margin Calculation for Fiscal Year 2008**

Assessed Value	\$ 1,411,932,554
Debt Limit (20% of assessed value)	282,386,511
General obligation:	
City-Wide	—
Neighborhood Improvement Districts	864,153
Revenue Bonds	63,829,753
Total Bonded Debt	64,693,906
Less:	
Water Utility Bonds	38,350,000
Electric Utility Bonds	13,154,753
Events Center Bonds	12,325,000
Debt Service Fund Balance	73,913
Total net debt applicable to limit	790,240
Legal debt margin	\$ 281,596,271

**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 for 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			Less: Operating	Net Available		Debt Service						
	Revenues		Expenses (1)	Revenue		Principal	Interest (2)	Coverage				
Power & Light (3)												
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		784,823		8.95
2008		109,358,222		90,141,975		19,216,247		2,065,000		708,218		6.93
Water (2) (3)												
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
2008		18,422,122		13,268,938		5,153,184		2,200,000		1,838,014		1.28
Sanitary Sewer												
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		—		—		—
2008		15,860,966		11,852,963		4,008,003		—		—		—

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>
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%
2008	109,159	2,471,141,442	22,638	39.28	13,550	6.05%

Note: The information for 2008 is an estimate.

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

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

Table 22

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems	2,400	1	4.34%	1,460	1	2.26%
Independence School District	1,800	2	3.25%			
Centerpoint Medical Center	1,600	3	2.89%			
City of Independence	1,176	4	2.13%			
Government Employee Hospital	550	5	0.99%			
Rosewood Health Center at the Groves	400	6	0.72%	100	9	0.15%
Burd & Fletcher	350	7	0.63%			
Unilever	330	8	0.60%			
Jackson County Circuit Court	274	9	0.50%			
Mid-Continent Library	248	10	0.45%			
Independence Regional Health Center				1,400	2	2.17%
Medical Center of Independence				401	5	0.62%
Agco				800	3	1.24%
Southwestern Bell Telephone				725	4	1.12%
Thomas J. Lipton				350	6	0.54%
Sprint Relay Center				248	7	0.38%
The Examiner				100	8	0.15%
Barbour Concrete				85	10	0.13%
Total	<u>9,128</u>		<u>16.50%</u>	<u>5,669</u>		<u>8.78%</u>

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	Full-time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Government</b>										
City council office	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00	10.00	10.00
City clerk	7.00	7.00	7.00	7.00	7.00	6.50	6.50	6.00	6.00	6.00
City manager	10.50	11.50	11.00	10.00	10.00	8.50	7.00	7.50	10.50	10.50
National Frontiers Trails Museum	6.55	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology services	21.00	21.00	21.00	20.00	20.00	20.00	20.00	20.00	21.00	21.00
Municipal court	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00
Law - General fund	6.50	6.00	6.00	6.00	6.00	5.50	5.50	5.75	6.75	6.51
Law - Grants fund	—	—	—	—	—	—	0.50	0.50	0.50	0.37
Finance	25.00	25.00	25.00	25.00	25.00	24.00	24.00	25.00	26.00	25.00
Human resources	6.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
<b>Public Safety</b>										
Police - General fund	264.00	269.00	275.00	274.00	275.00	275.00	277.00	281.50	281.50	283.00
Police - Grants fund	—	—	—	—	—	—	15.00	12.00	10.00	14.00
Fire - General fund	174.00	174.00	174.00	174.00	174.00	174.00	173.25	173.25	173.25	173.25
Fire - Grants fund	—	—	—	—	—	—	0.75	0.75	0.75	0.75
<b>Public Works</b>	87.73	87.90	89.90	88.90	87.90	82.00	81.00	82.00	83.00	82.00
<b>Health and Welfare</b>										
General fund	28.49	28.49	27.24	38.13	39.69	39.47	33.50	34.25	34.25	35.25
Grant fund	—	—	—	—	—	—	5.50	6.00	7.70	6.25
<b>Culture and Recreation</b>										
General fund	41.10	41.70	41.70	41.70	43.79	42.14	41.70	36.70	35.53	32.65
Tourism fund	3.40	3.40	3.40	3.41	3.41	3.41	4.41	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	25.29
<b>Community Development</b>										
General fund	30.00	31.00	35.00	23.00	23.00	22.00	22.00	26.00	25.75	26.64
Community Dev Block Grant fund	4.50	4.50	3.50	3.00	3.00	3.00	3.00	3.00	2.50	2.11
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Storm Water</b>										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Storm Water Sales Tax fund	—	—	—	9.00	7.00	7.00	8.00	8.00	8.00	8.00
<b>Power and Light</b>										
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
<b>Water</b>										
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	0.15
Water	98.48	98.48	98.48	97.48	97.48	97.48	97.48	98.48	97.48	98.50
<b>Sewer</b>										
Public Works - General fund	—	—	—	—	—	—	1.00	1.00	1.00	1.00
Water Pollution Control	72.50	71.50	73.50	72.00	72.00	69.00	70.00	70.00	70.00	70.00
<b>Central Garage fund</b>	10.00	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00	10.00
<b>Total</b>	<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>	<u>1,207.13</u>

Source: City of Independence Budget

Table 24

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Government</b>										
National Frontiers Trails Museum										
Number of visitors to museum	19,625	18,015	20,105	16,199	14,963	19,763	17,183	15,986	14,621	15,095
<b>Public Safety</b>										
Police										
Police Incident Calls	126,185	122,325	123,234	125,219	120,668	123,329	128,891	130,242	126,301	122,667
Traffic Unit Citations Issued	18,730	22,048	22,062	23,227	17,796	30,840	31,323	20,257	30,984	31,241
Fire										
Total Alarms	12,486	12,074	12,557	13,141	12,294	13,424	12,895	13,166	13,354	13,130
Public Education Audience	17,643	21,344	22,293	13,828	12,619	14,747	18,363	18,818	18,502	18,830
<b>Public Works</b>										
Street Overlay (lane miles)	92	110	144	122	110	104	88	66	26	—
Street Patching Jobs	2,003	1,951	1,133	1,524	744	575	542	474	3,897	6,822
<b>Health and Welfare</b>										
Food Handlers Trained	4,200	4,262	4,963	4,741	5,186	11,638	9,680	7,696	8,663	10,112
Flu Shots Given	700	774	450	450	539	600	431	680	1,118	764
Animal Control Service Calls	8,455	8,100	8,318	9,336	9,230	7,354	6,446	7,294	8,415	6,641
<b>Culture and Recreation</b>										
Park Shelter Reservations	230	275	283	671	675	210	214	462	457	646
Number of Sermon Center Memberships	800	830	900	1,275	1,032	1,056	948	930	1,095	1,500
<b>Community Development</b>										
Permits Issued	5,500	5,292	4,822	3,984	4,693	5,809	5,281	4,792	4,048	4,100
<b>Tourism</b>										
Site Attendance	338,373	403,560	357,747	432,268	334,853	306,407	290,499	295,381	260,342	244,524
Leisure Visitor Inquiries	29,271	28,540	21,446	42,608	44,659	23,172	34,512	44,943	34,116	35,446
<b>Power and Light</b>										
Average number of monthly customers	52,640	53,135	53,658	53,982	54,356	55,195	55,921	56,402	56,562	56,790
<b>Water</b>										
Number of customers	45,243	45,649	45,945	46,394	46,873	47,324	47,461	47,769	48,358	48,350
Water main breaks	146	215	294	180	292	239	182	241	271	179
<b>Sewer</b>										
Number of customers	40,637	42,194	42,487	42,856	42,394	43,434	43,909	44,290	44,351	44,210
Wastewater Treated (Million Gallons)	4,944	3,241	4,218	3,830	2,939	3,032	3,207	2,935	2,348	2,701

Table 25

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Police stations	2	2	2	3	3	3	3	3	4	4
Vehicles	137	108	109	151	124	162	90	177	203	206
K - 9 Facility	—	—	—	—	—	—	1	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Vehicles	42	44	42	40	40	42	41	44	45	42
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	600	580	580	532	535	535	535	580	550	564
Culture and Recreation										
Park acreage	724	724	724	721	721	724	724	757	826	728
Parks	41	41	41	40	40	40	42	43	44	42
Community Centers	2	1	1	1	2	3	3	3	3	3
Fitness Centers	1	1	1	1	1	2	2	2	2	2
Ball Fields	32	53	54	53	53	53	53	53	53	54
Power and Light										
Power stations	5	5	5	5	5	5	5	5	5	5
Transmission/Distribution Circuits (miles)	Not Available	650	776	789	794	802	809	817	829	835
Maximum daily use (Mwh)	5,258	5,506	5,432	5,395	5,401	5,838	5,320	5,464	5,865	5,579
Water										
Water mains (miles)	676	683	688	694	697	711	711	729	736	741
Fire hydrants	3,753	3,840	3,908	3,996	4,061	4,186	4,186	4,401	4,520	4,635
Maximum daily pumpage (millions of gallons)	35	37	39	39	42	42	41	44	44	39
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	510	515	515	565	565	582	576	578	590	578
Maximum daily capacity of treatment (MGD)	18	18	18	18	18	18	19	19	18	16

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

**UNAUDITED FINANCIAL AND OPERATING REPORT  
FOR PERIOD ENDED MAY 31, 2009**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

# **CITY OF INDEPENDENCE, MISSOURI**

## **FINANCIAL AND OPERATING REPORT**



**FOR PERIOD ENDED**

**May 31, 2009**

**PREPARED BY:  
FINANCE DEPARTMENT**



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

[www.ci.independence.mo.us](http://www.ci.independence.mo.us) • (816) 325-7000



June 12, 2009

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

**Re: May 2009 Financial Report**

The Financial Report of the City of Independence for the period ended May 31<sup>st</sup> is submitted herewith. This report reflects 91.7% of the 2008-09 fiscal year operations for the funds represented.

The current budget for General Fund estimated revenues are \$208,000 greater than the original estimate.

Projected revenues for the year are expected to be \$1,682,795 less than the estimate. The projected revenues, for the most part, reflect trends that were developed last spring. Note this projection is based on eleven months of actual operating results. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Due to the slow recovery in the general

economy and specifically retail sales we are paying very close attention to sales tax revenue. Current projections for sales tax are \$684,315 less than the original estimate. Utility franchise fees are up \$883,967, most of which is the result of cell phone and natural gas collections. There

General Fund Revenues					
	Original Est. Revenue	Adjusted Est. Revenue	Projected	Variance of Proj. to Adj.	%
Taxes	\$50,246,709	\$50,246,709	\$49,906,897	(\$339,812)	-0.7%
Licenses & Permits	4,324,981	4,324,981	3,500,978	(824,003)	-23.5%
Grants	5,476,667	5,476,667	5,003,033	(473,634)	-9.5%
Charges for Services	1,680,498	1,680,932	1,999,455	318,523	15.9%
Interfund Services	3,289,000	3,289,000	3,363,687	74,687	2.2%
Fines & Forfeitures	4,433,461	4,433,461	4,035,358	(398,103)	-9.9%
Interest	174,800	174,800	171,199	(3,601)	-2.1%
Other Revenue	402,608	610,174	573,323	(36,851)	-6.4%
Debt Proceeds				0	
Total	<u>\$70,028,724</u>	<u>\$70,236,724</u>	<u>\$68,553,929</u>	<u>(\$1,682,795)</u>	<u>-2.4%</u>

is a negative variance from City owned utilities of \$476,677. Detail for these utilities can be found at the end of this letter. Due to the current economy and it's near term projections I have reduced several Business License & Permit accounts to the amount of recent projections received from the operating departments.

The fiscal year to date expenditures for the General Fund is \$62,084,990 and encumbrances are \$2,487,548. The total is \$64,572,538. This represents 89% of the adjusted budget. This is less than the current month's proportion of 91.7%. This includes a number of blanket encumbrances written at the beginning of the year and executive encumbrances for an approximate \$1,100,000 reduction of budgets

and a \$1,137,546 moratorium on health benefit premiums. The variance column adjusts for the executive encumbrances, moratorium, and reflects cost overruns projected in the Police

Department of

\$569,830 for overtime. Salary and benefit projections show that 90.2% of the budget for this category has been expended.

<b>General Fund Expenditures &amp; Encumbrances</b>						
	<b>Adopted Budget</b>	<b>Adjusted Budget</b>	<b>Actual To Date</b>	<b>%</b>	<b>Projected</b>	<b>Variance of Proj. to Adj.</b>
General Government	\$7,941,507	\$8,107,709	\$7,290,138	89.9%	\$7,930,500	\$177,209
Public Safety	40,204,726	40,479,268	37,797,793	93.4%	40,538,100	(58,832)
Public Works	7,660,445	7,732,497	6,689,050	86.5%	7,568,725	163,772
Health	2,706,680	2,725,930	2,542,562	93.3%	2,691,384	34,546
Parks & Recreation	2,125,418	2,159,322	1,993,355	92.3%	2,115,918	43,404
Council Goals	300,000	536,820	288,217	53.7%	536,820	0
TIF Distribution	200,000	963,190	200,987	20.9%	963,190	0
Other	9,943,506	9,854,980	7,770,436	78.8%	8,507,678	1,347,302
<b>TOTAL</b>	<b>\$71,082,282</b>	<b>\$72,559,716</b>	<b>\$64,572,538</b>	<b>89.0%</b>	<b>\$70,852,314</b>	<b>\$1,707,402</b>

### **Projected Financial Position - June 30:**

The chart on the right is a projection of the fund balance account for the General Fund for this fiscal year. Total Fund Balance is decreasing by \$3,057,264 as a result of the expected use of \$1,570,826 of reserved and designated funds and the \$1,486,438 decrease of undesignated funds.

<b>Fund Balance Activity</b>	
<b>Beginning Fund Balance</b>	\$9,327,818
Current Fiscal Year	
Revenues	68,553,929
Expenditures	<u>70,852,314</u>
Rev. over/(under) Expenditures	<u>(2,298,385)</u>
Prior Year Encumbrances	653,522
Transfers In	
Transfers Out	<u>105,357</u>
<b>Projected Ending Fund Balance</b>	<b><u>\$6,270,554</u></b>

### **Projected Unreserved Fund Balance - June 30**

Of the \$9,327,818 of beginning fund balance reported above, the undesignated portion is \$3,557,840. The balance represents reserved and designated fund balance components. The undesignated portion is expected to decrease by \$1,486,438 to a projected undesignated fund balance of \$2,071,402 at the end of this fiscal year. While several factors are impacting this decrease, including the revenue and expenditure variances, a specific one is the appropriation of \$1,158,915 (\$400,000 for accumulated leave payouts and \$758,915 for capital outlay) of fund balance in the current year's operating budget. The City Manager is continuing this year to evaluate vacancies to measure salary savings during

<b>Undesignated Fund Balance Activity</b>	
<b>Beginning Undesignated Fund Balance</b>	\$ 3,557,840
Approved Budget Variances	(2,322,992)
Projection Variances:	
Revenue Variance	(1,682,795)
Expenditure Variance	<u>1,707,402</u>
Net Budget Variance	<u>(2,298,385)</u>
Transfers Authorized by the Budget	(105,357)
Other:	
Increases	1,191,803
Decreases	<u>(274,499)</u>
<b>Projected Ending Undesignated Fund Balance</b>	<b>\$ 2,071,402</b>

the fiscal year. Departments are also being asked to consider reductions in non-personal service accounts. Detail information regarding unreserved fund balance can be found following this transmittal letter.

### **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.

<b>Description</b>	<b>Allocation Amount</b>	<b>Expended or Encumbered</b>	<b>Balance</b>
Carry-over Balance from Prior Year	\$236,819		
Current Year Authorization	300,000		
	<u>\$536,819</u>		
<b><u>Carry-Over Allocations from Prior Years:</u></b>			
Police Academy Scholarship Program	418		418
Neighborhood Park Matching Grants	16,620	939	15,681
Police K-9 Officer Replacement	10,000		10,000
Neighborhood Block Celebrations	8,616	2,533	6,083
Demo. of Dangerous Bld. & Property Clean-up	35,413	35,413	
Sidewalk Repairs Revolving Fund	30,040	15,000	15,040
Flags, Banners & Brackets	3,893	3,893	
<b><u>Current Year Allocations:</u></b>			
Demo. of Dangerous Bld. & Property Clean-up	79,500	6,798	72,702
Mowing & Refuse Cleanup on Private Property	70,000	70,000	
Neighborhood Park Matching Grants			
Graffiti Abatement Program	9,500	8,030	1,470
Graffiti Reward Program	500		500
Neighborhood Cleanup Program	7,960	5,148	2,812
Youth Recreation Program Scholarships	50,000	50,000	
Independence Square Parking Spaces	10,000	8,500	1,500
Speed Risers near Palmer Senior Center	10,000		10,000
Emergency Medical Services	48,300	48,300	
Neglected & Foreclosed Property	62,811	39,766	23,045
Northwest CDC	20,000		20,000
<b>Total</b>	<u>\$473,571</u>	<u>\$294,320</u>	<u>\$179,251</u>
<b>Unallocated Balance</b>	<u>\$63,248</u>		

## **License Surcharge Fund**

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is \$527,253 and interest is \$54,969 and unreserved fund balance is \$(154,387).

## **Street Improvements Sales Tax Fund**

The Street Improvement Sales Tax Fund has been set-up to account for the one-half cent transportation sales tax identified for streets and bridges. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30<sup>th</sup> is (\$12,423,981).

<b><u>Street Improvement Sales Tax Fund</u></b>				
<b><u>Revenues:</u></b>	<b>Actual As Of Prior Fiscal Year</b>	<b>Current Fiscal Year</b>		
		<b>Budget</b>	<b>Projected</b>	<b>Variance</b>
Sales Tax	\$5,878,783	6,244,363	6,958,148	713,785
Interest	77,609	42,000	12,000	(30,000)
Other	4		104,831	104,831
<b>Total Revenues</b>	<b>\$5,956,396</b>	<b>6,286,363</b>	<b>7,074,979</b>	<b>788,616</b>
<b><u>Expenditures:</u></b>				
				0
Non-Departmental	1,470,725	9,000	9,000	0
Debt Service	4,825,405	4,253,325	4,253,325	0
Capital Appropriations		14,143,315	14,143,315	0
<b>Total Expenditures</b>	<b>6,296,130</b>	<b>18,405,640</b>	<b>18,405,640</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(339,734)</b>		<b>(11,330,661)</b>	
<b>Other Fin. Sources (Uses)</b>				
Debt Proceeds				
Transfers In				
Transfers Out	465,331	3,396,361	3,396,361	
<b>Total Other Financing</b>	<b>(465,331)</b>		<b>(3,396,361)</b>	
<b><u>Fund Balance:</u></b>				
Encumbrances	3,046,687			
Other Reserves	565,082			
Unreserved	(1,308,728)		(12,423,981)	
<b>Total</b>	<b>2,303,041</b>		<b>(12,423,981)</b>	

## **Park Improvements Sales Tax Fund**

The Park Improvements Sales Tax Fund has been set-up to account for the one-quarter cent sales tax identified for parks and recreation. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30<sup>th</sup> is (\$4,392,866).

<b><u>Park Improvement Sales Tax Fund</u></b>				
<b><u>Revenues:</u></b>	<b>Actual As Of Prior Fiscal Year</b>	<b>Current Fiscal Year</b>		
		<b>Budget</b>	<b>Projected</b>	<b>Variance</b>
Sales Tax	\$3,918,521	4,162,909	3,976,084	(186,825)
Interest	14,153	2,000	700	(1,300)
Charges for Services	579,567	465,000	465,000	0
Other	31,383	171,005	20,000	(151,005)
<b>Total Revenues</b>	<b>\$4,543,624</b>	<b>4,800,914</b>	<b>4,461,784</b>	<b>(339,130)</b>
<b><u>Expenditures:</u></b>				
				0
Debt Service	1,441,902	2,449,677	2,449,677	0
Operating	2,449,087	3,101,204	3,101,204	0
Capital	2,459,535	1,434,201	1,434,201	0
<b>Total Expenditures</b>	<b>6,350,524</b>	<b>6,985,082</b>	<b>6,985,082</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,806,900)</b>		<b>(2,523,298)</b>	
<b>Other Fin. Sources (Uses)</b>				
Debt Proceeds			26,200	
Transfers In				
Transfers Out	4,461			
<b>Total Other Financing</b>	<b>(4,461)</b>		<b>26,200</b>	
<b><u>Fund Balance:</u></b>				
Encumbrances	573,609			
Other Reserves	74,701			
Unreserved	(2,544,078)		(4,392,866)	
<b>Total</b>	<b>(1,895,768)</b>		<b>(4,392,866)</b>	

## **Fire Sales Tax Fund**

The Fire Sales Tax Fund has been set-up to account for the portion one-eight cent sales tax identified for the fire service. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30<sup>th</sup> is \$421,744.

## **Police (Capital) Sales Tax Fund**

The Police (Capital) Sales Tax Fund has been set-up to account for the one-eighth cent capital improvements sales tax identified for police equipment. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30<sup>th</sup> is \$834,670.

<b><u>Fire Sales Tax Fund</u></b>				
	<b>Actual As Of</b>	<b>Current Fiscal Year</b>		
<b><u>Revenues:</u></b>	<b>Prior Fiscal Year</b>	<b>Budget</b>	<b>Projected</b>	<b>Variance</b>
Sales Tax	\$3,916,886	3,295,636	2,982,064	(313,572)
Interest	172,072	189,000	56,500	(132,500)
Other	32		37	
<b>Total Revenues</b>	<b>\$4,088,990</b>	<b>3,484,636</b>	<b>3,038,601</b>	<b>(446,072)</b>
<b><u>Expenditures:</u></b>				
Debt Service	550,313	553,713	553,713	0
Operating	549,854	2,298,551	2,298,551	0
Capital	2,232,376	5,850,246	5,850,246	0
<b>Total Expenditures</b>	<b>3,332,543</b>	<b>8,702,510</b>	<b>8,702,510</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>756,447</b>		<b>(5,663,909)</b>	
<b>Other Fin. Sources (Uses)</b>				
Debt Proceeds				
Transfers In	4,461			
Transfers Out				
<b>Total Other Financing</b>	<b>4,461</b>		<b>0</b>	
<b><u>Fund Balance:</u></b>				
Encumbrances	4,193,766			
Other Reserves				
Unreserved	1,891,887		421,744	
<b>Total</b>	<b>6,085,653</b>		<b>421,744</b>	

<b><u>Police (Capital) Sales Tax Fund</u></b>				
	<b>Actual As Of</b>	<b>Current Fiscal Year</b>		
<b><u>Revenues:</u></b>	<b>Prior Fiscal Year</b>	<b>Budget</b>	<b>Projected</b>	<b>Variance</b>
Sales Tax	\$2,089,282	2,206,312	2,120,773	(85,539)
Interest	71,502	112,000	22,000	(90,000)
Other	17		10,225	10,225
<b>Total Revenues</b>	<b>\$2,160,801</b>	<b>2,318,312</b>	<b>2,152,998</b>	<b>(165,314)</b>
<b><u>Expenditures:</u></b>				
Debt Service	512,963	517,363	517,363	0
Capital	2,560,218	2,638,769	2,638,769	0
Carry-over Appropriations				0
<b>Total Expenditures</b>	<b>3,073,181</b>	<b>3,156,132</b>	<b>3,156,132</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(912,380)</b>		<b>(1,003,134)</b>	
<b>Other Fin. Sources (Uses)</b>				
Debt Proceeds				
Transfers In	2,231			
Transfers Out				
<b>Total Other Financing</b>	<b>2,231</b>		<b>0</b>	
<b><u>Fund Balance:</u></b>				
Encumbrances	378,811			
Other Reserves				
Unreserved	1,458,993		834,670	
<b>Total</b>	<b>1,837,804</b>		<b>834,670</b>	

### **Storm Water Sales Tax Fund**

The Storm Water Sales Tax Fund has been set-up to account for the one-quarter cent sales tax identified for storm water system improvements. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30<sup>th</sup> is \$1,603,049.

<b><u>Storm Water Sales Tax Fund</u></b>				
	<b>Actual As Of</b>			
<b><u>Revenues:</u></b>	<b><u>Prior Fiscal Year</u></b>	<b><u>Budget</u></b>	<b><u>Projected</u></b>	<b><u>Variance</u></b>
Sales Tax	\$3,919,288	\$4,162,909	\$3,976,085	(186,824)
Intra-governmental		\$0	\$99,000	
Interest	475,034	471,500	175,000	(296,500)
Other	135,588		29,354	29,354
<b>Total Revenues</b>	<b>\$4,529,910</b>	<b>\$4,634,409</b>	<b>\$4,279,439</b>	<b>(\$453,970)</b>
<b><u>Expenditures:</u></b>				
Operating	1,084,316	2,027,485	2,027,485	-
Capital	3,595,826	11,306,977	11,306,977	-
Carry-over Appropriations				
<b>Total Expenditures</b>	<b>4,680,142</b>	<b>13,334,462</b>	<b>13,334,462</b>	<b>-</b>
<b>Excess of Revenues Over</b>				
<b>(Under) Expenditures</b>	<b>(150,232)</b>		<b>(9,055,023)</b>	
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out	4,496	197,965	197,965	
Debt Proceeds				
<b>Total Other Financing</b>	<b>(4,496)</b>		<b>(197,965)</b>	
<b>Fund Balance</b>				
Encumbrances	2,404,718			
Designated Fund Balance				
Unreserved	8,451,319		1,603,049	
<b>Total</b>	<b>10,856,037</b>		<b>1,603,049</b>	

### **Central Garage**

The Garage Fund realized a net loss of \$10,262 for this month of the fiscal year and a net income of \$98,307 for the year to date. The Director of Public Works must review this closely to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for this fiscal year. Also, the Director should look at any fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after eleven months of operation.

<b><u>Central Garage Operating Statement</u></b>		
	<b>Current</b>	<b>Year to Date</b>
	<b>Month</b>	
<b><u>Revenue:</u></b>		
Repairs & Other Income	<u>124,250</u>	<u>\$1,785,226</u>
<b><u>Operating Expenses:</u></b>		
Personal Services	55,007	590,492
Other Services	11,715	313,409
Supplies	70,336	820,800
Capital Outlay		
Depreciation Expense	<u>46</u>	<u>504</u>
Total Expenses	<u>137,104</u>	<u>1,725,205</u>
<b><u>Net Income from Operations</u></b>	<b><u>(12,854)</u></b>	<b><u>60,021</u></b>
<b><u>Other Income/Expense:</u></b>		
Interest Income/Expense	39	1,454
Misc. Income	2,553	<u>36,832</u>
<b><u>Net Income/(Loss)</u></b>	<b><u>(\$10,262)</u></b>	<b><u>\$98,307</u></b>
Fund Equity, Beginning		127,912
<b><u>Fund Equity, Ending</u></b>		<b><u>\$226,219</u></b>

### **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 39<sup>th</sup> Street, 35<sup>th</sup> Street & Noland Rd. Intersection, Little Blue Parkway and Hidden Valley Road. The amount for 'Due from Other Local Government' and 'Other' represents receivables from the County Urban Road System (CURS) and TIF Funds. Of the \$684,485 that is due from the 'Other' the City has submitted requests of \$0.00; approximately \$536,768 is retained from payments to contractors, leaving \$147,717 ready for submission. Of the \$1,248,988 that is 'Due from Federal Government', \$255,086 has been requested; approximately \$935,769 is retained from payments to contractors, leaving \$58,133 ready for submission.

<b><u>Street Improvements Fund</u></b>	
<b>Assets</b>	
Cash	\$791,399
Special Assessment Receivable	
Due From Federal Government	1,248,988
Due From Other Local Government	480,037
Due From Other	684,485
Contributions Receivable	
Total	<u>3,204,909</u>
<b>Liabilities &amp; Credits</b>	
Accounts Payable	2,586,683
Deferred Revenue	1,014,772
Due To Other Funds	
Funds In Escrow	
Total	<u>3,601,455</u>
<b>Fund Balance</b>	<u><u>(\$396,545)</u></u>

### **Workers' Compensation Fund**

The Worker's Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims of \$3,358,107, 75.4% or \$2,531,112 are long term liabilities. Current incurred but not reported (IBNR) claims are estimated to be \$3,914. Non-current IBNR is estimated at \$2,016. Current liabilities include \$148,400 for major claims. Non-current liabilities include \$2,181,532 for major claims.

