

**TWO NEW ISSUES
(Book Entry Only)**

**Ratings: S&P Rating: "A+"
See "RATINGS" herein.**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on both Series of the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, except as described in this Official Statement, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. None of the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on both Series of the Bonds is exempt from Missouri income taxation by the State of Missouri. See "TAX MATTERS" in this Official Statement.

**MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Revenue Bonds**

**\$2,325,000
(City of Independence, Missouri -
Centerpoint Project)
Series 2009I**

**\$3,630,000
(City of Independence, Missouri -
Eastland Center Project)
Series 2009J**

Dated: Both Series October 1, 2009

Due: See Inside Cover Pages

Both Series of the Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Principal of and semiannual interest on the Bonds will be paid from moneys available therefore under the applicable Indenture (herein defined) by Commerce Bank, N.A., Kansas City, Missouri, as Trustee and Paying Agent. Principal of the Bonds will be due as shown on the inside cover pages. Interest on the Bonds will be payable on each April 1 and October 1, beginning on April 1, 2010.

Payment of the principal of and interest on the Series 2009I Bonds and Series 2009J Bonds is not secured by any deed of trust, mortgage or other lien on the applicable Project or any other facilities or property of the City. The Bonds are separately and independently secured.

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

The Bonds will be payable solely from, and will be secured by, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the applicable Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the applicable Indenture. The Series 2009I and Series 2009J Bonds will also be payable from certain moneys expected to be deposited in the Special Allocation Fund established for each of these projects as more fully described herein. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS.**"

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

The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed on for the City by Allen Garner, City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about October 29, 2009.

PiperJaffray®

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

\$2,325,000

(City of Independence, Missouri - Centerpoint Project)

Series 2009I

Dated: October 1, 2009

Due: April 1 as shown below

Maturity Schedule

Serial Bonds

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Offering Prices</u>
2010	\$65,000	3.000%	100.471%
2011	65,000	3.000	101.127
2012	75,000	3.000	100.978
2013	75,000	3.000	100.451
2014	80,000	3.000	99.302

Term Bonds

\$480,000 Term Bonds due April 1, 2019, Interest Rate: 4.125%, Offering Price: 98.272%

\$645,000 Term Bonds due April 1, 2024, Interest Rate: 4.625%, Offering Price: 97.884%

\$840,000 Term Bonds due April 1, 2027, Interest Rate: 5.000%, Offering Price: 99.192%

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

\$3,630,000

(City of Independence, Missouri - Eastland Center Project)

Series 2009J

Dated: October 1, 2009

Due: April 1 as shown below

Maturity Schedule

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Offering Prices</u>
2010	\$110,000	3.000%	100.471%
2011	245,000	3.000	101.127
2012	235,000	3.000	100.978
2013	245,000	3.000	100.451
2014	245,000	3.500	101.349
2015	230,000	4.000	101.660 ^c
2016	225,000	4.000	100.642 ^c
2017	265,000	4.000	99.616
2018	265,000	4.000	98.451
2019	250,000	4.125	98.272
2020	250,000	4.375	99.212
2021	230,000	4.375	98.189
2022	835,000	4.500	98.407

^c Priced to call date.

REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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>
INTRODUCTORY STATEMENT	SECURITY AND SOURCES OF
Purpose of the Official Statement.....	PAYMENT FOR THE BONDS
The Board	General
The City	Special, Limited Obligations.....
The Projects	The Financing Agreements
The Bonds.....	Annual Appropriation Obligation of the City
Additional Parity Bonds	Debt Service Reserve Fund
Security for the Bonds	The Indentures.....
Related Series of Bonds.....	Additional Bonds
Bondowners' Risks.....	BONDOWNERS' RISKS
Continuing Disclosure	General
Definitions and Summaries of Legal	Risk Factors Relating to the City's
Documents	Obligations to Make Loan Payments
THE BOARD	Risk Factors Relating to the Collection of
General	Incremental Tax Revenues
Organization and Membership	Proposed Additional Bonds.....
Other Indebtedness of the Board	Loss of Premium Upon Early Redemption ..
THE CITY	Enforcement of Remedies
THE PROJECTS	Amendment of Indentures.....
Centerpoint Redevelopment Project.....	LITIGATION
Eastland Center Redevelopment Project	The Board.....
Projected Incremental Revenues	The City.....
Administration of the Special Allocation	LEGAL MATTERS
Funds	TAX MATTERS
Sources and Uses of Funds.....	Opinion of Bond Counsel.....
Related Series of Bonds.....	Other Tax Consequences.....
THE EVENTS CENTER PROJECT	RATINGS
Financing For Events Center Project.....	FINANCIAL STATEMENTS
Design, Construction and Management of	CONTINUING DISCLOSURE
the Events Center Project	UNDERWRITING
TAX INCREMENT FINANCING IN	MISCELLANEOUS
MISSOURI	Appendix A: Information Concerning the City
Overview	of Independence, Missouri
The TIF Act.....	Appendix B: Accountants' Report and Audited
Tax Increment Financing Litigation.....	Financial Statements of the City
Assessment and Collection of Ad Valorem	of Independence, Missouri for
Taxes	Fiscal Year Ended June 30, 2008;
Collection of Economic Activity Tax	Unaudited Financial and
Revenues	Operating Report for Period
THE BONDS	Ended June 30, 2009
General Terms	Appendix C: Definitions of Words and Terms
Book-Entry Only System	and Summaries of Certain Legal
Redemption	Documents
Transfer Outside Book-Entry Only System ..	Appendix D: Form of Opinion of Bond Counsel
CUSIP Numbers	

(THIS PAGE LEFT BLANK INTENTIONALLY)

OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD Infrastructure Facilities Revenue Bonds

\$2,325,000	\$3,630,000
(City of Independence, Missouri - Centerpoint Project) Series 2009I	(City of Independence, Missouri - Eastland Center Project) Series 2009J

INTRODUCTORY STATEMENT

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

Purpose of the Official Statement

This Official Statement, including the cover page and the Appendices, sets forth certain information in connection with (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the “Board”), of the above-described two separate series of bonds (separately, the “Series 2009I Bonds” and the “Series 2009J Bonds,” and together the “Bonds”), (ii) the Board, (iii) the City of Independence, Missouri (the “City”) and (iv) the financing of two separate projects as more fully described herein (the “Projects”) with the proceeds of each Series of the Bonds. Each Series of the Bonds is separately secured as described herein.

The Board

The Board 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 Projects

The proceeds of each Series of the Bonds will be loaned to the City pursuant to two separate Financing Agreements (each of said Financing Agreements, together with all amendments and supplements thereto, being referred to herein as a “Financing Agreement,” and by Series the “Series 2009I Financing Agreement” and the “Series 2009J Financing Agreement”). The Financing Agreements are being entered into to finance a portion of the costs of the Centerpoint Redevelopment Project and the Eastland Center Redevelopment Project (collectively, the “Projects”) each as described herein, to fund separate Debt Service Reserve Funds for the Series 2009I Bonds and the Series 2009J Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption “**THE PROJECTS.**” The Centerpoint Redevelopment Project and the Eastland Center Redevelopment Project are both Tax Increment Financing Projects approved by the City pursuant to the Tax Increment Financing Act (the “TIF Act”).

The Bonds

The Bonds are being issued pursuant to the Act and two separate Bond Trust Indentures (each of said Bond Trust Indentures, together with all amendments and supplements thereto, being referred to herein as an “Indenture,” and by Series the “Series 2009I Indenture” and the “Series 2009J Indenture”), all between the Board and Commerce Bank, N.A., Kansas City, Missouri (the “Trustee”), for the purpose of providing funds to make a loan to the City pursuant to the applicable Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of, premium, if any, and the interest on the Bonds, all as more fully described in the Financing Agreement and the Indenture relating to each Series of Bonds. A description of the Bonds is contained in this Official Statement under **“THE BONDS.”** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the applicable Indenture and the applicable Financing Agreement.

The Series 2009I Bonds are being issued as Additional Bonds under the Series 2009I Indenture on a parity with the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Centerpoint Project) Series 2006F issued in the original principal amount of \$4,980,000 and currently outstanding in the amount of \$4,860,000 (the “Series 2006F Bonds”), the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Centerpoint Project) Series 2007E issued in the original principal amount of \$19,720,000 and currently outstanding in the amount of \$19,140,000 (the “Series 2007E Bonds”) and the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Centerpoint Project) Series 2008F issued in the original principal amount of \$13,315,000 and currently outstanding in that amount, with respect to the security provided by the Series 2009I Financing Agreement, and in all other respects.

The Series 2009J Bonds are being issued as Additional Bonds under the Series 2009J Indenture on a parity with the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2007A issued in the original principal amount of \$19,390,000 and currently outstanding in the amount of \$16,930,000 (the “Series 2007A Bonds”), the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2008C (the “Series 2008C Bonds”) issued in the original principal amount of \$8,000,000 and currently outstanding in that amount, the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2008G (the “Series 2008G Bonds”) issued in the original principal amount of \$4,600,000 and currently outstanding in the amount of \$4,420,000 and the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2009B (the “Series 2009B Bonds”) issued in the original principal amount of \$3,220,000 and currently outstanding in that amount, with respect to the security provided by the Series 2009J Financing Agreement, and in all other respects.

Additional Parity Bonds

The Indentures relating to the Series 2009I and Series 2009J Bonds provide for the future issuance of additional bonds (“Additional Bonds”) which, if issued, would rank on a parity with the applicable Series of Bonds and any other bonds then outstanding under such Indenture issued on a parity with such Bonds. See **“SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds”** and **“SUMMARY OF THE INDENTURE – Additional Bonds”** in Appendix C hereto.

Security for the Bonds

Each Series of the Bonds and the interest thereon are special, limited obligations of the Board, payable by the Board solely from (1) certain payments to be made by the City under the applicable Financing Agreement, and (2) certain other funds held by the Trustee under the applicable Indenture and not from any other fund or source of the Board, and are separately and independently secured under the applicable Indenture and the applicable Financing Agreement as described herein. Payments under each Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal

of, premium, if any, and interest on the Series of Bonds relating to such Financing Agreement. Except as noted herein, all payments by the City under each Financing Agreement are subject to annual appropriation. Pursuant to each Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the applicable Financing Agreement, including all Loan Payments payable thereunder.

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2009I and Series 2009J Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved with respect to both the Centerpoint Project and the Eastland Center Redevelopment Project.

Prospective investors should not rely upon the collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2009I Bonds or the Series 2009J Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2009I Bonds and the Series 2009J Bonds.

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

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

Related Series of Bonds

Centerpoint Redevelopment Project. In December of 2006 a portion of the cost the Centerpoint Redevelopment Project was financed by the Board through the issuance of the Series 2006F Bonds. The Board financed additional portions of the Centerpoint Redevelopment Project through the issuance of the Series 2007E Bonds in June, 2007 and the Series 2008G Bonds in July, 2008. The Series 2009I Bonds are the fourth Series of Bonds to be issued for the Centerpoint Redevelopment Project and will finance additional Centerpoint Redevelopment Project Costs consisting of construction of Jackson Drive and Little Blue Parkway. The City expects to issue Additional Bonds to finance future portions of the Centerpoint Redevelopment Project in the amount of \$1,107,000, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the City will qualify as Additional Bonds and will be secured on a parity with the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds and the Series 2009I Bonds as to Incremental Tax Revenues from the Centerpoint Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2011.

Eastland Center Redevelopment Project. During 2000, 2001 and 2002 the Board issued four series of Bonds in the aggregate principal amount of \$23,315,000 to fund costs related to the Eastland Center Redevelopment Project. All four series of these bonds were advance refunded and defeased with proceeds of the Series 2007A Bonds. The Board subsequently issued the Series 2008C Bonds, Series 2008G Bonds and Series 2009B Bonds to fund additional costs of the Eastland Center Redevelopment Project. Subsequent to the issuance of the Series 2009J Bonds, the City anticipates the issuance of Additional Bonds to fund \$3,300,000 in remaining public improvement costs to complete the Eastland Center Redevelopment Project, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the

Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2007A Bonds, the Series 2008C Bonds, the Series 2008G Bonds, the Series 2009B Bonds and the Series 2009J Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2011.

Bondowners' Risks

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

Continuing Disclosure

The City will execute a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to provide certain annual financial information and notices of the occurrence of certain material events. The information will include a description of the Incremental Tax Revenues deposited into the Special Allocation Funds established for the two Projects. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in **Appendix C**.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in **Appendix C** of this Official Statement. The Bonds of each Series are separately secured. The Indentures and Financing Agreements for the Series 2009I and Series 2009J Bonds are substantially similar to the Indenture and Financing Agreement summarized in **Appendix C**, except as otherwise noted. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, N.A., Corporate Trust Department, 922 Walnut, 10th Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, Piper Jaffray & Co., at 11150 Overbrook Road, Suite 310, Leawood, Kansas 66211 during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

THE BOARD

General

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

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, eight of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor,

the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources serve as ex-officio, voting members of the Board. No more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified, unless such position becomes vacant under Missouri law.

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.

- ***Marie Carmichael*** — Chair, term as a member expires September 14, 2012. Ms. Carmichael is owner of Affordable Homes Development in Springfield, Missouri.
- ***John D. Starr*** — Vice Chairman, term as a member expires September 14, 2011. Mr. Starr is Chief Executive Officer of KOCH Equipment LLC, a worldwide distributor and manufacturer for the meat and food industry located in Kansas City, Missouri.
- ***Larry D. Neff*** — Secretary, term as a member expires September 14, 2010. Mr. Neff is President of Larry Neff Management and Development in Neosho, Missouri.
- ***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.
- ***Kelley M. Martin*** — term as a member expires September 14, 2012. Mr. Martin is the owner of the Martin Financial Group, a financial services practice in Kansas City.
- ***Kathleen Steele Danner*** — ex-officio member. Ms. Danner is the Interim Director of the Department of Economic Development.
- ***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 Indentures securing the Bonds. The holders and owners of such bonds and notes

have no claim on assets, funds or revenues of the Board pledged under the Indentures, and the owners of the Bonds will have no claim on assets, funds or revenues of the Board securing other bonds and notes. The Board has never defaulted on any of its bonds or notes.

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

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

THE CITY

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

THE PROJECTS

Centerpoint Redevelopment Project

Approval of the Centerpoint Redevelopment Plan. On December 6, 2004, the City approved an ordinance that approved the Independence Regional Medical Center Tax Increment Financing Plan (the “Centerpoint Redevelopment Plan”), established the Independence Regional Medical Center Tax Redevelopment Area (the “Centerpoint Redevelopment Area”), designated such area as blighted, and designated Midwest Division - IRHC, L.L.C. as the developer (the “Developer”) for all projects in the Centerpoint Redevelopment Area. 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 has recently completed amendments to the Centerpoint Redevelopment Plan as further described below.

Status of Centerpoint Redevelopment Project Improvements. The Medical Center and one medical office building opened in May of 2007. Construction costs were approximately \$250 million. Additional medical office buildings are expected in the future.

Centerpoint Redevelopment Project Costs. The total Reimbursable Project Costs under the Centerpoint Redevelopment Plan are estimated to be approximately \$46,462,000, of which \$9,135,000 are Developer Reimbursable Project Costs and \$35,327,000 are City Reimbursable Project Costs and \$2,000,000 is payable to the Blue Springs School District as Reimbursable Project Costs. Additional payments may be made pursuant to the Centerpoint Redevelopment Plan from available funds, including payments of \$100,000

per year to the City to fund transportation costs, payments to make up PILOT deficits related to the City's Midtown Truman Road Redevelopment Plan until that plan terminates, and payment of capital costs of the Independence School District in an amount not to exceed \$5,500,000. Developer Reimbursable Project Costs include site work and improvements to adjacent streets and associated soft costs. Following the issuance of the Bonds, approximately \$1,107,000 of the original \$46,462,000 in projected project costs remain to be financed. All of the \$9,135,000 in Developer Reimbursable Project Costs have been previously financed. The \$2,000,000 payable to the Blue Springs School District has also been paid.

The Centerpoint Redevelopment Plan provides that the City may issue bonds (which includes bonds issued by the Board at the request of the City) to fund a Public Safety Facility, the Building Rehabilitation Fund and certain Public Road Improvements and to fund Developer Reimbursable Project Costs (collectively, the "Centerpoint Redevelopment Project"). The City is responsible for designing, engineering and constructing the Public Road Improvements, which consist of three categories all of which serve the Redevelopment Area. The categories are: (1) constructing portions of Jackson Drive from its present northern terminus north to Truman Road, (2) constructing portions of the Little Blue Parkway north to U.S. 24 Highway, adding a southbound deceleration lane and a northbound left-turn lane to Little Blue Parkway at 37th Terrace, appropriate signalization to allow left turns by emergency vehicles only, constructing the intersection of 37th Terrace with Little Blue Parkway, and connecting such intersection with the currently existing cul-de-sac on 37th Terrace, and (3) constructing other street improvements to facilitate access to the Redevelopment Area from the east. Proceeds of the Series 2009I Bonds will be used to fund construction of Jackson Drive and Little Blue Parkway.

Eastland Center Redevelopment Project

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

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

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

Eastland Center Redevelopment Project Costs. The Eastland Center Public Project consists of the following improvements: (1) street improvements and related landscaping, traffic studies, design, engineering and surveys, (2) excavation and demolition of storm sewers and utility relocation, (3) traffic signals and controls, (4) retaining walls, sidewalks, streetlights and related improvements, (5) fencing and landscaping screens, and (6) certain clearing, grading, stormwater and utility costs on the site of the Eastland Center Redevelopment Project. Proceeds of the Bonds will be used for funding City and Developer improvements,

including traffic and roadway improvements being completed in association with the Events Center Project described below.

Status of the Eastland Center Redevelopment Project Improvements. Except for off-site street improvements, a portion of which will be funded from the proceeds of the Series 2009J Bonds, the Eastland Center Public Project is substantially complete. The retail and hotel components of the Private Project have been completed, as has some smaller scale office development. Sites along Interstate 70 are being developed as a multipurpose events center by the City, as further described below under the caption **“THE EVENTS CENTER PROJECT.”** Subsequent to the issuance of the Series 2009J Bonds, the City also expects to issue Additional Bonds to fund additional City improvements in the amount of \$3,300,000, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2007A Bonds, the Series 2008C Bonds, the Series 2008G Bonds, the Series 2009B Bonds and the Series 2009J Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project.

Eastland Center Tax Increment Revenues. The City’s audited financial statements for fiscal year 2008 and unaudited numbers for fiscal year 2009 indicate that the City has deposited Incremental Tax Revenues from the Eastland Center Redevelopment Project into the Special Allocation Fund in the amounts of \$3,389,882 and \$3,669,975, respectively. Net maximum annual debt service on the Series 2007A Bonds, 2008C Bonds, the Series 2008G Bonds, the Series 2009B Bonds and Series 2009J Bonds will be \$3,529,688, which would have resulted in coverage of .96x in FY 2008 and 1.03x in FY 2009.

Projected Incremental Revenues

Estimated unaudited revenues from the City for Fiscal Year 2009 were lower than original estimates. The City will continue to evaluate revenues, including projected Incremental Revenues generated in the Eastland Redevelopment Area and Centerpoint Redevelopment Area, as more information becomes available and in the structuring of Additional Bonds. There can be no assurance that Incremental Revenues generated in the Redevelopment Areas will maintain past levels. See **“BONDOWNERS RISKS – Changes in Retail Sales Market Conditions”** and **“APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JUNE 30, 2009.”**

Administration of the Special Allocation Funds

Moneys in the Special Allocation Funds for each Project are to be disbursed as described in **Appendix C** under the caption **“SUMMARY OF THE AUTHORIZING ORDINANCE - Administration of the Special Allocation Fund.”**

Sources and Uses of Funds

Centerpoint Redevelopment Project

Sources of Funds:

	Prior Series of Bonds	Series 2009I Bonds	Total
Principal amount	\$38,015,000.00	\$2,325,000.00	\$40,340,000.00
Reoffering Premium (Discount)	(13,561.75)	(27,177.75)	(40,739.50)
Accrued Interest	<u>135,195.82</u>	<u>\$7,966.88</u>	<u>143,162.70</u>
Total sources of Funds	<u>\$38,136,634.07</u>	<u>\$2,305,789.13</u>	<u>\$40,442,423.20</u>

Uses of Funds:

	Prior Series of Bonds	Series 2009I Bonds	Total
Project Fund	\$32,079,045.00	\$1,975,566.00	\$34,054,611.00
Costs of Issuance *	1,070,303.25	89,756.25	1,160,159.50
Capitalized Interest	1,366,355.00	0.00	1,366,355.00
Debt Service Fund	135,195.82	7,966.88	143,162.70
Debt Service Reserve Fund	<u>3,485,735.00</u>	<u>232,500.00</u>	<u>3,718,235.00</u>
Total uses of funds	<u>\$38,136,634.07</u>	<u>\$2,305,789.13</u>	<u>\$40,442,423.20</u>

*includes Underwriter's Discount.

Eastland Center Redevelopment Project

Sources of Funds:

	Prior Series of Bonds	Series 2009J Bonds	Total
Principal amount	\$35,210,000.00	\$3,630,000.00	\$38,840,000.00
Reoffering Premium (Discount)	394,540.45	(13,629.25)	380,911.20
Prior Issue Reserve Funds	2,331,500.00	0.00	2,331,500.00
Accrued Interest	<u>115,945.10</u>	<u>11,037.64</u>	<u>126,982.74</u>
Total sources of Funds	<u>\$38,051,985.55</u>	<u>\$3,627,408.39</u>	<u>\$41,679,393.94</u>

Uses of Funds:

	Prior Series of Bonds	Series 2009J Bonds	Total
Project/Escrow Fund	\$33,558,847.37	\$3,136,847.63	\$36,695,695.00
Costs of Issuance *	856,193.08	116,523.12	972,716.20
Debt Service Reserve Fund	3,521,000.00	363,000.00	3,884,000.00
Debt Service Fund	<u>115,945.10</u>	<u>11,037.64</u>	<u>126,982.74</u>
Total uses of funds	<u>\$38,051,985.55</u>	<u>\$3,627,408.39</u>	<u>\$41,679,393.94</u>

*includes Underwriter's Discount.

Related Series of Bonds

Centerpoint Redevelopment Project. In December of 2006 a portion of the cost the Centerpoint Redevelopment Project was financed by the Board through the issuance of the Series 2006F Bonds. The Board financed additional portions of the Centerpoint Redevelopment Project through the issuance of the Series 2007E Bonds in June, 2007 and the Series 2008G Bonds in July, 2008. The Series 2009I Bonds are the third Series of Bonds to be issued for the Centerpoint Redevelopment Project and will finance an additional \$11,640,000 in Centerpoint Redevelopment Project Costs consisting of improvements to Jackson Drive and Little Blue Parkway. The City expects to issue Additional Bonds to finance future portions of the Centerpoint Redevelopment Project in the amount of \$14,800,000, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008G Bonds and the Series 2009I Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2011.

