

**NEW ISSUE
(Book Entry Only)**

**S&P Rating - "A"
See "RATING" 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 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. The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, stated interest on the Bonds is exempt from income taxation by the State of Missouri. See "TAX MATTERS" in this Official Statement.

MISSOURI DEVELOPMENT FINANCE BOARD
\$2,950,000
Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Events Center Project)
Series 2010A

Dated: March 1, 2010

Due: See Inside Cover Page

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

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

The Bonds will be payable solely from, and will be secured by: (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City"); (ii) subject to the conditions and limitations described herein, certain CID Sales Tax Revenues and TIF Revenues; and (iii) certain other funds held by the Trustee under the Indenture. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS.**"

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

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

The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed on for the City by Allen Garner, City Counselor, Independence, Missouri, and for the Board and the CID by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about March 11, 2010.

PiperJaffray®

The date of this Official Statement is March 1, 2010

MISSOURI DEVELOPMENT FINANCE BOARD

\$2,950,000

**Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Events Center Project)
Series 2010A**

Dated: March 1, 2010

Due: April 1 as shown below

Maturity Schedule

\$295,000 Term Bonds due 4/1/2020, Interest Rate: 4.500%, Offering Price: 98.645%
\$450,000 Term Bonds due 4/1/2025, Interest Rate: 5.000%, Offering Price: 97.824%
\$585,000 Term Bonds due 4/1/2030, Interest Rate: 5.500%, Offering Price: 98.209%
\$765,000 Term Bonds due 4/1/2035, Interest Rate: 5.750%, Offering Price: 98.174%
\$855,000 Term Bonds due 4/1/2038, Interest Rate: 5.750%, Offering Price: 97.150%

REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

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

CAUTIONARY STATEMENTS REGARDING FORWARD- LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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 as well as under the caption **“THE CID – Projected Debt Service Coverage of the CID Sales Tax Revenues.”** The City undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

\$2,950,000

**Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Events Center Project)
Series 2010A**

INTRODUCTORY STATEMENT

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

Purpose of the Official Statement

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

The Board

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

The City

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

The CID

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

Loan of Bond Proceeds

The proceeds of the Bonds will be loaned by the Board to the City pursuant to a Financing Agreement dated as of April 1, 2008 as supplemented and amended by a Series 2008H Supplemental Financing Agreement dated as of November 1, 2008, a Series 2009A Supplemental Financing Agreement dated as of February 1, 2009, a Series 2009F Supplemental Financing Agreement dated as of April 1, 2009 and a Series

2010A Supplemental Financing Agreement dated as of March 1, 2010 (collectively, the “Financing Agreement”) to permit the City to reimburse or pay the costs of design, construction and development of the Events Center. A description of the Events Center is set forth under the caption **“THE EVENTS CENTER PROJECT.”** The proceeds of the Bonds will also be used to fund a Debt Service Reserve Fund for the Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption **“SOURCES AND USES OF FUNDS.”**

The Bonds

The Bonds will be issued pursuant to the Act and the Bond Trust Indenture dated April 1, 2008 as supplemented and amended by a Series 2008H Supplemental Bond Trust Indenture dated as of November 1, 2008, a Series 2009A Supplemental Bond Trust Indenture dated as of February 1, 2009, a Series 2009F Supplemental Bond Trust Indenture dated as of April 1, 2009 and a Series 2010A Supplemental Bond Trust Indenture dated as of March 1, 2010 (collectively, the “Indenture”), all between the Board and Commerce Bank, N.A., Kansas City, Missouri (the “Trustee”), for the purpose of providing funds to make a loan to the City pursuant to the Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of, premium, if any, and the interest on the Bonds, all as more fully described in the Financing Agreement and the Indenture. A description of the Bonds is contained in this Official Statement under **“THE BONDS.”** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture and the Financing Agreement.

Security for the Bonds

The Bonds and the interest thereon are special, limited obligations of the Board payable by the Board solely from (1) certain payments to be made by the City under the Financing Agreement, (2) subject to the conditions described herein, certain CID Sales Tax Revenues and TIF Revenues; and (3) certain other funds held by the Trustee under the Indenture, and not from any other fund or source of the Board. Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Bonds. Except as noted herein, all payments by the City under the Financing Agreement are subject to annual appropriation. Pursuant to the Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the Financing Agreement, including all Loan Payments and Additional Payments payable thereunder. As described below, the Board’s Series 2008D Bonds, Series 2008H Bonds, Series 2009A Bonds and Series 2009F Bonds previously issued for the Events Center and the Bonds are secured on a parity as to the pledge of CID Sales Tax Revenues and TIF Revenues, but are not secured on a parity as to the Debt Service Reserve Fund for the Bonds.