<b><u>Worker's Compensation Fund</u></b>	
<b>Assets</b>	
Pooled cash and investments	1,335,427
Accounts receivable	<u>295,518</u>
<b>Total Assets</b>	<u>1,630,945</u>
<b>Current Liabilities</b>	
Accounts and contracts payable	1,018
Accrued liabilities	1,005
Compensated absences	12,000
Worker's Comp claims	<u>826,995</u>
<b>Total Current Liabilities</b>	<u>841,018</u>
<b>Noncurrent liabilities</b>	
Compensated absences	27,497
Worker's Comp claims	<u>2,531,112</u>
Total noncurrent liabilities	<u>2,558,609</u>
<b>Total Liabilities</b>	<u>3,399,627</u>
<b>Net Assets</b>	
Invested in capital assets, net of debt	-
Unrestricted	<u>(1,768,682)</u>
Total net assets (deficit)	<u>(1,768,682)</u>
<b>Total liabilities and net assets</b>	<u><u>1,630,945</u></u>

## **Stay Well Health Care Plan**

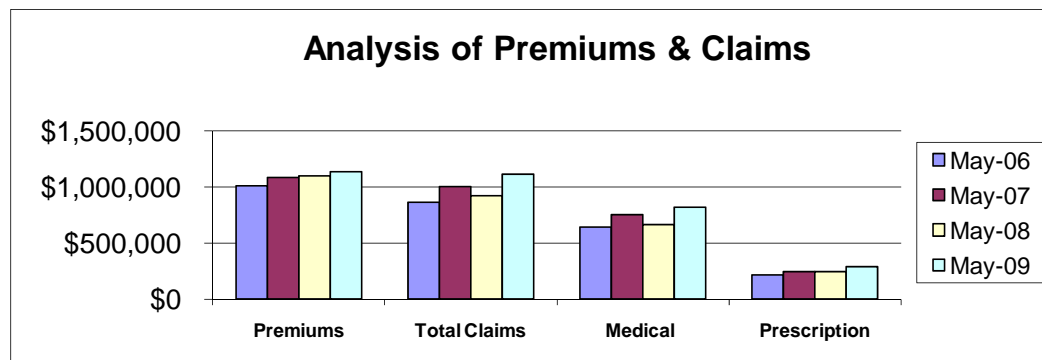
The Stay Well Health Care Plan is the City's self-funded health care plan for employees and retirees. The plan and reinsurance year for this benefit is January 2009 through December 2009.

For the month ending May 31, 2009, the Plan's receipts were \$36,112 less than the Plan's disbursements. This resulted in the Plan's cash balance decreasing to \$5,380,323. During May 2008, the Plan's receipts were \$124,307 more than the Plan's disbursements, resulting in the Plan's cash balance increasing to \$6,765,044 at May 31, 2008.

Stay Well Health Care Plan						
	May 31, 2009			Plan Year To Date		
	Last Year	This Year	Change	Last Year	This Year	Change
Claims Paid	2,654	3,066	15.5%	15,305	15,783	3.1%
Participants	1,222	1,267	3.7%	1,219	1,263	3.6%
(Participants are an average.)						
Receipts	\$1,108,974	\$1,150,737	3.8%	\$5,670,992	\$5,975,139	5.4%
Disbursements:						
Benefits	922,623	1,118,520	21.2%	4,905,852	5,345,196	9.0%
Administration	15,914	17,120	7.6%	79,217	85,651	8.1%
ReInsurance	41,356	42,491	2.7%	205,958	209,904	1.9%
PPO	4,237	4,347	2.6%	21,045	21,785	3.5%
Other	537	4,371	714.0%	8,919	18,041	102.3%
Total	\$984,667	\$1,186,849	20.5%	\$5,220,991	\$5,680,577	8.8%
Ending Cash Balance				\$6,765,044	\$5,380,323	-20.5%
Accrued Reinsurance Reimbursements				0	17,524	
Accrued Liabilities				-1,215,829	-1,733,043	42.5%
Ending Reserve				\$5,549,215	\$3,664,804	-34.0%

The following information summarizes the financial activity of the Plan and provides an explanation of the Plan's financial results for the first five months of the plan year ending December 31, 2009. Since January 1, 2009, the Plan's cash balance has increased by approximately \$295,000.

**Claims Processed** - FMH processed 3,066 medical and vision claims in May or 19% less than the 3,774 claims processed in April. During May 2009, FMH processed 15.5% more medical and vision claims than in May 2008.



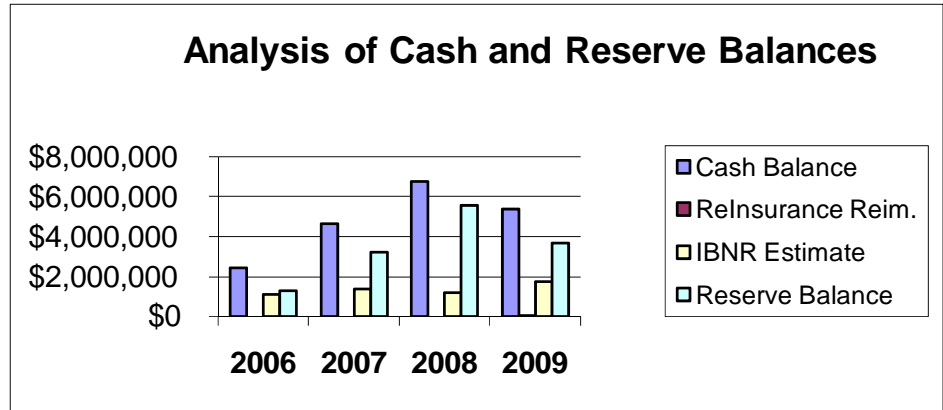
The top 20 individual claims during May accounted for 166 payments, totaling \$457,675. The individual amounts paid for these members ranged from \$8,100 to \$75,476. During May, the top 20 individuals accounted for 57% of the total medical claims paid. Since January 1, 2009, the top 20 individual claim payments totaled \$1,183,326 or 30% of the total medical claims paid. Twenty covered lives represent less than 1% of the employees, retirees, spouses and children covered by the Plan as of May 31, 2009.

During May, FMH took claims discounts of \$1,392,956 or approximately 55% of the gross medical claims submitted for the month. For the Plan year, FMH has taken discounts of \$6,727,087 or 55% of the gross medical claims submitted.

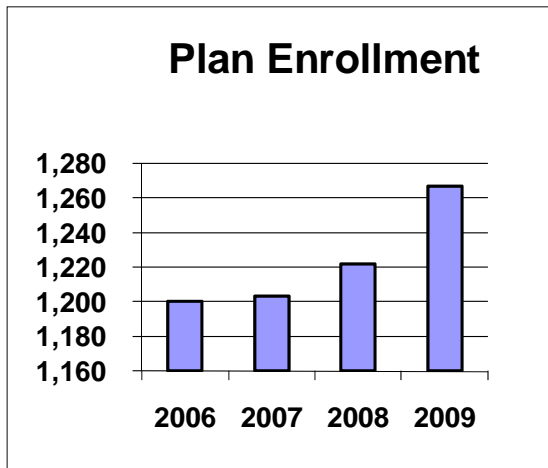
**Reinsurance Claims** – No claims have exceeded the Plan's \$250,000 specific deductible for the

reinsurance policy period starting January 1, 2009. The Plan should receive reimbursement of \$17,524 upon review and approval by the reinsurance company of claims exceeding the Plan's \$250,000 specific deductible during the previous reinsurance policy period.

**Cash Balance, IBNR & Reserve Balance** – The Stay Well Health Care Plan's estimated reserve balance decreased during May to \$3,667,804. This decrease in the Plan's reserve balance is due to May's receipts being approximately \$36,000 less than May's disbursements.



**Plan Enrollment** - The Plan's enrollment has increased by 67 participants or 5.6% since May 2006 to 1,267 as of May 31, 2009. Currently 63% of employees and retirees have health insurance coverage through the Stay Well Health Care Plan; while 21% chose the Coventry HMO program and 16% chose neither health care plan offered by the City.



**Premiums and Benefit Disbursements** - During May, the benefit disbursements were approximately \$16,000 less than in April. Benefit disbursements during May 2009 were approximately \$196,000 more than in May 2008. Total disbursements during May 2009 were approximately \$202,000 more than May 2008 disbursements. Premium receipts for May 2009 increased by approximately \$36,000 over the previous year.

**Projected December 31, 2008 Cash Balance** - In October 2008, the City Council approved benefit changes to the Plan and a one percent (1.0%) increase in the Plan's monthly premiums for the plan year starting January 1, 2009. Based on these benefit changes and the increase in monthly premiums, staff projected the Plan's December 31, 2009, cash balance to be \$5,740,136. Including the Plan's actual results through May, the projected December 31, 2009 cash balance is approximately \$5,865,000.

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 Fund**

Total operating revenues of the Power and Light Fund of \$94,374,960 reflect a decrease of \$3,333,131 over fiscal year 2007-08 operating revenues of \$97,708,092 or 3.4%. Several key factors contributing to decreased revenues were: a decrease in retail energy sales of \$3,820,285, a decrease in sales to other utilities of \$306,638 which was offset by an increase in unbilled revenue of \$857,593. The cool weather experienced during the summer months contributed to the decrease in electricity sales.

Total operating expenses of the Power and Light Fund of \$101,729,247 reflect a decrease of \$697,509 over fiscal year 2007-08 operating expenses of \$102,426,756 or .7%. Several key indicators contributing to decreased expenses were: decreases in production costs of \$1,462,064, in customer accounts of \$212,765, in payment in lieu of taxes of \$334,845 which were offset by increases in distribution costs of \$104,062, depreciation and amortization costs of \$823,518, and transmission costs of \$662,076.

### **Water Fund**

Total operating revenues of the Water Fund of \$16,716,277 reflect an increase of \$139,871 from fiscal year 2007-08 total operating revenues of \$16,576,406 or .84%. This lackluster increase is primarily due to decreased demand as a result of considerably higher precipitation this year.

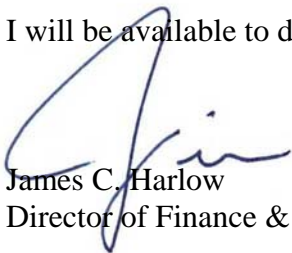
Total operating expenses of the Water Fund of \$17,179,386 reflect an increase of \$891,533 from fiscal year 2007-08 total operating expenses of \$16,287,853 or 5.47%. Increases in water treatment and transmission/distribution expenses account for much of the overall increase. Also, higher inter-fund charges account for over \$200,000 of the increased costs.

### **Sanitary Sewer Fund**

Total operating revenues of the Sanitary Sewer Fund of \$13,888,835 reflects a increase of \$2,130 from fiscal year 2007-08 total operating revenues of \$13,886,705 or 0.0001%. This increase is directly related to an increase in the amount of unbilled sales recorded for this year.

Total operating expenses of the Sanitary Sewer Fund of \$15,235,190 reflect an increase of \$1,004,788 from fiscal year 2007-08 total operating expenses of \$14,230,402 or 7.1%. This increase is attributable to an increase in the costs of treatment 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: 11				Actual Revenue Through May	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget						
<b>Property Taxes:</b>								
<b>General Property Taxes:</b>								
Real Estate	7,269,409	7,269,409	7,254,349	(24,686)			7,229,663	-39,746
R.R. & Other Utility	33,500	33,500	55,093	1			55,095	21,595
<b>Total Property Taxes</b>	<b>7,302,909</b>	<b>7,302,909</b>	<b>7,309,442</b>	<b>-24,685</b>			<b>7,284,758</b>	<b>-18,151</b>
<b>Sales and Use Taxes:</b>								
Local Option Sales Tax	17,650,497	17,650,497	15,103,402	1,412,780	450,000		16,966,182	-684,315
Cigarette Tax	570,000	570,000	475,233	50,131			525,364	-44,636
<b>Total Sales and Use Taxes</b>	<b>18,220,497</b>	<b>18,220,497</b>	<b>15,578,635</b>	<b>1,462,911</b>	<b>450,000</b>		<b>17,491,546</b>	<b>-728,951</b>
<b>Utility Franchise Fees:</b>								
Water	20,000	20,000	19,294	1,460			20,754	754
Gas	5,246,000	5,246,000	5,099,650	192,392	100,000		5,392,042	146,042
Telephone	4,156,241	4,156,241	4,145,587	716,057			4,861,644	705,403
Electricity	345,000	345,000	322,750	36,596			359,346	14,346
Cable Television	630,000	630,000	560,379	87,043			647,422	17,422
<b>Total Utility Franchise Fees</b>	<b>10,397,241</b>	<b>10,397,241</b>	<b>10,147,660</b>	<b>1,033,548</b>	<b>100,000</b>		<b>11,281,208</b>	<b>883,967</b>
<b>Payments in Lieu of Taxes</b>								
Power & Light in Lieu of Taxes	10,906,299	10,906,299	9,459,492	852,861	216,739		10,529,092	-377,207
Water Service in Lieu of Taxes	1,869,765	1,869,765	1,614,198	167,092	40,000		1,821,290	-48,475
Sanitary Sewer in Lieu of Taxes	1,549,998	1,549,998	1,341,180	132,823	25,000		1,499,002	-50,996
<b>Total Payments in Lieu of Taxes</b>	<b>14,326,062</b>	<b>14,326,062</b>	<b>12,414,870</b>	<b>1,152,776</b>	<b>281,739</b>		<b>13,849,385</b>	<b>-476,677</b>
<b>Total Taxes</b>	<b>50,246,709</b>	<b>50,246,709</b>	<b>45,450,607</b>	<b>3,624,550</b>	<b>831,739</b>		<b>49,906,897</b>	<b>-339,812</b>
<b>Business Licenses &amp; Permits:</b>								
Occupation Licenses	1,538,000	1,538,000	1,282,262	93,641			1,375,903	-162,097
Liquor Licenses	96,000	96,000	78,233	19,029			97,263	1,263
Bld. Trades Licenses and Exams	104,000	104,000	108,524	3,399			111,923	7,923
Fin - Other License/Permits	43,000	43,000	45,629	4,170			49,799	6,799
Building Permits, Com. Develop.	1,110,000	1,110,000	458,436	101,823	264,741		825,000	-285,000
Construction Permits, Public Works	700,000	700,000	177,420	102,816	19,764		300,000	-400,000
Nursing Home Permits	800	800	200	118			318	-482
Day Care Permits	6,321	6,321	2,475	3,213			5,688	-633
Food Handler's Permits	126,450	126,450	128,821	13,995			142,817	16,367
Massage Therapist Appl	2,275	2,275	3,135	135			3,270	995
Other Food Permits	92,000	92,000	43,577	10,862			54,439	-37,561
Ambulance Permits & Licenses	40,535	40,535	33,138	3,703			36,841	-3,694
Plan Reviews - Health Dept.	3,600	3,600	1,200	176			1,376	-2,224
<b>Subtotal Bus. Licenses &amp; Permits</b>	<b>3,862,981</b>	<b>3,862,981</b>	<b>2,363,050</b>	<b>357,082</b>	<b>284,505</b>		<b>3,004,637</b>	<b>-858,344</b>
<b>Non-business Licenses &amp; Permits:</b>								
Motor Vehicle Licenses	462,000	462,000	496,341	(25,399)	25,399		496,341	34,341
<b>Subtotal Non-bus. Lic. &amp; Permits</b>	<b>462,000</b>	<b>462,000</b>	<b>496,341</b>	<b>(25,399)</b>	<b>25,399</b>		<b>496,341</b>	<b>34,341</b>
<b>Total Licenses &amp; Permits</b>	<b>4,324,981</b>	<b>4,324,981</b>	<b>2,859,392</b>	<b>331,682</b>	<b>309,904</b>		<b>3,500,978</b>	<b>-824,003</b>
<b>Intergovernmental Revenue:</b>								
<b>Federal:</b>								
Emergency Management								
Public Health Nursing								
Community Health ed								
Dial-a-ride	25,393	25,393	12,697	15,147			27,844	2,451
Other								
<b>Total Federal</b>	<b>25,393</b>	<b>25,393</b>	<b>12,697</b>	<b>15,147</b>			<b>27,844</b>	<b>2,451</b>

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

Months of Actual Revenue: 11			Actual Revenue Through May	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget					
<b>State:</b>							
Financial Institutions Tax	32,000	32,000	44,195	114		44,308	12,308
Gasoline Tax	3,325,000	3,325,000	2,822,247	293,619		3,115,866	-209,134
Motor Vehicle License Fees	625,000	625,000	448,663	58,364		507,027	-117,973
Motor Vehicle Sales Tax	830,000	830,000	547,756	77,750		625,507	-204,493
Other							
<b>Total State</b>	<b>4,812,000</b>	<b>4,812,000</b>	<b>3,862,862</b>	<b>429,847</b>		<b>4,292,709</b>	<b>-519,291</b>
<b>Other:</b>							
Jackson County Drug Task Force	300,000	300,000	301,113	42,093		343,206	43,206
Jackson County Dare Program	314,274	314,274	314,274	337	(337)	314,274	0
Mid Am Reg Council	25,000	25,000	22,917	2,604	(521)	25,000	0
Other Misc. Grants							
<b>Total Other</b>	<b>639,274</b>	<b>639,274</b>	<b>638,304</b>	<b>45,034</b>	<b>(858)</b>	<b>682,480</b>	<b>43,206</b>
<b>Total Intergovernmental Revenue</b>	<b>5,476,667</b>	<b>5,476,667</b>	<b>4,513,862</b>	<b>490,028</b>	<b>(858)</b>	<b>5,003,033</b>	<b>-473,634</b>
<b>Charges for Current Services:</b>							
<b>General Government:</b>							
Planning & Zoning Fees	40,000	40,000	16,800	3,516		20,316	-19,684
Board of Adjustment Fees	4,500	4,500	4,650	319		4,969	469
Sale of Maps, Books, Plans	10,000	10,000	8,580	1,853		10,433	433
Sale of Police Reports	37,000	37,000	32,595	3,555		36,150	-850
Sale of Fire Reports	36	36	49	5		54	18
Computer Service Charges	32,000	32,000	19,024	4,047		23,071	-8,929
<b>Health:</b>							
Animal Shelter Fees	87,000	87,000	82,860	6,814		89,674	2,674
Animal ID Tags	19,000	19,000	21,630	1,520		23,150	4,150
Health Training Programs							
<b>Public Safety:</b>							
Reimb. For Police Services	22,000	22,434	34,952	4,426		39,379	16,945
School Resource Officers	641,177	641,177	317,653	54,101		371,755	-269,422
Alarm Charges - Police	39,000	39,000	31,925	2,469		34,394	-4,606
Alarm Charges - Fire	3,950	3,950	1,475	123		1,598	-2,352
<b>Recreation:</b>							
Class Fees	33,500	33,500	80,216	2,504		82,721	49,221
Park Concessions	7,500	7,500	4,780	1,092		5,872	-1,628
Pool Fees							
Recreation Centers	12,250	12,250	29,098	1,004		30,103	17,853
Recreation Rentals	57,860	57,860	89,158	6,569		95,726	37,866
<b>National Frontier Trails Center:</b>							
NFTC - Admissions & Rentals	44,000	44,000	44,841	5,532		50,373	6,373
NFTC - Gift Shop	30,000	30,000	24,198	3,782		27,980	-2,020
<b>Cemetery:</b>							
Sale of Cemetery Lots	9,500	9,500	2,100	511		2,611	-6,889
Sale of Monument Bases	3,500	3,500	2,321	321		2,642	-858
Grave Opening Charges	21,225	21,225	47,025	1,714		48,739	27,514
<b>Other Charges:</b>							
Sale of Street Signs	500	500	1,615	33		1,648	1,148
Special Assessments	160,000	160,000	195,597	31,105		226,702	66,702
Sale of Recycled Material			21,339			21,339	21,339
Solid Waste Disp Fees	90,000	90,000	85,732	9,258		94,990	4,990
Miscellaneous Charges	275,000	275,000	551,209	101,860		653,069	378,069
<b>Total Charges for Current Services</b>	<b>1,680,498</b>	<b>1,680,932</b>	<b>1,751,424</b>	<b>248,032</b>		<b>1,999,455</b>	<b>318,523</b>

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

Months of Actual Revenue: 11			Actual Revenue Through May	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget					
<b>Fines and Court Costs</b>							
Fines & Forfeitures	3,841,283	3,841,283	3,148,164	338,632		3,486,796	-354,487
Court Costs	438,643	438,643	372,121	38,768		410,889	-27,754
Police Training	62,972	62,972	50,910	5,520		56,430	-6,542
Domestic Violence	54,200	54,200	51,236	4,917		56,153	1,953
Dwi/drug	36,363	36,363	21,975	3,115		25,090	-11,273
Special Warrant Collection							
<b>Total Fines and Court Costs</b>	<b>4,433,461</b>	<b>4,433,461</b>	<b>3,644,406</b>	<b>390,952</b>		<b>4,035,358</b>	<b>-398,103</b>
<b>Interest Income</b>							
Interest	100,800	100,800	42,196	9,412		51,608	-49,192
Special Assessments - Interest	4,000	4,000	471	511		982	-3,018
Interest - Other	70,000	70,000	111,156	7,453		118,609	48,609
<b>Total Interest Income</b>	<b>174,800</b>	<b>174,800</b>	<b>153,823</b>	<b>17,375</b>		<b>171,199</b>	<b>-3,601</b>
Interfund Chgs. For Supp. Serv.	3,289,000	3,289,000	3,014,935	348,752		3,363,687	74,687
<b>Other Revenue:</b>							
Sale of Land							
Sale of Fixed Assets	57,208	57,208	24,114	25,563		49,678	-7,530
Rents	130,000	130,000	100,992	6,345		107,336	-22,664
Damage Claims	15,000	15,000	281	(1,340)		-1,059	-16,059
Contributions		2,240	105,434	823		106,257	104,017
Housing Auth. In Lieu of Taxes							
Cash Over/Short			145			145	145
Discounts Taken	400	400	137	25		162	-238
Misc. Non-operating Revenue	200,000	235,769	122,327	18,920		141,246	-94,523
Proceed from Capital Lease		169,557	169,557			169,557	
<b>Total Other Revenue</b>	<b>402,608</b>	<b>610,174</b>	<b>522,987</b>	<b>50,335</b>		<b>573,323</b>	<b>-36,851</b>
<b>Total Revenue</b>	<b>70,028,724</b>	<b>70,236,724</b>	<b>61,911,436</b>	<b>5,501,708</b>	<b>1,140,785</b>	<b>68,553,929</b>	<b>(1,682,795)</b>

# City of Independence, Missouri

## Analysis of General Fund Undesignated Fund Balance

	Budget	May 31st	Variance	Notes
<b>Beginning Undesignated Fund Balance</b>	\$ 4,649,067	\$ 3,557,840	\$ (1,091,227)	
<b>Current Fiscal Year Activity:</b>				
<u>Estimated Revenues:</u>				
City Council Approved Revenue Estimates	\$70,028,724	\$70,236,724	\$208,000	
Projected Revenue Variances for the Year	-	(\$1,682,795)	(\$1,682,795)	
Net Projected Revenues	70,028,724	68,553,929	(1,474,795)	
<u>Appropriations/Expenditures:</u>				
City Council Approved Appropriations	\$71,082,282	\$72,559,716	\$1,477,434	
Projected Expenditure Variances for the Year	-	(\$1,707,402)	(\$1,707,402)	
Net Projected Expenditures	71,082,282	70,852,314	(229,968)	
Net Revenues Over/(Under) Expenditures	(1,053,558)	(2,298,385)	(1,244,827)	
<b>Transfers Out:</b>				
Storm Water Fund	105,357	105,357	-	
Total	105,357	105,357	-	
<b>Transfers In:</b>				
Total	-	-	-	
<b>Other:</b>				
Reservations of Fund Balance:				
Police Forfeitures	-	(130,808)	(130,808)	
Protested Revenues	-	(143,691)	(143,691)	
Cancellation of Prior Year Encumbrances	-	191,793	191,793	
Appropriations funded from Fund Balance Components:			-	
City Council Strategic Goals	-	236,820	236,820	
TIF Distributions (GTIF)	-	763,190	763,190	
Grant Close Out	-	-	-	
Total	-	917,304	917,304	
<b>Projected Year End Undesignated Fund Balance</b>	\$ 3,490,152	\$ 2,071,402	\$ (1,418,750)	

**Notes:**

**City of Independence, Missouri**  
**Balance Sheet**  
**Governmental Funds**  
**May 31, 2009**

<b>Assets</b>	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Pooled cash and investments	6,995,417	25,372,015	32,367,432
Receivables:			
Taxes	7,776,917	3,918,205	11,695,122
Accounts	103,413	-	103,413
Special assessment principal and accrued interest	563,168	1,623,270	2,186,438
Accrued interest	2,981	24,625	27,605
Due from other funds	106,384	-	106,384
Due from component unit to primary gvmt	-	293,206	293,206
Due from other governments	666,038	2,406,035	3,072,073
Restricted assets	449,901	32,495,194	32,945,095
Total assets	<u>\$ 16,664,219</u>	<u>\$ 66,132,550</u>	<u>\$ 82,796,768</u>

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts and contracts payable	956,930	3,943,073	4,900,004
Due to primary government from component unit	-	293,206	293,206
Accrued items	1,842,299	97,733	1,940,032
Other current liabilities	656,872	7,500	664,372
Deferred revenue	4,623,860	2,297,916	6,921,776
Liabilities payable from restricted assets:			
Deposits and court bonds	233,131	-	233,131
Total liabilities	<u>8,313,092</u>	<u>6,639,429</u>	<u>14,952,520</u>

Fund Balances:			
Reserved for:			
Encumbrances	2,579,178	21,326,304	23,905,482
Domestic violence	10,083	-	10,083
Other purposes	553,000	21,506,848	22,059,848
Unreserved, reported in:			
General fund	1,724,335	-	1,724,335
Special revenue funds	-	3,928,230	3,928,230
Debt Service fund	-	48,270	48,270
Capital project funds	-	(3,325,139)	(3,325,139)
Designated general fund	3,484,530	-	3,484,530
Designated special revenue funds	-	3,839,316	3,839,316
Designated capital project funds	-	12,169,292	12,169,292
Total fund balance	<u>8,351,127</u>	<u>59,493,121</u>	<u>67,844,248</u>
Total liabilities and fund balance	<u>\$ 16,664,219</u>	<u>\$ 66,132,550</u>	<u>\$ 82,796,768</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 Eleven Months Ending May 31, 2009**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes	33,035,747	29,933,379	62,969,126
Licenses and permits	2,859,392	527,253	3,386,645
Intergovernmental	4,513,862	12,882,570	17,396,432
Charges for services	1,751,551	491,841	2,243,392
Interfund charges for support services	3,014,935	-	3,014,935
Fines, forfeitures, and court costs	3,644,406	-	3,644,406
Investment Income	153,823	683,385	837,209
Sale of property, plant, and equipment	24,114	10,141	34,255
TIF Developer Contributions	-	865,004	865,004
Reimbursements from component unit	-	9,716,276	9,716,276
Other	329,316	1,599,335	1,928,652
Total revenues	<u>49,327,146</u>	<u>56,709,185</u>	<u>106,036,331</u>
<b>Expenditures:</b>			
Current:			
General government	7,095,988	12,662	7,108,649
Public safety	34,566,803	2,906,745	37,473,548
Public works	6,169,454	-	6,169,454
Health and welfare	2,491,595	360,804	2,852,399
Culture and recreation	1,942,367	3,111,343	5,053,709
Community development	2,424,445	900,597	3,325,043
Storm Water	291,476	1,144,548	1,436,023
Nondepartmental/other	6,770,372	109,204	6,879,576
Capital outlay	537,053	49,426,399	49,963,452
Debt service:			
Principal	334,746	12,404,965	12,739,712
Interest and fiscal agent fees	44,579	10,805,425	10,850,004
Total expenditures	<u>62,668,877</u>	<u>81,182,692</u>	<u>143,851,569</u>
Excess (deficiency) of revenues over expenditures	<u>(13,341,731)</u>	<u>(24,473,508)</u>	<u>(37,815,239)</u>
<b>Other financing sources (uses):</b>			
Proceeds from bond issuance	-	21,135,000	21,135,000
Reoffering premium/original issue discount	-	(565,435)	(565,435)
Transfers in-utility payments in lieu of taxes	12,414,870	-	12,414,870
Transfers in	-	3,656,810	3,656,810
Transfers out	(219,387)	(3,516,661)	(3,736,048)
Total other financing sources (uses)	<u>12,365,040</u>	<u>20,709,715</u>	<u>33,074,755</u>
Net change in fund balances	(976,691)	(3,763,793)	(4,740,484)
Fund balances, beginning	9,327,818	63,256,914	72,584,732
Fund balances, ending	<u>\$ 8,351,127</u>	<u>\$ 59,493,121</u>	<u>\$ 67,844,248</u>

See accompanying reports for detail on Other Governmental Funds.