Eastland Center Redevelopment Project. During 2000, 2001 and 2002 the Board issued four series of Bonds in the aggregate principal amount of \$23,315,000 to fund costs related to the Eastland Center Redevelopment Project. All four series of these bonds were advance refunded and defeased with proceeds of the Series 2007A Bonds. The Board also issued the Series 2008C Bonds, Series 2008G Bonds and Series 2009B Bonds to fund costs of the Eastland Center Redevelopment Project. Subsequent to the issuance of the Series 2009J Bonds, the City anticipates the issuance of Additional Bonds to fund \$3,300,000 in remaining public improvement costs to complete the Eastland Center Redevelopment Project, plus reserves and costs of issuance. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Series 2007A Bonds, the Series 2008C Bonds, Series 2008G Bonds, Series 2009B Bonds and the Series 2009J Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project. The City does not anticipate the issuance of such Additional Bonds until the year 2011.

THE EVENTS CENTER PROJECT

The City has approved agreements for the development, design, construction, use and management of a multipurpose events center (the "Events Center Project"). The Events Center Project will be owned by the City and will be located in the Eastland Redevelopment Area. The City has amended the Eastland Center Redevelopment Plan and Centerpoint Redevelopment Plan to add the Events Center Project as an additional project cost to those described above. The anticipated cost of the Events Center Project is \$68,000,000.

Financing For Events Center Project

The Board has passed a resolution setting forth its intention to issue not to exceed \$110,575,000 in infrastructure facilities revenue bonds in multiple series to finance costs related to the completion of the Events Center Project (the "Events Center Bonds"). \$82,285,000 of the Events Center Bonds have been issued to date, resulting in a project fund deposit of approximately \$64,913,000. The City does not anticipate the issuance of any additional Events Center Bonds. However, approximately \$3,600,000 of the costs of the Events Center Project consisting of road improvements will be funded from the Series 2008C Bonds, the Series 2008G Bonds, the Series 2009B Bonds and the Series 2009J Bonds. Repayment of the Events Center Bonds will be secured by a variety of sources including, subject to annual appropriation by the City, all general fund revenues of the City. The City also has formed a Community Improvement District (a special taxing district that can be established under Missouri law) covering the Eastland Redevelopment Area and surrounding areas. The Community Improvement District was formed for the purpose of levying a sales tax which is anticipated to be .5% for the first 20 years of the District's existence, and .625% thereafter (the "CID Sales Tax") to fund a portion of the costs of the Events Center Project. The CID Sales Tax can be levied at a maximum rate of 1.0%. Recent projections indicate that levying the CID Sales Tax at the full 1.0% rate will

produce annual CID Sales Tax Revenues sufficient to pay debt service on the Events Center Bonds with an average coverage factor of 1.40x, assuming no growth in revenues in 2009 and 2010, a growth rate of 1.5% in 2011 and 2012, and a growth rate of 2.0% each year thereafter. An increase in costs related to the Events Center Project may lead to the issuance of additional Events Center Bonds, which would decrease debt service coverage on the Events Center Bonds. The CID Sales Tax Rate can be increased as needed to pay debt service on the Events Center Bonds, up to the maximum 1.0% rate. Nothing in the financing documents related to the Events Center Project requires the City to have positive debt service coverage on the Events Center Bonds from the CID Sales Tax. However, the Events Center Bonds will be secured, subject to annual appropriation by the City, all general fund revenues of the City. The CID Sales Tax has been approved by the voters of the District and is being collected.

One-half of the CID Sales Tax which is collected within the Eastland Redevelopment Area and the Centerpoint Redevelopment Area will be captured as Incremental Revenues under the respective Redevelopment Plans. The City anticipates using these funds for payment of a portion of the Events Center Bonds. Such revenues will be available to pay the Events Center Bonds on a subordinate basis following each semi-annual debt service payment on the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds, the Series 2009I Bonds and Additional Bonds issued on a parity therewith related to the Centerpoint Redevelopment Project, and the Series 2007A Bonds, the Series 2007C Bonds, the Series 2008G Bonds, the Series 2009B Bonds, the Series 2009J Bonds and Additional Bonds issued on a parity therewith related to the Eastland Center Redevelopment Project.

Design, Construction and Management of the Events Center Project

The City has entered into a management agreement with Global Entertainment Corporation, a Nevada corporation (“Global”) and a project consultant agreement with International Coliseums Company (“ICC”), a subsidiary of Global. Global is an event and entertainment company that is engaged, through its seven wholly owned subsidiaries, in sports management, multipurpose events center and related real estate development, facility and venue management and marketing, venue ticketing and brand licensing. Global, with the assistance of its subsidiaries including ICC, will provide consultation services during the design and construction of the Events Center and the adjacent ice and practice facility that is part of the Events Center Project and will manage the facilities upon completion.

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

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

The City has contracted with J.E. Dunn Construction Company to construct the Events Center Project. Completion is expected by November 1, 2009.

TAX INCREMENT FINANCING IN MISSOURI

The following description of Tax Increment Financing in Missouri applies to the Incremental Tax Revenues which are pledged (subject to annual appropriation with respect to the pledge of EATS) to secure the Series 2009I Bonds and the Series 2009J Bonds. The Series 2009I Bonds and the Series 2009J Bonds are also secured by the annual appropriation obligation of the City as described herein under the caption “SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City.”

Overview

Tax increment financing is an economic development tool whereby cities and counties encourage the redevelopment of designated areas. The theory of tax increment financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase and, if the redevelopment project includes establishments that pay sales and other economic activity taxes, the amounts of economic activity taxes generated by the redevelopment area should also increase.

When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property is improved, the assessed value of real property in the redevelopment area should increase above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a “tax increment” is produced. The annual tax increments (referred to as “Payments in Lieu of Taxes” or “Pilots”) are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in the Pilots Account of a “special allocation fund.” Similarly, an amount (referred to as “Economic Activity Tax Revenues” or “EATS”) attributable to 50% of the increase in tax revenues generated by economic activities within the Redevelopment Area (including sales and utilities taxes, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments, other than payments in lieu of taxes, sales taxes levied pursuant to Section 70.500 RSMo and taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo) over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of tax increment financing for the Redevelopment Area by the City are transferred by the collecting agency to the treasurer of the city or county and deposited in an economic activity tax account of such special allocation fund. Tax increment financing for the Centerpoint Redevelopment Project was adopted in 2004. Tax increment financing for the Eastland Center Redevelopment Project was adopted in 2000. All or a portion of the moneys in the special allocation fund are used to pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The TIF Act

The TIF Act was enacted in 1982 and has been amended several times in subsequent years. The constitutional validity of the TIF Act (prior to the amendments) was upheld by the Missouri Supreme Court in *Tax Increment Financing Commission of Kansas City, Missouri v. J.E. Dunn Construction Co., Inc.*, 781 S.W.2d 70 (Mo. 1989). The TIF Act authorizes cities and counties to provide long-term financing for redevelopment projects in “blighted,” “conservation” and “economic development” areas (as defined in the TIF Act) through the issuance of bonds and other obligations. Prior to the amendments to the TIF Act, such obligations were payable solely from Payments in Lieu of Taxes derived from the redevelopment area. As a result of amendments to the TIF Act, such obligations are also payable from economic activity tax revenues derived from the redevelopment area, except those economic activity tax revenues expressly excluded in the TIF Act. The validity of certain portions of amendments to the TIF Act relating to the capture of economic activity tax revenues was upheld by the Missouri Supreme Court in *County of Jefferson v. QuikTrip Corporation*, 912 S.W.2d 487 (Mo. 1995).

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

Although Payments in Lieu of Taxes may be irrevocably pledged to the repayment of bonds, Economic Activity Tax Revenues are subject to annual appropriation by the governing body of the city, and there is no obligation on the part of the governing body to appropriate Economic Activity Tax Revenues in any year. See the captions **“BONDOWNERS’ RISKS – Risk Factors Relating to the Collection of Incremental Tax Revenues - Risk of Non-Appropriation of Economic Activity Taxes”** herein.

Tax Increment Financing Litigation

From time to time cases are filed in a Missouri court challenging certain aspects of the TIF Act. Circuit courts in Missouri are trial courts and decisions in those courts are not binding on other Missouri courts. Circuit court decisions, whether favorable or unfavorable with respect to the constitutionality and application of the TIF Act, may be appealed to a Missouri Court of Appeals, and, ultimately, the Missouri Supreme Court. If the plaintiffs are successful in one or more of the currently pending cases, the court’s decision may interpret the requirements of the TIF Act in a manner adverse to the establishment of tax increment financing for the Redevelopment 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 subclassed a property. Exemption appeals are based on claims that the property in question is exempt from taxation.

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

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

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

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

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

Tax Delinquencies. Taxes and payments in lieu of taxes due upon any real estate within the Redevelopment Project Areas remaining unpaid on the first day of January, annually, are delinquent, and the County Collector is empowered to enforce the lien of the taxing jurisdictions thereon. Whenever the County Collector is unable to collect any taxes on the tax roll, having diligently endeavored and used all lawful means to do so, he is required to compile lists of delinquent tax bills collectible by him. All lands and lots on which taxes are delinquent and unpaid are subject to suit to collect delinquent tax bills or suit for foreclosure of the

tax liens. Upon receiving a judgment, the Sheriff must advertise the sale of the land, fixing the date of sale within 30 days after the first publication of the notice. Delinquent taxes, with penalty, interest and costs, may be paid to the County Collector at any time before the property is sold therefor. No action for recovery of delinquent taxes shall be valid unless initial proceedings therefor are commenced within five years after delinquency of such taxes.

Collection of Economic Activity Tax Revenues

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

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

THE BONDS

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

General Terms

The Bonds are being issued in the principal amounts shown on the cover page, are dated October 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 pages, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2010, and will mature on April 1 in the years set forth on the inside cover pages. The Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The principal of the Bonds are payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Bonds will be made in book-entry only form (as described immediately below), in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any

payment on the Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. 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 and 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

Series 2009I Bonds

The Series 2009I Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2009I Bonds maturing on April 1, 2015 and thereafter are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after April 1, 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.

Mandatory Sinking Fund Redemption. The Series 2009I Bonds maturing on April 1, 2019 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Date</u>	<u>Principal Amount</u>
2015	\$ 85,000
2016	90,000
2017	95,000
2018	100,000
2019*	110,000

*Final Maturity

The Series 2009I Bonds maturing on April 1, 2024 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Date</u>	<u>Principal Amount</u>
2020	\$115,000
2021	120,000
2022	130,000
2023	135,000
2024*	145,000

*Final Maturity

The Series 2009I Bonds maturing on April 1, 2027 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Date</u>	<u>Principal Amount</u>
2025	\$155,000
2026	160,000
2027*	525,000

*Final Maturity

The Trustee shall, in each year in which the Series 2009I Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2009I Bonds or portions thereof to be so redeemed by lot in \$5,000 units of principal amount in such equitable manner as the Trustee may determine and shall give notice thereof without further instructions from the Board or the City. At the option of the City, to be exercised on or before the 45th day next preceding each mandatory redemption date, the City shall: (1) deliver to the Trustee for cancellation Series 2009I Bonds of the same maturity in the aggregate principal amount desired; or (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said Series 2009I Bonds of the same maturity from any owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Trustee shall use its best efforts to expend such funds for such purposes to such extent as may be practical; or (3) elect to receive a credit in respect to the mandatory redemption obligation under this subsection for any Series 2009I Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2009I Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Board to redeem Series 2009I Bonds of the same maturity on the next mandatory redemption date that is at least 45 days after receipt by the Trustee of such instructions from the City any excess of such amount shall be credited on future mandatory redemption obligations for Series 2009I Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2009I Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this paragraph shall be reduced accordingly. If the City intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this paragraph, the City will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Trustee an Officer's Certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, and the Series 2009I Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Series 2009J Bonds

The Series 2009J Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2009J Bonds maturing on April 1, 2015 and thereafter are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after April 1, 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.

Series 2009I and 2009J Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer Outside Book-Entry Only System

If the book-entry only system is discontinued, the following provisions would apply. The Bonds are transferable only upon the registration books of the Trustee upon surrender of the Bonds duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in a form satisfactory to the Trustee. Bonds may be exchanged for other Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon

presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture. The Trustee may make a charge for every such transfer or exchange sufficient to reimburse the Trustee for any tax or other governmental charge required to be paid with respect to any such exchange or transfer.

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

Special, Limited Obligations

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

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2009I and Series 2009J Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City.

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2009I Bonds or the Series 2009J Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2009I Bonds and the Series 2009J Bonds.

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

The Financing Agreements

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

Series of Bonds to which such Financing Agreement relates when due. The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as herein, all general fund revenues of the City. The taxing power of the City is not pledged to the payment of Loan Payments either as to principal or interest.

Annual Appropriation Obligation of the City

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

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

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

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

pay Loan Payments and Additional Payments hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture for each Series of Bonds. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Debt Service Reserve Fund

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

The Indentures

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

Additional Bonds

Series 2009I Bonds

The City expects that in the future it will request that the Board issue approximately \$1,107,000 (net of reserves, capitalized interest and costs of issuance) to fund additional costs related to the Centerpoint Redevelopment Project. The proposed Additional Bonds will be secured on a parity with the Series 2009I Bonds (except with respect to the Series 2009I Debt Service Reserve Fund which shall only be pledged to secure the Series 2009I Bonds), the Series 2008F Bonds (except with respect to the Series 2008F Debt Service Reserve Fund which shall only be pledged to secure the Series 2008F Bonds), the Series 2007E Bonds (except with respect to the Series 2007E Debt Service Reserve Fund which shall only be pledged to secure the Series 2007E Bonds), the Series 2006F Bonds (except with respect to the Series 2006F Debt Service Reserve Fund, which shall only be pledged to secure the Series 2006F Bonds), and therefore will share an equal claim on the Incremental Tax Revenues from the Centerpoint Redevelopment Area. The City does not anticipate the issuance of Additional Bonds related to the Centerpoint Redevelopment Project until the year 2011.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2009I Bonds, the Series 2008F Bonds, the Series

2007E Bonds and the Series 2006F Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by a resolution adopted by the Board and an ordinance adopted by the City; (2) the Board and the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2009I Bonds, the Series 2008F Bonds, the Series 2007E Bonds and the Series 2006F Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2009I Bonds, the Series 2008F Bonds, the Series 2007E Bonds and the Series 2006F Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2009I Bonds, the Series 2008F Bonds, the Series 2007E Bonds and the Series 2006F Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Series 2009I Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2009I Financing Agreement. The Series 2009I Bonds are not secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.**

Series 2009J Bonds

The City expects that in the future it will request that the Board issue approximately \$3,300,000 (net of reserves, capitalized interest and costs of issuance) to fund costs related to the Eastland Center Redevelopment Project. The proposed Additional Bonds will be secured on a parity with the Series 2009J Bonds (except with respect to the Series 2009J Debt Service Reserve Fund which shall only be pledged to secure the Series 2009J Bonds), the Series 2009B Bonds (except with respect to the Series 2009B Debt Service Reserve Fund which shall only be pledged to secure the Series 2009B Bonds), the Series 2008G Bonds (except with respect to the Series 2009G Debt Service Reserve Fund which shall only be pledged to secure the Series 2009G Bonds) the Series 2008C Bonds (except with respect to the Series 2008C Debt Service Reserve Fund, which shall only be pledged to secure the Series 2008C Bonds) and the Series 2007A Bonds (except with respect to the Series 2007A Debt Service Reserve Fund, which shall only be pledged to secure the Series 2007A Bonds), and therefore will share an equal claim on the Incremental Tax Revenues from the Eastland Center Redevelopment Area. The City does not anticipate the issuance of Additional Bonds related to the Eastland Center Redevelopment Project until the year 2009.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2009J Bonds, the Series 2009B Bonds, the Series 2008G Bonds, the Series 2008C Bonds and the Series 2007A Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by a resolution adopted by the Board and an ordinance adopted by the City; (2) the Board and the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2009J Bonds, the Series 2009B Bonds, the Series 2009G Bonds, the Series 2008C Bonds and the Series 2007A Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2009J Bonds, Series 2009B Bonds, the Series 2008G Bonds, the Series 2008C Bonds and the Series 2007A Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2009J Bonds, the Series 2009B Bonds, the Series 2008G Bonds, the Series 2008C Bonds and the Series 2007A Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Series 2009J Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2009J Financing Agreement. The Series 2009J Bonds are not secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.**

BONDOWNERS' RISKS

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

General

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

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

General. Except as provided herein with respect to PILOTS pledged to secure the Series 2009I and Series 2009J Bonds, all payments by the City under each applicable Financing Agreement are subject to annual appropriation.

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

No Pledge, Lease or Mortgage of any Project or any other Facilities of the City. Payment of the principal of and interest on the Series 2009I Bonds or the Series 2009J Bonds is **not** secured by any deed of trust, mortgage or other lien on any Project, or any other facilities or property of the City or any developer. Except as provided herein, the Bonds are payable solely from annual appropriation by the City.

Limited Availability of General Fund Revenues. If Incremental Revenues are insufficient to pay debt service on the Bonds and any other bonds or other obligations of the City payable from the Incremental Revenues of the applicable Redevelopment Project that the City may issue or cause to be issued, any

deficiencies would need to be made up from moneys in the City's General Fund, subject to annual appropriation by the City.

Unaudited figures for the City's General Fund revenues for fiscal year 2009 reflect a decrease of approximately \$3,781,070 or 2.4% from the original estimates in the City's fiscal year 2009 budget. This includes a decrease for sales tax revenue of \$1,200,182 or 6.8%. Unaudited numbers indicate that the fund balance in the General Fund decreased by \$2,269,048 (2.4%) to \$7,058,770 from the beginning to the end of the 2009 fiscal year. The unaudited General Fund balance on June 30, 2009 of \$7,058,770 is equal to 10.6% of unaudited fiscal 2009 General Fund revenues. The City has taken steps to reduce expenditures throughout fiscal year 2009, including evaluating vacancies for possible salary savings during the year. See **"APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JUNE 30, 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 Collection of Incremental Tax Revenues

As noted herein the payment by the City of Loan Payments with respect to the Series 2009I Bonds and the Series 2009J Bonds is secured by Incremental Tax Revenues (PILOTS and EATS).

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2009I Bonds or the Series 2009J Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2009I Bonds and the Series 2009J Bonds.

Although prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2009I Bonds or the Series 2009J Bonds, prospective investors should evaluate factors which could cause such Incremental Tax Revenues to be below the City's estimate in order to determine the capacity of the City's General Fund to provide for the Loan Payments with respect to the Series 2009I Bonds and the Series 2009J Bonds in the event such Incremental Tax Revenues are not sufficient to make such payments.

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

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

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Centerpoint Redevelopment Project or the Eastland Center Redevelopment Project will equal or exceed the expected assessed value. Even if the assessed value is initially determined as expected, there can be no assurance that such assessed value will be maintained throughout the term of the Series 2009I Bonds and the Series 2009J Bonds.

Changes in State and Local Tax Laws. The City's internal estimates of Incremental Tax Revenues assume no substantial change in the basis of extending, levying and collecting real property taxes, sales taxes, PILOTS and Economic Activity Tax Revenues. Any change in the current system of collection and distribution of real property taxes, sales taxes, PILOTS or Economic Activity Tax Revenues in the County or the City, including without limitation the reduction or elimination of any such tax, judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the

availability of revenues to pay the principal of and interest on the Series 2009I Bonds and the Series 2009J Bonds.

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

Risk of Non-Appropriation of Economic Activity Taxes. The application of Economic Activity Tax Revenues in the Special Allocation Fund applicable to the Centerpoint Redevelopment Project or the Eastland Center Redevelopment Project is subject to annual appropriation by the City. Although the City has covenanted to request annually that the appropriation of the Economic Activity Tax Revenues in the applicable Special Allocation Fund be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made by the City Council, and the City Council is not legally obligated to do so.

Changes in Market Conditions. The estimates of Incremental Tax Revenues used in the City's internal projections are based on the current status of the national and local business economy and assume a future performance of the real estate market similar to the historical performance of such market in the Independence area. However, changes in the market conditions for the City, as well as changes in general economic conditions, could adversely effect the rate of appreciation and/or inflation of the property in the Redevelopment Area and, consequently, the amount of PILOTS and Economic Activity Tax Revenues collected for deposit into the Special Allocation Fund.

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

Certain recent economic indicators and studies indicate a decline in economic conditions has occurred, including declining retail sales and a resulting decline in local sales tax revenues. Unaudited numbers for fiscal year 2009 reflect City general fund sales tax revenues being \$1,200,182, or 6.8%, less than original estimates. In its fiscal year 2010 budget, the City estimates that general fund sales tax revenues will increase 2.6% from fiscal year 2009. The City has continually monitored levels of sales tax revenues and has taken steps to reduce expenditures accordingly. See **“APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JUNE 30, 2009.”**

The City will continue to monitor sales tax receipts, including those within the Redevelopment Areas, and adjust projections accordingly. Such projections will also be taken into account in the structuring of Additional Bonds for both Redevelopment Projects. However, there can be no assurance that Incremental Revenues will maintain past levels or increase over time.

At this time, it is not possible to predict whether or to what extent further changes in economic conditions, demographic characteristics, population or commercial activity will occur, and what impact any such changes would have on Incremental Revenues.

Proposed Additional Bonds

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2009I Bonds or the Series 2009J Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2009I Bonds or the Series 2009J Bonds even

if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments relating to such the Series 2009I Bonds or the Series 2009J Bonds, without regard to the proposed Additional Bonds.

Loss of Premium Upon Early Redemption

Purchasers of Series 2009I Bonds and Series 2009J Bonds at a price in excess of their principal amount should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest under certain circumstances. See “**THE BONDS – Redemption.**”

Enforcement of Remedies

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

Amendment of Indentures

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

LITIGATION

The Board

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

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the Bonds by the Board, or questioning or affecting the validity of the Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board’s right to enter into the Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures, the Act or the City’s right to enter into the Financing Agreements. See “**TAX INCREMENT FINANCING IN MISSOURI - TIF Act Legal Challenge**” for a description of certain litigation that could impact the Series 2009I Bonds and the Series 2009J Bonds.

LEGAL MATTERS

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

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

TAX MATTERS

Opinion of Bond Counsel

Federal Income Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Board and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

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

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

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

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

Other Tax Consequences

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

RATINGS

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

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2008 excerpted from the City's Comprehensive Annual Financial Report and an unaudited Financial and Operating Report for the period ended June 30, 2009 are included in **Appendix B** to this Official Statement. The financial statements for the fiscal year ended June 30, 2008 have been audited by Cochran, Head & Co., P.C., independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto. The unaudited Financial and Operating Report has been prepared by the City.

CONTINUING DISCLOSURE

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

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a bond purchase agreement entered into by and among the Board, the City and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase the Series 2009I Bonds at a purchase price of \$2,270,914.13 (which represents the principal amount of the Series 2009I Bonds less an underwriter's discount of \$34,875.00 and a net original issue discount of \$27,177.75, plus accrued interest of \$7,966.88). The bond purchase agreement provides that the Underwriter will purchase the Series 2009J Bonds at a purchase price of \$3,572,958.39 (which represents the principal amount of the Series 2009J Bonds less an underwriter's discount of \$54,450.00 and a net original issue discount of \$13,629.25, plus accrued interest of \$11,037.64). In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all of the Bonds, including all Series of the Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The City has agreed in the bond purchase agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the bond purchase agreement.

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 Indentures, the Financing Agreements, the City's Authorizing Ordinance and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indentures, the Financing Agreements, the City's Authorizing Ordinance and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Bonds will be on file at the office of the Trustee.

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

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

APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

APPENDIX A
INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

TABLE OF CONTENTS

	<u>Page A-</u>
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	13

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:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
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>
<u>Kansas City MSA</u>						
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%
<u>Jackson County</u>						
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%
<u>State of Missouri</u>						
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):

	<u>Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Actual Valuation</u>
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 September 1, 2009:

Power and Light Fund

<u>Original Principal Amount</u>	<u>Issuer</u>	<u>Issue Name</u>	<u>Series</u>	<u>Amount Outstanding</u>
\$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

<u>Original Principal Amount</u>	<u>Issuer</u>	<u>Issue Name</u>	<u>Series</u>	<u>Amount Outstanding</u>
\$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

<u>Original Principal Amount</u>	<u>Issuer</u>	<u>Issue Name</u>	<u>Series</u>	<u>Amount Outstanding</u>
\$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	\$2,980,000
\$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
\$4,020,000	MDFB	Infrastructure Facilities Revenue Bonds	2009G	\$4,020,000
\$4,130,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2009H	\$4,130,000

*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, and has indicated to the City that he will cover the shortfall for the October 1, 2009 payment. 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. Interest income, PILOTS, EATS and incremental tax payments based on auto sales made within the Santa Fe Redevelopment Area totaled \$87,685 according to unaudited FY 2009 numbers. 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

In addition to possible Additional Bonds for the Centerpoint and Eastland projects described in the body of this Official Statement, the City anticipates the following future obligations:

Crackerneck Creek Redevelopment Project

The City anticipates the issuance of additional bonds to fund costs related to a redevelopment project known as the Crackerneck Creek Redevelopment Project. This project includes the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek project will include an approximately 150,000 square foot Bass Pro Shops Outdoor World retail store, and is expected to include a minimum of 300,000 square feet of additional retail space and a hotel. Under a lease with the City, Bass Pro will be required to operate its retail store for a twenty (20) year period and will make lease payments to the City equal to approximately 2% of gross sales.

The Board has passed a resolution expressing its intent to issue one or more series of bonds to finance costs associated with this development. The bonds are expected to be issued in a principal amount not to exceed \$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 City expects that these bonds will be payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to multiple financing agreements between the Board and the City. The City’s loan payments will be secured by a pledge of the Bass Pro lease payments, certain tax increment revenues (local and state sales taxes and property taxes), revenues from a transportation development district sales tax, and if not paid from such lease payments and tax revenues, from the City’s general fund, subject to annual appropriation. Of the not to exceed \$110,000,000 in bonds anticipated to be issued by the Board, \$89,570,000 have been issued to date.

Only the Bass Pro store is open. 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.

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

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.

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.

The City anticipates the future issuance of bonds in 2010 to fund \$7,679,265 in remaining project costs. The City also anticipates the future issuance of bonds in 2010 to fund capitalized interest on bonds previously issued for the Crackerneck Creek project because current projections indicate that development now in place will not generate sufficient incremental tax revenues to pay debt service on such bonds. The City is currently evaluating when and in what amounts the bonds to fund capitalized interest will be issued.

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. Concurrently with the issuance of the Series 2009I Bonds and Series 2009J Bonds, the Board is issuing it Series 2009E Bonds, which are secured in the same way as the Series 2009C Bonds, to refund the Series 1986 Water Utility Revenue Bonds of the City described above.

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
TOTAL	\$650,673

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.

<u>Jurisdiction</u>	General Obligation Bond Issues <u>Outstanding*</u>	Percentage Applicable to City of <u>Independence</u>	Amount Applicable to City of <u>Independence</u>
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
TOTAL	\$334,708,012		\$137,101,926.50

* Does not include amounts available in certain debt service funds

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX B

**ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2008;**

**UNAUDITED FINANCIAL AND OPERATING REPORT FOR
PERIOD ENDED JUNE 30, 2009**

(THIS PAGE LEFT BLANK INTENTIONALLY)

**ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS
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

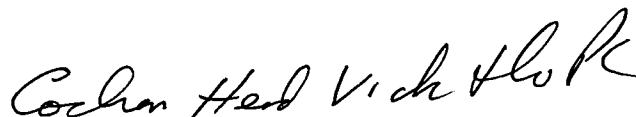
317 W. Young
Warrensburg, MO 64093
(660) 747-9125
(660)747-9490 FAX

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

A handwritten signature in cursive script, appearing to read "Cochran Herb Vick Hlo Rk".

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 1st rate of 9.08%. Several cities, including Independence, have reached settlements or are working with individual providers to avoid continued litigation.

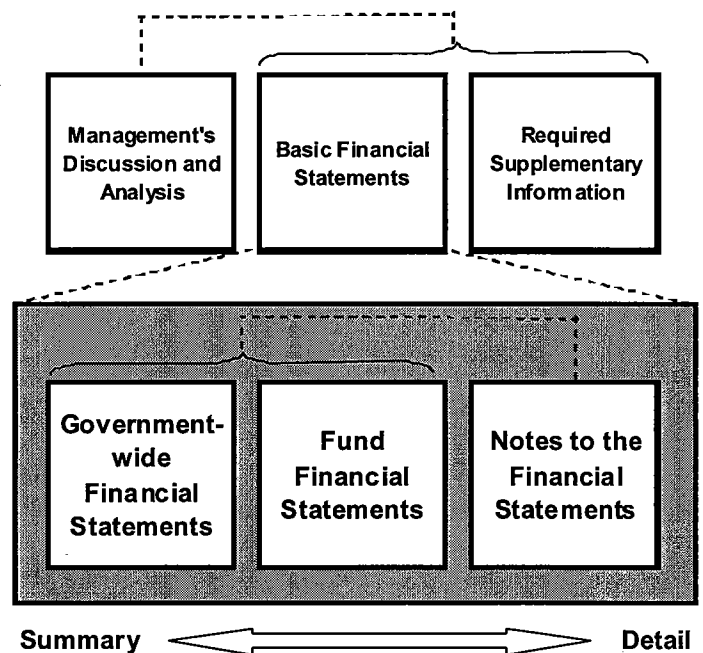
Site work continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel. This store opened during February 2008.

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
Total assets	311,514,049	268,314,251	408,605,743	404,221,336	720,119,792	672,535,587
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
Total liabilities	57,303,272	50,367,547	86,145,791	79,422,291	143,449,063	129,789,838
Net assets						
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
Total net assets	\$ 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.)

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
Revenues						
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
Total revenues	114,721,783	104,319,522	147,268,813	144,079,203	261,990,596	248,398,725
Expenses						
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
Total expenses	92,638,725	87,001,292	135,426,891	122,983,425	228,065,616	209,984,717
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)	—	—
Increase in net assets	36,264,073	30,498,285	(2,339,093)	7,915,723	33,924,980	38,414,008
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.)

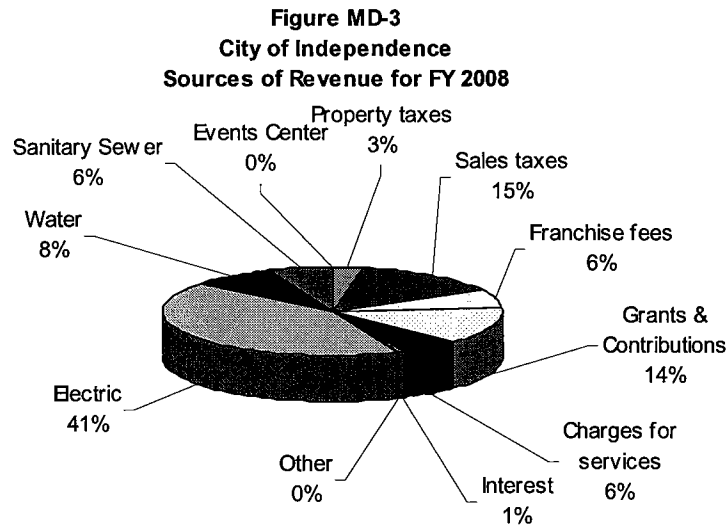
Total revenues increased 5.5% or \$13.6 million and Governmental revenues increased 10.0% or \$10.4 million. This increase can be attributed mostly to the increase in charges for services and the settlement of litigation regarding a franchise fee on cell phones. Of significance is the slow growth of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

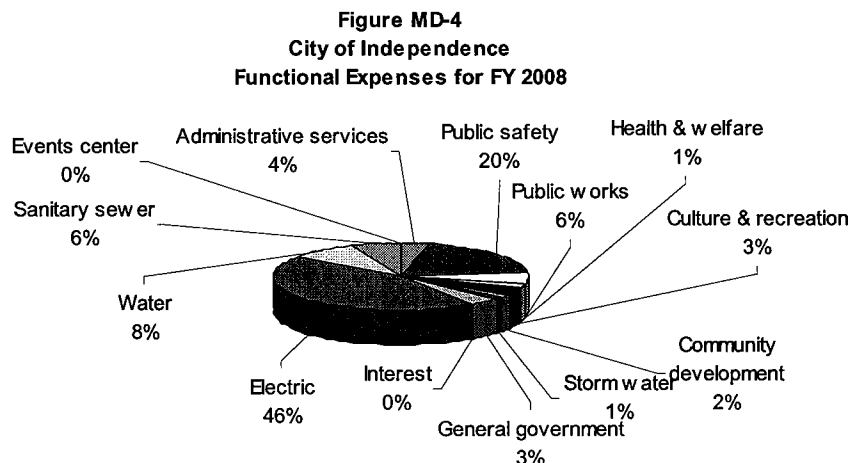
For the fiscal year ending June 30, 2008 revenues totaled \$262.0 million. Of this amount charges for services (governmental and business type) was \$155.5 million or 59.4% of the total. Revenue from business-type activities represents \$147.3 million or 56.2% of the total City revenues (Figure MD-3).



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

	Total Cost of Services		Net Cost of Services	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
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)
Total	\$ 92,638,725	87,001,292	41,448,252	37,982,065

(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)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
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%
Total	\$ 255,546,959	220,757,782	344,195,683	321,772,908	599,742,642	542,530,690	10.5%

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%
Total	<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.

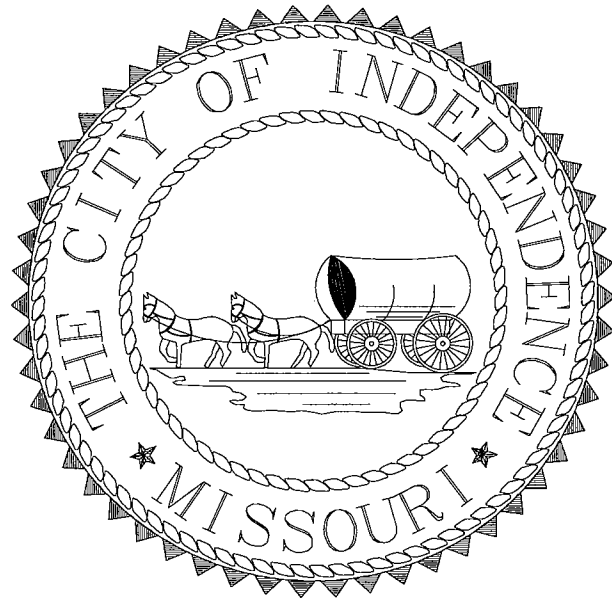
Additional information regarding debt can be found in the 'Notes to Financial Statements', section (7), of this report.

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
Assets:				
Current assets:				
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>
Noncurrent assets:				
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>
Liabilities and Net Assets				
Current liabilities:				
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>
Noncurrent liabilities:				
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>
Net assets:				
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
Primary government:					
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)
Component unit:					
Tax increment financing	\$ 77,489,566	1,229,942	—	696,721	(75,562,903)
		Governmental Activities	Business-Type Activities	Total	Component Unit
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>
Liabilities and Fund Balances				
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><u>\$ 254,210,777</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2008

	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
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
Total revenues	55,885,714	12,088,794	29,088,116	97,062,624
Expenditures:				
Current:				
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
Debt service:				
Principal	349,132	—	3,029,000	3,378,132
Interest and fiscal agent fees	60,550	—	1,053,522	1,114,072
Total expenditures	67,005,225	13,039,532	30,361,214	110,405,971
Deficiency of revenues over expenditures	(11,119,511)	(950,738)	(1,273,098)	(13,343,347)
Other financing sources (uses):				
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
Total other financing sources	13,712,630	1,216,044	(1,207,169)	13,721,505
Net change in fund balances	2,593,119	265,306	(2,480,267)	378,158
Fund balances (deficit), beginning	6,734,698	(301,883)	27,082,912	33,515,727
Fund balances (deficit), ending	\$ 9,327,817	(36,577)	24,602,645	33,893,885

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

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total
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

	Private- Purpose Trust Funds	Agency Funds
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>	

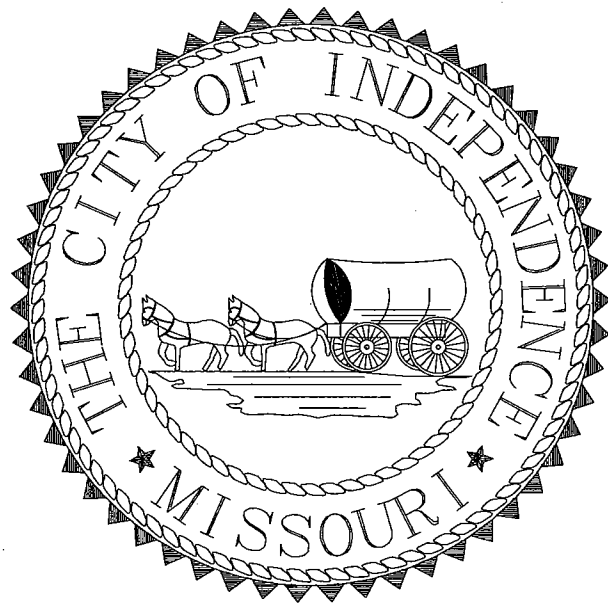
See accompanying notes to financial statements.

Exhibit 9

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

	<u>Private- Purpose Trust Funds</u>
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	\$ 14,071,999	

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:

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
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
Federal				
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
Total Federal	<u>51,176</u>	<u>1,816,393</u>	<u>2,917,035</u>	<u>4,784,604</u>
State & Local				
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
Total State & Local	<u>5,125,970</u>	<u>553,331</u>	<u>398,412</u>	<u>6,077,713</u>
Grand Total	<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
General Fund:				
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>
Street Improvements Fund:				
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>
Nonmajor Governmental Funds:				
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>
Totals	<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					Total
	General	Nonmajor Governmental	Power and Light	Water	Sanitary Sewer	
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:

Calendar Year	Amount
2008	\$ 1,000,000
2009	1,000,000
2010	1,000,000
2011	1,000,000
2012	1,000,000
2013-2017	5,000,000
2018-2022	5,000,000
2023-2026	4,000,000
Total	\$ 19,000,000

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:

		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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 4th 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

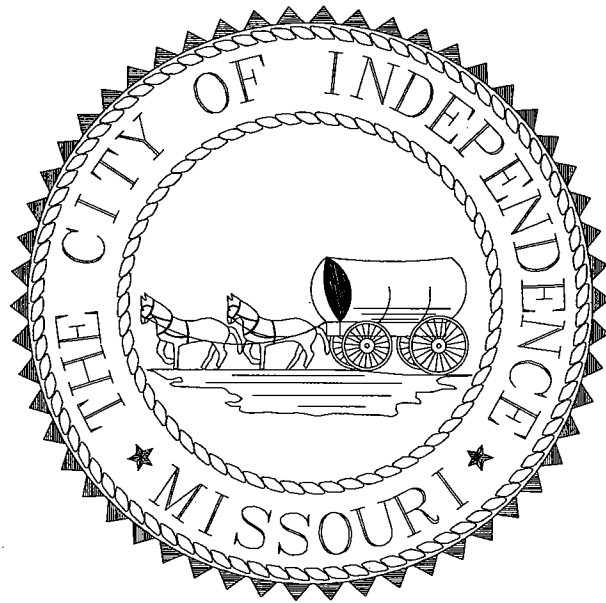
Historically the City has accounted for Workers' Compensation obligations within the City's financial records at the time that the obligations became due and payable. These obligations were recorded separately in each individual fund of the City. This pay-as-you-go approach was followed because it most 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:

	Governmental Activities (Ex. 2)	Business-Type Activities (Ex. 2)	Internal Service Funds (Ex. 32)
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:

	General Fund
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**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry-Age Actuarial Accrued Liability	(b) – (a) Unfunded (assets in excess of) Accrued Liability (UAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b) – (a)/(c) UAL as a Percentage of Covered Payroll
Retirement Plan-						
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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded Actuarial Accrued Liability (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b) – (a)/(c) UAAL as a Percentage of Covered Payroll
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>
Liabilities and Fund Balances					
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
Revenues:					
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
Total revenues	27,013,119	1,975,732	—	99,265	29,088,116
Expenditures:					
Current:					
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
Debt service:					
Principal	2,970,000	—	—	59,000	3,029,000
Interest and fiscal agent fees	1,005,903	—	—	47,619	1,053,522
Total expenditures	28,218,639	2,025,324	9,670	107,581	30,361,214
Excess (deficiency) of revenues over expenditures	(1,205,520)	(49,592)	(9,670)	(8,316)	(1,273,098)
Other financing sources (uses):					
Transfers in	—	50,250	—	—	50,250
Transfers out	(1,257,419)	—	—	—	(1,257,419)
Total other financing sources (uses)	(1,257,419)	50,250	—	—	(1,207,169)
Net change in fund balances	(2,462,939)	658	(9,670)	(8,316)	(2,480,267)
Fund balances (deficit), beginning	26,978,471	12,542	9,670	82,229	27,082,912
Fund balances, ending	\$ 24,515,532	13,200	—	73,913	24,602,645

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

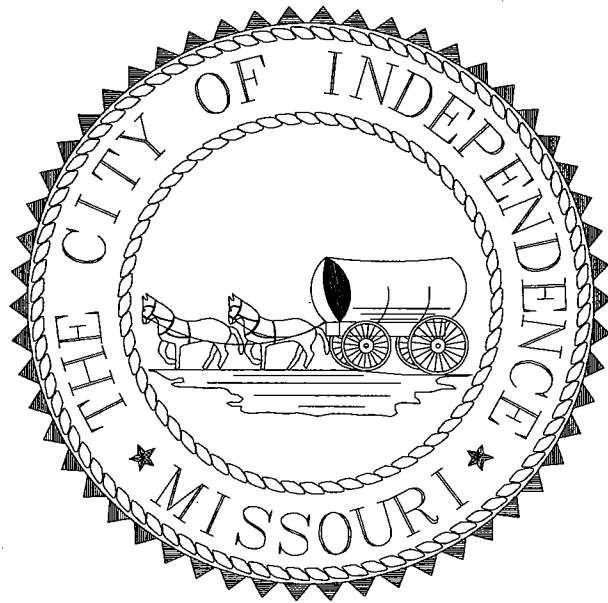
Nonmajor Special Revenue Funds

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	\$ 1,694,346	1,836	182,460	314,417	23,157,345	3,848,878	373,023	29,572,305
Liabilities and Fund Balances								
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	216,911	71	181,777	314,413	3,970,578	—	373,023	5,056,773
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	1,397,701	1,069	(301,910)	(158,274)	7,949,393	3,848,878	(87,900)	12,648,957
Total fund balances	1,477,435	1,765	683	4	19,186,767	3,848,878	—	24,515,532
Total liabilities and fund balances	\$ 1,694,346	1,836	182,460	314,417	23,157,345	3,848,878	373,023	29,572,305

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

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 28)	License Surcharge	Grants	Total
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>Tourism Fund</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><u>1,318,076</u></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><u>1,241,666</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

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

	<u>Independence Square Benefit District</u>
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

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

	Community Development Block Grant
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>773,335</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>721,764</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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget Basis)	
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>Rental Rehabilitation</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>614,146</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>614,146</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

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

	Streets Improvements Sales Tax
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

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

	Park Improvements Sales Tax
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

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
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	4,861,950	4,861,950	4,529,908	(332,042)
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	6,253,888	7,812,685	4,815,373	2,997,312
Other financing uses:				
Transfers out	—	—	35	(35)
Total other financing uses	—	—	35	(35)
Total expenditures and other financing uses	6,253,888	7,812,685	4,815,408	2,997,277
Excess of revenues over (under) expenditures	\$ (1,391,938)	(2,950,735)	(285,500)	2,665,235
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			\$ 8,451,318	

(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

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

	Police Public Safety Sales Tax
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

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

	<u>Fire Public Safety Sales Tax</u>
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

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
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	Variance
	Original	Final	Amounts (Budget Basis)	with Final Budget
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
Liabilities and Fund Balances						
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)
Revenues:						
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
Expenditures:						
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)
Other financing sources (uses):						
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>
Liabilities and Fund Balances					
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>

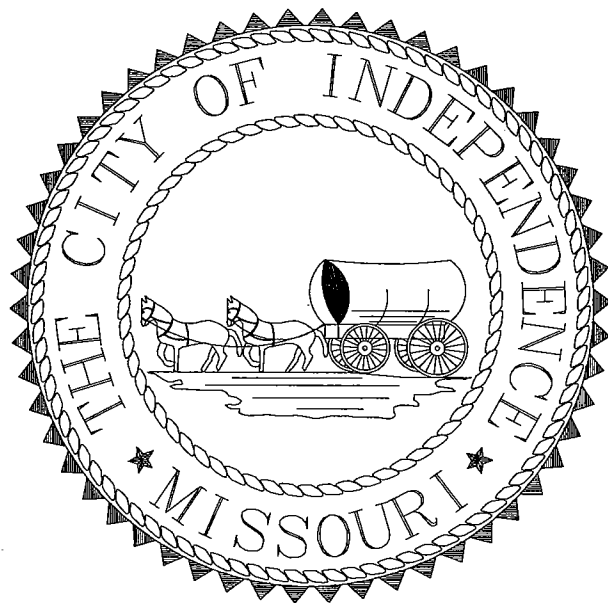
CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2008

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
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)
Assets:					
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	282,373	253,198	7,254,844	34,832	7,825,247
Noncurrent assets:					
Property, plant, and equipment:					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	146,481	—	—	—	146,481
Less accumulated depreciation	(144,831)	—	—	—	(144,831)
Total noncurrent assets	95,629	—	—	—	95,629
Total assets	\$ 378,002	253,198	7,254,844	34,832	7,920,876
Liabilities:					
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	126,482	231,867	1,733,043	1,091,053	3,182,445
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	250,090	231,867	1,733,043	4,594,749	6,809,749
Net assets:					
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)	127,912	21,331	5,521,801	(4,559,917)	1,111,127
Total liabilities and net assets	\$ 378,002	253,198	7,254,844	34,832	7,920,876

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)
Flexible Benefit Plan:				
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>
Susie Block Trust:				
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>
Seniors Travel Programs:				
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>
All Agency Funds:				
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

Assets	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center
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
Total assets	\$ 421,869	115,726	—	988,154	5,408	3,512,007	1,169,419	7,126,478
Liabilities and Fund Balances								
Liabilities:								
Due to other funds	—	—	—	—	—	—	—	—
Due to primary government	—	—	—	—	—	—	—	43,444
Total liabilities	—	—	—	—	—	—	—	43,444
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
Total fund balances (deficit)	421,869	115,726	—	988,154	5,408	3,512,007	1,169,419	7,083,034
Total liabilities and fund balances	\$ 421,869	115,726	—	988,154	5,408	3,512,007	1,169,419	7,126,478