**City of Independence, Missouri**  
**Statement of Expenditures & Encumbrances**  
**General Fund**  
**For the Eleven Months Ending May 31, 2009**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Expenditures - Current Year</b>	<b>Expenditures - Prior Year</b>	<b>Total Expenditures</b>	<b>Encumbrances - Current Year</b>
General Government:						
City Council	406,982	412,824	354,346	556	354,902	18,578
City Clerk	455,201	460,045	370,762	578	371,341	12,555
City Manager	1,065,315	1,088,052	963,887	5,007	968,893	30,028
National Frontier Trails Center	376,480	384,942	335,335	4,800	340,135	11,651
Technology Services	1,760,857	1,802,819	1,569,465	14,270	1,583,735	51,665
Municipal Court	751,741	763,609	664,178	5,681	669,859	23,253
Law	745,326	763,100	702,424	-	702,424	20,482
Finance	1,868,028	1,907,682	1,679,147	23,699	1,702,846	45,010
Human Resources	511,577	524,636	425,147	1,320	426,467	12,225
Total General Government	<u>7,941,507</u>	<u>8,107,709</u>	<u>7,064,691</u>	<u>55,911</u>	<u>7,120,602</u>	<u>225,447</u>
Public Safety:						
Community Development	2,820,958	2,864,320	2,398,990	25,455	2,424,445	84,307
Police	22,442,460	22,601,356	20,928,741	91,770	21,020,512	444,442
Fire	14,941,308	15,013,592	13,645,897	40,476	13,686,372	295,416
Total Public Safety	<u>40,204,726</u>	<u>40,479,267</u>	<u>36,973,628</u>	<u>157,701</u>	<u>37,131,329</u>	<u>824,166</u>
Public Works	7,345,945	7,415,143	6,017,447	152,008	6,169,454	378,010
Storm Water	314,500	317,354	291,448	27	291,476	2,145
Health	2,706,680	2,725,930	2,450,651	40,943	2,491,595	91,911
Parks and Recreation	2,125,418	2,159,322	1,927,791	14,575	1,942,367	65,564
Non-Departmental	8,669,377	8,411,294	6,352,167	9,374	6,361,542	549,477
Council Goals	300,000	536,820	189,674	47,415	237,088	98,543
Debt Service	-	169,557	171,742	-	171,742	810
Capital Outlay	1,274,129	1,274,129	455,686	100,077	555,763	240,554
TIF Distribution	200,000	963,190	190,064	5,855	195,919	10,922
Total Other	<u>22,936,049</u>	<u>23,972,739</u>	<u>18,046,670</u>	<u>370,275</u>	<u>18,416,945</u>	<u>1,437,934</u>
Total Expenditures & Encumbrances	<u>71,082,282</u>	<u>72,559,715</u>	<u>62,084,990</u>	<u>583,887</u>	<u>62,668,877</u>	<u>2,487,548</u>

**CITY OF INDEPENDENCE, MISSOURI**

Balance Sheet  
Proprietary Funds  
May 31, 2009

Assets	Enterprise Funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Current assets:						
Pooled cash and investments	\$ 8,507,941	677,050	8,170,587	(6,710)	17,348,868	7,072,004
Receivables:						
Accounts (net of allowance of \$892,881)	6,802,390	1,454,365	1,512,325	—	9,769,081	314,090
Unbilled revenue	5,699,741	887,213	980,194	—	7,567,148	10,822
Special assessment principal and accrued interest	3,382	—	34,435	—	37,818	133,200
Accrued interest	25,030	—	11,567	—	36,597	—
Other	—	—	—	—	—	—
Due from other funds	19,301	11,614	7,701	—	38,616	—
Due from other governments	—	—	—	—	—	—
Inventory	11,350,371	628,467	57,729	—	12,036,568	—
Prepaid items	202,759	23,477	10,991	—	237,227	—
Restricted assets	1,356,313	378,339	300,558	48,341,389	50,376,599	—
Total current assets	<u>33,967,229</u>	<u>4,060,525</u>	<u>11,086,089</u>	<u>48,334,679</u>	<u>97,448,522</u>	<u>7,530,116</u>
Noncurrent assets:						
Restricted assets	29,929,901	13,747,431	—	—	43,677,332	—
Capital assets:						
Nondepreciable	16,109,148	3,484,375	5,419,124	29,762,178	54,774,825	93,979
Depreciable, net	146,030,962	102,469,797	62,102,822	—	310,603,581	1,146
Advance to other funds	—	—	—	—	—	—
Deferred debt issue costs	1,550,292	1,427,590	—	3,469,538	6,447,420	—
Prepaid employee benefits	—	—	—	—	—	—
Other deferred charges	(490,242)	1,893,758	0	—	1,403,516	—
Total noncurrent assets	<u>193,130,061</u>	<u>123,022,951</u>	<u>67,521,946</u>	<u>33,231,717</u>	<u>416,906,675</u>	<u>95,125</u>
Total assets	<u>\$ 227,097,290</u>	<u>127,083,476</u>	<u>78,608,035</u>	<u>81,566,396</u>	<u>514,355,197</u>	<u>7,625,241</u>
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts and contracts payable	\$ 4,904,280	417,494	422,652	—	5,744,425	179,177
Accrued items	405,211	174,741	674,667	—	1,254,618	7,305
Other current liabilities	—	—	48,054	—	48,054	—
Deferred revenue	—	—	—	—	—	—
Current portion of long-term obligations	1,166,266	3,373,676	308,414	30,000	4,878,355	43,962
Employee benefits payable	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	2,626,378
Liabilities payable from restricted assets	1,220,833	723,238	271,791	795,441	3,011,303	—
Total current liabilities	<u>7,696,589</u>	<u>4,689,149</u>	<u>1,725,578</u>	<u>825,441</u>	<u>14,936,756</u>	<u>2,856,823</u>
Noncurrent liabilities:						
Revenue bonds payable	42,617,991	50,965,000	—	82,255,000	175,837,991	—
Other long term liabilities	—	19,507	7,093	—	26,600	—
Other post employment benefits	2,997,897	1,208,913	999,029	—	5,205,838	137,118
Compensated absences – long-term	3,002,109	1,110,843	675,339	—	4,788,290	82,101
Advances for construction	416,797	102,322	—	—	519,119	—
Medical self-insurance claims	—	—	—	—	—	2,539,350
Total noncurrent liabilities	<u>49,034,793</u>	<u>53,406,585</u>	<u>1,681,461</u>	<u>82,255,000</u>	<u>186,377,839</u>	<u>2,758,569</u>
Total liabilities	<u>56,731,382</u>	<u>58,095,734</u>	<u>3,407,039</u>	<u>83,080,441</u>	<u>201,314,594</u>	<u>5,615,391</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	121,072,411	53,482,431	67,521,946	(49,053,283)	193,023,505	95,125
Restricted for:						
Debt service	2,825,127	500,000	—	—	3,325,127	—
Unrestricted	46,468,370	15,005,311	7,679,050	47,539,239	116,691,970	1,914,725
Total net assets	<u>170,365,908</u>	<u>68,987,742</u>	<u>75,200,997</u>	<u>(1,514,045)</u>	<u>313,040,602</u>	<u>2,009,850</u>
Total liabilities and net assets	<u>\$ 227,097,290</u>	<u>127,083,476</u>	<u>78,608,035</u>	<u>81,566,396</u>	<u>514,355,197</u>	<u>7,625,241</u>

**CITY OF INDEPENDENCE, MISSOURI**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year ended May 31, 2009

	<b>Enterprise Funds</b>					<b>Internal</b>
	<b>Power and Light</b>	<b>Water</b>	<b>Sanitary Sewer</b>	<b>Events Center</b>	<b>Totals</b>	<b>Service Funds</b>
Operating revenues:						
Charges for services	\$ 93,178,681	16,295,353	13,751,229	—	123,225,263	1,785,226
Miscellaneous	1,196,279	420,924	137,606	—	1,754,809	10,898,043
Total operating revenues	94,374,960	16,716,277	13,888,835	—	124,980,072	12,683,269
Operating expenses:						
Personal services	15,892,611	7,035,626	4,657,798	—	27,586,035	685,057
Other services	14,328,607	3,433,800	6,185,943	—	23,948,351	14,990,179
Capital Outlay	0	261,525	—	—	261,525	1,620
Supplies	45,358,691	1,285,559	627,766	—	47,272,016	822,939
Other expenses	6,203,458	2,579,255	91,007	—	8,873,719	—
Depreciation and amortization	10,478,529	2,583,621	2,331,497	—	15,393,648	504
Total operating expenses	92,261,898	17,179,386	13,894,010	—	123,335,294	16,500,299
Operating income	2,113,062	(463,109)	(5,176)	—	1,644,778	(3,817,030)
Nonoperating revenues (expenses):						
Interest revenue	265,206	14,642	142,685	35,853	458,386	106,610
Miscellaneous revenue	1,395,674	1,492,312	89,022	0	2,977,009	4,609,143
Interest expense	(1,178,354)	(1,907,861)	—	(1,385,772)	(4,471,987)	—
Total nonoperating revenue (expenses)	482,526	(400,907)	231,707	(1,349,918)	(1,036,593)	4,715,753
Income before contributions and transfers	2,595,588	(864,016)	226,531	(1,349,918)	608,185	898,723
Capital contributions	711,463	337,859	1,654	—	1,050,976	—
Transfers out - Utility payments in lieu of taxes	(9,459,492)	(1,614,198)	(1,341,180)	—	(12,414,870)	—
- Other	—	—	—	—	—	—
Transfers in	—	—	105,357	—	105,357	—
Change in net assets	(6,152,440)	(2,140,356)	(1,007,638)	(1,349,918)	(10,650,352)	898,723
Total net assets:						
Beginning of the period	176,518,348	71,128,098	76,208,635	(164,127)	323,690,954	1,111,127
End of the period	\$ 170,365,908	68,987,742	75,200,997	(1,514,045)	313,040,602	2,009,850

**CITY OF INDEPENDENCE, MISSOURI**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

**May 31, 2009**

<b>Assets</b>	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
Pooled cash and investments	\$ 62,247	108,173
Accrued interest receivable	-	383
Total assets	<u>\$ 62,247</u>	<u>108,556</u>
<b>Liabilities</b>		
Accounts and contacts payable	\$ 220	240
Funds held in Escrow	1,425	66,148
Employee deferred credit	—	42,168
Total liabilities	<u>\$ 1,645</u>	<u>108,556</u>
<b>Net Assets</b>		
Held in trust	<u>\$ 60,602</u>	

**City of Independence, Missouri**  
**Combining Balance Sheet**  
**Special Revenue Funds**  
**May 31, 2009**

<b>Assets</b>	<b>Tourism</b>	<b>Independence Square Benefit District</b>	<b>Community Development Grant Act</b>	<b>Rental Rehabilitation</b>	<b>Consolidated Sales Tax</b>	<b>License Surcharge</b>	<b>Grants</b>	<b>Total</b>
Pooled cash and investments	1,506,611	(569)	(25,056)	(151,055)	10,615,984	3,040,369	(160,774)	14,825,510
Receivables:								
Taxes	95,000	3,093	-	-	2,976,908	-	-	3,075,001
Accounts	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	22,389	2,236	-	24,625
Due from other governments	-	-	45,936	166,303	-	-	296,607	508,846
Restricted assets	-	-	-	-	11	-	-	11
Total assets	<u>\$ 1,601,611</u>	<u>\$ 2,524</u>	<u>\$ 20,879</u>	<u>\$ 15,249</u>	<u>\$ 13,615,292</u>	<u>\$ 3,042,604</u>	<u>\$ 135,833</u>	<u>\$ 18,433,992</u>

	<b>Tourism</b>	<b>Independence Square Benefit District</b>	<b>Community Development Grant Act</b>	<b>Rental Rehabilitation</b>	<b>Consolidated Sales Tax</b>	<b>License Surcharge</b>	<b>Grants</b>	<b>Total</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts and contracts payable	9,262	-	14,401	5,000	1,327,715	-	13	1,356,391
Accrued items	9,139	-	5,795	2,745	56,871	-	23,182	97,733
Other current liabilities	-	-	-	7,500	-	-	-	7,500
Deferred revenue	-	-	-	-	-	-	171,635	171,635
Total liabilities	<u>18,402</u>	<u>-</u>	<u>20,196</u>	<u>15,245</u>	<u>1,384,586</u>	<u>-</u>	<u>194,830</u>	<u>1,633,259</u>
Fund Balances:								
Reserved for:								
Encumbrances	113,040	-	318,908	596,341	7,811,396	-	192,066	9,031,751
Other purposes	-	1,425	-	-	11	-	-	1,436
Unreserved, reported in:								
Special revenue funds	827,842	1,099	(318,225)	(596,337)	4,419,298	(154,385)	(251,063)	3,928,230
Designated special revenue funds	642,327	-	-	-	-	3,196,989	-	3,839,316
Total fund balance	<u>1,583,209</u>	<u>2,524</u>	<u>683</u>	<u>4</u>	<u>12,230,706</u>	<u>3,042,604</u>	<u>(58,997)</u>	<u>16,800,733</u>
Total liabilities and fund balance	<u>\$ 1,601,611</u>	<u>\$ 2,524</u>	<u>\$ 20,879</u>	<u>\$ 15,249</u>	<u>\$ 13,615,292</u>	<u>\$ 3,042,604</u>	<u>\$ 135,833</u>	<u>18,433,992</u>

**City of Independence, Missouri**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Special Revenue Funds**  
**For the Eleven Months Ending May 31, 2009**

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
<b>Revenues:</b>								
Taxes	884,132	22,735	-	-	17,780,929	-	-	18,687,795
Licenses and permits	-	-	-	-	-	527,253	-	527,253
Intergovernmental	52,348	-	663,705	392,384	98,960	-	1,444,629	2,652,026
Charges for services	425	-	-	-	323,183	-	76,519	400,127
Investment Income	11,205	128	-	-	256,050	54,969	-	322,352
Sale of property, plant, and equipment	-	-	-	-	10,141	-	-	10,141
Other	3,916	-	-	-	148,975	-	-	152,891
Total revenues	952,026	22,863	663,705	392,384	18,618,237	582,222	1,521,148	22,752,584
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	-	-	12,662	12,662
Public safety	-	-	-	-	1,792,780	-	1,113,965	2,906,745
Health and welfare	-	-	-	-	-	-	360,804	360,804
Culture and recreation	846,251	-	-	-	2,265,091	-	-	3,111,343
Community development	-	-	508,213	392,384	-	-	-	900,597
Storm water	-	-	-	-	1,144,548	-	-	1,144,548
Nondepartmental	-	-	-	-	15,442	-	92,714	108,156
Capital outlay	-	22,104	-	-	11,745,616	-	-	11,767,720
Debt service:								
Principal	-	-	-	-	6,870,000	-	-	6,870,000
Interest and fiscal agent fees	-	-	-	-	886,576	-	-	886,576
Total expenditures	846,251	22,104	508,213	392,384	24,720,053	-	1,580,145	28,069,150
Excess (deficiency) of revenues over expenditures	105,775	759	155,491	-	(6,101,817)	582,222	(58,997)	(5,316,566)
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	572,274	-	-	572,274
Transfers out	-	-	(155,491)	-	(1,426,519)	(1,388,496)	-	(2,970,507)
Total other financing sources (uses)	-	-	(155,491)	-	(854,246)	(1,388,496)	-	(2,398,233)
Net change in fund balances	105,775	759	0	-	(6,956,062)	(806,274)	(58,997)	(7,714,799)
Fund balances, beginning	1,477,435	1,765	683	4	19,186,768	3,848,878	-	24,515,532
Fund balances, ending	\$ 1,583,209	\$ 2,524	\$ 683	\$ 4	\$ 12,230,706	\$ 3,042,604	\$ (58,997)	\$ 16,800,733

**City of Independence, Missouri**  
**Balance Sheet**  
**Sales Tax Funds**  
**May 31, 2009**

<b>Assets</b>	<b>Street Sales Tax</b>	<b>Parks Sales Tax</b>	<b>Storm Water Sales Tax</b>	<b>Police Sales Tax</b>	<b>Fire Sales Tax</b>	<b>Total Sales Tax Funds</b>
Pooled cash and investments	(919,643)	(3,291,294)	9,664,576	2,007,407	3,154,937	10,615,984
Receivables:						
Taxes	1,093,088	591,928	591,957	312,707	387,229	2,976,908
Accrued interest	-	-	17,723	2,333	2,333	22,389
Restricted assets	10	1	-	-	-	11
Total assets	<u>\$ 173,455</u>	<u>\$ (2,699,365)</u>	<u>\$ 10,274,256</u>	<u>\$ 2,322,447</u>	<u>\$ 3,544,499</u>	<u>\$ 13,615,292</u>

	<b>Street Sales Tax</b>	<b>Parks Sales Tax</b>	<b>Storm Water Sales Tax</b>	<b>Police Sales Tax</b>	<b>Fire Sales Tax</b>	<b>Total Sales Tax Funds</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts and contracts payable	315,802	489,183	123,310	0	399,421	1,327,715
Accrued items	-	40,991	15,880	-	-	56,871
Total liabilities	<u>315,802</u>	<u>530,174</u>	<u>139,190</u>	<u>0</u>	<u>399,421</u>	<u>1,384,586</u>
Fund Balances:						
Reserved for:						
Encumbrances	4,057,257	723,216	1,193,806	624,949	1,212,169	7,811,396
Other purposes	10	1	-	-	-	11
Unreserved, reported in:						
Special revenue funds	(4,199,613)	(3,952,757)	8,941,261	1,697,498	1,932,910	4,419,298
Total fund balance	<u>(142,347)</u>	<u>(3,229,539)</u>	<u>10,135,066</u>	<u>2,322,447</u>	<u>3,145,078</u>	<u>12,230,706</u>
Total liabilities and fund balance	<u>\$ 173,455</u>	<u>\$ (2,699,365)</u>	<u>\$ 10,274,256</u>	<u>\$ 2,322,447</u>	<u>\$ 3,544,499</u>	<u>\$ 13,615,292</u>

**City of Independence, Missouri**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Sales Tax Funds**  
**For the Eleven Months Ending May 31, 2009**

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
<b>Revenues:</b>						
Taxes	5,922,290	3,532,311	3,533,379	1,884,963	2,907,985	17,780,929
Intergovernmental	-	-	98,960	-	-	98,960
Charges for services	-	323,183	-	-	-	323,183
Investment Income	10,028	545	169,869	21,180	54,427	256,050
Sale of property, plant, and equipment	-	-	-	10,141	-	10,141
Other	104,831	14,669	29,354	84	37	148,975
Total revenues	6,037,150	3,870,708	3,831,562	1,916,369	2,962,448	18,618,237
<b>Expenditures:</b>						
Current:						
Public safety	-	-	-	917,764	875,016	1,792,780
Culture and recreation	-	2,265,091	-	-	-	2,265,091
Storm Water	-	-	1,144,548	-	-	1,144,548
Nondepartmental/other	11,915	3,527	-	-	-	15,442
Capital outlay	3,542,897	515,004	3,210,019	-	4,477,695	11,745,616
Debt service:						
Principal	4,085,000	2,030,000	-	365,000	390,000	6,870,000
Interest and fiscal agent fees	160,325	416,976	-	148,963	160,313	886,576
Total expenditures	7,800,137	5,230,599	4,354,567	1,431,726	5,903,024	24,720,053
Excess (deficiency) of revenues over expenditures	(1,762,988)	(1,359,891)	(523,005)	484,642	(2,940,575)	(6,101,817)
<b>Other financing sources (uses):</b>						
Transfers in	546,154	26,120	-	-	-	572,274
Transfers out	(1,228,554)	-	(197,965)	-	-	(1,426,519)
Total other financing sources (uses)	(682,400)	26,120	(197,965)	-	-	(854,246)
Net change in fund balances	(2,445,388)	(1,333,771)	(720,970)	484,642	(2,940,575)	(6,956,062)
Fund balances, beginning	2,303,041	(1,895,768)	10,856,037	1,837,804	6,085,654	19,186,768
Fund balances, ending	\$ (142,347)	\$ (3,229,539)	\$ 10,135,066	\$ 2,322,447	\$ 3,145,078	\$ 12,230,706

**City of Independence, Missouri**  
**Balance Sheet**  
**Debt Service Fund**  
**May 31, 2009**

<b>Assets</b>	<b>Debt Service Fund</b>	<b>Total</b>
Pooled cash and investments	(12,461)	(12,461)
Receivables:		
Special assessment principal and accrued interest	1,086,501	1,086,501
Restricted assets	94,000	94,000
Total assets	<u><u>\$ 1,168,041</u></u>	<u><u>\$ 1,168,041</u></u>

	<b>Debt Service</b>	<b>Total</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Deferred revenue	1,111,509	1,111,509
Total liabilities	<u>1,111,509</u>	<u>1,111,509</u>
Fund Balances:		
Reserved for:		
Other purposes	8,262	8,262
Unreserved, reported in:		
Debt Service fund	48,270	48,270
Total fund balance	<u>56,532</u>	<u>56,532</u>
Total liabilities and fund balance	<u><u>\$ 1,168,041</u></u>	<u><u>\$ 1,168,041</u></u>

**City of Independence, Missouri**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Debt Service Fund**  
**For the Eleven Months Ending May 31, 2009**

	<b>Debt Service Fund</b>	<b>Total</b>
<b>Revenues:</b>		
Charges for services	89,912	89,912
Investment Income	2,271	2,271
Total revenues	<u>92,183</u>	<u>92,183</u>
<b>Expenditures:</b>		
Current:		
Nondepartmental	1,048	1,048
Debt service:		
Principal	64,000	64,000
Interest and fiscal agent fees	44,516	44,516
Total expenditures	<u>109,564</u>	<u>109,564</u>
Excess (deficiency) of revenues over expenditures	<u>(17,381)</u>	<u>(17,381)</u>
<b>Other financing sources (uses):</b>		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(17,381)	(17,381)
Fund balances, beginning	73,913	73,913
Fund balances, ending	<u><u>\$ 56,532</u></u>	<u><u>\$ 56,532</u></u>

**City of Independence, Missouri**  
**Combining Balance Sheet**  
**Capital Projects Funds**  
**May 31, 2009**

<b>Assets</b>	<b>Street Improvements</b>	<b>Revolving Public Improvements</b>	<b>Consolidated Tax Increment Financing</b>	<b>Buildings and Other Improvements</b>	<b>Storm Drainage</b>	<b>Park Improvements</b>	<b>Total</b>
Pooled cash and investments	791,399	19,703	9,493,523	(147,099)	(16,155)	417,595	10,558,966
Receivables:							
Taxes	-	-	843,204	-	-	-	843,204
Special assessment principal and accrued interest	536,768	-	-	-	-	-	536,768
Due from component unit to primary govt	144,730	-	-	147,316	-	1,160	293,206
Due from other governments	1,732,012	-	165,178	-	-	-	1,897,190
Restricted assets	-	-	32,401,183	-	-	-	32,401,183
Total assets	<u>\$ 3,204,909</u>	<u>\$ 19,703</u>	<u>\$ 42,903,089</u>	<u>\$ 217</u>	<u>\$ (16,155)</u>	<u>\$ 418,755</u>	<u>46,530,517</u>

	<b>Street Improvements</b>	<b>Revolving Public Improvements</b>	<b>Tax Increment Financing</b>	<b>Buildings and Other Improvements</b>	<b>Storm Drainage</b>	<b>Park Improvements</b>	<b>Total</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts and contracts payable	2,586,683	-	-	-	-	-	2,586,683
Due to primary government from component unit	-	-	293,206	-	-	-	293,206
Deferred revenue	1,014,772	-	-	-	-	-	1,014,772
Total liabilities	<u>3,601,455</u>	<u>-</u>	<u>293,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,894,661</u>
Fund Balances:							
Reserved for:							
Encumbrances	12,131,538	-	99,524	30,892	-	32,600	12,294,553
Other purposes	-	-	21,497,151	-	-	-	21,497,151
Unreserved, reported in:							
Capital project funds	(12,528,083)	19,703	8,843,916	(30,675)	(16,155)	386,155	(3,325,139)
Designated capital project funds	-	-	12,169,292	-	-	-	12,169,292
Total fund balance	<u>(396,545)</u>	<u>19,703</u>	<u>42,609,882</u>	<u>217</u>	<u>(16,155)</u>	<u>418,755</u>	<u>42,635,857</u>
Total liabilities and fund balance	<u>\$ 3,204,909</u>	<u>\$ 19,703</u>	<u>\$ 42,903,089</u>	<u>\$ 217</u>	<u>\$ (16,155)</u>	<u>\$ 418,755</u>	<u>46,530,517</u>

City of Independence, Missouri  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Capital Project Funds  
For the Eleven Months Ending May 31, 2009

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
<b>Revenues:</b>							
Taxes	-	-	11,245,583	-	-	-	11,245,583
Intergovernmental	10,230,544	-	-	-	-	-	10,230,544
Charges for services	1,802	-	-	-	-	-	1,802
Investment Income	286	150	357,557	2	-	769	358,763
TIF Developer Contributions	-	-	865,004	-	-	-	865,004
Reimbursements from component unit	9,511,603	-	-	147,316	-	57,357	9,716,276
Other	4,976	-	1,026,669	-	-	414,800	1,446,445
Total revenues	19,749,211	150	13,494,813	147,318	-	472,926	33,864,417
<b>Expenditures:</b>							
Capital outlay	23,119,570	-	14,300,045	175,307	-	63,757	37,658,679
Debt service:							
Principal	-	-	5,470,965	-	-	-	5,470,965
Interest and fiscal agent fees	-	-	9,874,333	-	-	-	9,874,333
Total expenditures	23,119,570	-	29,645,343	175,307	-	63,757	53,003,978
Excess (deficiency) of revenues over expenditures	(3,370,359)	150	(16,150,530)	(27,989)	-	409,168	(19,139,560)
<b>Other financing sources (uses):</b>							
Proceeds from bond issuance	-	-	21,135,000	-	-	-	21,135,000
Reoffering premium/original issue discount	-	-	(565,435)	-	-	-	(565,435)
Transfers in	3,056,545	-	-	27,991	-	-	3,084,537
Transfers out	(46,154)	-	(500,000)	-	-	-	(546,154)
Total other financing sources (uses)	3,010,391	-	20,069,565	27,991	-	-	23,107,948
Net change in fund balances	(359,968)	150	3,919,035	2	-	409,168	3,968,387
Fund balances, beginning	(36,577)	19,553	38,690,847	215	(16,155)	9,586	38,667,469
Fund balances, ending	<u>\$ (396,545)</u>	<u>\$ 19,703</u>	<u>\$ 42,609,882</u>	<u>\$ 217</u>	<u>\$ (16,155)</u>	<u>\$ 418,755</u>	<u>\$ 42,635,857</u>

City of Independence, Missouri  
Balance Sheet  
TIF Funds  
5/31/09

Assets	Mid Town Truman	RSO	Santa Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Indep.	Mount Washington	Hy-V ee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apts	Trinity	HCA	TIF App Fees	Total TIF Funds
Pooled cash and investments (note 3)	262,825	(4,857)	(16,779)	11,869	1,388,330	653,958	1,470,232	2,789	10,175	89,823	37,997	2,548,193	344	(5,788)	92,449	2,940,620	11,346	9,493,523
Receivables:																		
Taxes	267	18,000	1,572	18,295	60,832	36,421	244,375	2,400	800	49,900	14,631	393,591	0	0	220	1,900	-	843,204
Due from other governments (note 5)	-	-	3,044	-	25,651	610	85,473	1,075	-	19,620	-	28,869	-	-	133	703	-	165,178
Restricted assets (notes 3 and 6)	-	-	972,294	-	1,925,542	20,621	10,631,527	-	-	-	-	11,469,602	-	-	-	7,381,597	-	32,401,183
Total assets	<u>\$ 263,092</u>	<u>\$ 13,143</u>	<u>\$ 960,131</u>	<u>\$ 30,164</u>	<u>\$ 3,400,355</u>	<u>\$ 711,610</u>	<u>\$ 12,431,606</u>	<u>\$ 6,264</u>	<u>\$ 10,975</u>	<u>\$ 159,343</u>	<u>\$ 52,628</u>	<u>\$ 14,440,255</u>	<u>\$ 344</u>	<u>\$ (5,788)</u>	<u>\$ 92,802</u>	<u>\$10,324,820</u>	<u>\$ 11,346</u>	<u>\$ 42,903,089</u>

Liabilities and Fund Balances	Mid Town Truman	RSO	Santa Fe	Sterling Village	Hartman Heritage	Drumm 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 primary government from component unit	-	-	-	-	-	-	155,084	-	-	-	-	5,803	-	-	-	132,319	-	293,206
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,319</u>	<u>-</u>	<u>293,206</u>
Fund Balances:																		
Reserved for:																		
Encumbrances	2,209	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,637	6,678	99,524
Other purposes	-	-	972,294	-	1,925,542	20,621	3,674,277	-	-	-	14,631	11,403,995	-	-	-	3,485,791	-	21,497,151
Unreserved, reported in:																		
Capital project funds	260,883	13,143	(12,163)	30,164	1,474,813	690,989	1,562,181	6,264	10,975	159,343	37,997	2,617,259	344	(5,788)	92,802	1,900,043	4,668	8,843,916
Designated capital project funds	-	-	-	-	-	-	7,040,064	-	-	-	-	413,198	-	-	-	4,716,030	-	12,169,292
Total fund balance	<u>263,092</u>	<u>13,143</u>	<u>960,131</u>	<u>30,164</u>	<u>3,400,355</u>	<u>711,610</u>	<u>12,276,522</u>	<u>6,264</u>	<u>10,975</u>	<u>159,343</u>	<u>52,628</u>	<u>14,434,452</u>	<u>344</u>	<u>(5,788)</u>	<u>92,802</u>	<u>10,192,501</u>	<u>11,346</u>	<u>42,609,882</u>
Total liabilities and fund balance	<u>\$ 263,092</u>	<u>\$ 13,143</u>	<u>\$ 960,131</u>	<u>\$ 30,164</u>	<u>\$ 3,400,355</u>	<u>\$ 711,610</u>	<u>\$ 12,431,606</u>	<u>\$ 6,264</u>	<u>\$ 10,975</u>	<u>\$ 159,343</u>	<u>\$ 52,628</u>	<u>\$ 14,440,255</u>	<u>\$ 344</u>	<u>\$ (5,788)</u>	<u>\$ 92,802</u>	<u>\$10,324,820</u>	<u>\$ 11,346</u>	<u>\$ 42,903,089</u>