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)

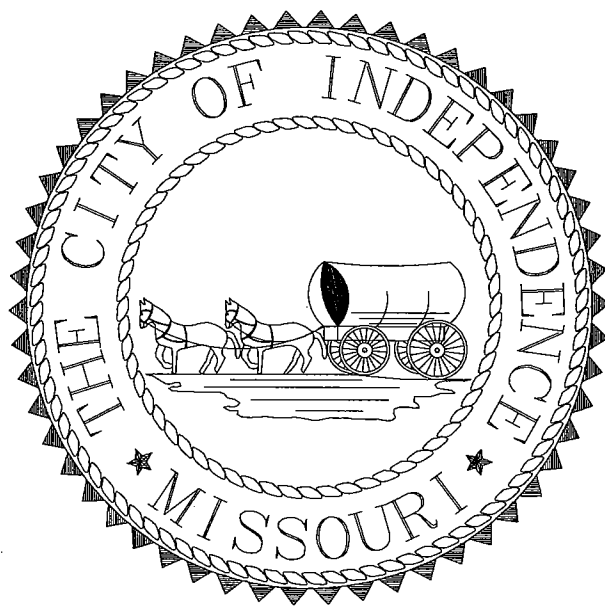
Change in net assets of Tax Increment Financing funds \$ (64,280,135)

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

	2008			2007		
	Operations	Maintenance	Total	Operations	Maintenance	Total
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

	Number of customers			
	Beginning of year	End of year	Revenue	KWH
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
Production:						
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
Transmission and distribution:						
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
Customer service:						
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
General and administrative:						
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
Expenses							
Governmental activities:							
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
Business-type activities:							
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
Program Revenues							
Governmental activities:							
Charges for services:							
Administrative services	\$ 5,146,121	5,063,353	5,117,112	5,067,474	5,512,413	5,696,158	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
Business-type activities:							
Charges for services:							
Power and light	72,278,837	77,276,647	81,333,414	82,592,294	98,278,354	103,133,249	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	\$ (40,680,799)	(35,154,654)	(34,816,818)	(22,784,995)	(7,540,105)	(13,857,093)	(31,494,831)
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	56,541,495	57,416,349	60,937,705	59,477,407	67,585,163	68,480,350	77,712,325
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	(4,823,837)	(6,984,864)	(7,071,311)	(7,448,870)	(10,282,175)	(10,599,249)	(12,292,514)
Total primary government	\$ 51,717,658	50,431,485	53,866,394	52,028,537	57,302,988	57,881,101	65,419,811
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	\$ 11,036,859	15,276,831	19,049,576	29,243,542	49,762,883	44,024,008	33,924,980

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
Revenues										
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>
Expenditures										
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)
Other Financing Sources (Uses)										
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
Power and Light:										
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
Water:										
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
Sanitary Sewer:										
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
Total	\$ 92,263,249	94,768,264	106,333,530	99,319,912	105,004,953	110,373,909	112,625,819	129,655,354	134,819,812	139,763,217

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 Wholesales 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	Revenues		Less: Operating Expenses (1)		Net Available Revenue		Debt Service		Coverage
							Principal	Interest (2)	
Power & Light (3)									
1999	\$	69,173,245	\$	46,068,740	\$	23,104,505	\$	1,090,000	\$ 7.46
2000		70,349,124		50,390,860		19,958,264		1,535,000	6.84
2001		81,965,004		57,618,481		24,346,523		1,595,000	8.38
2002		73,930,488		52,142,313		21,788,175		1,675,000	7.46
2003		77,932,974		56,701,449		21,231,525		1,740,000	7.31
2004		82,265,717		61,851,943		20,413,774		1,745,000	7.48
2005		84,020,908		64,452,736		19,568,172		1,855,000	7.05
2006		100,254,630		75,369,477		24,885,153		1,925,000	8.95
2007		105,313,797		80,423,304		24,890,493		1,995,000	8.95
2008		109,358,222		90,141,975		19,216,247		2,065,000	6.93
Water (2) (3)									
1999	\$	15,400,654	\$	9,664,783	\$	5,735,871	\$	900,000	\$ 2.38
2000		16,656,302		9,656,336		6,999,966		850,000	2.86
2001		16,267,295		10,018,126		6,249,169		900,000	2.54
2002		16,068,944		10,199,624		5,869,320		985,000	2.34
2003		16,348,365		10,788,334		5,560,031		1,070,000	2.17
2004		16,907,411		10,718,853		6,188,558		1,200,000	2.34
2005		17,928,618		11,096,626		6,831,992		1,285,000	2.07
2006		19,285,620		12,300,943		6,984,677		1,905,000	1.76
2007		18,473,889		12,850,111		5,623,778		2,040,000	1.42
2008		18,422,122		13,268,938		5,153,184		2,200,000	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
General Government										
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
Public Safety										
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
Public Works	87.73	87.90	89.90	88.90	87.90	82.00	81.00	82.00	83.00	82.00
Health and Welfare										
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
Culture and Recreation										
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
Community Development										
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
Storm Water										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Storm Water Sales Tax fund	—	—	—	9.00	7.00	7.00	8.00	8.00	8.00	8.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00
Water										
City Manager - General fund	1.50	1.50	1.50	1.50	1.50	1.50	—	—	—	—
Finance - General fund	—	—	—	—	—	—	1.00	1.00	0.17	0.15
Water	98.48	98.48	98.48	97.48	97.48	97.48	97.48	98.48	97.48	98.50
Sewer										
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
Central Garage fund	10.00	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00	10.00
Total	<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
General Government										
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
Public Safety										
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
Public Works										
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
Health and Welfare										
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
Culture and Recreation										
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
Community Development										
Permits Issued	5,500	5,292	4,822	3,984	4,693	5,809	5,281	4,792	4,048	4,100
Tourism										
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
Power and Light										
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
Water										
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
Sewer										
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 JUNE 30, 2009**

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF INDEPENDENCE, MISSOURI

FINANCIAL AND OPERATING REPORT



FOR PERIOD ENDED

June 30, 2009

**PREPARED BY:
FINANCE DEPARTMENT**



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

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



August 6, 2009

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

Re: June 2009 Financial Report

The Financial Report of the City of Independence for the period ended June 30th is submitted herewith. This report reflects 100% of the 2008-2009 fiscal year operations for the funds represented.

The budget for General Fund revenues increased \$238,281 from the original estimate. Revenues for the year are \$3,781,070 less than the estimate. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. The receivable for property tax is \$1,271,324 which is \$206,000 more than last year and \$752,000 more than the year prior to that. As required by generally accepted accounting principles, only \$147,684 of this amount is available for the

current year's use and has been included in the current year's revenues. Sales tax was \$1,200,182 less than the original estimate. Revenue from the gas franchise was down by \$41,478. There is a negative variance from City owned utilities of \$822,327.

General Fund Revenues					
	Original Est. Revenue	Adjusted Est. Revenue	Actual	Variance of Proj. to Adj.	%
Taxes	\$50,246,709	\$50,246,709	\$48,223,701	(\$2,023,008)	-4.2%
Licenses & Permits	4,324,981	4,324,981	3,158,139	(1,166,842)	-36.9%
Grants	5,476,667	5,478,248	4,954,426	(523,822)	-10.6%
Charges for Services	1,680,498	1,687,521	2,040,411	352,890	17.3%
Interfund Services	3,289,000	3,289,000	3,389,629	100,629	3.0%
Fines & Forfeitures	4,433,461	4,433,461	4,009,673	(423,788)	-10.6%
Interest	174,800	174,800	161,677	(13,123)	-8.1%
Other Revenue	402,608	632,285	548,280	(84,005)	-15.3%
Debt Proceeds				0	
Total	<u>\$70,028,724</u>	<u>\$70,267,005</u>	<u>\$66,485,935</u>	<u>(\$3,781,070)</u>	<u>-5.4%</u>

The telephone franchise tax is up \$326,764. We are still in settlement discussions with T-Mobile for the cell phone litigation. The economy has not only impacted retail sales, it has affected both commercial and residential construction. Building and construction permits are \$1,131,832 less than the original estimate of \$1,810,000. Detail for these revenue categories and other General Fund revenues can be found at the end of this letter.

The fiscal year expenditures for the General Fund were \$67,934,014 and encumbrances are \$761,991. The total is \$68,696,005. This represents 94.1% of the adjusted budget. The Variance of Actual to Adjusted Budget column includes unexpended allocations for Council Goals and TIF Distributions totaling \$923,922. This

amount will be designated for Council Goals and TIF Distributions in the year end Fund Balance. The remaining \$3,572,297 will be closed to Undesignated Fund Balance. The Adjusted Budget column includes \$576,335 of year-end appropriation adjustments for Police overtime (\$558,865), and Law for outside legal services (\$17,470).

General Fund Expenditures & Encumbrances					
	Adopted Budget	Adjusted Budget	Actual	%	Variance of Act. to Adj.
General Government	\$7,941,507	\$8,125,179	\$7,736,307	95.2%	\$388,872
Public Safety	40,204,726	41,037,478	40,459,973	98.6%	\$577,505
Public Works	7,660,445	7,732,497	7,019,220	90.8%	\$713,277
Health	2,706,680	2,788,430	2,741,267	98.3%	\$47,163
Parks & Recreation	2,125,418	2,182,405	2,152,145	98.6%	\$30,260
Council Goals	300,000	536,820	375,104	69.9%	\$161,716
TIF Distribution	200,000	963,190	200,986	20.9%	\$762,204
Other	9,943,506	9,826,225	8,011,003	81.5%	\$1,815,222
TOTAL	\$71,082,282	\$73,192,224	\$68,696,005	93.9%	\$4,496,219

Projected Financial Position - June 30:

The chart on the right is the fund balance account for the General Fund for this fiscal year. It includes all of the fund balance components including those amounts listed as Reserved Fund Balance, such as, Encumbrances, Debt Service, and Protested Taxes; the Unreserved Fund Balance items that include Designated Fund Balance components, such as, Capital Projects, Council Strategic Goals, TIF Distributions; and the Undesignated Fund Balance. Total Fund Balance is decreasing by \$2,269,048 as a result of the decrease of reserved funds of \$785,193 and the \$1,483,855 decrease of unreserved funds.

Fund Balance Activity	
Beginning Fund Balance	\$9,327,818
Current Fiscal Year	
Revenues	66,485,935
Expenditures	68,696,005
Rev. over/(under) Expenditures	(2,210,070)
Adj. for Carryover Encumbrances	160,409
Transfers In	
Transfers Out	219,387
Ending Fund Balance	\$7,058,770

Projected Undesignated Fund Balance - June 30

Of the \$7,058,770 of ending fund balance reported above, the undesignated portion is \$2,073,985. The balance represents reserved and designated fund balance components. The undesignated portion decreased by \$1,483,855 since the beginning of the fiscal year. Detail information regarding undesignated fund balance can be found following this transmittal letter.

Undesignated Fund Balance Activity	
Beginning Undesignated Fund Balance	\$ 3,557,840
Revenues	66,485,935
Expenditures	68,696,005
Adj. for Carryover Encumbrances	160,409
Transfers Authorized by the Budget	(219,387)
Other:	
Increases	942,595
Decreases	157,402
Ending Undesignated Fund Balance	\$ 2,073,985

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.

Description	Allocation Amount	Expended or Encumbered	Balance
Carry-over Balance from Prior Year	\$236,819		
Current Year Authorization	<u>300,000</u>		
	<u>\$536,819</u>		
<u>Carry-Over Allocations from Prior Years:</u>			
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	4,080	4,536
Demo. of Dangerous Bld. & Property Clean-up	35,413	35,413	
Sidewalk Repairs Revolving Fund	30,040	30,040	
Flags, Banners & Brackets	3,893	3,893	
<u>Current Year Allocations:</u>			
Demo. of Dangerous Bld. & Property Clean-up	79,500	48,813	30,687
Mowing & Refuse Cleanup on Private Property	70,000	69,602	398
Neighborhood Park Matching Grants			
Graffiti Abatement Program	9,500	8,030	1,470
Graffiti Reward Program	500		500
Neighborhood Cleanup Program	7,960	5,522	2,438
Youth Recreation Program Scholarships	50,000	50,000	
Independence Square Parking Spaces	10,000	9,875	125
Speed Risers near Palmer Senior Center	10,000		10,000
Emergency Medical Services	48,300	48,300	
Neglected & Foreclosed Property	62,811	40,692	22,119
Northwest CDC	20,000	20,000	
Total	<u>\$473,571</u>	<u>\$375,199</u>	<u>\$98,372</u>
Unallocated Balance	<u><u>\$63,248</u></u>		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is \$537,831 and interest is \$56,155 and unreserved fund balance is \$201.

Street Improvements Sales Tax Fund

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

Fund balance for June 30th is (\$2,088,277). Of this total fund balance amount \$3,690,400 is encumbered for projects in process. The negative unreserved fund balance is the result of contracts being issued with the anticipation of issuing obligations or using future revenues.

<u>Street Improvement Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$5,878,783	6,244,363	6,586,624	342,261
Interest	77,609	42,000	10,146	(31,854)
Other	4		104,831	104,831
Total Revenues	\$5,956,396	6,286,363	6,701,601	415,238
<u>Expenditures:</u>				0
Non-Departmental	1,470,725	9,000	13,361	4,361
Debt Service	4,825,405	4,253,325	4,245,325	(8,000)
Capital Appropriations		14,143,315	5,601,747	(8,541,568)
Total Expenditures	6,296,130	18,405,640	9,860,433	(8,545,207)
Excess of Revenues Over (Under) Expenditures	(339,734)		(3,158,832)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In			546,154	
Transfers Out	465,331	3,396,361	1,778,640	
Total Other Financing	(465,331)		(1,232,486)	
<u>Fund Balance:</u>				
Encumbrances	3,046,687		3,690,400	
Other Reserves	565,082			
Unreserved	(1,308,728)		(5,778,677)	
Total	2,303,041		(2,088,277)	

Park Improvements Sales Tax Fund

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

Fund balance for June 30th is (\$3,219,267). Of this total fund balance amount \$533,083 is encumbered for projects in process. The negative fund balance is the result of contracts being issued with the anticipation of issuing obligations or using future revenues.

<u>Park Improvement Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$3,918,521	4,162,909	3,857,852	(305,057)
Interest	14,153	2,000	561	(1,439)
Charges for Services	579,567	465,000	534,925	69,925
Other	31,383	171,005	14,246	(156,759)
Total Revenues	\$4,543,624	4,800,914	4,407,584	(393,330)
<u>Expenditures:</u>				
Debt Service	1,441,902	2,449,677	2,447,476	(2,201)
Operating	2,449,087	3,101,204	2,715,182	(386,022)
Capital	2,459,535	1,434,201	594,545	(839,656)
Total Expenditures	6,350,524	6,985,082	5,757,203	(1,227,879)
Excess of Revenues Over (Under) Expenditures	(1,806,900)		(1,349,619)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In			26,120	
Transfers Out	4,461			
Total Other Financing	(4,461)		26,120	
<u>Fund Balance:</u>				
Encumbrances	573,609		533,083	
Other Reserves	74,701			
Unreserved	(2,544,078)		(3,752,350)	
Total	(1,895,768)		(3,219,267)	

Fire Sales Tax Fund

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

Fund balance for June 30th is \$2,513,373. Of this total fund balance amount \$643,924 is encumbered for projects in process. \$1,869,449 is unreserved and available for other projects.

<u>Fire Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$3,916,886	3,295,636	3,057,491	(238,145)
Interest	172,072	189,000	55,287	(133,713)
Other	32		37	
Total Revenues	\$4,088,990	3,484,636	3,112,815	(371,858)
<u>Expenditures:</u>				
Debt Service	550,313	553,713	550,313	(3,400)
Operating	549,854	2,298,551	917,208	(1,381,343)
Capital	2,232,376	5,850,246	5,217,574	(632,672)
Total Expenditures	3,332,543	8,702,510	6,685,095	(2,017,415)
Excess of Revenues Over (Under) Expenditures	756,447		(3,572,280)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In	4,461			
Transfers Out				
Total Other Financing	4,461		0	
<u>Fund Balance:</u>				
Encumbrances	4,193,766		643,924	
Other Reserves				
Unreserved	1,891,887		1,869,449	
Total	6,085,653		2,513,373	

Police (Capital) Sales Tax Fund

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

Fund balance for June 30th is \$2,426,180. Of this total fund balance amount \$1,347,216 is encumbered for projects in process. \$1,078,964 is unreserved and available for other projects.

<u>Police (Capital) Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$2,089,282	2,206,312	2,055,300	(151,012)
Interest	71,502	112,000	21,961	(90,039)
Other	17		10,226	10,226
Total Revenues	\$2,160,801	2,318,312	2,087,487	(230,825)
<u>Expenditures:</u>				
Debt Service	512,963	517,363	513,963	(3,400)
Capital	2,560,218	2,638,769	985,148	(1,653,621)
Carry-over Appropriations				0
Total Expenditures	3,073,181	3,156,132	1,499,111	(1,657,021)
Excess of Revenues Over (Under) Expenditures	(912,380)		588,376	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In	2,231			
Transfers Out				
Total Other Financing	2,231		0	
<u>Fund Balance:</u>				
Encumbrances	378,811		1,347,216	
Other Reserves				
Unreserved	1,458,993		1,078,964	
Total	1,837,804		2,426,180	

Storm Water Sales Tax Fund

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

Fund Balance for June 30th is \$10,137,549. Of this total fund balance amount, \$1,516,261 is encumbered for projects in process. \$8,621,288 is unreserved and available for other projects.

<u>Storm Water Sales Tax Fund</u>				
	Actual As Of			
<u>Revenues:</u>	<u>Prior Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	\$3,919,288	\$4,162,909	\$3,858,941	(303,968)
Intra-governmental		\$0	\$98,960	
Interest	475,034	471,500	175,360	(296,140)
Other	135,588		29,354	29,354
Total Revenues	\$4,529,910	\$4,634,409	\$4,162,615	(\$570,754)
<u>Expenditures:</u>				
Operating	1,084,316	2,027,485	1,224,907	(802,578)
Capital	3,595,826	11,306,977	3,458,231	(7,848,746)
Carry-over Appropriations				
Total Expenditures	4,680,142	13,334,462	4,683,138	(8,651,324)
Excess of Revenues Over				
(Under) Expenditures	(150,232)		(520,523)	
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	4,496	197,965	197,965	
Debt Proceeds				
Total Other Financing	(4,496)		(197,965)	
Fund Balance				
Encumbrances	2,404,718		1,516,261	
Designated Fund Balance				
Unreserved	8,451,319		8,621,288	
Total	10,856,037		10,137,549	

Central Garage

The garage realized a net loss of \$19,679 for this month of the fiscal year and a net income of \$78,629 for the fiscal year. The Director of Public Works must review this closely during the next year to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for the fiscal year. Also, the Director should look at the fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after twelve months of operation.

<u>Central Garage Operating Statement</u>		
	<u>Current</u>	<u>Actual</u>
	<u>Month</u>	
<u>Revenue:</u>		
Repairs & Other Income	172,796	1,958,023
<u>Operating Expenses:</u>		
Personal Services	61,100	651,592
Other Services	36,095	349,504
Supplies	101,439	922,239
Capital Outlay		
Depreciation Expense	46	550
Total Expenses	198,680	1,923,885
<u>Net Income from Operations</u>	(25,884)	34,138
<u>Other Income/Expense:</u>		
Interest Income/Expense	34	1,488
Misc. Income	6,171	43,003
<u>Net Income/(Loss)</u>	(19,679)	78,629
Fund Equity, Beginning		127,912
<u>Fund Equity, Ending</u>		206,541

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. In this analysis the amount shown as 'Due from Federal Government' represents receivables from the Missouri Department of Transportation for work performed on 39th Street, 35th Street & Noland Road Intersection, and Hidden Valley Road. The amount for 'Due from Other Local Government' represents receivables from the County Urban Road System (CURS). Of the \$2,826,162 the City has submitted \$120,081 in requests for reimbursements. Approximately \$1,984,404 is retained from payments to contractors, thus leaving \$721,460 ready for submission.

<u>Street Improvements Fund</u>	
Assets	
Cash	\$109,764
Special Assessment Receivable	
Due From Federal Government	1,174,684
Due From Other Local Government	458,903
Due From Other	1,192,574
Contributions Receivable	
Total	<u>2,935,926</u>
Liabilities & Credits	
Accounts Payable	2,338,811
Deferred Revenue	993,545
Due To Other Funds	
Funds In Escrow	
Total	<u>3,332,356</u>
Fund Balance	<u><u>(\$396,430)</u></u>

Workers' Compensation Fund

The Workers' Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims of \$3,045,422, 72.7% or \$2,216,664 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 \$1,824,514 for major claims.

<u>Worker's Compensation Fund</u>	
Assets	
Pooled cash and investments	1,192,876
Accounts receivable	308,776
Prepaid Insurance	15,307
Total Assets	<u>1,516,959</u>
Current Liabilities	
Accounts and contracts payable	16,914
Accrued liabilities	1,493
Compensated absences	12,049
Worker's Comp claims	856,255
Total Current Liabilities	<u>886,711</u>
Noncurrent liabilities	
Compensated absences	27,497
Worker's Comp claims	2,189,167
Total noncurrent liabilities	<u>2,216,664</u>
Total Liabilities	<u>3,103,375</u>
Net Assets	
Invested in capital assets, net of debt	-
Unrestricted	<u>(1,586,416)</u>
Total net assets (deficit)	<u>(1,586,416)</u>
Total liabilities and net assets	<u><u>1,516,959</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 June 30, 2009, the Plan's receipts were \$40,728 more than the Plan's disbursements. This resulted in the Plan's cash balance increasing to

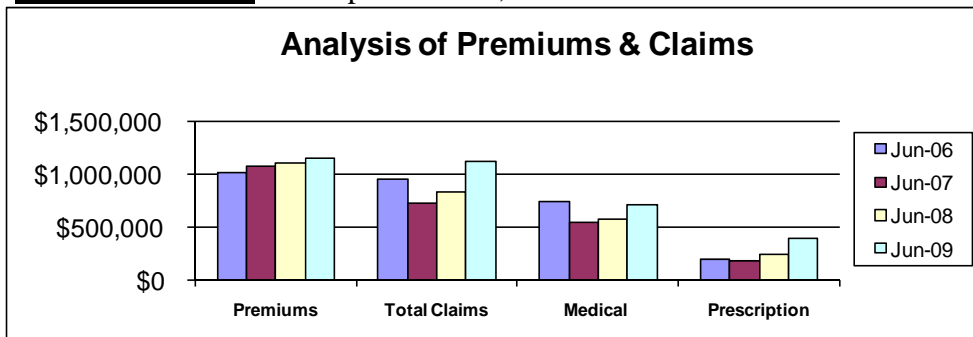
\$5,421,051. During June 2008, the Plan's receipts were \$358,639 more than the Plan's disbursements, resulting in the Plan's cash balance increasing to \$7,123,683 at June 30, 2008.

The following information summarizes the financial activity of the Plan and provides an explanation of the Plan's financial results for the first six months of the plan year ending December 31, 2009. Since January 1, 2009, the Plan's cash balance has increased by approximately \$335,000.

Stay Well Health Care Plan						
	June 30, 2009			Plan Year To Date		
	Last Year	This Year	Change	Last Year	This Year	Change
Claims Paid	2,814	3,203	13.8%	18,119	18,986	4.8%
Participants	1,222	1,273	4.2%	1,219	1,264	3.7%
(Participants are an average.)						
Receipts	\$1,257,298	\$1,236,444	-1.7%	\$6,928,289	\$7,211,583	4.1%
Disbursements:						
Benefits	836,903	1,123,365	34.2%	5,742,754	6,468,561	12.6%
Administration	15,860	17,260	8.8%	95,077	102,911	8.2%
ReInsurance	41,121	42,903	4.3%	247,080	252,807	2.3%
PPO	4,207	4,388	4.3%	25,252	26,173	3.6%
Other	568	7,800	1273.2%	9,487	25,841	172.4%
Total	\$898,659	\$1,195,716	33.1%	\$6,119,650	\$6,876,293	12.4%
Ending Cash Balance				\$7,123,683	\$5,421,051	-23.9%
Accrued Reinsurance Reimbursements				62,677	17,524	-72.0%
Accrued Liabilities				-1,733,043	-1,839,974	6.2%
Ending Reserve				\$5,453,317	\$3,598,601	-34.0%

Claims Processed FMH processed 3,203 medical and vision claims in June or 5% more than the 3,066

claims processed in May. During June 2009, FMH processed 14% more medical and vision claims than in June 2008.



The top 20 individual claims during June accounted for 155 payments, totaling

\$383,497. The individual amounts paid for these members ranged from \$4,995 to \$104,231. During June, the top 20 individuals accounted for 51% of the total medical claims paid. Since January 1, 2009, the top 20 individual claim payments totaled \$1,383,277 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 June 30, 2009.

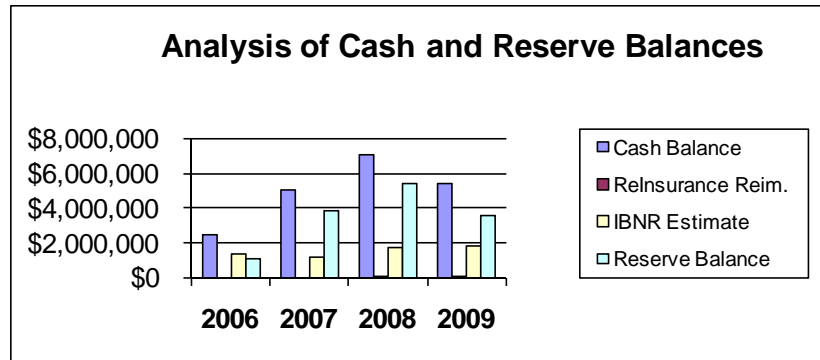
During June, FMH took claims discounts of \$1,486,837 or approximately 55% of the gross medical claims submitted for the month. For the Plan year, FMH has taken discounts of \$8,213,924 or 55% of the gross medical claims submitted.

Reinsurance Coverage - No claims have exceeded the Plan's \$250,000 specific deductible for the

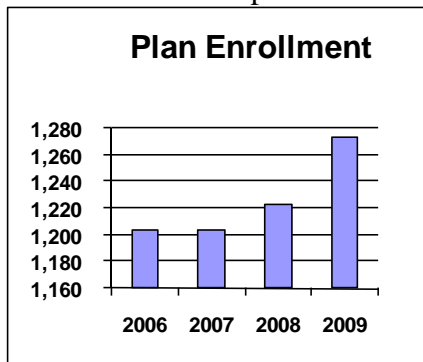
reinsurance policy period starting January 1, 2009. The Plan should receive reimbursement of \$17,524 upon review and approval by the reinsurance company of claims exceeding the Plan's \$250,000 specific deductible during the previous reinsurance policy period.

Cash Balance, IBNR & Reserve

Balance - The Stay Well Health Care Plan's estimated reserve balance decreased during June to \$3,598,601. This decrease in the Plan's reserve balance is due to June's receipts being approximately \$41,000 more than May's disbursements and increasing the Plan's accrued liabilities account by \$106, 931 to reflect the value of claims incurred but not reported.



Plan Enrollment - The Plan's enrollment has increased by 70 participants or 5.8% since June 2006 to 1,273 as of June 30, 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 June, the benefit disbursements were approximately \$5,000 more than in May. Benefit disbursements during June 2009 were approximately \$286,000 more than in June 2008. Total disbursements during June 2009 were approximately \$297,000 more than June 2008 disbursements. Premium receipts for June 2009 increased by approximately \$44,000 over the previous year.

Projected 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 June, the projected December 31, 2009 cash balance is approximately \$6,136,000.

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

Power and Light

Total operating revenues of the Power and Light Fund of \$105,064,847 reflect a decrease of \$2,555,100 over fiscal year 2007-08 operating revenues of \$107,619,947 or 2.4%. Several key factors contributing to decreased revenues were: a decrease in retail energy sales of \$2,864,995, a decrease in sales to other utilities of \$316,774 which was offset by an increase in unbilled revenue of \$675,995. 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 \$111,981,668 reflect a decrease of \$885,210 over fiscal year 2007-08 operating expenses of \$112,866,877 or .8%. Several key indicators contributing to decreased expenses were: decreases in production costs of \$2,426,643, customer accounts of \$15,424, payment in lieu of taxes of \$272,526 which were offset by increases in distribution costs of \$210,131, depreciation and amortization costs of \$862,192, and transmission costs of \$808,768.

Water

Total operating revenues of the Water Fund of \$18,607,799 reflect an increase of 493,616 from fiscal year 2007-08 total operating revenues of \$18,114,183 or 2.73%.

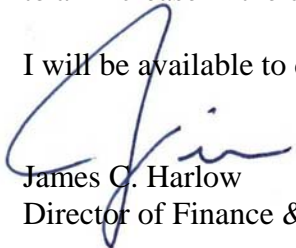
Total operating expenses of the Water Fund of \$18,879,909 reflect an increase of \$814,489 from fiscal year 2007-08 total operating expenses of \$18,065,420 or 4.51%. Various maintenance projects at the Courtney Bend Treatment Facility are predominant elements of the overall increase in expenses.

Sanitary Sewer

Total operating revenues of the Sanitary Sewer Fund of \$15,347,893 reflects an increase of \$64,838 from fiscal year 2007-08 total operating revenues of \$15,283,055 or 0.4%. This increase is mainly attributable to an increase in the amount of unbilled sales recorded for this year and to an increase in the amount of inter-municipal agreements this year.

Total operating expenses of the Sanitary Sewer Fund of \$17,171,946 reflect an increase of \$796,735 from fiscal year 2007-08 total operating expenses of \$16,375,211 or 4.9%. 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: 12			Actual Revenue Through June	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget		
Property Taxes:				
General Property Taxes:				
Real Estate	7,269,409	7,269,409	7,030,381	-239,028
R.R. & Other Utility	33,500	33,500	55,093	21,593
Total Property Taxes	7,302,909	7,302,909	7,085,474	-217,435
Sales and Use Taxes:				
Local Option Sales Tax	17,650,497	17,650,497	16,450,315	-1,200,182
Cigarette Tax	570,000	570,000	514,225	-55,775
Total Sales and Use Taxes	18,220,497	18,220,497	16,964,540	-1,255,957
Utility Franchise Fees:				
Water	20,000	20,000	21,051	1,051
Gas	5,246,000	5,246,000	5,204,522	-41,478
Telephone	4,156,241	4,156,241	4,483,005	326,764
Electricity	345,000	345,000	360,923	15,923
Cable Television	630,000	630,000	600,451	-29,549
Total Utility Franchise Fees	10,397,241	10,397,241	10,669,952	272,711
Payments in Lieu of Taxes				
Power & Light in Lieu of Taxes	10,906,299	10,906,299	10,266,693	-639,606
Water Service in Lieu of Taxes	1,869,765	1,869,765	1,773,519	-96,246
Sanitary Sewer in Lieu of Taxes	1,549,998	1,549,998	1,463,523	-86,475
Total Payments in Lieu of Taxes	14,326,062	14,326,062	13,503,735	-822,327
Total Taxes	50,246,709	50,246,709	48,223,701	-2,023,008
Business Licenses & Permits:				
Occupation Licenses	1,538,000	1,538,000	1,456,186	-81,814
Liquor Licenses	96,000	96,000	99,566	3,566
Bld. Trades Licenses and Exams	104,000	104,000	112,259	8,259
Fin - Other License/Permits	43,000	43,000	50,032	7,032
Building Permits, Com. Develop.	1,110,000	1,110,000	487,298	-622,702
Construction Permits, Public Works	700,000	700,000	190,870	-509,130
Nursing Home Permits	800	800	1,225	425
Day Care Permits	6,321	6,321	7,089	768
Food Handler's Permits	126,450	126,450	139,684	13,234
Massage Therapist Appl	2,275	2,275	3,835	1,560
Other Food Permits	92,000	92,000	101,402	9,402
Ambulance Permits & Licenses	40,535	40,535	38,282	-2,253
Plan Reviews - Health Dept.	3,600	3,600	1,200	-2,400
Subtotal Bus. Licenses & Permits	3,862,981	3,862,981	2,688,928	-1,174,053
Non-business Licenses & Permits:				
Motor Vehicle Licenses	462,000	462,000	469,211	7,211
Subtotal Non-bus. Lic. & Permits	462,000	462,000	469,211	7,211
Total Licenses & Permits	4,324,981	4,324,981	3,158,139	-1,166,842
Intergovernmental Revenue:				
Federal:				
Emergency Management				
Public Health Nursing			4	4
Community Health ed				
Dial-a-ride	25,393	26,974	25,393	-1,581
Other				
Total Federal	25,393	26,974	25,397	-1,577

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

Months of Actual Revenue: 12				Actual Revenue Through June	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget			
State:					
Financial Institutions Tax	32,000	32,000	44,195	12,195	
Gasoline Tax	3,325,000	3,325,000	3,111,995	-213,005	
Motor Vehicle License Fees	625,000	625,000	499,707	-125,293	
Motor Vehicle Sales Tax	830,000	830,000	603,934	-226,066	
Other					
Total State	4,812,000	4,812,000	4,259,832	-552,168	
Other:					
Jackson County Drug Task Force	300,000	300,000	329,924	29,924	
Jackson County Dare Program	314,274	314,274	314,274		
Mid Am Reg Council	25,000	25,000	25,000		
Other Misc. Grants					
Total Other	639,274	639,274	669,198	29,924	
Total Intergovernmental Revenue	5,476,667	5,478,248	4,954,426	-523,822	
Charges for Current Services:					
General Government:					
Planning & Zoning Fees	40,000	40,000	17,883	-22,117	
Board of Adjustment Fees	4,500	4,500	4,800	300	
Sale of Maps, Books, Plans	10,000	10,000	9,337	-663	
Sale of Police Reports	37,000	37,000	38,700	1,700	
Sale of Fire Reports	36	36	81	45	
Computer Service Charges	32,000	32,000	19,637	-12,363	
Health:					
Animal Shelter Fees	87,000	87,000	90,405	3,405	
Animal ID Tags	19,000	19,000	23,800	4,800	
Health Training Programs			2,250	2,250	
Public Safety:					
Reimb. For Police Services	22,000	22,434	37,316	14,882	
School Resource Officers	641,177	641,177	437,136	-204,041	
Alarm Charges - Police	39,000	39,000	37,425	-1,575	
Alarm Charges - Fire	3,950	3,950	1,750	-2,200	
Recreation:					
Class Fees	33,500	35,935	86,263	50,328	
Park Concessions	7,500	7,500	6,967	-533	
Pool Fees					
Recreation Centers	12,250	12,250	31,745	19,495	
Recreation Rentals	57,860	60,088	100,811	40,723	
National Frontier Trails Center:					
NFTC - Admissions & Rentals	44,000	44,000	51,266	7,266	
NFTC - Gift Shop	30,000	30,000	27,553	-2,447	
Cemetery:					
Sale of Cemetery Lots	9,500	9,500	2,100	-7,400	
Sale of Monument Bases	3,500	3,500	2,584	-916	
Grave Opening Charges	21,225	21,225	50,625	29,400	
Other Charges:					
Sale of Street Signs	500	500	1,615	1,115	
Special Assessments	160,000	160,000	197,979	37,979	
Sale of Recycled Material			23,642	23,642	
Solid Waste Disp Fees	90,000	90,000	98,519	8,519	
Miscellaneous Charges	275,000	276,926	638,221	361,295	
Total Charges for Current Services	1,680,498	1,687,521	2,040,411	352,890	

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

Months of Actual Revenue: 12				
Description	Original Budget	Revised Budget	Actual Revenue Through June	Variance To Budgeted Revenues
Fines and Court Costs				
Fines & Forfeitures	3,841,283	3,841,283	3,465,566	-375,717
Court Costs	438,643	438,643	408,318	-30,325
Police Training	62,972	62,972	55,882	-7,090
Domestic Violence	54,200	54,200	56,207	2,007
Dwi/drug	36,363	36,363	23,700	-12,663
Special Warrant Collection				
Total Fines and Court Costs	4,433,461	4,433,461	4,009,673	-423,788
Interest Income				
Interest	100,800	100,800	44,124	-56,676
Special Assessments - Interest	4,000	4,000	503	-3,497
Interest - Other	70,000	70,000	117,050	47,050
Total Interest Income	174,800	174,800	161,677	-13,123
Interfund Chgs. For Supp. Serv.	3,289,000	3,289,000	3,389,629	100,629
Other Revenue:				
Sale of Land				
Sale of Fixed Assets	57,208	57,208	30,128	-27,080
Rents	130,000	130,000	111,015	-18,985
Damage Claims	15,000	15,000	281	-14,719
Contributions		23,851	106,489	82,638
Housing Auth. In Lieu of Taxes				
Cash Over/Short			349	349
Discounts Taken	400	400	145	-255
Misc. Non-operating Revenue	200,000	236,269	130,315	-105,954
Proceed from Capital Lease		169,557	169,557	
Total Other Revenue	402,608	632,285	548,280	-84,005
Total Revenue	70,028,724	70,267,005	66,485,935	(3,781,070)

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

	Budget	June 30th	Variance
Beginning Undesignated Fund Balance	\$ 4,649,067	\$ 3,557,840	\$ (1,091,227)
Current Fiscal Year Activity:			
<u>Estimated Revenues:</u>			
City Council Approved Revenue Estimates	\$70,028,724	\$70,267,005	\$238,281
Revenue Variances for the Year	-	(\$3,781,070)	(\$3,781,070)
Net Projected Revenues	70,028,724	66,485,935	(3,542,789)
<u>Appropriations/Expenditures:</u>			
City Council Approved Appropriations	\$71,082,282	\$73,192,224	\$2,109,942
Expenditure Variances for the Year	-	(\$4,496,219)	(\$4,496,219)
Net Projected Expenditures	71,082,282	68,696,005	(2,386,277)
Net Revenues Over/(Under) Expenditures	(1,053,558)	(2,210,070)	(1,156,512)
Transfers Out:			
Storm Water Fund	105,357	105,357	-
Capital Projects		114,030	
Total	105,357	219,387	-
Transfers In:			
Total	-	-	-
Other:			
Adjustment for Carry Over Encumbrances		160,409	160,409
Reservations:			
Encumbrances	-	26,210	26,210
Domestic Violence	-	(4,652)	(4,652)
Debt Service	-	8,013	8,013
Protested Revenues	-	(82,941)	(82,941)
Designated:			
Capital Projects		103,994	103,994
Police Equipment	-	(93,021)	(93,021)
Council Goals	-	75,103	75,103
Vandalism Reward	-	(3,000)	(3,000)
TIF Distributions	-	985	985
Amoco Settlement	-	54,500	54,500
Economic Development		700,000	
Rounding	-	2	2
Total	-	945,602	245,602
Year End Undesignated Fund Balance	\$ 3,490,152	\$ 2,073,985	\$ (2,002,137)

City of Independence, Missouri
Balance Sheet
Governmental Funds
June 30, 2009

Assets	General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	1,043,107	30,453,157	31,496,264
Receivables:			
Taxes	10,510,630	3,270,885	13,781,515
Accounts	203,427	72,636	276,063
Special assessment principal and accrued interest	586,257	1,618,010	2,204,267
Accrued interest	4,296	31,562	35,858
Due from other funds	4,651,987	26,801	4,678,788
Due from component unit to primary gvmt	-	665,426	665,426
Due from other governments	709,824	2,569,334	3,279,158
Restricted assets	447,074	28,976,318	29,423,392
Total assets	<u>\$ 18,156,602</u>	<u>\$ 67,684,128</u>	<u>\$ 85,840,730</u>

	General	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	330,283	5,769,863	6,100,146
Due to other funds	-	4,572,404	4,572,404
Due to primary government from component unit	-	665,426	665,426
Accrued items	1,795,164	101,792	1,896,956
Other current liabilities	612,759	7,775	620,534
Deferred revenue	8,129,327	2,284,738	10,414,065
Liabilities payable from restricted assets:			
Deposits and court bonds	230,300	-	230,300
Total liabilities	<u>11,097,833</u>	<u>13,401,998</u>	<u>24,499,831</u>

Fund Balances:			
Reserved for:			
Encumbrances	819,105	19,578,530	20,397,634
Domestic violence	15,054	-	15,054
Other purposes	484,927	21,129,517	21,614,444
Unreserved, reported in:			
General fund	2,073,985	-	2,073,985
Special revenue funds	-	1,746,373	1,746,373
Debt Service fund	-	56,553	56,553
Capital project funds	-	(512,724)	(512,724)
Designated general fund	3,665,699	-	3,665,699
Designated special revenue funds	-	3,611,182	3,611,182
Designated capital project funds	-	8,672,699	8,672,699
Total fund balance	<u>7,058,769</u>	<u>54,282,130</u>	<u>61,340,900</u>
Total liabilities and fund balance	<u>\$ 18,156,602</u>	<u>\$ 67,684,128</u>	<u>\$ 85,840,730</u>

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	34,719,966	31,932,193	66,652,159
Licenses and permits	3,158,139	537,831	3,695,970
Intergovernmental	4,954,426	14,177,489	19,131,915
Charges for services	2,041,498	732,786	2,774,284
Interfund charges for support services	3,389,629	-	3,389,629
Fines, forfeitures, and court costs	4,009,673	-	4,009,673
Investment Income	160,589	711,320	871,909
Sale of property, plant, and equipment	30,128	10,141	40,269
TIF Developer Contributions	-	865,004	865,004
Reimbursements from component unit	-	11,748,051	11,748,051
Other	348,595	1,699,125	2,047,720
Total revenues	<u>52,812,643</u>	<u>62,413,940</u>	<u>115,226,583</u>
Expenditures:			
Current:			
General government	7,715,018	13,110	7,728,128
Public safety	37,722,417	3,233,818	40,956,235
Public works	6,719,666	-	6,719,666
Health and welfare	2,759,227	390,945	3,150,172
Culture and recreation	2,153,722	3,788,307	5,942,029
Community development	2,557,624	1,099,907	3,657,531
Storm Water	317,382	1,224,907	1,542,288
Nondepartmental/other	7,434,206	120,593	7,554,799
Capital outlay	767,557	58,883,323	59,650,879
Debt service:			
Principal	343,755	12,522,861	12,866,616
Interest and fiscal agent fees	45,023	10,820,667	10,865,690
Total expenditures	<u>68,535,596</u>	<u>92,098,439</u>	<u>160,634,035</u>
Excess (deficiency) of revenues over expenditures	<u>(15,722,954)</u>	<u>(29,684,499)</u>	<u>(45,407,452)</u>
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	169,557	-	169,557
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	13,503,735	-	13,503,735
Transfers in	-	4,424,058	4,424,058
Transfers out	(219,387)	(4,283,908)	(4,503,295)
Total other financing sources (uses)	<u>13,453,905</u>	<u>20,709,715</u>	<u>34,163,620</u>
Net change in fund balances	(2,269,048)	(8,974,784)	(11,243,832)
Fund balances, beginning	9,327,818	63,256,914	72,584,732
Fund balances, ending	<u>\$ 7,058,769</u>	<u>\$ 54,282,130</u>	<u>\$ 61,340,900</u>

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Year Ended June 30, 2009

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	406,982	412,824	392,335	556	392,891	319
City Clerk	455,201	460,045	408,242	578	408,821	4,009
City Manager	1,065,315	1,088,052	1,056,126	5,007	1,061,132	143
National Frontier Trails Center	376,480	384,942	374,707	4,800	379,507	4,840
Technology Services	1,760,857	1,802,819	1,644,052	14,399	1,658,451	11,526
Municipal Court	751,741	763,609	730,921	5,681	736,601	5,763
Law	745,326	780,570	775,376	-	775,376	5,003
Finance	1,868,028	1,907,682	1,838,522	23,699	1,862,221	18,572
Human Resources	511,577	524,636	465,550	1,320	466,870	300
Total General Government	<u>7,941,507</u>	<u>8,125,179</u>	<u>7,685,831</u>	<u>56,040</u>	<u>7,741,870</u>	<u>50,477</u>
Public Safety:						
Community Development	2,820,958	2,865,915	2,518,949	38,675	2,557,624	39,014
Police	22,442,460	23,121,022	22,774,656	91,770	22,866,426	76,877
Fire	14,941,308	15,050,542	14,959,855	40,476	15,000,331	90,622
Total Public Safety	<u>40,204,726</u>	<u>41,037,478</u>	<u>40,253,461</u>	<u>170,921</u>	<u>40,424,382</u>	<u>206,513</u>
Public Works	7,345,945	7,415,143	6,567,658	152,008	6,719,666	134,208
Storm Water	314,500	317,354	317,354	27	317,382	-
Health	2,706,680	2,788,430	2,718,283	40,943	2,759,227	22,984
Parks and Recreation	2,125,418	2,182,405	2,139,147	14,575	2,153,722	12,998
Non-Departmental	8,669,377	8,374,344	6,940,217	9,374	6,949,591	22,399
Council Goals	300,000	536,820	264,068	51,762	315,829	111,036
Debt Service	-	172,552	171,742	-	171,742	810
Capital Outlay	1,274,129	1,279,329	686,190	100,077	786,267	189,645
TIF Distribution	200,000	963,190	190,064	5,855	195,919	10,922
Total Other	<u>22,936,049</u>	<u>24,029,567</u>	<u>19,994,722</u>	<u>374,622</u>	<u>20,369,345</u>	<u>505,002</u>
Total Expenditures & Encumbrances	<u>71,082,282</u>	<u>73,192,224</u>	<u>67,934,014</u>	<u>601,583</u>	<u>68,535,596</u>	<u>761,991</u>

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
Proprietary Funds
June 30, 2009