City of Independence, Missouri  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
TIF Funds  
For the Eleven Months Ending May 31, 2009

	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
<b>Revenues:</b>																		
Taxes (note 4)	41,027	76,373	14,778	24,858	1,648,265	475,564	3,427,194	60,573	12,989	635,442	14,631	728,903	98	253,108	148,254	3,683,527	-	11,245,583
Investment Income	2,531	31	7,307	58	25,405	13,474	71,092	60	131	950	294	149,827	4	3,509	221	82,558	104	357,557
TIF Developer Contributions	-	-	855,939	-	-	-	-	-	-	-	-	9,065	-	-	-	-	-	865,004
Other (note 6)	-	-	54,096	-	-	-	-	-	-	-	-	972,573	-	-	-	-	-	1,026,669
Total revenues	43,558	76,404	932,120	24,916	1,673,670	489,038	3,498,286	60,633	13,120	636,391	14,925	1,860,368	103	256,617	148,476	3,766,085	104	13,494,813
<b>Expenditures:</b>																		
Current:																		
Capital outlay	895	4,858	8,411	160	45,537	15,098	2,997,602	1,336	266	13,384	171	3,291,316	2	5,804	2,971	7,908,787	3,448	14,300,045
Debt service:																		
Principal (note 8)	201,441	20,432	385,000	-	920,128	240,000	1,435,000	20,888	19,357	534,550	-	525,000	-	253,211	20,959	895,000	-	5,470,965
Interest and fiscal agent fees	-	153,697	566,731	-	819,658	191,750	1,446,077	42,873	-	150,095	-	4,713,201	-	35,310	105,374	1,649,568	-	9,874,333
Total expenditures	202,336	178,987	960,142	160	1,785,322	446,847	5,878,679	65,097	19,623	698,028	171	8,529,517	2	294,324	129,304	10,453,355	3,448	29,645,343
Excess (deficiency) of revenues over expenditures	(158,778)	(102,584)	(28,023)	24,756	(111,652)	42,191	(2,380,393)	(4,464)	(6,503)	(61,636)	14,754	(6,669,149)	100	(37,708)	19,171	(6,687,269)	(3,344)	(16,150,530)
<b>Other financing sources (uses):</b>																		
Proceeds from bond issuance	-	-	-	-	-	-	7,820,000	-	-	-	-	-	-	-	-	13,315,000	-	21,135,000
Reoffering premium/original issue discount	-	-	-	-	-	-	(246,119)	-	-	-	-	-	-	-	-	(319,316)	-	(565,435)
Transfers out	-	-	-	-	-	(500,000)	-	-	-	-	-	-	-	-	-	-	-	(500,000)
Total other financing sources (uses)	-	-	-	-	-	(500,000)	7,573,881	-	-	-	-	-	-	-	-	12,995,684	-	20,069,565
Net change in fund balances	(158,778)	(102,584)	(28,023)	24,756	(111,652)	(457,809)	5,193,488	(4,464)	(6,503)	(61,636)	14,754	(6,669,149)	100	(37,708)	19,171	6,308,415	(3,344)	3,919,035
Fund balances, beginning	421,869	115,726	988,154	5,408	3,512,007	1,169,419	7,083,034	10,728	17,478	220,979	37,874	21,103,601	243	31,919	73,631	3,884,086	14,690	38,690,847
Fund balances, ending	\$ 263,092	\$ 13,143	\$ 960,131	\$ 30,164	\$ 3,400,355	\$ 711,610	\$ 12,276,522	\$ 6,264	\$ 10,975	\$ 159,343	\$ 52,628	\$ 14,434,452	\$ 344	\$ (5,788)	\$ 92,802	\$ 10,192,501	\$ 11,346	\$ 42,609,882

**CITY OF INDEPENDENCE, MISSOURI**

Combining Statement of Net Assets

Internal Service Funds

May 31, 2009

	Central	Pharmacy	Staywell	Worker's	Total
	Garage	Benefit	Health	Compensation	(Exhibit 5)
Assets		Plan	Care		
Current assets:					
Pooled cash and investments	\$ 261,036	95,217	5,380,323	1,335,428	7,072,004
Accounts receivable	—	1,048	17,524	295,518	314,090
Accrued interest receivable	—	—	10,822	—	10,822
Inventory	133,200	—	—	—	133,200
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	394,237	96,266	5,408,669	1,630,945	7,530,116
Noncurrent assets:					
Property, plant, and equipment:					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	146,481	—	—	—	146,481
Less accumulated depreciation	(145,335)	—	—	—	(145,335)
Total noncurrent assets	95,125	—	—	—	95,125
Total assets	\$ 489,362	96,266	5,408,669	1,630,945	7,625,241
<b>Liabilities</b>					
Current liabilities:					
Accounts and contracts payable	\$ 33,159	145,000	—	1,018	179,177
Accrued liabilities	6,300	—	—	1,005	7,305
Compensated absences - current	31,962	—	—	12,000	43,962
Employee benefits payable	—	—	—	—	—
Self-insurance claims	—	36,867	1,733,043	856,468	2,626,378
Total current liabilities	71,421	181,867	1,733,043	870,491	2,856,823
Noncurrent liabilities:					
Compensated absences - long-term	54,604	—	—	27,497	82,101
Other post employment benefits	137,118	—	—	—	137,118
Self-insurance claims	—	—	—	2,539,350	2,539,350
Total liabilities	263,143	181,867	1,733,043	3,437,338	5,615,391
<b>Net Assets</b>					
Invested in capital assets, net of related debt	95,125	—	—	—	95,125
Unrestricted	131,093	(85,602)	3,675,626	(1,806,393)	1,914,725
Total net assets (deficit)	226,218	(85,602)	3,675,626	(1,806,393)	2,009,850
Total liabilities and net assets	\$ 489,362	96,266	5,408,669	1,630,945	7,625,241

**CITY OF INDEPENDENCE, MISSOURI**

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

Internal Service Funds

Year ended May 31, 2009

	<b>Central Garage</b>	<b>Pharmacy Benefit Plan</b>	<b>Staywell Health Care</b>	<b>Worker's Comp</b>	<b>Total (Exhibit 6)</b>
Operating revenues:					
Charges for services	\$ 1,785,226	—	—	—	1,785,226
Miscellaneous	—	810,678	10,087,365	—	10,898,043
Total operating revenues	1,785,226	810,678	10,087,365	—	12,683,269
Operating expenses:					
Personal services	590,492	—	—	94,565	685,057
Other services	313,409	880,479	12,883,074	913,216	14,990,179
Supplies	820,800	—	—	2,139	822,939
Capital outlay	—	—	—	1,620	1,620
Depreciation and amortization	504	—	—	—	504
Total operating expenses	1,725,206	880,479	12,883,074	1,011,540	16,500,299
Operating Income	60,020	(69,801)	(2,795,710)	(1,011,540)	(3,817,030)
Nonoperating revenues:					
Interest revenue	1,454	1,546	95,786	7,825	106,610
Miscellaneous revenue	36,832	(38,678)	853,748	3,757,239	4,609,143
Total nonoperating revenue	38,286	(37,133)	949,534	3,765,064	4,715,753
Income before transfers	98,306	(106,933)	(1,846,175)	2,753,524	898,723
Transfers in (out)	—	—	—	—	—
Change in net assets	98,306	(106,933)	(1,846,175)	2,753,524	898,723
Total net assets (deficit):					
Beginning of the period	127,912	21,331	5,521,801	(4,559,917)	1,111,127
End of the period	\$ 226,218	(85,602)	3,675,626	(1,806,393)	2,009,850

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**May 31, 2009**

	<b>Private- Purpose Trust Fund</b>		<b>Agency Funds</b>			
	<b>Miscellaneous Expendable Trust</b>	<b>Total</b>	<b>Flexible Benefit Plan</b>	<b>Miscellaneous Agency Fund</b>	<b>Seniors Travel Programs</b>	<b>Total</b>
<b>Assets</b>						
Pooled cash and investments	\$ 62,247	62,247	42,168	31,248	34,757	108,173
Accrued interest receivable	—	—	—	383		383
Total assets	<u>\$ 62,247</u>	<u>62,247</u>	<u>42,168</u>	<u>31,631</u>	<u>34,757</u>	<u>108,556</u>
Due from flexible benefit plan			—	—		
<b>Liabilities</b>						
Accounts and contacts payable	\$					
Internal balances (note 6)	220	220	—	—	240	240
Liabilities payable from restricted assets:						
Funds held in Escrow	1,425	1,425	—	31,631	34,517	66,148
Employee deferred credit	<u>—</u>	<u>—</u>	<u>42,168</u>	<u>—</u>	<u>—</u>	<u>42,168</u>
Total liabilities	<u>1,645</u>	<u>1,645</u>	<u>42,168</u>	<u>31,631</u>	<u>34,757</u>	<u>108,556</u>
<b>Net Assets</b>						
Held in trust	<u>\$ 60,602</u>	60,602				

**CITY OF INDEPENDENCE**  
**SCHEDULE OF CASH & INVESTMENTS BY FUND**  
**May 31, 2009**

<b>FUND</b>	<b>CASH &amp; INVESTMENTS</b>	<b>RESTRICTED CASH</b>	<b>DUE TO POOLED CASH</b>	<b>TOTAL</b>
<b>GENERAL</b>	6,995,416.66	449,901.17	-	7,445,317.83
<b>SPECIAL REVENUE</b>				
TOURISM	1,506,611.16	-	-	1,506,611.16
CDA	-	-	(25,056.33)	(25,056.33)
RENTAL REHAB	-	-	(151,054.71)	(151,054.71)
INDEP. SQUARE BENEFIT	-	-	(568.98)	(568.98)
STREET SALES TAX	-	10.02	(919,642.77)	(919,632.75)
PARKS SALES TAX	-	1.32	(3,291,294.46)	(3,291,293.14)
STORM WATER SALES TAX	9,664,576.44	-	-	9,664,576.44
POLICE SALES TAX	2,007,407.21	-	-	2,007,407.21
FIRE SALES TAX	3,154,937.31	-	-	3,154,937.31
LICENSE SURCHARGE	3,040,368.88	-	-	3,040,368.88
GRANT	-	-	(160,774.17)	(160,774.17)
<b>TOTAL</b>	<b>19,373,901.00</b>	<b>11.34</b>	<b>(4,548,391.42)</b>	<b>14,825,520.92</b>
<b>DEBT SERVICE FUND</b>	-	94,000.00	(12,460.70)	81,539.30
<b>CAPITAL PROJECTS</b>				
STREET	791,399.23	-	-	791,399.23
TIF	9,493,523.45	32,401,182.69	-	41,894,706.14
BUILDING	-	-	(147,099.02)	(147,099.02)
STORM DRAINAGE	-	-	(16,155.37)	(16,155.37)
PARKS	417,594.75	-	-	417,594.75
REVOLVING PUBLIC IMPROV.	19,703.09	-	-	19,703.09
<b>TOTAL</b>	<b>10,722,220.52</b>	<b>32,401,182.69</b>	<b>(163,254.39)</b>	<b>42,960,148.82</b>
<b>ENTERPRISE</b>				
POWER & LIGHT	8,507,940.54	31,286,213.50	-	39,794,154.04
WATER	677,049.96	14,125,769.63	-	14,802,819.59
SEWER	8,170,587.45	300,558.13	-	8,471,145.58
EVENTS CENTER	-	48,341,389.17	(6,709.87)	48,334,679.30
<b>TOTAL</b>	<b>17,355,577.95</b>	<b>94,053,930.43</b>	<b>(6,709.87)</b>	<b>111,402,798.51</b>
<b>INTERNAL SERVICE</b>				
EMPLOYEE BENEFITS	-	-	-	-
CENTRAL GARAGE	261,036.30	-	-	261,036.30
PHARMACY BENEFIT FUND	95,217.34	-	-	95,217.34
STAYWELL INSURANCE	5,380,322.64	-	-	5,380,322.64
WORKER'S COMPENSATION	1,335,427.54	-	-	1,335,427.54
<b>TOTAL</b>	<b>7,072,003.82</b>	<b>-</b>	<b>-</b>	<b>7,072,003.82</b>
<b>TRUST &amp; AGENCY</b>				
WAGGONER	-	-	-	-
MISC TRUST	62,246.65	-	-	62,246.65
SUSIE PAXTON BLOCK TRUST	31,247.64	-	-	31,247.64
SENIORS TRAVEL PROGRAMS	34,757.13	-	-	34,757.13
FLEXIBLE BENEFITS	42,167.77	-	-	42,167.77
<b>TOTAL</b>	<b>170,419.19</b>	<b>-</b>	<b>-</b>	<b>170,419.19</b>
<b>GRAND TOTAL</b>	<b>61,689,539.14</b>	<b>#####</b>	<b>(4,730,816.38)</b>	<b>183,957,748.39</b>

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

May 31, 2009

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
<b>CASH IN BANK</b>		156,933,033.55	156,933,033.55	
<b>CERTIFICATE OF DEPOSIT</b>				
Bank of Kansas City	07/22/09	8,000,000.00	8,000,000.00	0.800%
Bank of Kansas City	01/22/10	8,000,000.00	8,000,000.00	1.310%
Bank of Kansas City	09/24/09	10,000,000.00	10,000,000.00	0.800%
<b>TOTAL</b>		<u>26,000,000.00</u>	<u>26,000,000.00</u>	
<b>U. S. TREASURY NOTES &amp; AGENCY NOTES</b>				
Commerce	02/15/27	18,887.50	26,652.34	7.074%
United Missouri Bank	10/22/09	998,062.50	998,062.50	0.254%
<b>TOTAL</b>		<u>1,016,950.00</u>	<u>1,024,714.84</u>	
<b>GRAND TOTAL</b>		<u><u>183,949,983.55</u></u>	<u><u>183,957,748.39</u></u>	

**CITY OF INDEPENDENCE, MISSOURI  
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN  
PLAN YEAR 2009**

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	PLAN YEAR TOTALS	AVG COST PLAN YEAR
<b>NUMBER OF PARTICIPANTS</b>							
MEDICAL PLAN:							
REGULAR RATES EMPLOYEE	219	218	213	217	219	1,086	217
FAMILY	522	523	527	525	524	2,621	524
RETIREE RATES							
EMPLOYEE	59	61	61	60	61	302	60
FAMILY	92	93	97	94	95	471	94
MEDICARE RATE INDIVIDUAL	158	158	160	159	162	797	159
FAMILY + 1	77	75	72	71	70	365	73
FAMILY + 2	129	131	135	140	136	671	134
OTHER						0	0
MEDICAL PLAN PARTICIPANTS	1,256	1,259	1,265	1,266	1,267	6,313	1,263
CASH BALANCE FORWARD	5,085,760.37	5,175,902.76	5,248,126.09	5,441,407.30	5,416,434.84		
<b>RECEIPTS:</b>							
PREMIUMS:							
MEDICAL	1,124,047.04	1,133,700.51	1,142,661.64	1,140,208.87	1,137,494.00	5,678,112.06	1,135,622.41
INTEREST INCOME	4,219.92	193.51	3,683.20	628.92	433.02	9,158.57	1,831.71
REINSURANCE REIMB.:						0.00	0.00
AGGREGATE	14,065.48	80,106.08		21,335.77		115,507.33	23,101.47
SPECIFIC						0.00	0.00
SUBTOTAL	14,065.48	80,106.08	0.00	21,335.77	0.00	115,507.33	23,101.47
CLAIM REFUNDS:	4,180.54	16,443.37	2,820.30	11,650.37	12,809.50	47,904.08	9,580.82
MEDICARE D			124,457.35			124,457.35	24,891.47
TOTAL RECEIPTS	1,146,512.98	1,230,443.47	1,273,622.49	1,173,823.93	1,150,736.52	5,975,139.39	1,170,136.41
<b>DISBURSEMENTS:</b>							
BENEFITS:							
MEDICAL	696,564.34	761,583.82	732,099.31	813,617.25	817,945.84	3,821,810.56	764,362.11
VISION	14,381.31	20,442.78	16,400.39	20,752.01	12,862.20	84,838.69	16,967.74
PREFERRED RX	283,851.03	302,580.23	264,514.08	299,889.63	287,711.81	1,438,546.78	287,709.36
SUBTOTAL	994,796.68	1,084,606.83	1,013,013.78	1,134,258.89	1,118,519.85	5,345,196.03	1,069,039.21

**CITY OF INDEPENDENCE, MISSOURI  
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN  
PLAN YEAR 2009**

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	TOTALS	PLAN YEAR
<b>DISBURSEMENTS CONT.:</b>							
ADMINISTRATION:							
THIRD PARTY ADMINISTRATOR	13,849.00	13,817.20	13,915.00	13,915.00	13,871.00	69,367.20	13,873.44
UTILIZATION REVIEW	3,213.26	3,272.64	3,269.28	3,279.36	3,249.12	16,283.66	3,256.73
SUBTOTAL	17,062.26	17,089.84	17,184.28	17,194.36	17,120.12	85,650.86	17,130.17
REINSURANCE PREMIUM:							
AGGREGATE	37,254.69	40,022.01	40,386.89	39,637.34	39,925.71	197,226.64	39,445.33
SPECIFIC	2,416.80	2,562.55	2,586.40	2,546.65	2,565.20	12,677.60	2,535.52
SUBTOTAL	39,671.49	42,584.56	42,973.29	42,183.99	42,490.91	209,904.24	41,980.85
PPO							
NETWORK	4,297.60	4,379.30	4,374.00	4,387.50	4,347.00	21,785.40	4,357.08
NON NETWORK DISCOUNT						0.00	0.00
SUBTOTAL	4,297.60	4,379.30	4,374.00	4,387.50	4,347.00	21,785.40	4,357.08
OTHER:							
BANK SERV CHARGES	542.56	655.35	686.96	771.65	772.84	3,429.36	685.87
RECORDS						0.00	0.00
MISCELLANEOUS					3,598.00	3,598.00	719.60
CONSULTING		8,904.26	2,108.97			11,013.23	2,202.65
SUBTOTAL	542.56	9,559.61	2,795.93	771.65	4,370.84	18,040.59	3,608.12
TOTAL DISB.	1,056,370.59	1,158,220.14	1,080,341.28	1,198,796.39	1,186,848.72	5,680,577.12	1,136,115.42
ENDING CASH BALANCE	5,175,902.76	5,248,126.09	5,441,407.30	5,416,434.84	5,380,322.64	---	---
ACCRUED REINSURANCE PROCEED	118,966.07	38,859.99	38,859.99	17,524.22	17,524.22		
ACCRUED ACCOUNTS PAYABLE	1,733,043.00	1,733,043.00	1,733,043.00	1,733,043.00	1,733,043.00		
ENDING RESERVE BALANCE	3,561,825.83	3,553,943.08	3,747,224.29	3,700,916.06	3,664,803.86		

**CITY OF INDEPENDENCE, MISSOURI  
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN  
MAY 2009**

CURRENT MONTH				DESCRIPTION	PLAN YEAR TO DATE			
THIS YEAR	LAST YEAR	CHANGE	% CHANGE		THIS YEAR	LAST YEAR	CHANGE	% CHANGE
				<b>NUMBER OF PARTICIPANTS</b>				
				MEDICAL PLAN:				
				REGULAR RATES				
219	202	17	8.42	EMPLOYEE	217	200	17	8.38
524	522	2	0.38	FAMILY	524	520	5	0.89
				RETIREE RATES				
61	61	-	-	EMPLOYEE	60	59	1	1.68
95	88	7	7.95	FAMILY	94	92	2	-
				MEDICARE RATES				
162	146	16	10.96	INDIVIDUAL	159	147	13	8.73
70	79	(9)	(11.39)	FAMILY + 1	73	77	(4)	(4.95)
126	112	14	12.50	FAMILY + 2	123	113	9	-
10	12	(2)	(16.67)	OTHER	12	11	1	7.41
1,267	1,222	45	3.68	TOTAL MEDICAL PLAN PARTICIPANTS	1,263	1,219	44	3.61
5,416,434.84	6,640,736.77	#####	(18.44)	CASH BALANCE FORWARD	5,085,760.37	6,315,043.57	(1,229,283.20)	(19.47)
38								
				<b>RECEIPTS:</b>				
				PREMIUMS:				
1,137,494.00	1,101,571.01	35,922.99	3.26	MEDICAL	5,678,112.06	5,497,690.84	180,421.22	3.28
433.02	2,377.12	(1,944.10)	(81.78)	INTEREST INCOME	9,158.57	24,663.83	(15,505.26)	(62.87)
-	-	-	-	REINSURANCE REIMBURSEMENT	-	-	-	-
-	-	-	-	AGGREGATE	115,507.33	-	115,507.33	100.00
-	-	-	-	SPECIFIC	-	-	-	-
1,137,927.02	1,103,948.13	33,978.89	3.08	SUBTOTAL	5,802,777.96	5,522,354.67	280,423.29	5.08
12,809.50	5,025.80	7,783.70	154.87	CLAIM REFUNDS	47,904.08	75,024.68	(27,120.60)	(36.15)
-	-	-	-	MEDICARE D	124,457.35	73,612.16	50,845.19	-
1,150,736.52	1,108,973.93	41,762.59	3.77	TOTAL RECEIPTS	5,975,139.39	5,670,991.51	304,147.88	5.36
				<b>DISBURSEMENTS:</b>				
				BENEFITS:				
817,945.84	666,425.10	151,520.74	22.74	MEDICAL	3,821,810.56	3,589,865.22	231,945.34	6.46
-	-	-	-	CHECKS WRITTEN OFF	-	-	-	-
12,862.20	14,751.02	(1,888.82)	(12.80)	VISION	84,838.69	72,633.96	12,204.73	16.80
287,711.81	241,446.85	46,264.96	19.16	PREFERRED RX	1,438,546.78	1,243,352.35	195,194.43	15.70
-	-	-	-	REVERSE JANUARY ADJUSTMENT	-	-	-	-
-	-	-	-	VOIDS AND STOP PAYMENTS	-	-	-	-
1,118,519.85	922,622.97	195,896.88	21.23	SUBTOTAL	5,345,196.03	4,905,851.53	439,344.50	8.96

**CITY OF INDEPENDENCE, MISSOURI  
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN  
MAY 2009**

CURRENT MONTH				DESCRIPTION	PLAN YEAR TO DATE			
THIS YEAR	LAST YEAR	CHANGE	% CHANGE		THIS YEAR	LAST YEAR	CHANGE	% CHANGE
				<b>DISBURSEMENTS CONT'D</b>				
				ADMINISTRATION				
13,871.00	12,771.20	1,099.80	8.61	THIRD PARTY ADMINISTRATOR	69,367.20	63,610.40	5,756.80	9.05
3,249.12	3,142.64	106.48	3.39	UTILIZATION REVIEW	16,283.66	15,606.52	677.14	4.34
17,120.12	15,913.84	1,206.28	7.58	SUBTOTAL	85,650.86	79,216.92	6,433.94	8.12
				REINSURANCE PREMIUM				
39,925.71	38,962.68	963.03	2.47	AGGREGATE	197,226.64	194,060.07	3,166.57	1.63
2,565.20	2,392.95	172.25	7.20	SPECIFIC	12,677.60	11,898.50	779.10	6.55
42,490.91	41,355.63	1,135.28	2.75	SUBTOTAL	209,904.24	205,958.57	3,945.67	1.92
				PPO				
4,347.00	4,237.60	109.40	2.58	NETWORK	21,785.40	21,044.80	740.60	3.52
-	-	-	-	NON NETWORK DISCOUT	-	-	-	-
4,347.00	4,237.60	109.40	2.58	SUBTOTAL	21,785.40	21,044.80	740.60	3.52
				OTHER:				
772.84	536.63	236.21	44.02	BANK SERV CHARGES	3,429.36	2,463.63	965.73	39.20
0.00	0.00	-	-	PRIOR PERIOD SERVICE CHARGES	-	0.00	-	-
0.00	0.00	-	-	RECORDS	-	81.10	(81.10)	(100.00)
0.00	0.00	-	-	CONSULTING	11,013.23	5,895.00	5,118.23	86.82
3,598.00	0.00	3,598.00	100.00	MISCELLANEOUS	3,598.00	479.50	3,118.50	650.36
-	0.00	-	-	BANK ERROR	-	-	-	-
4,370.84	536.63	3,834.21	714.50	SUBTOTAL	18,040.59	8,919.23	9,121.36	102.27
1,186,848.72	984,666.67	202,182.05	20.53	TOTAL DISBURSEMENTS	5,680,577.12	5,220,991.05	459,586.07	8.80
(36,112.20)	124,307.26	(160,419.46)	(129.05)	NET INCOME/LOSS	294,562.27	450,000.46	(155,438.19)	(34.54)
5,380,322.64	6,765,044.03	(1,384,721.39)	(20.47)	ENDING CASH BALANCE	5,380,322.64	6,765,044.03	(1,384,721.39)	(20.47)
17,524.22		17,524.22	100.00	ACCRUED REINSURANCE PROCEEDS	17,524.22	-	17,524.22	100.00
1,733,043.00	1,215,829.00	517,214.00	42.54	ACCRUED ACCOUNTS PAYABLE MEDICAL	1,733,043.00	1,215,829.00	517,214.00	42.54
3,664,803.86	5,549,215.03	(1,884,411.17)	(33.96)	ENDING RESERVE BALANCE	3,664,803.86	5,549,215.03	(1,884,411.17)	(33.96)

## **APPENDIX C**

### **SUMMARY OF THE BASS PRO LEASE**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

## APPENDIX C

### SUMMARY OF THE BASS PRO LEASE

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

#### General Definitions.

In addition to the terms defined in the Bass Pro Lease, the following terms, whenever used in the Bass Pro Lease with the first letter of each word capitalized, shall have only the meanings set forth below, unless such meanings are expressly modified, limited or expanded elsewhere in the Bass Pro Lease:

(a) "**Common Areas**" means all areas, facilities and improvements, from time to time, made available in the Project for the non-exclusive common use of occupants of the Project, including Bass Pro, its agents, employees and customers. The Common Areas shall include, but shall not be limited to, the interior of the enclosed mall (if applicable), parking areas and facilities, sidewalks, stairways, escalators, elevators, service corridors, fire corridors, seating areas, truck ways, ramps, loading docks, delivery areas, landscaped areas, package pickup stations, public restrooms and comfort stations, access and interior roads, retaining walls, drainage systems, bus stops and lighting facilities. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, the Common Areas shall not include any portion of the approximate twenty (20) acre parcels comprising the Leased Premises, the "City Park Area" or any such portion of the Project intended for the exclusive use of any occupant thereof.

(b) "**Permitted Successor**" means, in connection with an assignment of Bass Pro's interest in the Bass Pro Lease or a sublet of all of the Leased Premises, which will not require the prior consent of City, an entity which complies with one of the following:

(i) an assignment or sublet as a result of estate planning transfers by the person or entity which, as of the Effective Date, owns the controlling interest of Bass Pro (the "Controlling Party") to any person or entity (collectively "Estate Planning Transferees"), so long as (A) the Estate Planning Transferees operate the Leased Premises under the Trade Name and for the Bass Pro Permitted Use; and (B) the assignee or subtenant has a net worth of at least \$50,000,000;

(ii) an assignment or sublet to an entity resulting from an intra-organization reorganization or restructure, so long as (A) the Controlling Party or the Estate Planning Transferees remain in control of the successor entity; (B) the successor entity operates the Leased Premises under the Trade Name and for the Bass Pro Permitted Use; and (C) the assignee or subtenant has a net worth of at least \$50,000,000; or

(iii) an assignment or sublet to a "Qualified Third Party" which will be operating at least eighty percent (80%) of the retail stores of Bass Pro operated under the Trade Name. A "Qualified Third Party" means an entity which (A) continues to operate the Leased Premises under the Trade Name and for the Bass Pro Permitted Use, and (B) has a net worth of at least \$50,000,000.