Assets	Enterprise Funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Current assets:						
Pooled cash and investments	\$ 8,144,103	1,006,670	7,855,170	—	17,005,943	6,915,516
Receivables:						
Accounts (net of allowance of \$862,411)	6,369,887	1,405,927	1,516,293	—	9,292,108	404,562
Unbilled revenue	7,858,825	1,106,474	1,023,309	—	9,988,608	13,633
Special assessment principal and accrued interest	3,375	—	34,435	—	37,811	166,606
Accrued interest	31,277	—	14,707	—	45,984	—
Other	—	—	—	—	—	—
Due from other funds	19,301	11,614	8,773	—	39,688	—
Due from other governments	612,535	—	—	—	612,535	—
Inventory	11,534,291	647,766	77,607	—	12,259,664	—
Prepaid items	62,699	—	—	—	62,699	—
Restricted assets	1,359,572	386,361	304,772	36,649,693	38,700,398	—
Total current assets	35,995,866	4,564,811	10,835,067	36,649,693	88,045,437	7,500,316
Noncurrent assets:						
Restricted assets	29,658,395	13,638,404	—	—	43,296,800	—
Capital assets:						
Nondepreciable	16,302,332	3,432,465	3,941,394	46,234,962	69,911,153	93,979
Depreciable, net	145,381,917	102,458,428	65,750,826	—	313,591,170	1,100
Advance to other funds	—	—	—	—	—	—
Deferred debt issue costs	1,532,610	1,418,159	—	3,471,077	6,421,847	—
Prepaid employee benefits	—	—	—	—	—	—
Other deferred charges	—	2,148,229	0	—	2,148,229	—
Total noncurrent assets	192,875,255	123,095,685	69,692,220	49,706,040	435,369,199	95,079
Total assets	\$ 228,871,120	127,660,496	80,527,287	86,355,732	523,414,636	7,595,395
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	\$ 5,282,044	527,596	1,407,357	4,798,325	12,015,321	198,503
Accrued items	536,443	256,240	227,634	—	1,020,317	11,902
Other current liabilities	—	—	51,189	1,072	52,262	—
Deferred revenue	—	—	—	—	—	—
Current portion of long-term obligations	3,420,498	3,320,695	307,008	30,000	7,078,201	45,907
Current portion of capital lease	13,729	6,041	2,197	—	21,967	—
Employee benefits payable	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	2,703,565
Liabilities payable from restricted assets	1,403,208	953,270	276,005	1,280,555	3,913,037	—
Total current liabilities	10,655,922	5,063,842	2,271,390	6,109,952	24,101,104	2,959,877
Noncurrent liabilities:						
Revenue bonds payable	40,391,467	50,965,000	—	82,255,000	173,611,467	—
Other long term liabilities	27,492	12,097	4,399	—	43,988	—
Other post employment benefits	3,116,920	1,298,203	1,111,077	—	5,526,200	147,491
Compensated absences – long-term	3,015,862	1,113,492	677,440	—	4,806,794	82,375
Advances for construction	421,896	102,322	—	—	524,218	—
Medical self-insurance claims	—	—	—	—	—	2,189,167
Total noncurrent liabilities	46,973,637	53,491,113	1,792,916	82,255,000	184,512,667	2,419,033
Total liabilities	57,629,559	58,554,955	4,064,306	88,364,952	208,613,771	5,378,911
Net Assets						
Invested in capital assets, net of related debt	120,580,392	53,460,887	69,692,220	(32,578,960)	211,154,539	95,079
Restricted for:						
Debt service	3,191,326	500,000	—	—	3,691,326	—
Unrestricted	47,469,843	15,144,654	6,770,761	30,569,741	99,955,000	2,121,405
Total net assets	171,241,561	69,105,541	76,462,981	(2,009,220)	314,800,864	2,216,484
Total liabilities and net assets	\$ 228,871,120	127,660,496	80,527,287	86,355,732	523,414,636	7,595,395

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2009

	Enterprise Funds					Internal
	Power and Light	Water	Sanitary Sewer	Events Center	Totals	Service Funds
Operating revenues:						
Charges for services	\$ 103,739,618	18,119,003	15,195,887	—	137,054,508	1,958,023
Miscellaneous	1,325,229	488,796	152,007	—	1,966,031	12,118,921
Total operating revenues	<u>105,064,847</u>	<u>18,607,799</u>	<u>15,347,893</u>	<u>—</u>	<u>139,020,539</u>	<u>14,076,944</u>
Operating expenses:						
Personal services	17,491,072	7,709,633	5,156,886	—	30,357,592	755,127
Other services	16,274,108	3,666,182	7,065,820	—	27,006,111	16,195,740
Capital Outlay	0	261,525	—	—	261,525	1,620
Supplies	49,740,012	1,438,747	684,685	—	51,863,444	924,378
Other expenses	6,761,439	2,980,386	97,974	—	9,839,799	—
Depreciation and amortization	11,433,567	2,823,435	2,703,058	—	16,960,060	550
Total operating expenses	<u>101,700,200</u>	<u>18,879,909</u>	<u>15,708,423</u>	<u>—</u>	<u>136,288,531</u>	<u>17,877,415</u>
Operating income	<u>3,364,647</u>	<u>(272,109)</u>	<u>(360,530)</u>	<u>—</u>	<u>2,732,008</u>	<u>(3,800,471)</u>
Nonoperating revenues (expenses):						
Interest revenue	278,408	18,001	146,552	42,934	485,895	110,115
Miscellaneous revenue	1,467,201	1,811,194	91,357	0	3,369,753	4,795,714
Interest expense	(1,444,347)	(2,143,982)	(10)	(1,888,027)	(5,476,367)	—
Total nonoperating revenue (expenses)	<u>301,262</u>	<u>(314,787)</u>	<u>237,899</u>	<u>(1,845,093)</u>	<u>(1,620,719)</u>	<u>4,905,829</u>
Income before contributions and transfers	3,665,909	(586,897)	(122,630)	(1,845,093)	1,111,289	1,105,358
Capital contributions	1,323,998	337,859	1,735,142	—	3,396,999	—
Transfers out - Utility payments in lieu of taxes	(10,266,693)	(1,773,519)	(1,463,523)	—	(13,503,735)	—
- Other	—	—	—	—	—	—
Transfers in	<u>—</u>	<u>—</u>	<u>105,357</u>	<u>—</u>	<u>105,357</u>	<u>—</u>
Change in net assets	<u>(5,276,787)</u>	<u>(2,022,557)</u>	<u>254,346</u>	<u>(1,845,093)</u>	<u>(8,890,091)</u>	<u>1,105,358</u>
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	<u>\$ 171,241,561</u>	<u>69,105,541</u>	<u>76,462,981</u>	<u>(2,009,220)</u>	<u>314,800,864</u>	<u>2,216,484</u>

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

Assets	Private-Purpose Trust Funds	Agency Funds
Pooled cash and investments	\$ 62,587	114,975
Accrued interest receivable	-	493
Total assets	<u>\$ 62,587</u>	<u>115,468</u>
Liabilities		
Accounts and contacts payable	\$ 231	—
Funds held in Escrow	1,801	56,235
Employee deferred credit	—	59,233
Total liabilities	<u>\$ 2,032</u>	<u>115,468</u>
Net Assets		
Held in trust	<u>\$ 60,555</u>	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
June 30, 2009

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Pooled cash and investments	1,466,746	-	-	-	14,524,658	2,854,174	-	18,845,578
Receivables:								
Taxes	100,000	2,945	-	-	2,684,717	-	-	2,787,662
Accounts	-	-	-	-	-	-	21,289	21,289
Accrued interest	-	-	-	-	28,340	3,222	-	31,562
Due from other funds	-	-	-	-	16,155	-	-	16,155
Due from other governments	145,340	-	136,824	105,382	-	-	307,414	694,961
Restricted assets	-	-	-	-	22	-	-	22
Total assets	\$ 1,712,085	\$ 2,945	\$ 136,824	\$ 105,382	\$ 17,253,892	\$ 2,857,396	\$ 328,703	\$ 22,397,228

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	98,541	-	5,636	19,503	3,167,248	-	49,487	3,340,414
Due to other funds	-	408	123,860	75,345	4,260,111	-	69,155	4,528,878
Accrued items	10,203	-	6,646	3,031	56,700	-	25,211	101,792
Other current liabilities	-	-	-	7,500	275	-	-	7,775
Deferred revenue	-	-	-	-	-	-	184,850	184,850
Total liabilities	108,745	408	136,142	105,379	7,484,334	-	328,703	8,163,709
Fund Balances:								
Reserved for:								
Encumbrances	153,388	-	301,043	531,969	7,730,885	-	158,657	8,875,942
Other purposes	-	-	-	-	22	-	-	22
Unreserved, reported in:								
Special revenue funds	695,966	2,537	(300,360)	(531,966)	2,038,652	201	(158,657)	1,746,373
Designated special revenue funds	753,987	-	-	-	-	2,857,195	-	3,611,182
Total fund balance	1,603,341	2,537	683	4	9,769,558	2,857,396	0	14,233,519
Total liabilities and fund balance	\$ 1,712,085	\$ 2,945	\$ 136,824	\$ 105,382	\$ 17,253,892	\$ 2,857,396	\$ 328,703	22,397,228

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2009

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	972,773	22,735	-	-	19,416,207	-	-	20,411,715
Licenses and permits	-	-	-	-	-	537,831	-	537,831
Intergovernmental	213,462	-	812,373	463,215	98,960	-	1,737,130	3,325,139
Charges for services	600	-	-	-	534,925	-	100,287	635,812
Investment Income	11,420	141	-	-	263,316	56,154	-	331,032
Sale of property, plant, and equipment	-	-	-	-	10,141	-	-	10,141
Other	4,987	-	-	-	148,551	-	-	153,539
Total revenues	1,203,242	22,876	812,373	463,215	20,472,100	593,986	1,837,417	25,405,208
Expenditures:								
Current:								
General government	-	-	-	-	-	-	13,110	13,110
Public safety	-	-	-	-	1,902,356	-	1,331,462	3,233,818
Health and welfare	-	-	-	-	-	-	390,945	390,945
Culture and recreation	1,077,336	-	-	-	2,710,971	-	-	3,788,307
Community development	-	-	636,692	463,215	-	-	-	1,099,907
Storm water	-	-	-	-	1,224,907	-	-	1,224,907
Nondepartmental	-	-	-	-	17,571	-	101,900	119,470
Capital outlay	-	22,104	-	-	14,872,097	-	-	14,894,201
Debt service:								
Principal	-	-	-	-	6,870,000	-	-	6,870,000
Interest and fiscal agent fees	-	-	-	-	887,076	-	-	887,076
Total expenditures	1,077,336	22,104	636,692	463,215	28,484,978	-	1,837,417	32,521,742
Excess (deficiency) of revenues over expenditures	125,906	772	175,681	-	(8,012,879)	593,986	(0)	(7,116,533)
Other financing sources (uses):								
Transfers in	-	-	-	-	572,274	-	-	572,274
Transfers out	-	-	(175,681)	-	(1,976,605)	(1,585,468)	-	(3,737,754)
Total other financing sources (uses)	-	-	(175,681)	-	(1,404,331)	(1,585,468)	-	(3,165,480)
Net change in fund balances	125,906	772	0	-	(9,417,210)	(991,482)	(0)	(10,282,014)
Fund balances, beginning	1,477,435	1,765	683	4	19,186,768	3,848,878	-	24,515,532
Fund balances, ending	\$ 1,603,341	\$ 2,537	\$ 683	\$ 4	\$ 9,769,558	\$ 2,857,396	\$ (0)	\$ 14,233,519

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
June 30, 2009

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Pooled cash and investments	-	-	9,690,223	2,152,389	2,682,046	14,524,658
Receivables:						
Taxes	978,876	534,828	534,849	277,480	358,684	2,684,717
Accrued interest	-	-	22,597	2,871	2,871	28,340
Due from other funds	-	-	16,155	-	-	16,155
Restricted assets	19	3	-	-	-	22
Total assets	<u>\$ 978,895</u>	<u>\$ 534,831</u>	<u>\$ 10,263,825</u>	<u>\$ 2,432,741</u>	<u>\$ 3,043,601</u>	<u>\$ 17,253,892</u>
Liabilities and Fund Balances	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Liabilities:						
Accounts and contracts payable	2,015,783	503,619	111,057	6,561	530,228	3,167,248
Due to other funds	1,051,389	3,208,722	-	-	-	4,260,111
Accrued items	-	41,481	15,219	-	-	56,700
Other current liabilities	-	275	-	-	-	275
Total liabilities	<u>3,067,172</u>	<u>3,754,097</u>	<u>126,276</u>	<u>6,561</u>	<u>530,228</u>	<u>7,484,334</u>
Fund Balances:						
Reserved for:						
Encumbrances	3,690,400	533,083	1,516,261	1,347,216	643,924	7,730,885
Other purposes	19	3	-	-	-	22
Unreserved, reported in:						
Special revenue funds	(5,778,696)	(3,752,353)	8,621,288	1,078,963	1,869,450	2,038,652
Total fund balance	<u>(2,088,277)</u>	<u>(3,219,267)</u>	<u>10,137,549</u>	<u>2,426,180</u>	<u>2,513,373</u>	<u>9,769,558</u>
Total liabilities and fund balance	<u>\$ 978,895</u>	<u>\$ 534,831</u>	<u>\$ 10,263,825</u>	<u>\$ 2,432,741</u>	<u>\$ 3,043,601</u>	<u>\$ 17,253,892</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Year Ended June 30, 2009

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Revenues:						
Taxes	6,586,624	3,857,852	3,858,941	2,055,300	3,057,491	19,416,207
Intergovernmental	-	-	98,960	-	-	98,960
Charges for services	-	534,925	-	-	-	534,925
Investment Income	10,146	561	175,361	21,961	55,286	263,316
Sale of property, plant, and equipment	-	-	-	10,141	-	10,141
Other	104,831	14,246	29,354	84	37	148,551
Total revenues	6,701,601	4,407,583	4,162,615	2,087,486	3,112,814	20,472,100
Expenditures:						
Current:						
Public safety	-	-	-	985,148	917,208	1,902,356
Culture and recreation	-	2,710,971	-	-	-	2,710,971
Storm Water	-	-	1,224,907	-	-	1,224,907
Nondepartmental/other	13,361	4,210	-	-	-	17,571
Capital outlay	5,601,748	594,545	3,458,231	-	5,217,574	14,872,097
Debt service:						
Principal	4,085,000	2,030,000	-	365,000	390,000	6,870,000
Interest and fiscal agent fees	160,325	417,476	-	148,963	160,313	887,076
Total expenditures	9,860,434	5,757,201	4,683,138	1,499,111	6,685,095	28,484,978
Excess (deficiency) of revenues over expenditures	(3,158,832)	(1,349,618)	(520,522)	588,375	(3,572,281)	(8,012,879)
Other financing sources (uses):						
Transfers in	546,154	26,120	-	-	-	572,274
Transfers out	(1,778,640)	-	(197,965)	-	-	(1,976,605)
Total other financing sources (uses)	(1,232,486)	26,120	(197,965)	-	-	(1,404,331)
Net change in fund balances	(4,391,318)	(1,323,499)	(718,487)	588,375	(3,572,281)	(9,417,210)
Fund balances, beginning	2,303,041	(1,895,768)	10,856,037	1,837,804	6,085,654	19,186,768
Fund balances, ending	\$ (2,088,277)	\$ (3,219,267)	\$ 10,137,549	\$ 2,426,180	\$ 2,513,373	\$ 9,769,558

City of Independence, Missouri
Balance Sheet
Debt Service Fund
June 30, 2009

Assets	Debt Service Fund	Total
Pooled cash and investments	-	-
Receivables:		
Special assessment principal and accrued interest	1,081,336	1,081,336
Restricted assets	94,000	94,000
Total assets	<u>\$ 1,175,336</u>	<u>\$ 1,175,336</u>

	Debt Service	Total
Liabilities and Fund Balances		
Liabilities:		
Due to other funds	7,710	7,710
Deferred revenue	1,106,344	1,106,344
Total liabilities	<u>1,114,054</u>	<u>1,114,054</u>
Fund Balances:		
Reserved for:		
Other purposes	4,729	4,729
Unreserved, reported in:		
Debt Service fund	56,553	56,553
Total fund balance	<u>61,282</u>	<u>61,282</u>
Total liabilities and fund balance	<u>\$ 1,175,336</u>	<u>\$ 1,175,336</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2009

	Debt Service Fund	Total
Revenues:		
Charges for services	95,077	95,077
Investment Income	2,430	2,430
Total revenues	<u>97,508</u>	<u>97,508</u>
Expenditures:		
Current:		
Nondepartmental	1,123	1,123
Debt service:		
Principal	64,000	64,000
Interest and fiscal agent fees	45,016	45,016
Total expenditures	<u>110,139</u>	<u>110,139</u>
Excess (deficiency) of revenues over expenditures	<u>(12,631)</u>	<u>(12,631)</u>
Other financing sources (uses):		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(12,631)	(12,631)
Fund balances, beginning	73,913	73,913
Fund balances, ending	<u><u>\$ 61,282</u></u>	<u><u>\$ 61,282</u></u>

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
June 30, 2009

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Pooled cash and investments	109,764	19,706	11,072,022	217	-	405,869	11,607,579
Receivables:							
Taxes	-	-	483,223	-	-	-	483,223
Accounts	-	-	51,347	-	-	-	51,347
Special assessment principal and accrued interest	536,674	-	-	-	-	-	536,674
Due from other funds	-	-	10,646	-	-	-	10,646
Due from component unit to primary gvmt	651,606	-	-	-	-	13,820	665,426
Due from other governments	1,637,881	-	236,492	-	-	-	1,874,373
Restricted assets	-	-	28,882,296	-	-	-	28,882,296
Total assets	\$ 2,935,926	\$ 19,706	\$ 40,736,026	\$ 217	\$ -	\$ 419,689	44,111,564

	Street Improvements	Revolving Public Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	2,338,811	-	90,637	-	-	-	2,429,448
Due to other funds	-	-	19,660	-	16,155	-	35,815
Due to primary government from component unit	-	-	665,426	-	-	-	665,426
Deferred revenue	993,545	-	-	-	-	-	993,545
Total liabilities	3,332,356	-	775,723	-	16,155	-	4,124,234
Fund Balances:							
Reserved for:							
Encumbrances	10,663,765	-	-	18,883	-	19,940	10,702,588
Other purposes	-	-	21,124,767	-	-	-	21,124,767
Unreserved, reported in:							
Capital project funds	(11,060,195)	19,706	10,162,838	(18,666)	(16,155)	399,749	(512,724)
Designated capital project funds	-	-	8,672,699	-	-	-	8,672,699
Total fund balance	(396,430)	19,706	39,960,303	217	(16,155)	419,689	39,987,330
Total liabilities and fund balance	\$ 2,935,926	\$ 19,706	\$ 40,736,026	\$ 217	\$ 0	\$ 419,689	44,111,564

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Year Ended June 30, 2009

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	-	-	11,520,478	-	-	-	11,520,478
Intergovernmental	10,852,349	-	-	-	-	-	10,852,349
Charges for services	1,896	-	-	-	-	-	1,896
Investment Income	306	153	376,569	2	-	828	377,858
TIF Developer Contributions	-	-	865,004	-	-	-	865,004
Reimbursements from component unit	11,530,528	-	-	147,316	-	70,207	11,748,051
Other	6,283	-	1,123,629	-	-	415,675	1,545,587
Total revenues	22,391,363	153	13,885,680	147,318	-	486,710	36,911,224
Expenditures:							
Capital outlay	26,516,846	-	17,208,353	187,316	-	76,607	43,989,122
Debt service:							
Principal	-	-	5,588,861	-	-	-	5,588,861
Interest and fiscal agent fees	-	-	9,888,575	-	-	-	9,888,575
Total expenditures	26,516,846	-	32,685,789	187,316	-	76,607	59,466,558
Excess (deficiency) of revenues over expenditures	(4,125,483)	153	(18,800,109)	(39,998)	-	410,103	(22,555,334)
Other financing sources (uses):							
Proceeds from bond issuance	-	-	21,135,000	-	-	-	21,135,000
Reoffering premium/original issue discount	-	-	(565,435)	-	-	-	(565,435)
Transfers in	3,811,784	-	-	40,000	-	-	3,851,784
Transfers out	(46,154)	-	(500,000)	-	-	-	(546,154)
Total other financing sources (uses)	3,765,630	-	20,069,565	40,000	-	-	23,875,195
Net change in fund balances	(359,853)	153	1,269,456	2	-	410,103	1,319,861
Fund balances, beginning	(36,577)	19,553	38,690,847	215	(16,155)	9,586	38,667,469
Fund balances, ending	<u>\$ (396,430)</u>	<u>\$ 19,706</u>	<u>\$ 39,960,303</u>	<u>\$ 217</u>	<u>\$ (16,155)</u>	<u>\$ 419,689</u>	<u>\$ 39,987,330</u>