#### Description of Leased Premises

The Leased Premises is those certain parcels of real property containing approximately twenty (20) acres identified as "Bass Pro Shops Parcel To Include Store, Display Areas and Boat Storage" and "Bass Pro

Shops Display Parcel" on the site plan attached to the Bass Pro Lease upon which a "Bass Pro Shops Outdoor World" retail store building containing no less than 160,000 (inclusive of the square footage of the restaurant located within the Store Building and inclusive of the square footage of the boat canopied area) square feet shall be constructed (the "Store Building"). The Leased Premises also contains "Bass Pro's Parking Field" (as defined in the Bass Pro Lease) which is also identified on the Preliminary Site Plan. Notwithstanding anything in the Bass Pro Lease, except with respect to the rights of customers of other tenants and occupants of the "Project" (as defined in the Bass Pro Lease) to use the parking areas located within the Leased Premises for temporary parking and subject to the terms and conditions of the Bass Pro Lease, Bass Pro shall have the exclusive right to utilize the entire Leased Premises for any "Bass Pro Permitted Use" (as defined in the Bass Pro Lease), including, without limitation, the sale and display of boats, recreational vehicles, off-road vehicles and/or all-terrain vehicles and the conducting of the special events of Bass Pro. In addition, subject to the securing of all applicable governmental approvals (which approvals City agrees to assist Bass Pro in obtaining), Bass Pro, in its capacity as construction agent for and on behalf of City, shall, at its option, have the right, exercisable at any time during the "Construction Period" (as defined in the Bass Pro Lease) or during the "Term" (as defined in the Bass Pro Lease), to construct or cause to be constructed such other structures or improvements at the Leased Premises and/or add such additional space to the Store Building as Bass Pro may desire and in such locations within the boundaries of the Leased Premises as Bass Pro may desire, including, without limitation, the "outpost" described in the Bass Pro Lease and a restaurant which may be free standing or located within the Store Building. All costs relating to the foregoing which are incurred during the Construction Period shall be paid from the "Allowance" (as defined in the Bass Pro Lease).

## **Term**

The Initial Term of the Bass Pro Lease (the "Initial Term") shall be for a period of twenty (20) years commencing either (i) at the expiration of the Construction Period, subject, however, to the provisions of the Bass Pro Lease, or (ii) the date on which Bass Pro shall open the Store Building for business to the public (and City shall be obligated to cause all access ways, parking areas, and other common areas and facilities necessary to the operation of Bass Pro's business at the Leased Premises to be available by such date or such earlier date required under the Bass Pro Lease), whichever of said dates occurs first (the "Commencement Date"), and expiring at 11:59 p.m. local time on the day before the twentieth (20th) yearly anniversary of the Commencement Date, unless extended or sooner terminated in accordance with the provisions of the Bass Pro Lease (the "Expiration Date"). All provisions of the Bass Pro Lease, other than the obligation of Bass Pro to pay any "Rent" (as defined in the Bass Pro Lease), shall be in force and effect from the Delivery Date through the Commencement Date. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, City and Bass Pro acknowledge and agree that irrespective of the commencement, expiration or duration of the Construction Period, (i) in no event shall Bass Pro be obligated to open its store at the Leased Premises for business on any date which is between November 1 of any given year and March 1 of the year subsequent thereto (the "Black-Out Period") and (ii) if the expiration of the Construction Period occurs on a date within the Black-Out Period, then, unless Bass Pro opens its store at the Leased Premises for business within the Black-Out Period, the Commencement Date shall be the first day following the Black-Out Period.

Provided Bass Pro is not then in default of any material term of the Bass Pro Lease beyond any applicable cure or grace period and provided, further, that Bass Pro shall not have exercised its option to purchase the Leased Premises in accordance with the Bass Pro Lease, Bass Pro shall have the right and option to exercise the Renewal Options by delivering written notice to that effect to City at least one hundred eighty (180) days prior to the expiration of (i) the twenty (20) year Initial Term with respect to the first Renewal Option; and (ii) the immediately-preceding Renewal Option with respect to any subsequent Renewal Option. Other than the amount of Rent payable by Bass Pro, all terms and conditions applicable to the Initial Term shall apply during the Renewal Options. In the event that Bass Pro does not exercise any applicable Renewal Option within the required time period therefor, City shall deliver to Bass Pro written notice (the "Reminder Notice") that Bass Pro has failed to timely exercise the applicable Renewal Option and, if Bass Pro does not exercise the applicable Renewal Option within ten (10) days after its receipt of the Reminder Notice, then the

subject Renewal Option and all subsequent Renewal Options shall become null and void and be of no further force or effect.

Except as otherwise specifically provided in the Bass Pro Lease, the "Term" means the Initial Term and the Renewal Options.

Renewal Options are options for nine (9) consecutive renewal periods of one (1) full year each and thereafter options for three (3) consecutive renewal periods of five (5) full years each.

### **Construction Period**

The Construction Period is a four hundred fifty five (455) day construction period following delivery of the "Pad" (as defined in the Bass Pro Lease) to Bass Pro in the condition contemplated by the Bass Pro Lease. Delivery of the Pad is expected to occur on March 31, 2006 (the "Expected Delivery Date"). City and Bass Pro acknowledge and agree however that Bass Pro shall have no obligation to accept delivery of the Pad prior to the Expected Delivery Date and the Construction Period shall not commence prior to March 1, 2005 unless Bass Pro accepts delivery of the Pad prior thereto. In the event the Pad is not delivered to Bass Pro by the Expected Delivery Date, then the Construction Period shall be extended by five (5) days for each day after the Expected Delivery Date that such possession is not delivered to Bass Pro. The date upon which City actually delivers the Pad to Bass Pro in the condition required in the Bass Pro Lease is defined in the Bass Pro Lease as the "Delivery Date". Further, in the event the Pad is not delivered to Bass Pro by the date which is three hundred sixty-five (365) days following the Expected Delivery Date for any reason whatsoever, other than if the Bass Pro Lease is terminated prior thereto in accordance with the provisions of the Bass Pro Lease, then the Bass Pro Lease shall automatically terminate on the three hundred sixty-sixth (366th) day following the Expected Delivery Date and City shall pay to Bass Pro, within thirty (30) days after such termination, the sum of One Million Dollars (\$1,000,000) to compensate Bass Pro for Bass Pro's loss of the opportunity to realize the benefits Bass Pro expected to realize pursuant to the Bass Pro Lease.

### **Opening**

Subject to the provisions of the Bass Pro Lease, Bass Pro covenants and agrees to complete its construction within the Leased Premises in accordance with the provisions of the Bass Pro Lease and to open its store for business to the public not later than the expiration of the Construction Period, subject to an extension thereof due to "Delays". Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, Bass Pro shall not be in default of this section unless and until Bass Pro shall have failed to open its store for business to the public by the date which is one hundred eighty (180) days following the expiration of the Construction Period (as the same may be extended in the Bass Pro Lease).

### **Rent During Initial Term.**

Except as otherwise provided in the Bass Pro Lease, during the Initial Term and for each Lease Year thereof, Bass Pro shall pay annual percentage rent ("Percentage Rent") equal to two percent (2%) multiplied by all Gross Sales (except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles which shall be one percent (1%) with a maximum of Two Hundred Fifty Dollars (\$250) per such boat or vehicle sold) resulting from business conducted in, on or from the Leased Premises. Notwithstanding the foregoing, during each Lease Year of the Initial Term, Bass Pro shall pay a minimum of One Million Dollars (\$1,000,000) as Percentage Rent (the "Minimum Percentage Rent"). Percentage Rent and Minimum Percentage Rent for any "Partial Lease Year" (as defined in the Bass Pro Lease) shall be prorated on a per diem basis. Any payments of Minimum Percentage Rent from Bass Pro to City shall be made within sixty (60) days after the end of each Lease Year or Partial Lease Year of the Initial Term. Except when separately appearing, for purposes of the Bass Pro Lease, the terms Percentage Rent and Minimum Percentage Rent are collectively referred to as "Percentage Rent".

"Gross Sales" is defined in the Bass Pro Lease to mean the total amount of the total price charged for all goods, merchandise, beverages and food sold and all services or other operations or items sold or rendered at, in, on, or from the Leased Premises by or on account of Bass Pro or any subtenant, assignee or concessionaire of Bass Pro (except that any corporate cross-promotion activities from Big Cedar Lodge and timeshare, Chevy truck promotions, and similar corporate sponsorships shall be specifically excluded from Gross Sales), for cash or on a charge, credit, time basis or otherwise, including all orders for merchandise taken from or filled at or from the Leased Premises. A "sale" shall be deemed to have been consummated for purposes of the Bass Pro Lease, and the entire amount of the sale price shall be included in Gross Sales, at such time as the transaction is initially reflected in the books or records of Bass Pro, or any subtenant, assignee or concessionaire of Bass Pro, or any other person or entity operating in the Leased Premises. Bass Pro and the other persons and entities occupying the Leased Premises shall record each sale on the books of Bass Pro in the ordinary course of Bass Pro's business. Notwithstanding anything in the Bass Pro Lease to the contrary, Gross Sales shall exclude proceeds from any sales tax, gross receipts tax or similar tax, by whatever name called which are separately stated and in addition to the purchase price, refunds and adjustments given to customers for merchandise purchased at the Leased Premises and returned or exchanged, gift certificate returns, sales of Bass Pro's furniture, fixtures or equipment not in the ordinary course of Bass Pro's business, sales to employees of Bass Pro working in the Leased Premises not to exceed five percent (5%) of Gross Sales in any Lease Year, sales of fishing and hunting licenses, duck stamps, deer and turkey permits, and the like (not to exceed two percent (2%) of Gross Sales in any Lease Year), returned check charges and credit card chargeback income, which shall not exceed one percent (1%) of Gross Sales in any Lease Year and any subrental or concession fees paid to Bass Pro by any subtenant or concessionaire.

As used in the Bass Pro Lease, the term "Lease Year" shall have the following meaning: the first Lease Year shall be a period beginning with the Commencement Date and ending on the 31st of December next following the Commencement Date, and after the first Lease Year, the term Lease Year shall mean a period of twelve (12) consecutive calendar months commencing on January 1 of each calendar year, except that the last Lease Year shall terminate on the Expiration Date. Any Lease Year which is less than a full twelve (12) consecutive calendar months is sometimes referred to in the Bass Pro Lease as a "Partial Lease Year".

Within thirty (30) days following the end of each calendar month of the Initial Term, Bass Pro shall submit to City an unaudited statement of Gross Sales for such calendar month. Together with the delivery of each such statement, Bass Pro shall pay to City any Percentage Rent due for such period (excluding, however, any Minimum Percentage Rent). Within forty-five (45) days after the close of each Lease Year or Partial Lease Year of the Initial Term, Bass Pro shall furnish to City a statement certified by Bass Pro setting forth the amount of Gross Sales during such Lease Year or Partial Lease Year and showing the amount of Percentage Rent required to be paid by Bass Pro for such Lease Year or Partial Lease Year. The full amount of the Percentage Rent or Minimum Percentage Rent, as the case may be, which is due shall be paid to City no later than sixty (60) days after the end of each Lease Year or Partial Lease Year of the Initial Term.

Bass Pro shall keep at the Leased Premises or at Bass Pro's executive offices a full and accurate set of books and records documenting the amount of Gross Sales in each Lease Year or Partial Lease Year. The books and records to be kept by Bass Pro shall include, without limitation, (i) cash register tapes, (ii) records of any exclusions or deductions from Gross Sales; (iii) sales tax records; and (iv) such other records, if any, which are kept by Bass Pro in the ordinary course of its business. Such books and records shall be kept in accordance with generally accepted accounting principles and practices and shall be retained by Bass Pro for a period of not less than three (3) years following the end of the Lease Year or Partial Lease Year to which they have reference. If any audit is required or a controversy arises regarding Percentage Rent, Bass Pro shall retain its books and records until such audit is terminated or controversy is resolved. Upon not less than ten (10) business days' prior notice, City and/or City's auditor shall have the right to (at Bass Pro's executive offices) inspect and/or to audit the records of Bass Pro relating to Gross Sales (specifically excluding, however, Bass Pro's income tax returns). If it is determined by City and Bass Pro that the Gross Sales exceed those reported, Bass Pro shall immediately pay any deficiency in Percentage Rent owing to City with "Interest" (as defined in

the Bass Pro Lease) thereon. If it is determined by City and Bass Pro that Gross Sales are understated by Bass Pro from those reported by two percent (2%) or more, Bass Pro shall pay to City, upon demand, in addition to the amount by which Percentage Rent was deficient with Interest thereon, the cost of the audit or examination including, without limitation, all reasonable travel expenses incurred by City in conducting such audit.

### **Rent During Renewal Options**

During any of the nine (9) one (1) Renewal Options, Bass Pro shall pay rent equal to Ten Dollars (\$10) per year. Notwithstanding the foregoing, if the Leased Premises TIF (the Leased Premises TIF as it relates to the Leased Premises only, said amount being equal to Thirty-five Million Dollars (\$35,000,000) in TIF bond financing) has not been fully paid at the expiration of the Initial Term, then during each Lease Year thereafter (if any) until the Leased Premises TIF has been paid in full or until the expiration of the third one (1) year Renewal Option (if exercised by Bass Pro), whichever occurs first, Bass Pro shall be obligated to pay the Minimum Percentage Rent. During any of the three (3) five (5) year Renewal Options, Bass Pro shall pay rent equal to one percent (1%) of Gross Sales made during each Lease Year thereof in excess of Thirty Million Dollars (\$30,000,000), except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which shall be one-half of one percent (0.5%) of such Gross Sales. The amount of rent payable by Bass Pro during the Renewal Options is hereby defined as the "Renewal Option Rent". The Renewal Option Rent for any Partial Lease Year of any Renewal Option and, if applicable, the Renewal Option Rent for the year in which the Leased Premises TIF is fully paid, shall be prorated on a per diem basis.

### **Payments By Bass Pro**

Throughout the Term, Bass Pro shall pay to City, the "Rent", which, during the Initial Term, is hereby defined as the sum of the Percentage Rent and all additional rent, and during any Renewal Option, is hereby defined as the Renewal Option Rent and all additional rent when and as the same shall be due and payable in the Bass Pro Lease, subject, however, to City not being in default of the Bass Pro Lease beyond any applicable cure or grace period. Unless otherwise stated, all sums of money or charges of any kind or nature, in addition to Percentage Rent or Renewal Option Rent (as appropriate), payable by Bass Pro to City pursuant to the Bass Pro Lease are defined as "additional rent" and, subject to the terms of the Bass Pro Lease, are due thirty (30) days after the rendering of an invoice therefor. All payments of Rent shall be payable in United States funds, at the address indicated in the Bass Pro Lease, unless otherwise specified by written notice from City to Bass Pro. Without limitation of any other obligations of Bass Pro which shall survive the expiration of the Term, the obligations of Bass Pro to pay Rent which have accrued as of the date of expiration or sooner termination of the Term shall survive such expiration or earlier termination. Payment of any such Rent shall not prohibit Bass Pro from thereafter asserting the right to set-off or counterclaim.

### **Preparation of Leased Premises - City's Work**

City shall, at its sole cost and expense and separate and apart from the Allowance, (a) deliver to Bass Pro the portion of the Leased Premises upon which the Store Building will be constructed in the condition of a certified construction-ready graded pad (which shall be capable of supporting a shallow foundation, slab on grade, footing and floor slab loads necessary for the Store Building as determined by Bass Pro's architecture and construction departments) with utilities stubbed thereto as provided in the Bass Pro Lease (the "Pad"), and (b) deliver to Bass Pro the balance of the Leased Premises, each in accordance with the provisions of the Bass Pro Lease, including, without limitation, certain provisions of the Bass Pro Lease ("City's Work"). In addition, as part of City's Work, City shall, at its sole cost and expense, grade, pave, improve, stripe and install lighting fixtures for the illumination of all of the parking areas within the Leased Premises as depicted on the Final Site Plan ("Bass Pro's Parking Field"). City shall cause Bass Pro's Parking Field to be completed and ready for use no less than sixty (60) days prior to the date Bass Pro first opens the Store Building for business. Bass Pro shall have the right to approve how Bass Pro's Parking Field is connected with the other parking areas of the Project. City shall, at its sole cost and expense and separate and apart from the Allowance, obtain all permits and approvals necessary with respect to City's Work and shall comply with all legal requirements relating

thereto. City agrees that City's Work shall be performed (i) in a first-class workmanlike manner using first-class materials; (ii) by duly qualified and licensed persons; (iii) in accordance with all applicable laws, regulations, orders, ordinances, codes and insurance company requirements; and (iv) in accordance with the provisions of the Bass Pro Lease, including, without limitation, the provisions of Exhibit C. In addition, City covenants to and agrees with Bass Pro that Bass Pro shall have the right to approve City's grading and clearing plan of the Project and that City shall not commence any grading or clearing of the Project unless and until Bass Pro has approved such plan (which approval by Bass Pro shall not be unreasonably withheld). The parties agree that the purpose of the foregoing provision is to retain as much vegetation and timber as possible at the Project. Notwithstanding any provision to the contrary contained in the Bass Pro Lease, Bass Pro shall have no obligation to accept delivery of the Pad and the Construction Period shall not commence unless and until City delivers to Bass Pro the Pad in accordance with the requirements of the Bass Pro Lease.

### **Preparation of Leased Premises - Bass Pro's Work**

Upon delivery to Bass Pro of the Pad in the condition required under the Bass Pro Lease, Bass Pro shall, in its capacity as construction agent for and on behalf of City, construct or cause to be constructed the Store Building and any and all other improvements desired by Bass Pro upon the Leased Premises ("Bass Pro's Work

City shall pay to Bass Pro an allowance not to exceed Twenty-five Million Dollars (\$25,000,000) (the "Allowance") to be applied toward the cost of Bass Pro's Work, including, without limitation, the Store Building and all interior improvements thereto and all furniture, fixtures and equipment in and to the Store Building and any other improvements desired by Bass Pro at the Leased Premises. To the extent that the cost of Bass Pro's Work (as it relates to any item thereof which would be deemed a "hard cost" of construction) shall exceed the Allowance, City shall pay and be responsible for such excess (with the Allowance being paid first, followed by any such excess costs). In the event City is required to pay any such "hard costs" in excess of the Allowance, then Bass Pro shall pay any such amount so expended by City as additional rent on the Commencement Date. To the extent the costs of Bass Pro's Work (as it relates to any item thereof which would not be deemed a "hard cost" of construction) shall exceed the Allowance, Bass Pro shall pay and be responsible for such excess (with the Allowance being paid first). The Allowance shall be used to pay all costs and expenses related to Bass Pro's Work and construction expenses relating to the Leased Premises and the preparation of the Leased Premises for Bass Pro's business beyond the scope of City's Work, including, without limitation, interior design and work, interior fixtures, furniture, equipment, items furnished by Bass Pro (i.e., chandeliers and display and trophy mounts), Bass Pro's "in-house" architectural and project management services, aquariums, attractions, water features, signage, special craft and woodwork, imagery, landscaping, reasonable travel expenses actually incurred and professional fees for architects and engineers.

City shall make disbursements out of the Allowance to Bass Pro for all of Bass Pro's Work that has been completed from time to time (subject to a retainage in an amount agreeable to City and Bass Pro, which shall be part of Bass Pro's contract with its contractor), within twenty (20) days following Bass Pro's submission of a requisition therefor accompanied by such supporting materials as are customary and reasonable (including, without limitation, (i) a certification by Bass Pro's architect that the work described in the pending requisition has actually been completed and is in accordance with the approved construction documents, and (ii) lien waivers with respect to all work performed through the date of the immediately-preceding requisition), which requisitions shall be submitted by Bass Pro no more frequently than once per month. In the event of any dispute regarding a requisition submitted by Bass Pro, such disputed amount shall nevertheless be paid to Bass Pro within said twenty (20) day period and shall not be withheld from the City's disbursement of the Allowance. The parties shall meet and, in good faith, attempt to resolve any disputed amount and any of such disputed amount which is subsequently agreed by the parties to be ineligible for payment from the Allowance shall be returned by Bass Pro to City and redeposited into the Allowance account. City and Bass Pro further acknowledge and agree that if any such disbursement of the Allowance is not made by City within said twenty (20) day period, then, in that event and not in limitation of any other right or remedy available to Bass Pro at law or in equity, (w) Bass Pro shall be entitled to collect interest on any

outstanding amount due until paid at a rate of Twelve percent (12%) per annum, and (x) an amount equal to Two Thousand Dollars (\$2,000) for each day after the expiration of said twenty (20) day period that such disbursement is not made shall be automatically and without further action be added to the Allowance. Within twenty (20) days of the submission by Bass Pro to City of Bass Pro's final payment application respecting Bass Pro's Work (accompanied by the documentation of (i) above and final lien waivers subject only to final payment), City shall pay to Bass Pro all amounts of the Allowance outstanding. It is further acknowledged and agreed by City and Bass Pro that if such final payment of the Allowance is not paid to Bass Pro within said twenty (20) day period, then, in that event, and not in limitation of any other right or remedy available to Bass Pro at law or in equity, (y) Bass Pro shall be entitled to collect interest on the principal balance due until paid at a rate of Twelve percent (12%) per annum, and (z) Bass Pro shall have the right to withhold from any rent payment due City an amount equal to any unpaid portion of the Allowance as well as any interest payable by City pursuant to this provision.

The interest of City in the Leased Premises and the Project shall not be subject to liens for improvements made by or on behalf of Bass Pro.

The interest of Bass Pro in the Leased Premises shall not be subject to liens for improvements made by City.

Bass Pro shall obtain or require that each general contractor engaged by the Bass Pro for the construction of Bass Pro's Work provide payment and performance bonds and labor and material payment bonds, or equivalent insurance coverage reasonably acceptable to the City and the City's Construction Consultant, if any. Although the above is an obligation of Bass Pro or its general contractor, all costs and expenses related to such payment and performance bonds and labor and material payment bonds or equivalent insurance coverage shall be paid by or caused to be paid by City.

#### **Preparation of Leased Premises - Removal by Bass Pro**

All present and future repairs, alterations, additions and improvements made in, on or to the Leased Premises by either party shall be deemed to be attached to the leasehold and to have become the property of City upon such attachment, and, upon the expiration or sooner termination of the Bass Pro Lease, Bass Pro shall not remove any of such alterations, additions and improvements. Notwithstanding the foregoing, any alterations, additions and improvements which are installed during the Term by Bass Pro, at Bass Pro's sole cost and expense, shall remain the property of Bass Pro, and may be removed by Bass Pro, and Bass Pro shall promptly remove the same and repair any damage to the Leased Premises caused by such removal. In addition, City and Bass Pro acknowledge and agree that, provided Bass Pro is not in default of the Bass Pro Lease beyond any applicable cure or grace period, upon the expiration or earlier termination of the Bass Pro Lease, Bass Pro shall have the right to remove all specialty items of Bass Pro, including, without limitation, all trade fixtures, taxidermy, mounts, aquariums, displays and other such items, whether or not the cost thereof was paid for out of the Allowance; provided that Bass Pro shall, at its expense, repair any damage to the Leased Premises caused by such removal. The provisions of this section are subject to Bass Pro's Purchase Option.

#### **Use and Trade Name**

Bass Pro shall use the Leased Premises for the use set forth below, and for no other uses (the "Bass Pro Permitted Use"):

retail sales of sporting goods, sporting equipment and sporting services of all types and kinds and sales of all other goods and services and other items of the type commonly sold by Bass Pro at its retail store in Springfield, Missouri, including, without limitation, the sale, display, service and storage of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, the sale of educational videos,

magazines, gifts, household furnishings, cameras, film, toys, jewelry, travel, taxidermy, marine products, including, without limitation, boats, fishing products and services, camping products and services, hunting products and services, golf equipment, NASCAR related apparel, gift items and activities, accessories, apparel, footwear, bikes, scuba gear, firearms, ammunition and components and related uses such as the conducting of the special events of Bass Pro at the Leased Premises, the conducting of outdoor education seminars, the operation of an "outpost" or convenience store for the sale of, without limitation, food (prepackaged and freshly prepared), beverages (alcoholic and non-alcoholic), fuel and live bait, an indoor gun and archery range, a golf range, a sporting goods demonstration area and, at Bass Pro's option, a snack-bar and/or a restaurant, with or without a bar serving liquor, wine and beer (which restaurant may be free standing or incorporated within Bass Pro's retail store). City acknowledges that Bass Pro shall have the right to change the secondary merchandise mix to reflect the proper regional outdoor activities, which may be unique from market to market, provided that the primary merchandise lines shall continue to be fishing, hunting, camping and boats.

City agrees with and represents and warrants to Bass Pro that, so long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable grace or cure period, no space in the Project will at any time during the Term be used for the sale of hunting, fishing or camping products or services or the sale, service or display of boats, boat accessories or recreational vehicles, off-road vehicles or all-terrain vehicles (the "Bass Pro Exclusive Use"). In addition to and without limiting the foregoing, so long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable grace or cure period, no space in the Project will at any time during the Term be used for the operation of a full-line sporting goods store.

Except as otherwise provided in the Bass Pro Lease, Bass Pro shall continuously use and occupy the Leased Premises during the Term (including any Renewal Option) for the Bass Pro Permitted Use, and for no other purpose or purposes. Bass Pro covenants and agrees that its retail store on the Leased Premises shall be generally similar in design to and shall carry merchandise similar in quality and kind to the merchandise in the other retail stores of Bass Pro operated under the Trade Name from time to time throughout the United States. The Trade Name shall be "Bass Pro Shops Outdoor World", or such other trade name as may be adopted by Bass Pro from time to time.

### **Operation of Business**

Subject to the terms and conditions of the Bass Pro Lease, Bass Pro shall open for business at the Leased Premises on the Commencement Date and remain open and operate therefrom under the Trade Name and for the Bass Pro Permitted Use and continuously operate its business during the entire twenty (20) year Initial Term (the "Operating Covenant Period"), whereafter Bass Pro shall have no obligation to remain open for business to the public. In the event that Bass Pro elects to close its store for business to the public at any time after the Operating Covenant Period but prior to the expiration of the then-current Term, then (unless Bass Pro shall have prior thereto exercised and closed its option to purchase the Leased Premises in accordance with the Bass Pro Lease) City shall have the right to terminate the Bass Pro Lease and recapture possession of the Leased Premises at any time thereafter upon thirty (30) days written notice to Bass Pro if Bass Pro does not reopen for business within such thirty (30) day period, in which event the Bass Pro Lease shall automatically terminate on the thirtieth (30th) day following Bass Pro's receipt of such notice and City and Bass Pro shall, upon such termination date, be released from any and all liabilities thereafter accruing under the Bass Pro Lease. If City does not elect to terminate the Lease as provided above, then (i) all provisions of the Bass Pro Lease, including, without limitation, Bass Pro's obligation to pay Rent, shall remain in full force and effect for the balance of the then-current Term and (ii) Bass Pro shall have the right, without City's consent, to assign the Bass Pro Lease or sublet the Leased Premises or any part or parts thereof, to any third party for any lawful use subject, however, to the provisions of the Bass Pro Lease. Bass Pro shall conduct its business at all times in a first-class and reputable manner. Bass Pro may operate its business at the Leased Premises and remain open

for hours comparable to Bass Pro's other retail stores operated under the Trade Name. Bass Pro shall conduct its business in the Leased Premises in a lawful manner and shall not use or allow the Leased Premises to be used for any illegal purposes. Bass Pro shall not use, or permit to be used, the Leased Premises in a manner that would constitute a nuisance. In addition to the Leased Premises, Bass Pro shall have the right to display boats, recreational vehicles, off-road vehicles and all-terrain vehicles in the areas of the Project during the hours and days and in the manner as may be agreed from time to time by City and Bass Pro (each party agreeing to act reasonably in this regard).

### **Bass Pro's Warranties**

Bass Pro warrants, represents, covenants and agrees that, in the operation of its business within the Leased Premises, Bass Pro shall, subject to the terms of the Bass Pro Lease: (a) pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon Bass Pro's business, or upon Bass Pro's fixtures, furnishings or equipment at the Leased Premises, or upon any personal property owned by Bass Pro (City being responsible for all taxes with respect to any property purchased from the proceeds of the Allowance) and pay when and as due all license fees, permit fees and charges of a similar nature for the conduct by Bass Pro or any subtenant or concessionaire of any business or undertaking authorized under the Bass Pro Lease to be conducted in, on or from the Leased Premises; (b) keep the Leased Premises and any platform, loading dock or service area used by Bass Pro in a neat, clean, safe and sanitary condition; and (c) promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all governmental authorities having jurisdiction, and observe and comply with all covenants and restrictions of record affecting or applicable to the Leased Premises or the cleanliness, safety, occupancy and use of the same, provided that such encumbrances do not conflict with any provision of the Bass Pro Lease or materially interfere with Bass Pro's ability to operate in the Leased Premises in accordance with the Bass Pro Permitted Use (as used in the Bass Pro Lease, the term "legal requirements" shall include the requirements set forth in this subparagraph). Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, Bass Pro may contest or appeal any taxes, assessments and public charges and any legal requirement and shall not be required to pay or comply with any of the foregoing during the pendency of any appropriate proceedings.