City of Independence, Missouri
Balance Sheet
TIF Funds
6/30/09

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)	260,654	42,822	-	11,871	1,393,301	659,521	1,871,852	4,227	10,268	107,716	-	2,879,312	344	-	108,384	3,721,085	667	11,072,022
Receivables:																		
Taxes	267	18,000	1,572	18,295	64,978	31,413	232,928	2,400	800	49,900	14,631	46,000	0	0	140	1,900	-	483,223
Accounts (net of allowance of \$443,838) (note 1D)	-	-	-	-	-	-	-	-	-	-	-	51,347	-	-	-	-	-	51,347
Due from other funds (note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,646	10,646
Due from other governments (note 5)	-	-	5,038	-	27,920	1,307	144,952	1,551	30	25,579	-	28,916	-	-	5,399	(4,200)	-	236,492
Restricted assets (notes 3 and 8)	-	-	972,313	-	1,925,578	20,621	9,619,233	-	-	-	-	11,178,693	-	-	-	5,165,858	-	28,882,296
Total assets	<u>\$ 260,921</u>	<u>\$ 60,822</u>	<u>\$ 978,923</u>	<u>\$ 30,166</u>	<u>\$ 3,411,777</u>	<u>\$ 712,862</u>	<u>\$ 11,868,964</u>	<u>\$ 8,178</u>	<u>\$ 11,099</u>	<u>\$ 183,195</u>	<u>\$ 14,631</u>	<u>\$ 14,184,268</u>	<u>\$ 344</u>	<u>\$ 0</u>	<u>\$113,922</u>	<u>\$ 8,884,642</u>	<u>\$ 11,312</u>	<u>\$ 40,736,026</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:																		
Accounts and contracts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,637	-	-	90,637
Due to other funds (note 6)	-	4,857	7,719	-	-	-	-	-	-	-	1,295	-	-	5,788	-	-	-	19,660
Due to primary government from component unit	-	-	-	-	-	-	16,219	-	-	-	-	1,708	-	-	-	647,500	-	665,426
Total liabilities	<u>-</u>	<u>4,857</u>	<u>7,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>1,708</u>	<u>-</u>	<u>5,788</u>	<u>90,637</u>	<u>647,500</u>	<u>-</u>	<u>775,723</u>
Fund Balances:																		
Reserved for:																		
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	972,313	-	1,925,578	20,621	3,649,036	-	-	-	14,631	11,056,622	-	-	-	3,485,966	-	21,124,767
Unreserved, reported in:																		
Capital project funds	260,921	55,964	(1,109)	30,166	1,486,199	692,241	2,153,198	8,178	11,099	183,195	(1,295)	3,003,867	344	(5,788)	23,286	2,251,061	11,312	10,162,838
Designated capital project funds	-	-	-	-	-	-	6,050,511	-	-	-	-	122,071	-	-	-	2,500,116	-	8,672,699
Total fund balance	<u>260,921</u>	<u>55,964</u>	<u>971,204</u>	<u>30,166</u>	<u>3,411,777</u>	<u>712,862</u>	<u>11,852,745</u>	<u>8,178</u>	<u>11,099</u>	<u>183,195</u>	<u>13,335</u>	<u>14,182,560</u>	<u>344</u>	<u>(5,788)</u>	<u>23,286</u>	<u>8,237,143</u>	<u>11,312</u>	<u>39,960,303</u>
Total liabilities and fund balance	<u>\$ 260,921</u>	<u>\$ 60,822</u>	<u>\$ 978,923</u>	<u>\$ 30,166</u>	<u>\$ 3,411,777</u>	<u>\$ 712,862</u>	<u>\$ 11,868,964</u>	<u>\$ 8,178</u>	<u>\$ 11,099</u>	<u>\$ 183,195</u>	<u>\$ 14,631</u>	<u>\$ 14,184,268</u>	<u>\$ 344</u>	<u>\$ 0</u>	<u>\$113,922</u>	<u>\$ 8,884,642</u>	<u>11,312</u>	<u>40,736,026</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Year Ended June 30, 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
Revenues:																		
Taxes (note 4)	41,027	119,195	14,778	24,858	1,659,751	478,343	3,669,975	62,486	13,111	659,277	14,631	676,608	98	253,108	169,318	3,663,915	-	11,520,478
Investment Income	2,570	31	7,756	60	26,200	14,084	76,861	61	132	967	294	156,456	4	3,509	277	87,199	105	376,569
TIF Developer Contributions	-	-	855,939	-	-	-	-	-	-	-	-	9,065	-	-	-	-	-	865,004
Other (note 6)	-	-	65,150	-	-	-	-	-	-	-	-	1,058,479	-	-	-	-	-	1,123,629
Total revenues	43,597	119,225	943,624	24,917	1,685,951	492,427	3,746,836	62,547	13,243	660,244	14,925	1,900,608	103	256,617	169,596	3,751,114	105	13,885,680
Expenditures:																		
Current:																		
Capital outlay	895	4,858	8,842	160	46,395	17,234	3,669,928	1,336	266	13,384	171	3,583,449	2	5,804	2,971	9,849,174	3,483	17,208,353
Debt service:																		
Principal (note 8)	203,650	20,432	385,000	-	920,128	240,000	1,435,000	20,888	19,357	534,550	39,000	525,000	-	253,211	97,646	895,000	-	5,588,861
Interest and fiscal agent fees	-	153,697	566,731	-	819,658	191,750	1,446,077	42,873	-	150,095	293	4,713,201	-	35,310	119,324	1,649,568	-	9,888,575
Total expenditures	204,545	178,987	960,574	160	1,786,181	448,984	6,551,005	65,097	19,623	698,028	39,463	8,821,650	2	294,324	219,941	12,393,742	3,483	32,685,789
Excess (deficiency) of revenues over expenditures	(160,948)	(59,762)	(16,950)	24,758	(100,229)	43,443	(2,804,169)	(2,550)	(6,380)	(37,784)	(24,538)	(6,921,042)	101	(37,708)	(50,345)	(8,642,627)	(3,378)	(18,800,109)
Other financing sources (uses):																		
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	(160,948)	(59,762)	(16,950)	24,758	(100,229)	(456,557)	4,769,711	(2,550)	(6,380)	(37,784)	(24,538)	(6,921,042)	101	(37,708)	(50,345)	4,353,057	(3,378)	1,269,456
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	\$ 260,921	\$ 55,964	\$ 971,204	\$ 30,166	\$ 3,411,777	\$ 712,862	\$ 11,852,745	\$ 8,178	\$ 11,099	\$ 183,195	\$ 13,335	\$ 14,182,560	\$ 344	\$ (5,788)	\$ 23,286	\$ 8,237,143	\$ 11,312	\$ 39,960,303

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2009

	Central	Pharmacy	Staywell		
	Garage	Benefit	Health	Worker's	Total
Assets		Plan	Care	Compensation	(Exhibit 5)
Current assets:					
Pooled cash and investments	\$ 234,143	67,446	5,421,051	1,192,876	6,915,516
Accounts receivable	6,132	1,048	88,606	308,776	404,562
Accrued interest receivable	—	—	13,633	—	13,633
Inventory	151,298	—	—	—	151,298
Prepaid Items	—	—	—	15,308	15,308
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	391,573	68,495	5,523,290	1,516,959	7,500,316
Noncurrent assets:					
Property, plant, and equipment:					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	146,481	—	—	—	146,481
Less accumulated depreciation	(145,381)	—	—	—	(145,381)
Total noncurrent assets	95,079	—	—	—	95,079
Total assets	\$ 486,652	68,495	5,523,290	1,516,959	7,595,395
Liabilities					
Current liabilities:					
Accounts and contracts payable	\$ 33,474	145,000	3,115	16,914	198,503
Accrued liabilities	10,409	—	—	1,493	11,902
Compensated absences - current	33,858	—	—	12,049	45,907
Employee benefits payable	—	—	—	—	—
Self-insurance claims	—	10,451	1,836,859	856,255	2,703,565
Total current liabilities	77,741	155,451	1,839,974	886,711	2,959,877
Noncurrent liabilities:					
Compensated absences - long-term	54,879	—	—	27,497	82,375
Other post employment benefits	147,491	—	—	—	147,491
Self-insurance claims	—	—	—	2,189,167	2,189,167
Total liabilities	280,111	155,451	1,839,974	3,103,375	5,378,911
Net Assets					
Invested in capital assets, net of related debt	95,079	—	—	—	95,079
Unrestricted	111,462	(86,957)	3,683,316	(1,586,416)	2,121,405
Total net assets (deficit)	206,541	(86,957)	3,683,316	(1,586,416)	2,216,484
Total liabilities and net assets	\$ 486,652	68,495	5,523,290	1,516,959	7,595,395

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2009

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Worker's Comp	Total (Exhibit 6)
Operating revenues:					
Charges for services	\$ 1,958,023	—	—	—	1,958,023
Miscellaneous	—	886,099	11,232,822	—	12,118,921
Total operating revenues	1,958,023	886,099	11,232,822	—	14,076,944
Operating expenses:					
Personal services	651,592	—	—	103,535	755,127
Other services	349,504	962,813	14,185,721	697,703	16,195,740
Supplies	922,239	—	—	2,139	924,378
Capital outlay	—	—	—	1,620	1,620
Depreciation and amortization	550	—	—	—	550
Total operating expenses	1,923,885	962,813	14,185,721	804,996	17,877,415
Operating Income	34,138	(76,714)	(2,952,899)	(804,996)	(3,800,471)
Nonoperating revenues:					
Interest revenue	1,488	1,565	99,062	8,001	110,115
Miscellaneous revenue	43,003	49,642	932,570	3,770,497	4,795,714
Total nonoperating revenue	44,491	51,207	1,031,632	3,778,498	4,905,829
Income before transfers	78,629	(25,507)	(1,921,266)	2,973,501	1,105,358
Transfers in (out)	—	(82,781)	82,781	—	—
Change in net assets	78,629	(108,288)	(1,838,485)	2,973,501	1,105,358
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	\$ 206,541	(86,957)	3,683,316	(1,586,416)	2,216,484

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private- Purpose Trust Fund		Agency Funds			
	Miscellaneous Expendable Trust	Total	Flexible Benefit Plan	Miscellaneous Agency Fund	Seniors Travel Programs	Total
Assets						
Pooled cash and investments	\$ 62,587	62,587	59,233	31,248	24,494	114,975
Accrued interest receivable	—	—	—	493		493
Total assets	<u>\$ 62,587</u>	<u>62,587</u>	<u>59,233</u>	<u>31,741</u>	<u>24,494</u>	<u>115,468</u>
Due from flexible benefit plan			—	—		
Liabilities						
Accounts and contacts payable	\$					
Internal balances (note 6)	231	231	—	—	—	—
Liabilities payable from restricted assets:						
Funds held in Escrow	1,801	1,801	—	31,741	24,494	56,235
Employee deferred credit	—	—	59,233	—	—	59,233
Total liabilities	<u>2,032</u>	<u>2,032</u>	<u>59,233</u>	<u>31,741</u>	<u>24,494</u>	<u>115,468</u>
Net Assets						
Held in trust	<u>\$ 60,555</u>	60,555				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
June 30, 2009

FUND	CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	1,043,106.96	447,074.35	-	1,490,181.31
SPECIAL REVENUE				
TOURISM	1,466,745.82	-	-	1,466,745.82
CDA	-	-	-	-
RENTAL REHAB	-	-	-	-
INDEP. SQUARE BENEFIT	-	-	-	-
STREET SALES TAX	-	19.05	-	19.05
PARKS SALES TAX	-	2.52	-	2.52
STORM WATER SALES TAX	9,690,223.11	-	-	9,690,223.11
POLICE SALES TAX	2,152,389.08	-	-	2,152,389.08
FIRE SALES TAX	2,682,045.98	-	-	2,682,045.98
LICENSE SURCHARGE	2,854,174.25	-	-	2,854,174.25
GRANT	-	-	-	-
TOTAL	18,845,578.24	21.57	-	18,845,599.81
DEBT SERVICE FUND	-	94,000.00	-	94,000.00
CAPITAL PROJECTS				
STREET	109,764.37	-	-	109,764.37
TIF	11,072,022.07	28,882,295.95	-	39,954,318.02
BUILDING	216.81	-	-	216.81
STORM DRAINAGE	-	-	-	-
PARKS	405,869.39	-	-	405,869.39
REVOLVING PUBLIC IMPROV.	19,705.99	-	-	19,705.99
TOTAL	11,607,578.63	28,882,295.95	-	40,489,874.58
ENTERPRISE				
POWER & LIGHT	8,144,102.75	31,017,967.45	-	39,162,070.20
WATER	1,006,670.05	14,024,765.13	-	15,031,435.18
SEWER	7,855,169.72	304,772.28	-	8,159,942.00
EVENTS CENTER	-	36,649,692.75	-	36,649,692.75
TOTAL	17,005,942.52	81,997,197.61	-	99,003,140.13
INTERNAL SERVICE				
EMPLOYEE BENEFITS	-	-	-	-
CENTRAL GARAGE	234,142.81	-	-	234,142.81
PHARMACY BENEFIT FUND	67,446.20	-	-	67,446.20
STAYWELL INSURANCE	5,421,051.12	-	-	5,421,051.12
WORKER'S COMPENSATION	1,192,875.81	-	-	1,192,875.81
TOTAL	6,915,515.94	-	-	6,915,515.94
TRUST & AGENCY				
WAGGONER	-	-	-	-
MISC TRUST	62,586.94	-	-	62,586.94
SUSIE PAXTON BLOCK TRUST	31,248.32	-	-	31,248.32
SENIORS TRAVEL PROGRAMS	24,493.93	-	-	24,493.93
FLEXIBLE BENEFITS	59,233.41	-	-	59,233.41
TOTAL	177,562.60	-	-	177,562.60
GRAND TOTAL	55,595,284.89	111,420,589.48	-	167,015,874.37

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

June 30, 2009

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		139,991,159.53	139,991,159.53	
CERTIFICATE OF DEPOSIT				
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%
TOTAL		<u>26,000,000.00</u>	<u>26,000,000.00</u>	
U. S. TREASURY NOTES & AGENCY NOTES				
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%
TOTAL		<u>1,016,950.00</u>	<u>1,024,714.84</u>	
GRAND TOTAL		<u><u>167,008,109.53</u></u>	<u><u>167,015,874.37</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	Jun-09	PLAN YEAR TOTALS	AVG COST PLAN YEAR
NUMBER OF PARTICIPANTS								
MEDICAL PLAN:								
REGULAR RATES EMPLOYEE	219	218	213	217	219	222	1,308	218
FAMILY	522	523	527	525	524	528	3,149	525
RETIREE RATES								
EMPLOYEE	59	61	61	60	61	58	360	60
FAMILY	92	93	97	94	95	96	567	95
MEDICARE RATE INDIVIDUAL	158	158	160	159	162	163	960	160
FAMILY + 1	77	75	72	71	70	70	435	73
FAMILY + 2	129	131	135	140	136	136	807	135
OTHER							0	0
MEDICAL PLAN PARTICIPANTS	1,256	1,259	1,265	1,266	1,267	1,273	7,586	1,264
CASH BALANCE FORWARD	5,085,760.37	5,175,902.76	5,248,126.09	5,441,407.30	5,416,434.84	5,380,322.64		
RECEIPTS:								
PREMIUMS:								
MEDICAL	1,124,047.04	1,133,700.51	1,142,661.64	1,140,208.87	1,137,494.00	1,145,457.65	6,823,569.71	1,137,261.62
INTEREST INCOME	4,219.92	193.51	3,683.20	628.92	433.02	465.11	9,623.68	1,603.95
REINSURANCE REIMB.:							0.00	0.00
AGGREGATE	14,065.48	80,106.08		21,335.77			115,507.33	19,251.22
SPECIFIC							0.00	0.00
SUBTOTAL	14,065.48	80,106.08	0.00	21,335.77	0.00	0.00	115,507.33	19,251.22
CLAIM REFUNDS:	4,180.54	16,443.37	2,820.30	11,650.37	12,809.50	31,742.65	79,646.73	13,274.46
MEDICARE D			124,457.35			58,778.65	183,236.00	30,539.33
TOTAL RECEIPTS	1,146,512.98	1,230,443.47	1,273,622.49	1,173,823.93	1,150,736.52	1,236,444.06	7,211,583.45	1,171,391.24
DISBURSEMENTS:								
BENEFITS:								
MEDICAL	696,564.34	761,583.82	732,099.31	813,617.25	817,945.84	713,430.99	4,535,241.55	755,873.59
VISION	14,381.31	20,442.78	16,400.39	20,752.01	12,862.20	13,019.68	97,858.37	16,309.73
PREFERRED RX	283,851.03	302,580.23	264,514.08	299,889.63	287,711.81	396,913.73	1,835,460.51	305,910.09
SUBTOTAL	994,796.68	1,084,606.83	1,013,013.78	1,134,258.89	1,118,519.85	1,123,364.40	6,468,560.43	1,078,093.41

**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	Jun-09	TOTALS	PLAN YEAR
DISBURSEMENTS CONT.:								
ADMINISTRATION:								
THIRD PARTY ADMINISTRATOR	13,849.00	13,817.20	13,915.00	13,915.00	13,871.00	13,981.00	83,348.20	13,891.37
UTILIZATION REVIEW	3,213.26	3,272.64	3,269.28	3,279.36	3,249.12	3,279.36	19,563.02	3,260.50
SUBTOTAL	17,062.26	17,089.84	17,184.28	17,194.36	17,120.12	17,260.36	102,911.22	17,151.87
REINSURANCE PREMIUM:								
AGGREGATE	37,254.69	40,022.01	40,386.89	39,637.34	39,925.71	40,314.02	237,540.66	39,590.11
SPECIFIC	2,416.80	2,562.55	2,586.40	2,546.65	2,565.20	2,589.05	15,266.65	2,544.44
SUBTOTAL	39,671.49	42,584.56	42,973.29	42,183.99	42,490.91	42,903.07	252,807.31	42,134.55
PPO								
NETWORK	4,297.60	4,379.30	4,374.00	4,387.50	4,347.00	4,387.50	26,172.90	4,362.15
NON NETWORK DISCOUNT							0.00	0.00
SUBTOTAL	4,297.60	4,379.30	4,374.00	4,387.50	4,347.00	4,387.50	26,172.90	4,362.15
OTHER:								
BANK SERV CHARGES	542.56	655.35	686.96	771.65	772.84	802.50	4,231.86	705.31
RECORDS							0.00	0.00
MISCELLANEOUS					3,598.00	1,886.50	5,484.50	914.08
CONSULTING		8,904.26	2,108.97			5,111.25	16,124.48	2,687.41
SUBTOTAL	542.56	9,559.61	2,795.93	771.65	4,370.84	7,800.25	25,840.84	4,306.81
TOTAL DISB.	1,056,370.59	1,158,220.14	1,080,341.28	1,198,796.39	1,186,848.72	1,195,715.58	6,876,292.70	1,146,048.78
ENDING CASH BALANCE	5,175,902.76	5,248,126.09	5,441,407.30	5,416,434.84	5,380,322.64	5,421,051.12	---	---
ACCRUED REINSURANCE PROCEED	118,966.07	38,859.99	38,859.99	17,524.22	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	1,839,974.00		
ENDING RESERVE BALANCE	3,561,825.83	3,553,943.08	3,747,224.29	3,700,916.06	3,664,803.86	3,598,601.34		

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

CURRENT MONTH					PLAN YEAR TO DATE			
THIS YEAR	LAST YEAR	CHANGE	% CHANGE	DESCRIPTION	THIS YEAR	LAST YEAR	CHANGE	% CHANGE
				NUMBER OF PARTICIPANTS				
				MEDICAL PLAN:				
				REGULAR RATES				
222	201	21	10.45	EMPLOYEE	218	201	18	8.73
528	522	6	1.15	FAMILY	525	520	5	0.93
				RETIREE RATES				
58	60	(2)	(3.33)	EMPLOYEE	60	60	1	0.84
96	89	7	7.87	FAMILY	95	91	3	-
				MEDICARE RATES				
163	147	16	10.88	INDIVIDUAL	160	147	13	9.09
70	78	(8)	(10.26)	FAMILY + 1	73	77	(5)	(5.84)
126	113	13	11.50	FAMILY + 2	123	113	10	-
10	12	(2)	(16.67)	OTHER	11	11	0	3.03
<u>1,273</u>	<u>1,222</u>	<u>51</u>	<u>4.17</u>	TOTAL MEDICAL PLAN PARTICIPANTS	<u>1,264</u>	<u>1,219</u>	<u>45</u>	<u>3.70</u>
5,380,322.64	6,765,044.03	(1,384,721.39)	(20.47)	CASH BALANCE FORWARD	5,085,760.37	6,315,043.57	(1,229,283.20)	(19.47)
				RECEIPTS:				
				PREMIUMS:				
1,145,457.65	1,101,939.80	43,517.85	3.95	MEDICAL	6,823,569.71	6,599,630.64	223,939.07	3.39
465.11	89,415.15	(88,950.04)	(99.48)	INTEREST INCOME	9,623.68	114,078.98	(104,455.30)	(91.56)
-	-	-	-	REINSURANCE REIMBURSEMENT	-	-	-	-
-	-	-	-	AGGREGATE	115,507.33	-	115,507.33	100.00
-	-	-	-	SPECIFIC	-	-	-	-
<u>1,145,922.76</u>	<u>1,191,354.95</u>	<u>(45,432.19)</u>	<u>(3.81)</u>	SUBTOTAL	<u>6,948,700.72</u>	<u>6,713,709.62</u>	<u>234,991.10</u>	<u>3.50</u>
31,742.65	5,149.00	26,593.65	516.48	CLAIM REFUNDS	79,646.73	80,173.68	(526.95)	(0.66)
58,778.65	60,793.86	(2,015.21)	(3.32)	MEDICARE D	183,236.00	134,406.02	48,829.98	36.33
<u>1,236,444.06</u>	<u>1,257,297.81</u>	<u>(20,853.75)</u>	<u>(1.66)</u>	TOTAL RECEIPTS	<u>7,211,583.45</u>	<u>6,928,289.32</u>	<u>283,294.13</u>	<u>4.09</u>
				DISBURSEMENTS:				
				BENEFITS:				
713,430.99	577,012.30	136,418.69	23.64	MEDICAL	4,535,241.55	4,166,877.52	368,364.03	8.84
-	-	-	-	CHECKS WRITTEN OFF	-	-	-	-
13,019.68	12,002.76	1,016.92	8.47	VISION	97,858.37	84,636.72	13,221.65	15.62
396,913.73	247,887.89	149,025.84	60.12	PREFERRED RX	1,835,460.51	1,491,240.24	344,220.27	23.08
-	-	-	-	REVERSE JANUARY ADJUSTMENT	-	-	-	-
-	-	-	-	VOIDS AND STOP PAYMENTS	-	-	-	-
<u>1,123,364.40</u>	<u>836,902.95</u>	<u>286,461.45</u>	<u>34.23</u>	SUBTOTAL	<u>6,468,560.43</u>	<u>5,742,754.48</u>	<u>725,805.95</u>	<u>12.64</u>

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

CURRENT MONTH					PLAN YEAR TO DATE			
THIS YEAR	LAST YEAR	CHANGE	% CHANGE	DESCRIPTION	THIS YEAR	LAST YEAR	CHANGE	% CHANGE
				DISBURSEMENTS CONT'D				
				ADMINISTRATION				
13,981.00	12,740.00	1,241.00	9.74	THIRD PARTY ADMINISTRATOR	83,348.20	76,350.40	6,997.80	9.17
3,279.36	3,119.82	159.54	5.11	UTILIZATION REVIEW	19,563.02	18,726.34	836.68	4.47
17,260.36	15,859.82	1,400.54	8.83	SUBTOTAL	102,911.22	95,076.74	7,834.48	8.24
				REINSURANCE PREMIUM				
40,314.02	38,744.07	1,569.95	4.05	AGGREGATE	237,540.66	232,804.14	4,736.52	2.03
2,589.05	2,377.05	212.00	8.92	SPECIFIC	15,266.65	14,275.55	991.10	6.94
42,903.07	41,121.12	1,781.95	4.33	SUBTOTAL	252,807.31	247,079.69	5,727.62	2.32
				PPO		-		
4,387.50	4,206.80	180.70	4.30	NETWORK	26,172.90	25,251.60	921.30	3.65
-	-	-	-	NON NETWORK DISCOUT	-	-	-	-
4,387.50	4,206.80	180.70	4.30	SUBTOTAL	26,172.90	25,251.60	921.30	3.65
				OTHER:				
802.50	502.00	300.50	59.86	BANK SERV CHARGES	4,231.86	2,965.63	1,266.23	42.70
0.00	0.00	-	-	PRIOR PERIOD SERVICE CHARGES	-	0.00	-	-
0.00	66.25	(66.25)	(100.00)	RECORDS	-	147.35	(147.35)	(100.00)
5,111.25	0.00	5,111.25	100.00	CONSULTING	16,124.48	5,895.00	10,229.48	173.53
1,886.50	0.00	1,886.50	100.00	MISCELLANEOUS	5,484.50	479.50	5,005.00	1,043.80
-	0.00	-	-	BANK ERROR	-	-	-	-
7,800.25	568.25	7,232.00	1,272.68	SUBTOTAL	25,840.84	9,487.48	16,353.36	172.37
1,195,715.58	898,658.94	297,056.64	33.06	TOTAL DISBURSEMENTS	6,876,292.70	6,119,649.99	756,642.71	12.36
40,728.48	358,638.87	(317,910.39)	(88.64)	NET INCOME/LOSS	335,290.75	808,639.33	(473,348.58)	(58.54)
5,421,051.12	7,123,682.90	(1,702,631.78)	(23.90)	ENDING CASH BALANCE	5,421,051.12	7,123,682.90	(1,702,631.78)	(23.90)
17,524.22	62,677.46	(45,153.24)	(72.04)	ACCRUED REINSURANCE PROCEEDS	17,524.22	62,677.46	(45,153.24)	(72.04)
1,839,974.00	1,733,043.00	106,931.00	6.17	ACCRUED ACCOUNTS PAYABLE MEDICAL	1,839,974.00	1,733,043.00	106,931.00	6.17
3,598,601.34	5,453,317.36	(1,854,716.02)	(34.01)	ENDING RESERVE BALANCE	3,598,601.34	5,453,317.36	(1,854,716.02)	(34.01)

APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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

Except as otherwise noted, the following definitions relate to the Series 2009I Bonds. The Bonds of each Series are separately secured. The definitions for the Series 2009J Bonds are substantially similar to the definitions summarized below, except as otherwise noted.

“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 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds and the Series 2009I Bonds.

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

“Bond” or **“Bonds”** means the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds, the Series 2009I 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 to be paid out of proceeds of the Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, renovation and equipping of the Project, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act.

“Debt Service Reserve Fund Requirement” means (i) with respect to the Series 2006F Bonds, an amount equal to \$424,912.50, (ii) with respect to the Series 2007E Bonds, an amount equal to \$1,864,717.60, (iii) with respect to the Series 2008F Bonds an amount equal to \$1,196,104, (iv) with respect to the Series 2009I Bonds, the amount set forth in the body of this Official Statement, (v) with respect to Additional Bonds issued on a parity with the Bonds, a sum equal to the least of (A) **10%** of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) **125%** of the average future annual debt service on such Additional Bonds, and (vi) with respect to any Additional Bonds that are entitled to the benefit of a separate reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds. [Series 2009I Bonds only]

“Debt Service Reserve Fund Requirement” means (i) with respect to the Series 2007A Bonds, an amount equal to \$1,939,000 from the issuance of the Series 2007A Bonds through May 31, 2012 and from April 1, 2012 through May 31, 2021 an amount equal to \$1,635,000 and after May 31, 2021 an amount equal to \$310,000, (ii) with respect to the Series 2008C Bonds an amount equal to \$800,000, (iii) with respect to the Series 2008G Bonds an amount equal to \$460,000, (iv) with respect to the Series 2009B Bonds an amount

equal to \$322,000 (v) with respect to the Series 2009J Bonds, the amount set forth in the body of this Official Statement (vi) with respect to Additional Bonds issued on a parity with the Series 2007A Bonds, the Series 2008C Bonds, the Series 2008G Bonds, the Series 2009B Bonds and the Series 2009J Bonds, a sum equal to the least of (A) **10%** of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) **125%** of the average future annual debt service on such Additional Bonds, and (vii) with respect to any Additional Bonds that are entitled to the benefit of a separate reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds. [Series 2009J Bonds only]

“Defeasance Obligations” means:

- (a) Government Obligations which are not subject to redemption prior to maturity; or
- (b) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations); or

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

“Government Obligations” means the following:

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

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

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

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

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

- (1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;
- (2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of

such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

- (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and
- (4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

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

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

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;
- (3) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export - Import Bank,
 - Farm Credit System Financial Assistance Corporation,
 - Rural Economic Community Development Administration (formerly the Farmers Home Administration),
 - General Services Administration,
 - U.S. Maritime Administration,
 - Small Business Administration,
 - Government National Mortgage Association (GNMA),
 - U.S. Department of Housing & Urban Development (PHA's),
 - Federal Housing Administration, and
 - Federal Financing Bank;
- (4) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
 - Obligations of the Resolution Funding Corporation (REFCORP), and
 - Senior debt obligations of the Federal Home Loan Bank System.;
- (5) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by Standard & Poor’s and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase;

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

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

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

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; provided, however, that Pre-refunded Municipal Obligations meeting the requirements of this subsection (B) may not be used as Permitted Investments without the prior written approval of Standard & Poor’s.

(9) general obligations of states with a rating of at least “A2/A” or higher by both Moody’s and Standard & Poor’s; and

(10) investment agreements (supported by appropriate opinions of counsel) with notice to Standard & Poor’s.

The value (“Value”), which shall be determined as of the end of each month, of the above investments shall be calculated as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (d) as to any investment not specified above: the value thereof established by prior agreement between the City and the Trustee.

“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.”

“Special Allocation Fund” means the fund by that name reestablished pursuant to the Authorizing Ordinance.

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

“State” means the State of Missouri.

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

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

* * *

SUMMARY OF THE BOND TRUST INDENTURE

Except as otherwise noted, the following is a summary of the Series 2009I Indenture. The Bonds of each Series are separately secured. The Indenture for the Series 2008J Bonds is substantially similar to the Indenture summarized below, except as otherwise noted.

The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2009I Indenture for a complete recital of the terms thereof.

Trust Estate

Note: As noted in the Official Statement each Series of Bonds is separately secured.

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

- (a) All rights, title and interest of the Board (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Financing Agreement, including, without limitation, all Loan Payments and other payments to be received by the Board and paid by the City under and pursuant to and subject to the provisions of the Financing Agreement (except the Board’s rights to payment of its fees and expenses and to indemnification as set forth in the Financing Agreement and as otherwise expressly set forth therein), and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and
- (b) All moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Trustee under the terms of the Indenture; and

- (c) Any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by the Board or by anyone in its behalf or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

The Trustee shall hold in trust and administer the Trust Estate, upon the terms and conditions set forth in the Indenture for the equal and pro rata benefit and security of each and every owner of Bonds, without preference, priority or distinction as to participation in the lien, benefit and protection of the Indenture of one Bond over or from the others, except as otherwise expressly provided in the Indenture.

Authorization of Additional Bonds

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds, the Series 2009I Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and in the Financing Agreement, for any purpose authorized under the Act.

Before any Additional Bonds are issued under the provisions of 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 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds and the Series 2009I Bonds, except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices, all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds, the Series 2009I 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.

(c) An original executed counterpart of the Supplemental Indenture, executed by the Board and the Trustee, authorizing the issuance of the Additional Bonds being issued to make the loan, specifying, among other things, the terms thereof, and providing for the disposition of the proceeds of such loan and the Supplemental Financing Agreement.

(d) An original executed counterpart of the Supplemental Financing Agreement, executed by the City and the Board, specifying, among other things, the principal amount, rate of interest, maturity, terms of optional prepayment.

(e) An Officer's Certificate (1) stating that no event of default under the Financing Agreement has occurred and is continuing and that no event has occurred and is continuing which with the lapse of time or giving of notice, or both, would constitute such an event of default, and (2) stating the purpose or purposes for which such Additional Bonds are being issued and accompanied by the certificates, reports or opinions demonstrating compliance with the applicable tests set forth in the Financing Agreement.

(f) A request and authorization to the Trustee, on behalf of the Board, executed by a City Representative, to authenticate the Additional Bonds and deliver said Additional Bonds to the purchasers therein identified upon payment to the Trustee, for the account of the Board, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the names of the purchasers and the amounts of such purchase price.

(g) If such Additional Bonds are to be insured or guaranteed by a bond insurer or other credit enhancer, an insurance policy or other credit enhancement in each case in form or substance satisfactory to the Board, the City and the Trustee.

(h) Deposit of an amount equal to the Debt Service Reserve Fund Requirement, if any, for such Additional Bonds.

(i) An Opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met and the issuance of such Additional Bonds will not result in the interest on any Bonds then Outstanding becoming subject to federal income taxes then in effect.

(j) Such other certificates, statements, receipts and documents required by any of the Transaction Documents or as the Board, the City or the Trustee shall reasonably require for the delivery of the Additional Bonds.

Except as provided in this Indenture and in the Financing Agreement, the Board will not otherwise issue any obligations on a parity with the Bonds, but the Board may issue other obligations specifically subordinate and junior to the Bonds.

Creation of Funds and Accounts

The Indenture creates and establishes in the custody of the Trustee the following special trust funds in the name of the Board to be designated as follows:

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

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

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

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

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

Project Fund

Moneys in the Project Fund shall be used solely for the purpose of paying the Costs of the Project as provided in the Indenture, in accordance with the plans and specifications therefor, including any alterations in or amendments to said plans and specifications deemed advisable by the City and approved in accordance with the Financing Agreement.

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

Debt Service Fund

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

The Trustee, upon the written instructions from the Board given pursuant to written direction of the City, shall use excess moneys in the Debt Service Fund to redeem all or part of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption and redemption premium, if any, on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the City, in accordance with the provisions of the Indenture, so long as the City is not in default with respect to any payments under the Financing Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption. The City may cause such excess money in the Debt Service Fund or such part thereof or other moneys of the City, as the City may direct, to be applied by the Trustee on a best efforts basis to the extent

practical for the purchase of Bonds in the open market for the purpose of cancellation at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of such purchase.

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

Debt Service Reserve Fund

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

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

Rebate Fund

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

Investment of Moneys

Moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the City Representative, be invested and reinvested by the Trustee in accordance with the provisions of the Indenture and the Tax Compliance Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. In the absence of direction of the City Representative, the Trustee may invest and reinvest moneys in an investment described in paragraph (7) of the definition of the term "Permitted Investments." The Trustee may make any investments permitted by the provisions of the Indenture through its own bond department or short-term investment department or that of any affiliate of the Trustee and may pool moneys for investment purposes, except moneys held in any fund or account that are required to be yield restricted in accordance with the Tax Compliance Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments (other than any amount required to be deposited in the Rebate Fund) shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or

account; provided, however, that all interest accruing on the Project Fund shall be automatically deposited into the Debt Service Fund. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments.

In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent interest payment date. Investments in the Funds under this Indenture shall be valued on each June 15 and December 15 in each year beginning June 15, 2005. The Trustee shall promptly deliver a copies of such valuations to the City, which may be in the form of the Trustee's standard account statements.

Events of Default

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

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

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

Acceleration of Maturity; Rescission and Annulment

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

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

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

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

Exercise of Remedies by the Trustee

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

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

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

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

Limitation on Suits by Bondowners

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

- (a) such owner has previously given written notice to the Trustee of a continuing event of default;
- (b) the owners of not less than **25%** in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;
- (c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

- (e) no direction inconsistent with such written request has been given to the Trustee during such **60**-day period by the owners of a majority in principal amount of the Outstanding Bonds.

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

Control of Proceedings by Bondowners

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

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

Application of Moneys Collected

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

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

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

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

Resignation and Removal of Trustee

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

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

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

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

Appointment of Successor Trustee

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Board, with the written consent of the City (which consent shall not be unreasonably withheld) or the owners of a majority in principal amount of Bonds Outstanding (if an event of default under the Indenture or under the Financing Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Board and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Board or the bondowners. If, within **30** days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner provided in the Indenture, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If

no successor Trustee shall have been so appointed and accepted appointment in the manner provided in the Indenture, any bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Trustee appointed pursuant to the provisions of the Indenture shall be a bank or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Indenture.

Supplemental Indentures without Consent of Bondowners

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

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

Supplemental Indentures with Consent of Bondowners

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

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

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

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

Payment, Discharge and Defeasance of Bonds

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

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

with the requirements of the Indenture or provision satisfactory to the Trustee is made for the giving of such notice.

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

Satisfaction and Discharge of Indenture

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

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;
- (b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;
- (c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and
- (d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Indenture have been complied with.
- (e) if such Bonds are to be redeemed or final payment is to occur on a date which is more than 90 days from the date of the deposit under the Indenture, the Board and the City shall have received (1) the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations; and (2) the escrow deposit agreement

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

* * *

SUMMARY OF THE AUTHORIZING ORDINANCE

The following is a summary of certain provisions contained in the Authorizing Ordinance for both Series of Bonds. 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.

Security for the Loans

Except with respect to Payments in Lieu of Taxes, the City's obligation to make payments pursuant to the Financing Agreements is subject to annual appropriation as provided in the Financing Agreements.

Payments in Lieu of Taxes deposited into the respective Special Allocation Funds are not subject to annual appropriation and are pledged to secure the payments required pursuant to the associated Financing Agreement for the series of Bonds related to the associated Project.

The City's obligation to payments pursuant to the Financing Agreements is secured by (a) a pledge of the Payments in Lieu of Taxes deposited in the PILOTS Account of the Special Allocation Fund relating to the applicable Redevelopment Project, (b) subject to annual appropriation by the City Council, the Economic Activity Tax Revenues deposited in the Economic Activity Tax Account of the Special Allocation Fund relating to the applicable Redevelopment Project. Such pledge is on a parity with the pledge of the City securing all other loans incurred by the City with respect to Reimbursable Project Costs for the applicable Project, whether previously or to be incurred, to the extent provided in the ordinance authorizing each loan.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Funds relating to the Redevelopment Projects to the repayment of the associated Loans. 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 Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds or the Board's bonds issued for the benefit of the City.

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

Administration of the Centerpoint Special Allocation Fund

The Authorizing Ordinance recreates and reestablishes with the City the "Independence Regional Medical Center Special Allocation Fund" (the "Centerpoint Special Allocation Fund"), and establishes and recreates within the Special Allocation Fund, the PILOTS Account and an Economic Activity Tax Account.

At any time moneys are to be withdrawn, transferred or paid from the Centerpoint 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 Centerpoint Special Allocation Fund as received all Incremental Tax Revenues. The Incremental Tax Revenues will be determined, collected and applied in the manner provided by law. All interest earnings on moneys in the Centerpoint Special Allocation Fund shall be credited to and deposited in the Centerpoint Special Allocation Fund.

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

1. Payment of arbitrage rebate, if any, owed with respect to the Series 2006F Bonds, the Series 2007E Bonds, the Series 2008F Bonds and the Series 2009I Bonds (collectively, the “Outstanding Centerpoint Bonds”) and any additional bonds or obligations issued on a parity therewith, including any costs of calculating arbitrage rebate;
2. Payment of fees and expenses owing to any Trustee for the Outstanding Centerpoint Bonds and any additional bonds or obligations issued on a parity therewith, upon delivery to the City of an invoice for such amount;
3. Payment of fees and expenses incurred by the City in the administration of the Redevelopment Plan and the Redevelopment Agreement, which fees and expenses shall be in addition to other costs identified in the Redevelopment Agreement;
4. Payment of \$2,000,000 to the Blue Springs R-IV School District, which may be paid in a lump sum or in the amount of \$177,000 per year; such amount being funded from the proceeds of the Loan (Note: this obligation has been paid);
5. Payment of certain City transportation capital costs to the City in an amount equal to \$100,000 per year;
6. Payment of scheduled principal of, premium, if any, and interest becoming due (by reason of maturity or mandatory sinking fund redemption) on the Loan and any additional loan secured on a parity with the Loan;
7. Replenishment of any deficiency in any payments or debt service reserve fund related to the Loan or any additional loan secured on a parity with the Loan;
8. Reimbursement of other redevelopment project costs (including the Developer Reimbursable Project Costs) not paid from the proceeds of loans incurred for payment of costs paid pursuant to the Centerpoint Redevelopment Plan, including without limitation use of an amount of sales tax revenues captured as Economic Activity Taxes which are attributable to the sales tax levied by the Independence Events Center Community Improvement District to repay loans associated with bonds issued finance costs of the Events Center Project prior to payment of other costs described in this subparagraph;
9. Payment to the City of amounts to offset any deficit in payments in lieu of taxes under the City’s Midtown Truman Road Redevelopment Plan due to the closing of the Independence Regional Health Center, but only until the Midtown Truman Road Redevelopment Plan terminates;
10. Payment of capital costs of the Independence School District in an amount not to exceed \$5,500,000, to the extent of Incremental Tax Revenues needed to make such payments;
11. If applicable, reimbursement to any district providing emergency services within the Redevelopment Area, to the extent required by the TIF Act or, in lieu thereof, such amount as may be set forth in a cooperative agreement between the City and any such district, subject to the Developer’s approval; and
12. Any surplus amounts that result after all of the above payments have been made shall be disbursed as surplus payment to the taxing districts pursuant to the TIF Act.

Administration of Eastland Project Special Allocation Fund

The Authorizing Ordinance recreates and reestablishes with the City the “Eastland Center Project Special Allocation Fund” (the “Eastland Special Allocation Fund”), and establishes and recreates within the Eastland Special Allocation Fund, the PILOTS Account and an Economic Activity Tax Account.

At any time moneys are to be withdrawn, transferred or paid from the Eastland Special Allocation Fund pursuant to the Authorizing Ordinance, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City agrees to deposit into the Eastland Special Allocation Fund as received all Incremental Tax Revenues. The Incremental Tax Revenues will be determined, collected and applied in the manner provided by law. All interest earnings on moneys in the Eastland Special Allocation Fund shall be credited to and deposited in the Eastland Special Allocation Fund.

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

(a) Not later than the last Business Day of each March and September, commencing the last Business Day of September, 2007, the City shall transfer to the Trustee from the Eastland Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2007A Financing Agreement, the Series 2008C Financing Agreement, the Series 2008G Financing Agreement, the Series 2009B Financing Agreement, the Series 2009J Financing Agreement or any other Financing Agreement relating to bonds secured on a parity with the Series 2007A Bonds, Series 2008C Bonds, Series 2008G Bonds, Series 2009B Bonds or the Series 2009J Bonds (collectively, the “Outstanding Eastland Bonds”); provided, however, in the event the amount to be so transferred is less than the amount required to make such Loan Payments, the City shall allocate such amounts on a pro rata basis based upon the principal amount of the outstanding Loan Payments.

(b) Upon receipt by the City of written notice from the Trustee that the balance in any Debt Service Reserve Fund established under the Indenture related to the Outstanding Eastland Bonds (the “Eastland Indenture”) is less than the Debt Service Reserve Requirement (as defined in the Eastland Indenture) for the Outstanding Eastland Bonds or any other bonds issued under the Eastland Indenture, the City shall transfer to the Trustee from the Eastland Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the applicable Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement provided, however, in the event the amount to be so transferred is less than the amount required to make such Additional Payments, the City shall allocate such amounts on a pro rata basis based upon the applicable Debt Service Reserve Requirement.

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

(i) for the purpose of paying any Redevelopment Costs, including without limitation use of an amount of sales tax revenues captured as Economic Activity Taxes which are attributable to the sales tax levied by the Independence Events Center Community Improvement District to repay loans associated with bonds issued finance costs of the Events Center Project; or

(ii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Series 2007A Financing Agreement, the Series 2008C Financing Agreement, the Series 2008G Financing Agreement, the Series 2009B Financing Agreement, the Series 2009J Financing Agreement or any other Financing Agreement relating to bonds secured on a parity with the Outstanding Eastland Bonds; or

(iii) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

(iv) for the purpose of reimbursing the City for any transfer of any legally available funds to the Eastland Special Allocation Fund; or

(v) for the purpose of distributing such funds to the taxing districts or municipal corporations in accordance with the Act; or

(vi) for any other purpose set forth in the Eastland Redevelopment Agreement for the Eastland Redevelopment Project as may be authorized under the Act.

* * *

SUMMARY OF THE FINANCING AGREEMENT

Except as otherwise noted, the following summary of the Financing Agreement relates to the Series 2009I Bonds. The Bonds of each Series are separately secured. The Financing Agreement for the Series 2009J Bonds is substantially similar to the Financing Agreement summarized below, except as otherwise noted.

The following is a summary of certain provisions contained in the Series 2009I Financing Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2009I Financing Agreement for a complete recital of the terms thereof.

Use of Proceeds

The proceeds of the Series 2009I Bonds loaned to the City shall be deposited with the Trustee and shall be administered, disbursed and applied for the purposes and in the manner as provided in the Indenture and in the Financing Agreement.

Loan Payments

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

- (a) *Debt Service Fund -- Interest:* On or before 10:00 a.m. on or before the Business Day preceding each April 1 and October 1, commencing April 1, 2010, an amount which is not less than the interest to become due on the next interest payment date on the Series 2009I Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.
- (b) *Debt Service Fund -- Principal:* On or before 10:00 a.m. on or before the Business Day preceding each April 1 commencing April 1, 2010, an amount which is not less than the next installment of principal due on the Series 2009I Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

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

Additional Payments

Subject to annual appropriation, the City shall pay the following amounts to the following persons, all as “Additional Payments” under the Financing Agreement:

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

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

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

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

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

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

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

Annual Appropriations

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

shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request

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

Loan Payments to Constitute Current Expenses of the City

The Board and the City acknowledge and agree that the Loan Payments and Additional Payments shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2009I Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the Series 2009I Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Security for the Loan

Except as provided in the following paragraph, the City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan relating to the Series 2009I Bonds in the Special Allocation Fund as provided in the Authorizing Ordinance. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

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

Additional Bonds

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

Financial Statements

The City shall furnish to the Board and the Trustee, as soon as practicable, but in no event more than 5 days after, an Event of Nonappropriation, written notice of such Event of Nonappropriation.

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

Events of Default and Remedies

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

- (a) Failure by the City to make timely payment of any Loan Payment.
- (b) Failure by the City to make any Additional Payment when due and, after notice of such failure, the City shall have failed to make such payment within 10 days following the due date.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on the part of the City under the Financing Agreement or the Indenture, other than as referred to in the

preceding subparagraphs (a) and (b) of this caption, for a period of 30 days after written notice of such default has been given to the City, by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.

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

Remedies on Default

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

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

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

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

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

The provisions of this caption are subject to the limitation that the annulment of a declaration that the Series 2009I Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in the Financing Agreement shall be breached or any Event of Default shall have occurred and such breach or Event of Default shall thereafter be waived by the Trustee, such waiver shall be limited to such particular breach or Event of Default.

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

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

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

Supplemental Financing Agreements with Consent of Bondowners

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

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

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

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

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

* * *

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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

Pursuant to the Continuing Disclosure Agreement, the City will, not later than **180** days after the end of the City's fiscal year, provide to 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, and (B) the amounts deposited into the Special Allocation Fund established for each applicable Project. 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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

The form of opinion of Bond Counsel for both Series of Bonds is substantially similar.

Missouri Development Finance Board
Jefferson City, Missouri

Piper Jaffray & Co.
Leawood, Kansas

City of Independence, Missouri
Independence, Missouri

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

**Re: \$2,325,000 Missouri Development Finance Board Infrastructure Facilities
Revenue Bonds (City of Independence, Missouri – Centerpoint Project)
Series 2009I**

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 December 1, 2006, as supplemented and amended by the Series 2007E Supplemental Bond Trust Indenture dated as of June 1, 2007, the Series 2008G Supplemental Bond Trust Indenture dated as of July 1, 2008, and the Series 2009I Supplemental Bond Trust Indenture dated as of October 1, 2009 (as supplemented and amended, the “Indenture”), between the Board and Commerce Bank, N.A., as trustee (the “Trustee”). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the “City”), pursuant to a Financing Agreement dated as of December 1, 2006, as supplemented and amended by the Series 2007E Supplemental Financing Agreement dated as of June 1, 2007, the Series 2009G Supplemental Financing Agreement dated as of July 1, 2008, and the Series 2009I Supplemental Financing Agreement dated as of October 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 and the Tax Compliance Agreement, (b) the passage and effectiveness of the Authorizing Ordinance, and (c) the due authorization, execution and delivery of the Financing Agreement and the Tax Compliance Agreement by the City and the binding effect and enforceability thereof against the City.

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

- (i) the Indenture;

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

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

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

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

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

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

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

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

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

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

Very truly yours,