### **Radius**

Bass Pro agrees that during the twenty (20) year Initial Term, Bass Pro will not, within twenty (20) miles of the Project (the "Protected Area") own, operate or become financially interested in any business similar to or in competition with the business of Bass Pro at the Leased Premises ("Competing Business"), other than (i) Tracker Marine dealerships within the Protected Area, (ii) sales by American Rod and Gun (a wholesaler to dealers) within the Protected Area; and (iii) the catalog mail order business of BPS Catalog, L.P. within the Protected Area. In the event of a breach of the foregoing by Bass Pro, then, as City's sole remedy therefor, the gross sales of any such Competing Business within the Protected Area shall be included in Bass Pro's Gross Sales made from the Leased Premises and the Percentage Rent under the Bass Pro Lease shall be computed upon the aggregate of Bass Pro's Gross Sales made from the Leased Premises and Bass Pro's gross sales made from each such Competing Business then conducted within the Protected Area. Bass Pro shall be obligated to provide City with full and complete gross sales information and reports with respect to any Competing Business within the Protected Area in accordance with the requirements of Article III of the Bass Pro Lease and Bass Pro shall be obligated to include the applicable portion of the gross sales of such Competing Business in with the Gross Sales of the Leased Premises and to pay Percentage Rent thereon in accordance with the terms of the Bass Pro Lease. City and Bass Pro acknowledge and agree, however, that the foregoing shall not prohibit the operation by Bass Pro of any Competing Business within the Protected Area which is the result of an acquisition by Bass Pro of the assets of or the controlling ownership interest in a business which, at the time of the acquisition by Bass Pro, operates multiple locations/stores, at least eighty percent (80%) of which are operated outside of the Protected Area.

## **Use of Common Areas**

City agrees, at no cost or expense to Bass Pro, to cause to be operated, managed and maintained during the entire Term (including any Renewal Option) all of the Common Areas of the Project. Bass Pro shall have the non-exclusive right to use in common with all others to whom have been or may hereafter be granted rights, from time to time, to use the Common Areas (including, but not limited to, the owners, tenants and occupants of the Project) and such other facilities as may be designated as Common Areas from time to time; subject, however, to reasonable rules and regulations for the use thereof which will be uniformly applicable to all tenants and occupants of the Project. Bass Pro shall have the right to approve the areas where employees of tenants and occupants of the Project (including Bass Pro's employees) shall park their cars. Bass Pro acknowledges that the Common Areas may be temporarily closed to make repairs or changes, to prevent the acquisition of public rights in the Common Areas and to discourage non-customer use, provided the same shall not materially adversely affect access to or visibility of the Leased Premises. In the event a Master Declaration or other similar document now exists or is subsequently adopted that governs the use and control of the Common Areas, the Leased Premises and/or the Project, such Master Declaration or other similar document shall only be enforceable against Bass Pro to the extent the same does not conflict with any provision of the Bass Pro Lease or materially interfere with Bass Pro's ability to operate at the Leased Premises in accordance with the provisions of the Bass Pro Lease. City shall provide or cause to be provided, at no cost or expense to Bass Pro, security for the Project (other than the Leased Premises and the "Hotel Parcel" described in the Bass Pro Lease) and the level and type of security provided shall be no less than the level and type of security provided in connection with good and accepted shopping center practices. Bass Pro shall be responsible for providing security with respect to the Leased Premises.

Subject to City's prior consent thereto (which consent shall not be unreasonably withheld, delayed or conditioned) and subject to Bass Pro obtaining any and all licenses and permits therefor, Bass Pro shall have the right to make use of the Common Areas of the Project in connection with the special events conducted by Bass Pro at the Leased Premises, including, without limitation, the erection of tents and other temporary structures and the temporary parking of boats, recreational vehicles and other similar vehicles thereon. Bass Pro shall be responsible for any damage to the Common Areas caused by Bass Pro's use thereof in connection with such special events of Bass Pro.

City agrees, at no cost or expense to Bass Pro, to cause the Common Areas of the Project to be maintained in good order, condition and repair and in a safe, clean, sightly and sanitary condition in accordance with good and accepted shopping center practices. Notwithstanding anything to the contrary contained in the Bass Pro Lease, except for the negligent acts or omissions of Bass Pro, City agrees to indemnify and hold Bass Pro harmless with respect to any and all claims, actions, injuries, damages, liability, costs and expense, including reasonable attorneys' fees, arising with respect to the possession, use, occupancy, management, repair, maintenance or control of the Common Areas or the Project, or any portion thereof.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in no event shall Bass Pro or a Permitted Successor be obligated to pay to City or any other party any portion of the costs of maintaining the Common Areas.

## **Repairs and Maintenance by City**

During the Initial Term, City shall, at its expense, keep in good order, condition and repair the underground electrical conduit servicing the Leased Premises (up to the Pad), the sewer lines servicing the Leased Premises (up to the Pad) and all plumbing and utility lines servicing the Leased Premises (up to the Pad). In addition, during the entire Term (including any Renewal Option), City shall be responsible for repairs and maintenance necessitated by the actions, omissions or negligence of City, its agents, contractors or employees. Other than the foregoing, City shall have no obligation to maintain or repair the Leased Premises and the Bass Pro shall hold City harmless with respect thereto.

## **Repairs and Maintenance by Bass Pro**

Except for the repairs and maintenance required to be made and performed by City pursuant to the Bass Pro Lease, throughout the entire Term (including any Renewal Option), Bass Pro shall, at its sole cost and expense, keep in good order, condition and repair all aspects of the Leased Premises, including, without limitation, the roof(s), foundation(s), exterior(s) and all structural portions of the improvements at the Leased Premises. In addition, Bass Pro shall, at its expense, be responsible for the complete repair, maintenance and/or replacement of Bass Pro's Parking Field.

Without limiting the generality of the foregoing, throughout the entire Term (including any Renewal Option), Bass Pro shall, at its expense, promptly make all repairs and replacements and perform all necessary and appropriate maintenance in and to all of Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property located at the Leased Premises which are necessary or desirable in order to keep the same in good order, condition and repair. In addition, Bass Pro, at its expense, shall maintain and promptly make any and all necessary repairs to or replacements of: (i) the glass windows, plate glass doors and all fixtures or appurtenances composed of glass that are located in, on or about the Leased Premises; (ii) Bass Pro's signage; (iii) the Leased Premises or any part of the Project when repairs thereto are necessitated by any negligent act or omission of Bass Pro or any of Bass Pro's subtenants, agents, employees or contractors, or by the failure of Bass Pro to perform any of its obligations under the Bass Pro Lease; (iv) any special landscaping and any additional specialized improvement installed by Bass Pro in the Leased Premises; and (v) the heating, ventilating and air-conditioning system(s) servicing the Leased Premises.

Except for the repairs and maintenance required to be made and performed by City pursuant to the terms of the Bass Pro Lease, Bass Pro shall, at its sole cost and expense, keep and maintain the Leased Premises in a clean, sanitary and safe condition in accordance with the laws of the State and without waiving any of its rights to contest the same, Bass Pro shall comply with all requirements of law, ordinance, rules, regulations and orders of any lawful authority having jurisdiction affecting the Leased Premises or Bass Pro's use thereof.

If Bass Pro fails, refuses or neglects to perform its obligations (ordinary wear and tear excepted) and the same is not cured by Bass Pro within a reasonable time period after Bass Pro's receipt of written notice thereof from City, then City may, in accordance with the terms and conditions of the Bass Pro Lease, but without obligation to do so, enter the Leased Premises and proceed forthwith to have such maintenance, repairs or replacements made and Bass Pro shall pay to City, on demand, the cost and expenses therefor.

## **Standard of Operation**

Throughout the entire Term (including any Renewal Option), City shall cause the Project, including the Common Areas (excluding, however, the Leased Premises), to be continuously operated and maintained in a first-class manner and in strict accordance with the Bass Pro Lease. In the event City fails to cause compliance with the foregoing standard of operation and maintenance, the same shall be deemed a breach of the Bass Pro Lease and Bass Pro shall have the rights and remedies provided in the Bass Pro Lease.

## **Real Estate Taxes**

The land upon which the Leased Premises is located will be exempt from "Real Estate Taxes" (as defined in the Bass Pro Lease) during the Term and Bass Pro shall have no obligation to pay any Real Estate Taxes with respect thereto.

## **City's Insurance Obligations**

City, at its sole cost and expense, shall obtain and maintain during the entire Initial Term standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such

additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement, including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Leased Premises as of the date of such casualty and with such additional coverages and with such special endorsements as City shall determine from time to time, insuring the improvements located at the Leased Premises (exclusive of Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property). Throughout the Initial Term, City and Bass Pro agree to cooperate with each other in determining the appropriate amount of insurance to be carried by City pursuant to the Bass Pro Lease.

City, at its sole cost and expense, shall obtain and maintain during the entire Term (including any Renewal Option) commercial general liability insurance protecting against any and all claims for injury to persons or property occurring in, on or about the Project, including, without limitation, all Common Areas, in the minimum amount of Five Million Dollars (\$5,000,000) per occurrence and with an aggregate limit of at least Five Million Dollars (\$5,000,000).

City shall have the right to carry its insurance under the "blanket policies" covering other properties. City agrees to deliver to Bass Pro, on an annual basis, certificates evidencing the satisfaction of City's insurance obligations as provided in the Bass Pro Lease. Each insurance policy required to be carried under the Bass Pro Lease by or on behalf of City shall provide that, unless Bass Pro shall first have been given thirty (30) days' prior written notice thereof, the insurer will not cancel or fail to renew the coverage provided by such insurance policy. The term "insurance policy" as used in the Bass Pro Lease shall be deemed to include any extensions or renewals of such insurance policy.

#### **Bass Pro's Insurance Obligations**

On and after the Commencement Date, Bass Pro, at Bass Pro's sole cost and expense, shall obtain and maintain in effect throughout the entire Term (including any Renewal Option) insurance policies providing for the following coverage: (i) standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now are or hereafter may be included in a standard extended coverage endorsement, including coverage for flood and earthquake, insuring Bass Pro's merchandise, trade fixtures, furnishings, equipment and all items of personal property of Bass Pro located in, on or about the Leased Premises in an amount at least equal to the full replacement value thereof. Notwithstanding anything in clause (i) to the contrary, during the Construction Period, Bass Pro (or its general contractor) shall maintain the "Builder's Risk" policy described in the Bass Pro Lease, and Bass Pro's obligation to carry the property insurance described in clause (i) shall commence only at such time as Bass Pro's Work has been substantially completed and is no longer covered under the Builder's Risk policy; (ii) a commercial general liability policy, including insurance naming City and any mortgage holder of the Leased Premises as additional insureds, protecting against any and all claims for injury to persons or property occurring in, on or about the Leased Premises, including coverage for products liability for merchandise offered for sale or lease from the Leased Premises and coverage for liability arising out of the consumption of food and/or alcoholic beverages on or obtained at the Leased Premises (if applicable to Bass Pro's business) and protecting against assumed or contractual liability under the Bass Pro Lease with respect to the Leased Premises and the operations of Bass Pro and any subtenant of Bass Pro in, on or about the Leased Premises, with such policy to be in the minimum amount of Five Million Dollars (\$5,000,000) per occurrence, and with an aggregate limit of at least Five Million Dollars (\$5,000,000); (iii) workers' compensation coverage as required by law; (iv) with respect to alterations, improvements and the like required or permitted to be made by Bass Pro under the Bass Pro Lease, property and builder's risk insurance in commercially reasonable amounts; (v) business interruption insurance; and (vi) umbrella coverage in an amount equal to Five Million Dollars (\$5,000,000).

During any Renewal Option, Bass Pro shall, at its sole cost and expense, obtain and maintain standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement,

including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Leased Premises as of the date of such casualty and with such additional coverages and with such special endorsements as Bass Pro shall determine from time to time, insuring the improvements located at the Leased Premises.

All insurance policies in the Bass Pro Lease to be procured by Bass Pro shall: (i) be issued by insurance companies reasonably satisfactory to City; and (ii) insure and name City, any mortgage holder of the Leased Premises and any parties in interest designated by City as additional insureds, as their respective interests may appear (except with respect to workers' compensation insurance). Neither the issuance of any insurance policy required under the Bass Pro Lease, nor the minimum limits specified in the Bass Pro Lease with respect to City's or Bass Pro's insurance coverage, shall be deemed to expand, limit or restrict in any way City's or Bass Pro's liability arising under or out of the Bass Pro Lease. With respect to each of the insurance policies required in the Bass Pro Lease to be procured by Bass Pro, on or before the Delivery Date and before any such insurance policy shall expire, Bass Pro shall deliver to City upon City's written request a certificate of insurance, certifying that such policy has been issued, providing the coverage required by the Bass Pro Lease and containing the provisions specified in the Bass Pro Lease. Each insurance policy required to be carried under the Bass Pro Lease by or on behalf of Bass Pro shall provide that, unless City shall first have been given thirty (30) days' prior written notice thereof, the insurer will not cancel or fail to renew the coverage provided by such insurance policy. The term "insurance policy" as used in the Bass Pro Lease shall be deemed to include any extensions or renewals of such insurance policy.

#### **Waiver of Subrogation**

Notwithstanding any provision of the Bass Pro Lease to the contrary, City and Bass Pro each hereby waive any rights they may have against the other, including, but not limited to, a direct action for damages on account of any loss or damage occasioned by City or Bass Pro, as the case may be (whether or not such loss or damage is caused by the fault, negligence or other tortious conduct, acts or omissions of City or Bass Pro or their respective officers, directors, employees, agents or invitees), to the improvements on the Leased Premises and any personal property located therein or thereon or to any other portion of the Project to the extent such property is insured or is required to have been insured by the provisions of the Bass Pro Lease. The parties hereto each, on behalf of their respective insurers, grant to one another a waiver of any right of subrogation any such insurer may have against the other party or their respective officers, directors, members, managers, employees, agents or invitees by virtue of payment of any loss under any such insurance and all rights of their respective insurance companies based upon an assignment from its insured. Each party to the Bass Pro Lease agrees immediately to give to each such insurance company written notification of the terms of the mutual waivers contained in this section and to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of said waivers. The foregoing waiver shall be effective whether or not the parties maintain the required insurance.

#### **Covenant to Hold Harmless**

Subject to the Bass Pro Lease and except for the negligent acts or omissions or willful misconduct of City, its agents, contractors or employees, and except for matters which arise in connection with a breach by City of its obligations under the Bass Pro Lease, Bass Pro hereby indemnifies and agrees to save harmless City, its officers, employees and agents and any mortgage holder of the Project, from and against any and all claims, actions, damages, liability, cost and expense, including reasonable attorneys' fees, that (a) arise from or are in connection with the possession, use or occupancy of the Leased Premises, including Bass Pro's Parking Field, or (b) arise from or are in connection with any negligent, willful or wanton act or omission of Bass Pro or Bass Pro's officers, directors, members, partners, representatives, agents, employees, contractors, licensees or invitees, or (c) result from injury to person or property or loss of life sustained in, on or about the Leased Premises. Bass Pro shall, at its own cost and expense, defend any and all actions, suits and proceedings which may be brought against City or any mortgage holder of the Leased Premises with respect to the foregoing.

## **Casualty**

If the Leased Premises and/or the improvements located at the Leased Premises are damaged or rendered wholly or partially untenable by fire or other casualty during the Term, then the Bass Pro Lease shall not be terminated or otherwise affected, Rent shall not be abated and all insurance proceeds received shall be used to reconstruct and restore the Leased Premises and the improvements located thereon to the condition existing prior to the damage as provided in the Bass Pro Lease, subject, however, to Bass Pro's right to terminate the Bass Pro Lease as provided therein.

In the event of any damage or destruction to the Leased Premises and/or the improvements located at the Leased Premises occurring at any time during any Renewal Option, Bass Pro shall have the right to terminate the Bass Pro Lease by delivering to City written notice to that effect within thirty (30) days after the date of such casualty. In the event Bass Pro exercises the foregoing option to terminate, the insurance proceeds payable in connection with such damage or destruction of the improvements on the Leased Premises shall be payable to the City and Bass Pro, as their interests appear in such improvements and City and Bass Pro shall be relieved from any and all further liabilities and obligations accruing under the Bass Pro Lease from and after the date of such termination. In the event of such damage and if the Bass Pro Lease is not terminated as provided in the Bass Pro Lease, all insurance proceeds received will be used to restore the improvements on the Leased Premises to the condition existing prior to damage as provided in the Bass Pro Lease. City shall have no right to or any interest in any insurance proceeds relating to loss of Bass Pro's interest in the improvements on the Leased Premises or relating to the loss of inventory, merchandise, trade fixtures, supplies, furniture, fixtures, equipment or personal property of Bass Pro paid for by Bass Pro or relating to the proceeds of any business interruption insurance purchased by Bass Pro.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, if, at any time during the Term, the Leased Premises and/or the improvements located at the Leased Premises are damaged by fire or other casualty and sufficient insurance proceeds are not received to reconstruct and restore the Leased Premises and the improvements thereon to the condition existing prior to the damage, then, in that event, City warrants and represents to Bass Pro that, during the twenty-four (24) month period following such casualty, no space in the Project shall be leased or occupied by a direct competitor of Bass Pro. For purposes of the immediately preceding sentence, the phrase "a direct competitor of Bass Pro" means a tenant or occupant whose principal business is the retail sale of hunting, fishing, camping, boating or recreational vehicle products or services.

## **Reconstruction**

If at any time during the Term the Leased Premises and the improvements located thereon are damaged by fire or other casualty and the Bass Pro Lease is not terminated in accordance with its provisions, then all insurance proceeds from policies carried pursuant to the Bass Pro Lease, however recovered, shall be paid to Bass Pro and utilized by Bass Pro, in its capacity as construction agent for and on behalf of City, for payment of the costs of repairing, replacing and rebuilding the Leased Premises and the improvements located thereon and the damage to the Leased Premises and the improvements located thereon shall be promptly repaired to the condition existing prior to the damage. Subject to Bass Pro's receipt of insurance proceeds sufficient to reconstruct the improvements located at the Leased Premises to the condition existing prior to such damage (exclusive of insurance proceeds respecting Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property) and further subject to Bass Pro's receipt of all necessary governmental approvals (which proceeds and approvals City and Bass Pro agree to use reasonable and diligent good faith efforts to obtain), Bass Pro shall, in its capacity as construction agent for and on behalf of City, be obligated to diligently pursue the completion of such reconstruction work and shall cause the same to be completed as soon thereafter as possible under the attendant circumstances and shall comply with all laws, ordinances and governmental rules or regulations in connection therewith and shall perform such reconstruction work in a first-class manner. Any costs incurred by Bass Pro in connection with such reconstruction work which exceed the insurance proceeds received in an amount equal to the full replacement value of the Leased Premises and

the improvements located thereon as of the date of such casualty shall be the sole obligation of Bass Pro. After completion of the reconstruction, Bass Pro, at Bass Pro's sole cost, shall repair or replace Bass Pro's merchandise, trade fixtures, furnishings and equipment in a manner and to at least a condition equal to that prior to the damage or destruction thereof ("Bass Pro Fixturing"). Bass Pro shall comply with all laws, ordinances and governmental rules or regulations, and shall perform all Bass Pro Fixturing with due diligence and in a first-class manner. All permits required in connection with Bass Pro Fixturing shall be obtained by Bass Pro at Bass Pro's sole cost and expense. Any amount expended by Bass Pro in connection with Bass Pro Fixturing in excess of any insurance proceeds received therefor by Bass Pro shall be the sole obligation of Bass Pro. Bass Pro shall be obligated to reopen for business on the one hundred twentieth (120th) day following the date that the reconstruction has been substantially completed, unless Bass Pro opens at an earlier time in the damaged area or remains open in such area following destruction or damage. City and Bass Pro acknowledge and agree that the average monthly Percentage Rent which Bass Pro was obligated to pay from the Commencement Date to the time of such casualty or during the preceding twelve (12) full calendar months, whichever is shorter, shall be deemed to be the monthly Percentage Rent that Bass Pro would have been obligated to pay during the period that the Leased Premises is untenable as a result of such casualty.

### **Condemnation**

If Bass Pro's ability to conduct its business operations at the Leased Premises is materially adversely affected as a result of a taking or condemnation by any governmental authority of all or a portion of the Leased Premises (including any purchase by such governmental authority in lieu of a taking), then Bass Pro may terminate the Bass Pro Lease by giving written notice to City to that effect within thirty (30) days of the date of such taking. In addition, if as a result of any such taking the parking facilities are reduced below the minimum parking number or ratio required under the Bass Pro Lease, Bass Pro may elect to terminate the Bass Pro Lease by giving City written notice within thirty (30) days after such taking. In the case of any taking or condemnation occurring after the Commencement Date, whether or not the Term of the Bass Pro Lease shall cease and terminate, any award or compensation paid on account thereof shall be divided between City and Bass Pro as their respective interests appear in order to compensate each for the damage to their respective interests. Any award or compensation payable with respect to a taking of condemnation prior to the Commencement Date shall be paid in its entirety to City.

### **Assignment, Subletting or Encumbering of Lease.**

Bass Pro shall have the right, without City's consent, to sublet certain aspects of its operations consistent with Bass Pro's other retail stores operated under the Trade Name from time to time throughout the United States, including, without limitation, the subleasing of certain of Bass Pro's operations to Bass Pro's affiliated entities and to non-affiliated third parties. In addition to and without limiting the generality of the foregoing, Bass Pro shall have the right without City's consent to sublet the operation of any restaurant located at the Leased Premises. Upon the request of City, but in no event more than one (1) time per year, Bass Pro shall deliver to City such information as may be reasonably requested by City with respect to subtenants at the Leased Premises. So long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable cure or grace period, Bass Pro shall be entitled to retain all rents paid by such subtenant. In addition, at any time after the expiration of the Operating Covenant Period (provided Bass Pro has not exercised its option to purchase the Leased Premises in accordance with the Bass Pro Lease and provided City does not elect to terminate the Bass Pro Lease as provided therein), Bass Pro shall have the right, without City's consent, at any time and from time to time thereafter to assign the Bass Pro Lease or sublet the Leased Premises or any part or parts thereof to any third party for any lawful use. Except as provided in the Bass Pro Lease, any assignment or sublease of the Leased Premises by Bass Pro shall be prohibited without the prior written consent thereto by City, which consent shall not be unreasonably withheld, delayed or conditioned.

The consent by City to any proposed assignment or sublease (which requires the consent of City) shall not release Bass Pro from any covenant or obligation under the Bass Pro Lease, nor be deemed a waiver or release of the non-assignability covenants in their future application, nor shall the collection or acceptance of

rent from any such assignee, transferee, subtenant or occupant constitute a waiver or release of Bass Pro of any covenant or obligation contained in the Bass Pro Lease.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, Bass Pro may, at any time during the Term, without the consent of City, assign its interest under the Bass Pro Lease or sublet the Leased Premises to any Permitted Successor (hereinafter collectively referred to as a "Transfer"). In no event shall any Transfer release or relieve Bass Pro from any of its obligations under the Bass Pro Lease. Bass Pro agrees to give City written notice of such Transfer. Nothing in the Bass Pro Lease shall be construed to prohibit, impair or affect in any way the right of the owners of the membership interests of Bass Pro (or corporate interests, if the present structure is reorganized into a corporation) to sell all or any part of such interests to a Permitted Successor.

Without conferring any rights upon Bass Pro not otherwise provided in the Bass Pro Lease, should Bass Pro desire to enter into an assignment, sublease or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease which requires the consent of City, Bass Pro shall request in writing City's consent to the assignment, sublease or transfer at least thirty (30) days before the proposed effective date of the assignment, sublease or transfer providing the following: (i) the full particulars of the proposed assignment, sublease or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease, including its nature, effective date, terms and conditions, and copies of any offers, draft agreements, subleases, letters of commitment or intent and other documents pertaining to the proposed assignment, sublease or transfer; (ii) a description of the identity, net worth and previous business experience of the proposed transferee; and (iii) any further information relevant to the proposed assignment, sublease or transfer which City shall reasonably request after receipt of Bass Pro's request for consent.

Notwithstanding any assignment, subletting or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease, Bass Pro shall remain fully liable on the Bass Pro Lease and for the performance of all terms, covenants and provisions of the Bass Pro Lease for the balance of the then-current Term.

### **Subordination**

Provided that Bass Pro has received an executed subordination and non-disturbance agreement ("SNDA") from all parties having rights senior or superior to Bass Pro's rights in the Leased Premises (including mortgagees) Bass Pro agrees that the Bass Pro Lease shall, at the request of City, be subordinate to any mortgages or deeds of trust that may hereafter be placed upon the Project or any portion thereof and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof, subject to the rights conferred upon Bass Pro pursuant to the SNDA.

### **Attornment**

In the event any proceedings are brought for the foreclosure of, or in the event of the conveyance by deed in lieu of foreclosure of, or in the event of exercise of the power of sale under, any mortgage and/or deed of trust or other security instrument made by City affecting the Project or any portion thereof, the Bass Pro Lease shall remain in full force and effect and in accordance with the terms and conditions of the SNDA, Bass Pro shall attorn to such successor-in-interest and recognize such successor-in-interest as the City under the Bass Pro Lease.

### **Advertising Program**

So long as Bass Pro is not in default under the Bass Pro Lease beyond applicable grace or cure periods and Bass Pro is open and operating in the Leased Premises in conformance with the Bass Pro Permitted Use, City warrants and represents to Bass Pro that Bass Pro's business operations at the Leased Premises shall be prominently featured in the advertising program for the Project. Bass Pro shall have the reasonable right of

review and approval with respect to such advertising program as it pertains to Bass Pro. Neither Bass Pro nor any Permitted Successor shall have any obligation to contribute to the advertising or promotion of the Project.

### **Grand Opening Promotions**

City warrants and represents to Bass Pro that approximately twenty-five percent (25%) of the grand opening promotional budget for the Project shall be allocated to promotions prominently featuring Bass Pro's business operations at the Project. Bass Pro shall have a reasonable right of review and approval with respect to the use of such funds. These funds shall be utilized within sixty (60) days prior to the opening of Bass Pro's store, with the intent of creating the maximum awareness for such opening of Bass Pro's store.

### **Elements of Default**

If any one or more of the following events shall occur and be continuing, said event or events shall hereby constitute a "default": (a) the failure of Bass Pro to pay any rent or other charges required to be paid by Bass Pro when same shall become due and payable under the Bass Pro Lease and such failure continues for a period of ten (10) days after written notice thereof from City to Bass Pro; or (b) the failure of Bass Pro to perform or observe any term or condition of the Bass Pro Lease (other than as set forth in subparagraph (a)) , and such failure shall continue for thirty (30) days after receipt by Bass Pro of written notice from City, which notice specifically describes the default in question; provided, however, that in the event such default is not capable of being cured within such thirty (30) day period, Bass Pro shall be given such additional time as is required to cure such default so long as Bass Pro commences such cure within such thirty (30) day period and diligently prosecutes the cure to completion. Notwithstanding the foregoing or any provision to the contrary contained in the Bass Pro Lease, in the event of a bona fide dispute between Bass Pro and City, Bass Pro shall have the right, within the applicable notice and cure period, to notify City of Bass Pro's desire to dispute the validity of City's claim of default. In the event such dispute relates to the payment of money, the notice of dispute, to be valid, shall be accompanied by payment of that portion of the sum due as to which Bass Pro does not take issue, limiting the notice of dispute to only the net amount actually disputed. The dispute notice shall be accompanied by a detailed statement of the basis for Bass Pro's dispute. In such circumstances, the time within which to cure any claimed default as to which a bona fide dispute has been raised will be extended to the date which is ten (10) days following the final determination of the court or other forum, or in the event the dispute is resolved before any such final determination, within ten (10) days after the settlement or other resolution of the dispute.

### **Remedies for Bass Pro's Default**

In the event of any such default by Bass Pro which is not cured within applicable grace periods, City may at any time thereafter, in addition to other rights or remedies it may have under the Bass Pro Lease, by written notice to Bass Pro, declare the Bass Pro Lease terminated and the Term ended, in which event, the Bass Pro Lease and the Term thereof shall expire, cease and terminate with the same force and effect as though the date set forth in the notice of termination were the date originally set forth in the Bass Pro Lease and fixed for the expiration of the then-current Term, and Bass Pro shall immediately vacate and surrender the Leased Premises in accordance with the Bass Pro Lease and, except as otherwise specifically provided in the Bass Pro Lease, Bass Pro shall remain liable for all obligations arising during the balance of the then-current Term as if the Bass Pro Lease had remained in full force and effect through the balance of the then-current Term, and if Bass Pro fails to so vacate the Leased Premises, City may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises and expel or remove Bass Pro and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim or damage therefor.

In the event of any such default by Bass Pro which is not cured within applicable grace periods, City may recover from Bass Pro the following:

(i) The amount of any unpaid rent which has accrued at the time of such termination; plus

(ii) The amount of any unpaid rent from and after the time of such termination for the balance of the then-current Term less any amount that could have been reasonably avoided by City mitigating its damages by subletting the Leased Premises, or otherwise.

(iii) The term "rent" as used in the Bass Pro Lease shall be deemed to be and to mean all sums of every nature required to be paid by Bass Pro pursuant to the terms of the Bass Pro Lease, whether to City or to others. Any "rent" payable under this section shall be computed by allowing interest at the rate provided in the Bass Pro Lease ("Interest") and shall be computed and adjusted by discounting such amount at the discount rate of the Federal Reserve Bank of New York at the time of award plus four percent (4%).

In the event of any default by Bass Pro which is not cured within applicable grace periods, City may either terminate the Bass Pro Lease or it may from time to time, without terminating the Bass Pro Lease, make such repairs as necessary in order to relet the Leased Premises, and relet the Leased Premises or any part thereof for such term or terms and for such rent and upon such other terms and conditions as City may determine advisable in its sole discretion, reasonably exercised. Upon each such reletting, all rentals and other sums received by City from such reletting shall be applied, first, to the payment of any indebtedness other than rent due under the Bass Pro Lease from Bass Pro to City; second, to the payment of any costs and expenses of such reletting, including reasonable brokerage fees and reasonable attorneys' fees and the costs of any repairs, specifically excluding, however, any tenant improvement allowance granted by City; third, to the payment of rent and other charges due and unpaid under the Bass Pro Lease; and the residue, if any, shall be held by City and applied in payment of future rent as the same may become due and payable under the Bass Pro Lease. If such rentals and other sums received from such reletting during any month are less than the amount payable to City by Bass Pro under the Bass Pro Lease for the subject month, Bass Pro shall pay such deficiency to City. Such deficiency shall be calculated and paid monthly. Notwithstanding any such reletting without termination, City may at any time elect to terminate the Bass Pro Lease for such previous uncured event of default.

In determining the rent which would be payable by Bass Pro under the Bass Pro Lease subsequent to default (during the Initial Term only), the average annual Percentage Rent which Bass Pro was obligated to pay from the commencement of the Term to the time of default, or during the preceding two (2) full calendar years, whichever period is shorter, shall be deemed prima facie to be the annual Percentage Rent that Bass Pro would have been obligated to pay for the period following the default through the expiration of the Initial Term. In determining the amount of rent which would be payable by Bass Pro under the Bass Pro Lease subsequent to default (during any of the three (3) five (5) year Renewal Options only), the average annual Gross Sales from the Leased Premises for the preceding two (2) full calendar years shall be deemed prima facie to be the amount of Gross Sales that Bass Pro would have made for the period following the default through the expiration of the then-current three (3) five (5) year Renewal Option.

Any damage or loss of rent sustained by City may be recovered by City, at City's option, at the time of the reletting or termination, in a single action or in separate actions from time to time as said loss of rents or damages shall accrue, or in a single proceeding deferred by City until the expiration of the then-current Term, (in which event Bass Pro hereby agrees that, at City's option, the cause of action shall not be deemed to have accrued until the date of expiration of the then-current Term).

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event of any breach or default by Bass Pro under the Bass Pro Lease, which breach or default has not been cured within applicable grace or cure periods or in the event the Bass Pro Lease is terminated, City agrees to use reasonable efforts to mitigate its damages resulting therefrom, including reletting the Leased Premises.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event of any breach or default by Bass Pro under the Bass Pro Lease which occurs prior to the Commencement Date and which is

not cured within applicable grace or cure periods whether or not the Bass Pro Lease is terminated, City acknowledges and agrees that in no event shall the liability of Bass Pro or the "Guarantor" (as defined in the Bass Pro Lease), in the aggregate, exceed eighty-nine and nine-tenths percent (89.9%) of the costs incurred in connection with the construction activities at the Leased Premises through the date of such uncured event of breach or default.

### **Additional Remedies and Waivers**

The rights and remedies of City and Bass Pro provided in the Bass Pro Lease shall be the sole and exclusive rights and remedies available in connection with a default of the Bass Pro Lease. No action or inaction by City or Bass Pro shall constitute a waiver of a default and no waiver of default shall be effective unless it is in writing, signed by the party waiving the default. No waiver by City or Bass Pro of any violation or breach of any of the terms, provisions or covenants contained in the Bass Pro Lease shall be deemed or construed to constitute a waiver of any other or later violation or breach of the same or any other of the terms, provisions and covenants contained in the Bass Pro Lease.

### **Default by City/Remedies**

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event City fails to perform or observe any term or condition of the Bass Pro Lease and such failure is not cured within thirty (30) days after receipt by City of written notice, which notice specifically describes the default in question; provided, however, that in the event such default is not capable of being cured within such thirty (30) day period, City shall be given such additional time as is required to cure such default so long as City commences such cure within said thirty (30) day period and diligently prosecutes the cure to completion; then, in that event, Bass Pro shall be entitled to recover not only its reasonable attorney fees, court costs and expenses, but also Bass Pro shall be entitled to pursue all available remedies at law or in equity.

### **Delays**

If City or Bass Pro is delayed or prevented from performing any of their respective obligations under the Bass Pro Lease because of "acts of God" (including, for example and without limitation, fire, windstorm, flood and earthquake), strikes, lockouts, labor troubles, inability to procure materials, failure of power, governmental restrictions or reasons of a like nature not the fault of the party delayed in performing such obligation (specifically excluding, however, the inability or failure of City to obtain financing which may be necessary in order to fund the Allowance or construct the Project) ("Delays"), then, except as otherwise specifically provided in the Bass Pro Lease, the period of such Delays shall be deemed added to the time provided in the Bass Pro Lease for the performance of any such obligation and the defaulting party shall not be liable for losses or damages caused by such Delays; provided, however, that, this Article shall not apply to any obligation of City or Bass Pro that can be satisfied by the payment of money.

### **Return of Leased Premises**

Upon the expiration or sooner termination of the Term of the Bass Pro Lease, Bass Pro shall quit and surrender to City the Leased Premises in accordance with the terms of the Bass Pro Lease and in a broom-clean condition, in good order, condition and repair, ordinary wear and tear excepted, and shall surrender to City all keys to or for the Leased Premises and inform City of all combinations of locks, safes and vaults, if any, in the Leased Premises. Subject to the provisions of the Bass Pro Lease, Bass Pro, at its expense, shall promptly remove all personal property of Bass Pro, repair all damage to the Leased Premises caused by such removal and restore the Leased Premises to the condition which existed prior to the installation of the property so removed, ordinary wear and tear excepted. Bass Pro's obligation to observe or perform the covenants set forth in the Bass Pro Lease shall survive the termination of the Bass Pro Lease. The provisions of this section are subject to Bass Pro's Purchase Option.

## **Holding Over**

If Bass Pro shall hold possession of the Leased Premises after the expiration or termination of the Bass Pro Lease, at City's option (a) Bass Pro shall be deemed to be occupying the Leased Premises as a tenant from month-to-month, at a rental equal to two and one-half percent (2.5%) of all Gross Sales made in, on or from the Leased Premises during such holdover period and otherwise subject to all of the terms, covenants and conditions of the Bass Pro Lease; or (b) City may exercise any other remedies it has under the Bass Pro Lease including an action for wrongfully holding over. No extension or renewal of the Bass Pro Lease shall be deemed to have occurred by any holding over. Notwithstanding anything in this section to the contrary, if during any such holding over period Bass Pro is in good faith negotiating a renewal or extension of the Bass Pro Lease, then, in that event, so long as Bass Pro shall continue to so negotiate in good faith Bass Pro shall have the right to remain in possession of the Leased Premises upon the same terms and conditions, including the amount of rent payable, that were in effect during the period immediately proceeding the expiration of the Bass Pro Lease. The provisions of this section are subject to the Purchase Option contained in the Bass Pro Lease.

## **Utilities**

Bass Pro shall be solely responsible for and promptly pay all costs and charges for all water, gas, heat, electricity, sewer and other utilities provided or used in or at the Leased Premises (including electricity costs to illuminate Bass Pro's Parking Field), commencing with the Delivery Date and continuing throughout the Term. All such costs incurred prior to the Commencement Date shall be paid from the Allowance. Bass Pro shall, at its option, be entitled to negotiate its own utility rates with local utility companies or be entitled to participate in the utility program at the Project, if any, "at cost" and Bass Pro shall be entitled to the benefit of any discounts, savings, rebates and incentives related thereto on a proportionate basis.

## **Trash and Garbage Removal**

Bass Pro shall be solely responsible for trash and garbage removal from the Leased Premises.

## **Interest**

Except as otherwise specifically provided in the Bass Pro Lease, any amount due from Bass Pro to City or from City to Bass Pro in the Bass Pro Lease which is not paid when due shall bear interest at the Federal discount rate charged at the Federal Reserve Bank of New York on the twenty-fifth (25th) day of the month preceding the date upon which the obligation is incurred plus five percent (5%) from the date due until paid, but the payment of such Interest shall not excuse or cure any default by Bass Pro or City under the Bass Pro Lease. In no event shall any Interest calculated under the Bass Pro Lease be at a rate which is higher than the maximum rate which is allowed under the usury laws of the State, which maximum rate of interest shall be substituted for the rate in excess thereof, if any, computed pursuant to this provision.

## **Effective Date**

For all purposes of the Bass Pro Lease, the "Effective Date" of the Bass Pro Lease shall be the date first set forth above. Prior to the Effective Date, neither the Bass Pro Lease nor anything under the Bass Pro Lease contained shall be legally binding on either City or Bass Pro, and the submission of the Bass Pro Lease by one party to the other prior to such Effective Date for examination, consideration or discussion between City and Bass Pro shall not create any legal obligation or liability whatsoever on either party.

## **Attorneys' Fees**

In any action or proceeding under the Bass Pro Lease, the prevailing party shall be entitled to recover from the other party, the prevailing party's reasonable costs and expenses in such action or proceeding,

including reasonable attorneys' fees, costs and expenses. If either party is sued by a third party as a result of a violation of a covenant or warranty contained in the Bass Pro Lease by the other party hereto, then the party who has violated the covenant or warranty shall be responsible for the reasonable costs and expenses in such action or proceeding incurred by the other party, including reasonable attorneys' fees, costs and expenses.

### **Conditions Precedent to Bass Pro's Duty to Perform**

Notwithstanding any other provision of the Bass Pro Lease, Bass Pro shall have no duty to perform under the Bass Pro Lease unless and until each of the following conditions precedent shall have been satisfied or waived in writing by Bass Pro:

(a) Prior to the Delivery Date, City shall have, at its expense, delivered to Bass Pro, a leasehold title insurance commitment with respect to the Leased Premises from a title insurance company acceptable to Bass Pro, in current ALTA form, in an insured amount of the Allowance plus \$2,000,000, having only exceptions which do not materially interfere with Bass Pro's intended use and occupancy (the "Commitment").

(b) Prior to the Delivery Date, City shall have furnished to Bass Pro, at City's expense, a current "as-built" ALTA survey of the Leased Premises.

(c) Prior to the Delivery Date, City shall have furnished to Bass Pro, at City's expense, an environmental report certifying to Bass Pro that the Leased Premises are free and clear of all "Hazardous Materials" (as defined in the Bass Pro Lease).

(d) Each of the warranties and representations of City shall be true and correct in all material respects and City shall be in compliance with all material terms of the Bass Pro Lease.

(e) Prior to the Delivery Date, City shall have, at its expense, received from all applicable authorities and delivered to Bass Pro certification that the Leased Premises are zoned so as to permit Bass Pro to conduct the Bass Pro Permitted

(f) Bass Pro shall have received a SNDA from all parties having rights senior or superior to Bass Pro's rights in the Leased Premises (including mortgagees), which SNDA shall provide that in the event of default by City of its obligations to such senior parties, the occupancy of Bass Pro under the Bass Pro Lease will not be disturbed by such senior party and that Bass Pro may attorn to and make rent payments to such senior party as City under the Bass Pro Lease and continue in possession of the Leased Premises so long as Bass Pro complies with its obligations under the Bass Pro Lease.

(g) City shall have delivered to Bass Pro each of the respective portions of the Leased Premises in the condition required under the Bass Pro Lease.

(h) City shall have delivered to Bass Pro, concurrently with the execution of the Bass Pro Lease, an opinion of the office of the City Attorney for the City of Independence, Missouri to the effect that the Bass Pro Lease has been duly executed by and is binding and enforceable against the City in accordance with its terms, that all approvals necessary with respect to the execution and performance of the Bass Pro Lease by City have been obtained, and that the Lease is consistent with the Charter of the City of Independence, Missouri, the Constitution of the State of Missouri, the laws of the State of Missouri and any and all applicable laws, rules, regulations and ordinances and containing such other matters as Bass Pro and Bass Pro's counsel may reasonable request.

## **Guaranty of Lease**

Bass Pro, Inc. agrees to guarantee the payment and performance of Bass Pro's obligations under the Bass Pro Lease and shall execute and deliver simultaneously with the execution and delivery of the Bass Pro Lease a Guaranty in the form attached thereto.

## **Bass Pro's Financing**

Bass Pro and any assignee or subtenant of the entire Leased Premises may, from time to time without City's consent, assign, mortgage or otherwise encumber Bass Pro's or such assignee's or subtenant's leasehold estate in the Leased Premises, its interest in the improvements, its furniture, fixtures, equipment and inventory and its interest in the Bass Pro Lease or any part thereof to secure a loan or other obligation of such party or a related entity, provided that such security interest shall be subject to the terms, covenants and conditions of the Bass Pro Lease.

## **Project Concept**

City warrants and represents to Bass Pro that throughout the entire Term Bass Pro shall have the reasonable right of approval with respect to the tenant/occupant mix at the Project for the purpose of insuring that the tenant/occupant mix is complimentary to Bass Pro's business operations at the Leased Premises.

## **Covenants Respecting Sales Tax**

City covenants to and agrees with Bass Pro that, without the prior written consent of Bass Pro, at no time during the Term shall City take any action or assist, support or acquiesce to any actions which would impose or propose to impose any special sales or other tax upon the business operations of Bass Pro conducted at or from the Leased Premises beyond those sales and other taxes that are commonly imposed in the State, County or City in which the Leased Premises is located and the sales taxes imposed by the Thirty Ninth Street TDD and the contemplated TDD being established in conjunction with the Project, provided, however, that at all times during the Term, City shall cause the overall sales tax rate at the Project and at the Leased Premises to be maintained at or below "market rate" as compared to other commercial developments within the vicinity of the Project.

## **Hotel Parcel**

Prior to the Delivery Date, City shall, at its expense, rough grade, to an elevation consistent with the surrounding property, the approximate five (5) acre parcel of real property identified on the Final Site Plan as "Hotel Parcel". On the Delivery Date, City shall, by general warranty deed, convey fee simple insurable title to the Hotel Parcel to Bass Pro, free and clear of all interests, liens and encumbrances, and deliver possession of the Hotel Parcel to Bass Pro. Irrespective of any other provisions of the Bass Pro Lease, without the written approval of City and Bass Pro, the total acreage of the Leased Premises and the Hotel Parcel shall not be less than or exceed twenty-five (25) acres.

Bass Pro agrees that (subject to force majeure) it will, at its sole cost and expense, construct or cause to be constructed on the Hotel Parcel a hotel containing a minimum of one hundred fifty (150) rooms (the "Hotel") and such other improvements thereon as desired by Bass Pro. Bass Pro further agrees that (subject to force majeure) it will cause the Hotel to be open for business within two (2) years of the Commencement Date and will use commercially reasonable efforts to cause the Hotel to remain open for business throughout the Operating Covenant Period. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, (i) any sales generated from the Hotel Parcel shall be excluded from Bass Pro's Gross Sales and Bass Pro shall have no obligation to pay City Percentage Rent with respect to any such sales, and (ii) as owner of the Hotel Parcel, Bass Pro shall, at its expense, be responsible for all expenses with respect to the Hotel Parcel, including, without limitation, the payment of all Real Estate Taxes, obtaining and maintaining casualty,

fire and extended coverage insurance with respect to the Hotel Parcel and the improvements located thereon and for all repairs and maintenance in and to the Hotel Parcel and the improvements located thereon. City and Bass Pro further acknowledge and agree that (subject to force majeure) if the construction of the Hotel has not been substantially completed within three (3) years of the Commencement Date, then, in that event, as City's sole and exclusive remedy, Bass Pro shall be obligated to reconvey title to the Hotel Parcel to City.

### **City Park Area**

City shall, at its expense, concurrently with the performance of Bass Pro's Work, construct the areas identified on the Development Plan as "City Park Area" (the "City Park Area"). City covenants and agrees that the City Park Area will consist of an approximate fifteen (15) acre lake and an additional wilderness/habitat area of approximately fifteen (15) acres. The City Park Area shall also include a waterfall and present a unique natural setting. City covenants and agrees that the City Park Area shall be completed no later than the opening of Bass Pro's store at the Leased Premises. The repair, maintenance and insurance obligations with respect to the City Park Area shall be the responsibility of City.

### **Purchase Option**

Provided that Bass Pro is not then in default of the Bass Pro Lease beyond any applicable cure or grace period, City does hereby grant to Bass Pro (i) at the expiration of the twenty (20) year Initial Term and (ii) at the expiration of any Renewal Option, the absolute and irrevocable right and option to purchase the real property upon which the Leased Premises is located and all improvements located thereon on the terms and conditions set forth in the Bass Pro Lease (the "Option to Purchase"). In order to exercise the Option to Purchase, Bass Pro shall deliver to City written notice to that effect ("Bass Pro's Option Notice").

If Bass Pro exercises the Option to Purchase, then, in that event, the following terms shall apply to the purchase by Bass Pro from City of the Leased Premises:

(i) The purchase price shall be an amount equal to ninety percent (90%) of the fair market value of the Leased Premises and the improvements located thereon at the time the Option to Purchase is exercised as determined by a MAI appraisal and shall be paid in cash by Bass Pro to City at the closing of the Option to Purchase.

(ii) The closing of the Option to Purchase shall take place on the first (1st) business day following the date that the then-current Term expires (effective, however, as of the first (1st) calendar day following the date that the then-current Term expires).

(iii) At the closing of the Option to Purchase, City shall execute and deliver to Bass Pro (a) such documents of conveyance as Bass Pro, Bass Pro's counsel and Bass Pro's title insurance company may reasonably require which convey fee simple and insurable title to the real property upon which the Leased Premises is located and all improvements located thereon free and clear of any and all liens, interests and encumbrances, (b) a commitment for title insurance from a reputable title insurance company by the terms of which the title company agrees to issue to Bass Pro, at the closing of the Option to Purchase, an ALTA owner's policy of title insurance insuring Bass Pro's clear title to the Leased Premises and (c) such other documents as may be reasonably requested by Bass Pro and Bass Pro's counsel.

(iv) Upon the closing of the Option to Purchase the Bass Pro Lease and the Term of the Bass Pro Lease shall terminate and be of no further force or effect.

### **Financing Condition**

Notwithstanding any other provision of the Bass Pro Lease, City shall have no duty to perform under the Bass Pro Lease unless City shall have been able to obtain financing for the payment of the Allowance, upon such terms and conditions as are acceptable to City in its sole discretion (the "Financing Condition") on

or before the one hundred twentieth (120th) day following the Effective Date (the "Financing Condition Date"). From and after the Effective Date, City agrees to use all commercially reasonable good faith diligent efforts to satisfy the Financing Condition as promptly as possible, but in no event later than the Financing Condition Date. If City has not satisfied the Financing Condition prior to the Financing Condition Date (provided City has not waived the Financing Condition prior to the Financing Condition Date), City shall have the right to terminate the Bass Pro Lease by delivering to Bass Pro written notice to that effect prior to the Financing Condition Date (the "Termination Notice"). If City delivers the Termination Notice prior to the Financing Condition Date, then the Bass Pro Lease shall thereupon terminate and neither party shall have any obligation thereafter accruing to the other under the Bass Pro Lease; provided, however, that in such event, City shall be obligated to reimburse Bass Pro for its design costs in accordance with the Bass Pro Lease (not to exceed Three Hundred Thousand Dollars (\$300,000)). If City fails to deliver the Termination Notice prior to the Financing Condition Date, then the Financing Condition shall be deemed satisfied and waived and the Bass Pro Lease shall continue in full force and effect. If the Financing Condition is satisfied prior to the Financing Condition Date, City shall give Bass Pro prompt written notice thereof.

### **Environmental Matters - Warranties and Representations of City**

City represents and warrants that as of the date possession of the Leased Premises is delivered by City to Bass Pro, the Leased Premises will be free of all "Hazardous Materials" and will not be in violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to the environmental conditions on, under or about the Leased Premises including, but not limited to, soil and groundwater conditions. City further represents and warrants that during the time in which City has owned the Leased Premises, neither City nor, to City's knowledge, has any third party used, generated, manufactured, stored or disposed of on, under or about the Leased Premises or transported to or from the Leased Premises any Hazardous Materials, other than in the normal operation of City's business, and then only in compliance with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials. As used in the Bass Pro Lease, "Hazardous Materials" shall include, but shall not be limited to, polychlorinated biphenyls (PCBs), Petroleum, (including oil, motor oil and gasoline), natural gas (and synthetic gas usable for fuel), asbestos and asbestos containing materials (ACMs), underground storage tanks (USTs), above-ground storage tanks (ASTs) as well as substances, materials or conditions now or in the future defined as "hazardous substances", "pollutants" or "contaminants" in the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601, et seq.), those substances, materials or conditions now or in the future defined as "hazardous waste" in any applicable Hazardous Waste Management Law, and in the regulations adopted pursuant to said laws and any other substance, material or condition which is now or in the future may be considered hazardous or otherwise subject to any statutory or regulatory requirement governing handling, disposal and/or clean up.

### **Environmental and Industrial Hygiene Compliance by Bass Pro**

Bass Pro warrants that it will not knowingly or negligently allow or cause the presence, disposal, release or threatened release of any Hazardous Materials on, from or under the Leased Premises, other than in normal operations of Bass Pro's business, and then only in compliance with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials. Furthermore, Bass Pro covenants that it shall at all times during the Term of the Bass Pro Lease comply with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials.

### **Indemnification of Liability**

City and Bass Pro each agree to indemnify and hold harmless the other party, its members, partners, shareholders, directors, officers, employees and agents, from and against any and all losses, claims, damages, penalties, liabilities, response costs and expenses (including all out-of-pocket litigation costs and the reasonable fees and expenses of counsel) (1) arising out of the material inaccuracy or incompleteness of any

representation or warranty made in the Bass Pro Lease, or (2) arising in connection with the presence, use, generation, storage, release, threatened release, disposal or transport of Hazardous Materials by City, Bass Pro or, as respects City, any prior owner or operator of the Leased Premises including, without limitation, all costs of any required or necessary repair, clean-up or detoxification and preparation of any closure or other required plans, to the full extent that such action is attributable, directly or indirectly, to the presence or use, generation, storage, release, threatened release or disposal of Hazardous Materials by any known person or entity on the Leased Premises. This agreement to indemnify and hold harmless shall be in addition to any other obligations or liabilities that may exist at common law, or by statute or otherwise, and shall survive the transfer of title to the Leased Premises, any assignment of the Bass Pro Lease and the expiration or termination of the Bass Pro Lease.

### **Performance of Tests and Right of Entry**

Bass Pro agrees to permit City, its agents, contractors, employees and representatives to enter upon and to inspect the Leased Premises at all reasonable times for the purposes of making site and building investigations and performing soil, groundwater and other tests. In performing such investigations and tests, City agrees to use its best efforts to avoid material interference with the operation of Bass Pro's business on the Leased Premises. If such investigations and tests do not reveal any Hazardous Materials contamination caused by Bass Pro other than any such contamination which may exist as a result of the normal business operations of Bass Pro, provided that the same is in compliance with all applicable federal, state and local laws and regulations, then City shall promptly repair any damages occasioned by such inspections and tests and City agrees to indemnify and save and hold harmless Bass Pro, its agents, employees and contractors, from any claim, suit, liability or damages, including reasonable attorney fees and court costs, arising out of or relating to such inspections and tests. In the event such investigations and tests do reveal any Hazardous Materials contamination caused by Bass Pro and such contamination is not in compliance with all applicable federal, state and local laws and regulations, then, in that event, Bass Pro shall promptly remove such contamination at its sole cost and expense and shall indemnify and save and hold harmless City, its agents, employees and contractors, from any claim, suit, liability or damages, including reasonable attorney fees and court costs, arising out of or relating to such contamination and Bass Pro shall reimburse City for the costs of such inspections and tests.

### **Indemnification by Bass Pro**

In addition to any agreement to indemnify made by Bass Pro in the Bass Pro Lease, but subject to the Bass Pro Lease, City shall not be liable for, and, to the extent permitted by law, Bass Pro shall indemnify and save City harmless against and from, any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees, which may be imposed upon or incurred by or asserted against City by reason of any of the following occurrences during the Term: (a) any work or thing done in, on or about the Leased Premises or any part thereof by Bass Pro or any agents, contractors, servants, employees, sub-tenants, licensees or invitees of Bass Pro; (b) any negligence on the part of Bass Pro or any agents, contractors, servants, employees, space tenants, licenses or invitees of Bass Pro; (c) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises; or (d) subject to the Bass Pro Lease, any failure on the part of Bass Pro or any of the sub-tenants, licensees or users of the Leased Premises to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the Bass Pro Lease. In case any action or proceeding is brought against City by reason of any claim within the provisions of this section, Bass Pro, upon written notice from City, shall at Bass Pro's expense resist or defend the claim by counsel reasonably acceptable to City.

### **Indemnification by City**

In addition to any agreement to indemnify made by City in the Bass Pro Lease, but subject to the Bass Pro Lease, Bass Pro shall not be liable for, and to the extent permitted by law City shall indemnify and save

Bass Pro harmless against and from, any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees, which may be imposed upon or incurred by or asserted against Bass Pro by reason of any of the following occurrences during the term of the Bass Pro Lease: (a) any work or thing done in, on or about the Leased Premises or any part thereof by or at the direction of City or any agents, contractors, servants or employees of City; (b) any negligence on the part of City or any agents, contractors, servants of employees of City; (c) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises caused by City or any agents, contractors, servants or employees of City; or (d) any failure on the part of City to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the Bass Pro Lease. In case any action or proceeding is brought against Bass Pro by reason of any such claim within the provisions of this section, City, upon written notice from Bass Pro, shall at City's expense resist or defend the claim by counsel reasonably acceptable to Bass Pro.

#### **Immunity and Release of Council Members Officers and Employees of City**

No recourse shall be had for any claim based upon any representation, obligation, covenant or agreement in the Bass Pro Lease contained against any past, present or future council member, officer, employee, director or agent of the City, or, of any successor public corporation thereto, as such, either directly or through the City, any successor public corporation thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such council member, officers, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of the Bass Pro Lease.

## **APPENDIX D**

### **DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS**

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

## APPENDIX D

### 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 Authorizing Ordinance, the Financing Agreement, the Continuing Disclosure Agreement, the Deed of Trust and this Official Statement unless the context clearly otherwise requires.*

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

**“Additional Bonds”** means any additional parity Bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds.

**“Additional Payments”** means the Additional Payments described in the Financing Agreement.

**“Authorizing Ordinance”** means the Ordinances of the City authorizing the execution of the Financing Agreement, the First Supplemental Financing Agreement and certain other documents.

**“Bond”** or **“Bonds”** means the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2009H 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.

**“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 TIF 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, and equipping of the Project, including without limitation; all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act and the TIF Act.

**“Debt Service Fund”** means the fund by that name created by the Indenture.

**“Debt Service Reserve Fund”** means the fund by that name created by the Indenture.

**“Debt Service Reserve Fund Requirement”** means (i) with respect to the Series 2006A Bonds, an amount equal to \$3,434,000; (ii) with respect to the Series 2006B Bonds, an amount equal to \$1,403,000; (iii) with respect to the Series 2008A Bonds, an amount equal to \$503,500; (iv) with respect to the Series 2009H Bonds, the amount set forth in the body of this Official Statement, and (v) with respect to any Additional Bonds that are entitled to the benefit of the Debt Service Reserve Fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

**“Deed of Trust”** means the Deed of Trust and Assignment of Rents executed by the City in favor of the Trustee securing the City’s obligations to make payments pursuant to the Financing Agreement.

**“Default”** means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both would constitute, an event of default.

**“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).

**“Environmental Regulations”** means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule defining and governing dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials, or substances.

**“Event of Default”** means any event of default as defined in the Indenture.

**“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.

**“Financing Agreement”** means the Original Financing Agreement as amended and supplemented by the Series 2008A Supplemental Financing Agreement, as from time to time further amended and supplemented by Supplemental Financing Agreements in accordance with the provisions of the Financing Agreement.

**“Indenture”** means the Original Indenture as previously amended and supplemented, and as further amended and supplemented by the Series 2009H Supplemental Indenture, and as from time to time further amended and supplemented by Supplemental Indentures in accordance with the provisions of the Indenture.

**“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.

**“Loan”** means the loan of the proceeds of the Bonds made by the Board to the City pursuant to the Financing Agreement.

**“Moody’s”** means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **“Moody’s”** shall be deemed to refer to any other nationally recognized securities rating agency designated by 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.

**“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.

**“Original Purchaser”** means Piper Jaffray Inc.

**“Original Financing Agreement”** means the Financing Agreement dated as of March 15, 2006, between the Board and the City.

**“Original Indenture”** means the Bond Trust Indenture dated as of March 15, 2006, between the Board and the Trustee.

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

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;

(2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and

(4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

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

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

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

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

(3) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export - Import Bank,
- Farm Credit System Financial Assistance Corporation,
- Rural Economic Community Development Administration (formerly the Farmers Home Administration),
- General Services Administration,
- U.S. Maritime Administration,

- Small Business Administration,
- Government National Mortgage Association (GNMA),
- U.S. Department of Housing & Urban Development (PHA's),
- Federal Housing Administration, and
- Federal Financing Bank;

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

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

(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; 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.

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; and

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest.

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

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

**“Record Date”** means the 15th day (whether or not a Business Day) of the calendar month next preceding the month in which an interest payment on any Bond is to be made.

**“Series 2005C Bonds”** means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Center Project), Series 2005C, aggregating the principal amount of \$11,325,000, and issued under a separate bond indenture.

**“Series 2006A Bonds”** means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006A, aggregating the principal amount of \$34,340,000, issued pursuant to the Indenture.

**“Series 2006B Bonds”** means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006B, aggregating the principal amount of \$14,030,000.

**“Series 2006C Bonds”** means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006B, aggregating the principal amount of \$12,790,000, and issued under a separate bond indenture.

**“Series 2008A Bonds”** means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2008A, aggregating the principal amount of \$5,035,000.

**“Series 2008B Bonds”** means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2008B, aggregating the principal amount of \$7,920,000, and issued under a separate bond indenture.

**“Series 2009H Bonds”** means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2009H, aggregating the principal amount set forth in the body of this Official Statement.

**“Series 2009H Supplemental Financing Agreement”** means the Series 2009H Supplemental Financing Agreement between the Board and the City.

**“Series 2009H Supplemental Indenture”** means the Series 2009H Supplemental Bond Trust Indenture.

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

**“TDD Revenues”** means 7/8 of the moneys received by the City from the Crackerneck Creek Transportation Development District which are derived from the sales tax levied by the District for the payment of project costs related to the Crackerneck Creek Project, and which are subject to annual appropriation by the District.

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

**“Transaction Documents”** means the Indenture, the Bonds, the Financing Agreement, the Official Statement relating to the Bonds, the Continuing Disclosure Agreement, the Deed of Trust, 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, the Deed of Trust or the Official Statement or contemplated by the Indenture, the Financing Agreement or the Official Statement; and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words “Transaction Documents” are used in the context of the authorization, execution, delivery, approval or performance of Transaction Documents by a particular party, the same shall mean only those Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

\* \* \*

## **SUMMARY OF THE INDENTURE**

### **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 from time to time held by the Trustee under the terms of the Indenture; and

(c) All moneys or property held or realized by the Trustee under the Deed of Trust; and

(d) 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 hereby 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 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2009H 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 the Financing Agreement, for any purpose authorized under the Act.

Before any Additional Bonds are issued under the provisions of the Indenture, the Board shall adopt a resolution (1) authorizing the issuance of such Additional Bonds, fixing the principal amount thereof and describing the purpose or purposes for which such Additional Bonds are being issued, (2) authorizing the Board to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds and establishing the terms and provisions of such series of Bonds and the form of the Bonds of such series, (3) authorizing the Board to enter into a Supplemental Financing Agreement with the City to provide for payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due, and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement, and (4) providing for such other matters as are appropriate because of the issuance of the Additional Bonds, which matters, in the judgment of the Board, are not prejudicial to the Board or the owners of the Bonds previously issued.

Such Additional Bonds shall have the same general title as the Series 2006A Bonds, Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H 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 (subject to the provisions of the Indenture), all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2009H Bonds and any other Additional Bonds, excepts for the accounts in the debt service reserve fund established for such series of Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of any reserve fund.

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 and further approving such Supplemental Indenture and the issuance and sale of the Additional Bonds.

(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, containing the annual appropriation covenant of the City in substantially the same form as contained the Financing Agreement.

(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) Deposit of an amount equal to the Debt Service Reserve Fund Requirement, if any, for such Additional Bonds.

(h) An Opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met.

(i) 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.

When the documents specified above have been filed with the Trustee, and when such Additional Bonds have been executed and authenticated as required by the Indenture, the Trustee shall deliver such Additional Bonds to or upon the order of the purchasers thereof, but only upon payment to the Trustee of the purchase price of such Additional Bonds. The proceeds of the sale of such Additional Bonds, including accrued interest and premium thereon, if any, shall be immediately paid over to the Trustee and shall be deposited and applied by the Trustee as provided in the Indenture and in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Except as provided in the 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**

There Indenture creates and orders established in the custody of the Trustee the following special trust funds in the name of the Board to be designated as follows:

(a) “Missouri Development Finance Board–City of Independence, Missouri Project Fund” (the “Project Fund”), and within such fund separate accounts for each Series of Bonds, including a “Series 2006A Project Account,” a “Series 2006B Project Account,” a “Series 2008A Project Account” and a “Series 2009H Project Account.”

(b) “Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Costs of Issuance Fund” (the “Costs of Issuance Fund”), and within such fund separate accounts for each Series of Bonds, including a “Series 2006A Costs of Issuance Account,” a “Series 2006B Costs of Issuance Account,” a “Series 2008A Costs of Issuance Account” and a “Series 2009H Costs of Issuance Account.”

(c) “Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Debt Service Fund” (the “Debt Service Fund”) and within such fund separate accounts for each series of Bonds, including a “Series 2006A Debt Service Account,” a “Series 2006B Debt Service Account,” a “Series 2008A Debt Service Account” and a “Series 2009H Debt Service Account” and separate accounts for capitalized interest on each Series of Bonds if applicable, including a “Series 2006A Capitalized Interest Account,” a “Series 2006B Capitalized Interest Account,” a “Series 2008A Capitalized Interest Account” and a “Series 2009H Capitalized Interest Account.”

(d) “Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Debt Service Reserve Fund” (the “Debt Service Reserve Fund”), and within such fund separate accounts for each Series of Bonds, including a “Series 2006A Debt Service Reserve Account,” a “Series 2006B Debt Service Reserve Account,” a “Series 2008A Debt Service Reserve Account,” and a “Series 2009H Debt Service Reserve Account.”

### **Project Fund**

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

If an event of default specified in the Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Indenture, any balance remaining in the Project Fund 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 is authorized and directed to withdraw sufficient funds from the Debt Service Fund to pay principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said principal, redemption premium, if any, and interest.

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**

Except as provided in the Indenture for earnings on moneys prior to the Completion Date, the moneys in the respective 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 corresponding series of Bonds to the extent of any deficiency in the applicable series account of the Debt Service Fund for such purposes. The Trustee may disburse and expend moneys from the accounts of the Debt Service Reserve Fund for such purpose whether or not the amount in such accounts of the Debt Service Reserve Fund at that time equals the Debt Service Reserve Fund Requirement with respect to the applicable series of Bonds. 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 applicable account of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement with respect to the applicable series of Bonds, and the Trustee shall and shall direct the City to restore the deficiency in 12 equal monthly payments beginning not later than the first day of the next calendar month, subject to the limitations on such funding contained in the Financing Agreement.

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

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

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Indenture, 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 Subsection (a).

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 are 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 applicable portions of 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 hereunder 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, as set forth in the Indenture, 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 in 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 hereunder and their consequences; or

(c) modify the obligation of the Board to make payment on or provide funds for the payment of any Bond; or

(d) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(e) modify any of the provisions of the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property

at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. 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 the Indenture to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such act shall approve the substance thereof.

### **Payment, Discharge and Defeasance of Bonds**

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

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

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Defeasance Obligations pursuant to subsection (c) above, subject to receipt by the Trustee of (1) a verification report in form and substance satisfactory to the Trustee prepared by independent certified public accountants, or other verification agent, satisfactory to the Trustee and (2) an Opinion of Bond Counsel addressed and delivered to the Trustee and the Board 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.

### **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 pursuant to the Indenture) 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 Counsel to the effect that all conditions precedent in the Indenture to the satisfaction and discharge of the Indenture have been complied with; and

(d) 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 as provided in the Indenture for the payment of the principal of, premium, if any, and interest on the Bonds.

\* \* \*

### **SUMMARY OF THE AUTHORIZING ORDINANCE**

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

#### **Special Allocation Fund**

The Ordinances of the City authorizing the execution of the Financing Agreement provide that upon adoption of the TIF Ordinance relating to the Crackerneck Creek Redevelopment Project, the City will establish the “Crackerneck Creek Special Allocation Fund” (the “Crackerneck Creek Special Allocation Fund”), and within the Crackerneck Creek Special Allocation Fund, a PILOTS Account and an Economic Activity Tax Account.

The funds and accounts referred to above shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The funds and accounts referred to above shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Authorizing Ordinance so long as any portion of the Series 2006A Loan, the Series 2006B Loan, the Series 2008A Loan or the Series 2009H Loan remain Outstanding and unpaid.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project are pledged to the payment of the Series 2006A Loan, the Series 2006B Loan, the Series 2008A Loan or the Series 2009H Loan on a subordinate basis; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described herein.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project to the repayment of the Series 2006A Loan, the Series 2006B Loan, the Series 2008A Loan and the Series 2009H Loan but such loans will have only a subordinate lien on such revenues. In preparing the City’s annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such Economic Activity Tax Revenues,

the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) Commerce Bank, N.A., as trustee for the Series 2006A Bonds, Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

The City also covenants and agrees to pledge the State TIF Revenues (if any) and TDD Revenues (if any), on a subordinate basis, and the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Series 2006A Loan, the Series 2006B Loan, the Series 2008A Loan and the Series 2009H Loan.

#### **Administration of Special Allocation Fund**

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

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

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

(a) Not later than the last business day of each February and August the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2005C Financing Agreement, the Series 2006C Financing Agreement, the Series 2008B Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds) is less than the Debt Service Reserve Requirement for the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds or the Series 2008B Bonds) issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds or the Series 2008B Bonds, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Reserve Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Series 2005C Bonds, the Series 2006C Bonds, the Series 2008B Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

(c) Moneys remaining in the Crackerneck Creek Special Allocation Fund, after making the foregoing payments, shall be expended in the following order of priority:

(i) For deposit into the Business Interruption Reserve Fund established with the Trustee until such time as the amount on deposit therein equals the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds) or to restore the amount on deposit therein to the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds);

(ii) Any Excess Tax Revenues shall be transferred by the City to the Trustee for the purpose of prepaying that portion of the Series 2005C Loan, the Series 2006C Loan and the Series 2008B Loan the City has elected to prepay. "Excess Tax Revenues" means the amount of (i) Incremental Tax Revenues, (ii) any State TIF Sales Tax revenues, if and when approved, and (iii) the Bass Pro Lease payments (unless such lease payments are pledged to a separate series of bonds, if any), collected by the City (in increments of \$5,000) which the City determines are in excess of the amounts needed to make Loan Payments under the Financing Agreement for the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds relating to regularly scheduled payments of principal and interest on the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds.

(iii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Financing Agreement related to the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds, the Series 2006C Bonds and the Series 2008B Bonds; or

(d) If moneys remain in the Crackerneck Creek Special Allocation Fund after making the expenditures specified in (a) through (c), such moneys shall be applied as follows:

(a) Not later than the last business day of each February and August the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Financing Agreement relating to the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds the Series 2009H Bonds or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2006A Bonds, the Series 2006B Bonds, Series 2008A Bonds and the Series 2009H Bonds.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Series 2006A Bonds, the Series 2006B Bonds, Series 2008A Bonds and the Series 2009H Bonds) is less than the Debt Service Reserve Requirement for the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds or the Series 2009H Bonds (as defined in the Indenture relating to the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds) issued on a parity with the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Reserve Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2009H Bonds and any Additional Bonds issued on a parity with the Series 2006A Bonds, Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds.

(e) If moneys remain in the Crackerneck Creek Special Allocation Fund after making the expenditures specified in (a) through (d), such moneys shall be applied as follows:

(i) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

(ii) for the purpose of reimbursing the City for any transfer of any legally available funds to the Crackerneck Creek Special Allocation Fund; or

(iii) for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the Act.

\* \* \*

## **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.*

### **Amount and Source of the Loan; Issuance of Bonds**

The Board agrees to lend to the City, upon the terms and conditions in the Financing Agreement and in the Indenture specified, the net proceeds received by the Board from the sale of the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds (the "Loan"). In order to provide funds to make the Loan and finance the Costs of the Project, the Board agrees that it will issue, sell and deliver the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds to the Original Purchaser. The proceeds of the sale of the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2009H Bonds shall be paid over to the Trustee for the account of the Board and shall be administered, disbursed and applied for the payment of the Costs of the Project and other purposes upon the terms and in the manner as provided in the Indenture and in the Financing Agreement.

### **Loan Payments**

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

(a) *Debt Service Fund -- Interest:* On or before 10:00 A.M. on or before the Business Day preceding each March 1 and September 1, an amount which is not less than the interest to become due on the next interest payment date on the Series 2006A Bonds, 2006B Bonds, the Series 2008A Bonds, the Series 2009H Bonds or any Additional Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

(b) *Debt Service Fund -- Principal:* On or before 10:00 A.M. on or before the Business Day preceding each March 1, an amount which is not less than the next installment of principal due on the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2009H Bonds and any Additional Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

(c) *Debt Service Fund - Redemption:* On or before 10:00 A.M. on or before the Business Day preceding the date required by the Indenture or the Indenture, the amount of any Net Proceeds or other moneys received which is intended or required to redeem Series 2006A Bonds the

Series 2006B Bonds, the Series 2008A Bonds or Series 2009H Bonds then Outstanding if the City exercises its right to redeem Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds or the Series 2009H Bonds under any provision of the Indenture or if any Series 2006A Bonds, Series 2006B Bonds, Series 2008A Bonds or Series 2009H Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Indenture.

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

### **Additional Payments**

Subject to the limitations of the Financing Agreement, 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 Indenture 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 Indenture for which the Trustee and other persons are entitled to repayment or reimbursement;

(b) 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 hereunder that the City do not perform, or incurred in the defense of any action or proceeding with respect to the Project, the Indenture 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 Indenture and that the City is not otherwise required to pay under the Indenture;

(c) to the Trustee, upon written demand of the Trustee the amount required by the Indenture necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement. Any Supplemental Financing Agreement shall provide for similar deposits into the Debt Service Reserve Fund of amounts sufficient to increase, if necessary, the deposits to such fund as required by the Indenture.

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

(e) to the appropriate person, any other amounts required to be paid by the City under the Indenture 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 two percent (2%) during the period such Additional Payments remain unpaid.

## **Annual Appropriations**

Except as provided in the following paragraph, the City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Indenture, 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 15<sup>th</sup> 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 Indenture 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 Indenture shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments hereunder. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance 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**

Except as provided in the following paragraph, the Board and the City acknowledge and agree that the Loan Payments and Additional Payments hereunder shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory 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 hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Indenture 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 described in the Financing Agreement and any amounts required to be paid under the Financing Agreement shall be limited, special obligations of the City payable solely from, and secured as to the payment of principal and interest by, a pledge of, subject to annual appropriation by the City as provided in the Financing Agreement, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan in the Special Allocation Fund and the TDD 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.

### **Deed of Trust**

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions of the Financing Agreement, the City has executed and delivered the Deed of Trust to the mortgage trustee, for the benefit of the Board and the Trustee. The City hereby agrees and consents to such assignments in the manner and to the extent set forth in the Indenture and to the other assignments therein made by the Board.

### **Subordinate Lien on Incremental Tax Revenues**

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions of the Financing Agreement, the City has pledged in the Authorizing Ordinance amounts on deposit in the Special Allocation Fund and the TDD Revenues described therein, subject to the prior pledge of such amounts to the payment of the Series 2005C Bonds, the Series 2006C Bonds, the Series 2008A Bonds and the bonds issued on a parity with such bonds.

### **Information Provided to the Board and the Trustee**

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 Board and the Trustee any and all information as the Board or the Trustee may reasonably request with respect to the performance by the City of its covenants in the Indenture.

## **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 and 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 Indenture if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Indenture; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

## **Events of Default Defined**

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 Indenture or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b), 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 Indenture 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) below:

- (a) By written notice to the City declare the outstanding principal of the Loan due in such Fiscal Year 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 Indenture 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 Indenture or the Indenture.

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

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

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

The provisions of this section 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 section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in the Indenture 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 in the Financing Agreement 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 Indenture 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. In order to entitle the Trustee to exercise any remedy reserved to it in the applicable portions of the Indenture, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Financing Agreement.

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

### **Supplemental Financing Agreements without Consent of Bondowners**

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

- (a) to subject to the Indenture 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 and 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 in the Financing Agreement; or
- (f) to cure any ambiguity, to correct or supplement any provision in the Financing Agreement which may be inconsistent with any other provision in the Financing Agreement or to make any other provisions, 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 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 and 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 Indenture or of modifying in any manner the rights of the Trustee and the owners of the Bonds under the Indenture; 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 Indenture of compliance with certain provisions of the Indenture or certain defaults hereunder and their consequences; or

(c) modify any of the provisions of this section, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture 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 hereunder. The Trustee shall not be liable for any such determination made in good faith.

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

\* \* \*

## **SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT**

*The following is a summary of certain provisions contained in the Continuing Disclosure Agreement. 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 the Municipal Securities Rulemaking Board (the "MSRB") the following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, (B) the amounts deposited into the Special Allocation Fund established for the Project, and (C) any State TIF Revenues, TDD Revenues and Bass Pro Lease Payments received by the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.

Pursuant to the Continuing Disclosure Agreement, the City also will give notice of the occurrence of any of the following events with respect to the Bonds, if material (“Material Events”):

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

If the City should fail to comply with any provision of the Continuing Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under the Continuing Disclosure Agreement; provided that the sole and exclusive remedy for breach of the Continuing Disclosure Agreement shall be an action to compel specific performance of the obligations of the City under the Continuing Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with the Continuing Disclosure Agreement are conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default as though such provisions applied under the Continuing Disclosure Agreement. Failure of the City to perform its obligations under the Continuing Disclosure Agreement shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may amend or make changes to the Continuing Disclosure Agreement for any purpose, if:

- (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;
- (ii) the undertakings set forth in the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

\* \* \*

## SUMMARY OF THE DEED OF TRUST

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

The Grantor under the Deed of Trust grants, bargains and sells, mortgages, warrants, conveys and confirms, assigns, transfers and sets over to the Trustee the Mortgaged Property described therein together with (1) all buildings, improvements and structures at any time, now or hereafter, erected, situated or placed thereon; (2) all rights, privileges, easements, rights of way, franchises, tenements, hereditaments, appendages and appurtenances thereunto belonging or in anywise appertaining; (3) all right, title, interest and estate of Grantor in and to streets, roads, ways, sidewalks, curbs, alleys and areas adjoining said real estate and portions thereof, private or public, and whether vacated by law or ordinance (conditionally or otherwise); (4) all rents, revenues, royalties, income, issues and profits, which are hereby specifically assigned, transferred and pledged primarily and on a parity with said real estate; (5) all fixtures and personal property now or at any time hereafter annexed, affixed or attached to said real estate and/or the buildings, improvements or structures thereon and all replacements, additions and substitutions thereof or thereto, including (but not limited to) all apparatus, appliances, machinery, equipment and articles used to supply or provide, or in connection with, heat, gas, air-conditioning, plumbing, water, lighting, power, elevator, sewerage, cleaning, refrigeration, cooling, ventilation and sprinkler systems, all water heaters, ranges, stoves, dishwashers and disposals, all window shades, drapes and drapery equipment and apparatus, all carpeting, tile and floor coverings, all fire prevention and extinguishing apparatus, all security and access control apparatus, and all trees, plants and landscaping; (6) all other personal property, whether now owned or hereafter acquired by Grantor, and used or intended to be used in the possession, occupation or enjoyment thereof, and all replacements, additions and substitutions thereof and thereto, including (but not limited to) all furniture, furnishings and equipment, all appliances, all shelving and storage apparatus, all construction goods and materials whether or not the same have been incorporated into the buildings or improvements thereon, and all tools, supplies and equipment used in connection with construction, repair, maintenance, janitorial or groundskeeping services thereon or therefor; (7) all existing and hereafter created or acquired accounts, contract rights and general intangibles arising from or relating in any manner to the foregoing or the development or operation thereof; (8) all books, records, reports, tests, surveys, plans, specifications, permits, licenses and documents of any kind or nature relating to the foregoing or the development or operation thereof; and (9) all products and proceeds of any of the foregoing, including, without limitation, insurance proceeds, SUBJECT TO, all Permitted Encumbrances as defined in the Deed of Trust and provided that the Mortgaged Property shall not include any inventory, furniture, equipment or other personal property of Bass Pro Outdoor World, L.L.C..

**Permitted Encumbrances.** Permitted Encumbrances under the Deed of Trust are defined as, as of any particular time (a) liens for ad valorem taxes and special assessments not then delinquent or if delinquent are being contested in accordance with the Financing Agreement, (b) the Indenture, (c) the Financing Agreement, (d) any and all Uniform Commercial Code Financing Statements executed to perfect any security interest created in connection with the issuance of the Bonds, (e) utility, access and other easements and rights-of-way, mineral rights, restrictions, exceptions and encumbrances that will not materially interfere with or impair the operations being conducted on the Mortgaged Property or easements granted to the Board, (f) such minor defects, irregularities, encumbrances, easements, mechanic's liens, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Mortgaged Property and as do not in the

aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Board or the City, (g) the Bass Pro Lease, and (g) any lease, management agreement, condominium declaration or other agreement related to the management and upkeep of the Mortgaged Property or the financing of improvements thereon.

**Rent Assignment.** The Deed of Trust is intended to create an absolute and present assignment to Beneficiary of the items of Mortgaged Property constituting rents, revenues, royalties, income, issues and profits, and not merely the passing of a security interest; provided, that so long as no event of default exists under the Deed of Trust, Grantor shall have the right and license to collect said rents, revenues royalties, income, issues and profits as the same shall accrue.

**Security Agreement.** The Deed of Trust is intended to be a security agreement for any of the items specified as part of the Mortgaged Property which, under applicable law, may be subject to a security interest, and in the Deed of Trust Grantor grants Beneficiary a security interest in said items, whether now owned or hereafter acquired, and including all products and proceeds of said items. Grantor agrees that Beneficiary may file the Deed of Trust, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified as part of the Mortgaged Property. Any reproduction of the Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Grantor agrees in the Deed of Trust to execute and deliver to Beneficiary, upon Beneficiary's request, and authorizes Beneficiary under the Deed of Trust to file any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of the Deed of Trust, in such form as Beneficiary may require to perfect a security interest with respect to said items. Subject to the limits described in the Deed of Trust, Grantor shall pay all costs of filing such financing statements and any extensions, renewals and amendments thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Grantor shall not create or suffer to be created any other security interest in said items, including replacements and additions thereto. Upon the occurrence of an event of default under the Deed of Trust, Beneficiary shall have the remedies of a secured party under applicable law and, at Beneficiary's option, may also invoke the remedies as otherwise provided in the Deed of Trust. In exercising any of said remedies, Beneficiary may proceed against the items of real property and any items of personal property specified as part of the Mortgaged Property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under applicable law or of the remedies otherwise provided in the Deed of Trust.

**Subject to Bass Pro Lease.** Beneficiary acknowledges and agrees that the lien of the Deed of Trust shall be subject to the Bass Pro Lease in the manner provided in the Subordination, Non-Disturbance and Attornment Agreement among the City, the Board, Bass Pro Outdoor World, LLC and Commerce Bank, N.A..

**(THIS PAGE LEFT BLANK INTENTIONALLY)**

## APPENDIX E

### 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: \$4,310,000 Missouri Development Finance Board Taxable Infrastructure Facilities  
Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series  
2009H

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 pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the “Act”), and the Bond Trust Indenture, dated as of March 15, 2006, as amended by a Series 2008A Supplemental Bond Trust Indenture dated as of February 1, 2008, and a Series 2009H Supplemental Bond Trust Indenture dated as of August 1, 2009 (as supplemented and amended, the “Indenture”), by and between the Board and Commerce Bank, N.A., as trustee (the “Trustee”). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the “City”), pursuant to a Financing Agreement, dated as of March 15, 2006 as amended by a Series 2008A Supplemental Financing Agreement dated as of February 1, 2008, and a Series 2009H Supplemental Financing Agreement dated as of August 1, 2009 (as supplemented and amended, the “Financing Agreement”) between the Board and the City to pay the costs of financing the Project as defined in the Indenture.

Reference is made to an opinion of even date herewith of Allen Garner, City Counselor, with respect to, among other matters, (a) the power of the City to enter into and perform its obligations under the Financing Agreement, (b) the passage and effectiveness of the Authorizing Ordinance, and (c) the due authorization, execution and delivery of the Financing 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; and

(ii) The Financing Agreement.

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

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

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

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

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

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

5. The interest on the Bonds is **INCLUDED** in gross income as interest for federal income tax purposes.

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 and the Financing 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,

## APPENDIX F

### TAX INCREMENT FINANCING IN MISSOURI

#### Overview

Tax increment financing is an economic development tool whereby cities and counties encourage the redevelopment of designated areas. The theory of tax increment financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase and, if the redevelopment project includes establishments that pay sales and other economic activity taxes, the amounts of economic activity taxes generated by the redevelopment area should also increase.

When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property is improved, the assessed value of real property in the redevelopment area should increase above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a “tax increment” is produced. The annual tax increments (referred to as “Payments in Lieu of Taxes” or “Pilots”) are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in the Pilots Account of a “special allocation fund.” Similarly, an amount (referred to as “Economic Activity Tax Revenues” or “EATS”) attributable to 50% of the increase in tax revenues generated by economic activities within the Redevelopment Area (including sales and utilities taxes, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments, other than payments in lieu of taxes, sales taxes levied pursuant to Section 70.500 RSMo and taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo) over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of tax increment financing for the Redevelopment Area by the City are transferred by the collecting agency to the treasurer of the city or county and deposited in an economic activity tax account of such special allocation fund. Tax increment financing for the Crackerneck Redevelopment Project was adopted in 2004. All or a portion of the moneys in the special allocation fund are used to pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

#### The TIF Act

The TIF Act was enacted in 1982 and has been amended several times in subsequent years. The constitutional validity of the TIF Act (prior to the amendments) was upheld by the Missouri Supreme Court in *Tax Increment Financing Commission of Kansas City, Missouri v. J.E. Dunn Construction Co., Inc.*, 781 S.W.2d 70 (Mo. 1989). The TIF Act authorizes cities and counties to provide long-term financing for redevelopment projects in “blighted,” “conservation” and “economic development” areas (as defined in the TIF Act) through the issuance of bonds and other obligations. Prior to the amendments to the TIF Act, such obligations were payable solely from Payments in Lieu of Taxes derived from the redevelopment area. As a result of amendments to the TIF Act, such obligations are also payable from economic activity tax revenues derived from the redevelopment area, except those economic activity tax revenues expressly excluded in the TIF Act. The validity of certain portions of amendments to the TIF Act relating to the capture of economic activity tax revenues was upheld by the Missouri Supreme Court in *County of Jefferson v. QuikTrip Corporation*, 912 S.W.2d 487 (Mo. 1995).

Amendments to the TIF Act have been proposed in each legislative session during recent years. In connection with proposed amendments to the TIF Act that may be introduced in future legislative sessions, it is

not possible to predict the nature of such proposed amendments or whether such proposed amendments to the TIF Act will become law during future sessions of the General Assembly.

Although Payments in Lieu of Taxes may be irrevocably pledged to the repayment of bonds, Economic Activity Tax Revenues are subject to annual appropriation by the governing body of the city, and there is no obligation on the part of the governing body to appropriate Economic Activity Tax Revenues in any year. See the captions **“BONDOWNERS’ RISKS – Risk Factors Relating to the Collection of Incremental Tax Revenues - Risk of Non-Appropriation of Economic Activity Taxes”** herein.

### **Tax Increment Financing Litigation**

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

### **Assessment and Collection of Ad Valorem Taxes**

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

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

Real property within the County is assessed by the County Assessor. The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The Board of Equalization has the authority to question and determine the proper values of real property and then adjust and equalize individual properties appearing on the tax rolls. The County Collector collects taxes for all

Taxing Districts within the County limits. The County Collector deducts a commission for its services. After such collections and deductions of commission, taxes are distributed according to the Taxing District's pro rata share.

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

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

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

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

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

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

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

Overvaluation appeals generally must be made administratively, first to the Board of Equalization and then to the State Tax Commission, within prescribed time periods following notice of an increase in

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

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

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

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

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

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

## **Collection of Economic Activity Tax Revenues**

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

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