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

Annual Appropriation Covenant

The Financing Agreement contains an annual appropriation covenant pursuant to which the City agrees to budget and appropriate sufficient moneys to pay all Loan Payments and reasonably estimated Additional Payments for the next succeeding fiscal year. If the City continues to appropriate such moneys, the City’s obligations to make Loan Payments and Additional Payments will be payable from all General Fund revenues of the City for that fiscal year. The taxing power of the City is not pledged to the payment of Loan

Payments either as to principal or interest. See the caption **“SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City.”**

Additional Bonds

The Indenture provides for the issuance of additional bonds (“Additional Bonds”) which, if issued, would rank on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds and the Series 2009F Bonds previously issued by the Board, the Bonds and any other bonds then outstanding under such Indenture issued on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds. See **“SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds”** and **“SUMMARY OF THE INDENTURE – Additional Bonds”** in Appendix C hereto.

The Bonds are the fifth series of Bonds to be issued for the Events Center. A portion of the cost the Events Center was financed by the Board in April 2008 through the issuance of its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2008D in the aggregate principal amount of \$12,325,000 (the “Series 2008D Bonds”), in November 2008 through the issuance of its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2008H in the aggregate principal amount of \$10,725,000 (the “Series 2008H Bonds”), in February 2009 through the issuance of its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2009A in the aggregate principal amount of \$15,190,000 (the “Series 2009A Bonds”) and in April 2009 through the issuance of its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2009F in the aggregate principal amount of \$44,045,000 (the “Series 2009F Bonds”). The Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds are secured on a parity as to the pledge of CID Sales Tax Revenues and TIF Revenues described herein, but are not secured on a parity as to the Debt Service Reserve Fund for the Bonds.

The City does not currently anticipate the issuance of Additional Bonds for the Events Center.

CID Sales Tax Revenues

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

Subordinate Lien on Certain TIF Revenues

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

“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinate Lien on Certain TIF Revenues” herein.

Bondowners’ Risks

Payment of the principal of and interest on the Bonds is primarily dependent upon the collection of CID Sales Tax Revenues and the City’s decision to continue to annually appropriate sufficient moneys to make Loan Payments under the Financing Agreement. See **“BONDOWNERS’ RISKS”** for a discussion of certain risks.

Continuing Disclosure

The City will execute a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to provide certain annual financial information and notices of the occurrence of certain material events. The information will include a description of the CID Sales Tax Revenues and TIF Revenues received by the City. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in **Appendix C** hereto.

Definitions and Summaries of Legal Documents

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

THE BOARD

General

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

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, eight of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources serve as ex-officio, voting members of the Board. No

more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified, unless such position becomes vacant under Missouri law. There is currently one vacancy among members who are appointed by the Governor.

Robert V. Miserez serves as Executive Director of the Board

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

- **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.
- **David D. Kerr** — ex-officio member. Mr. Kerr is the 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 Indenture securing the Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Board pledged under the Indenture, and the owners of the

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

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

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

THE CITY

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

PLAN OF FINANCING

Financing of the Events Center

Construction of the Events Center is complete. The Board and the City expect that the \$85,235,000 in principal amount of the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds, together with separately secured bonds previously issued by the Board payable from tax increment financing revenues generated by the Eastland Redevelopment Project and, subject to annual appropriation, the City’s General Fund sufficient to fund approximately \$3,600,000 of the costs related to the Events Center (the “Eastland Project Bonds”), to be sufficient to fund costs of completing the Events Center Project. If Additional Bonds are issued, such bonds will be secured on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds (except that the account of the Debt Service Reserve Fund established for each series of bonds secures only the associated series of bonds), and therefore would share an equal claim on the CID Sales Tax Revenues. The Eastland Project Bonds are independently secured under a separate bond trust indenture. See **“PLAN OF FINANCING,” “THE EVENTS CENTER PROJECT – Related Series of Bonds”**.

Estimated Sources and Uses of Funds

The proceeds of the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds will be applied as follows:

Sources of Funds:

	Prior Series of Bonds[†]	Series 2010A Bonds	Total
Principal amount	\$82,285,000.00	\$2,950,000.00	\$85,235,000.00
Reoffering Premium (Discount)	(1,638,512.05)	(62,603.00)	(1,701,115.05)
Accrued Interest	<u>288,224.65</u>	<u>4,475.00</u>	<u>292,699.65</u>
Total sources of funds	\$80,934,712.60	\$2,891,872.00	\$83,826,584.60

Uses of Funds:

	Prior Series of Bonds[†]	Series 2010A Bonds	Total
Deposit to the Project Fund	\$64,913,709.76	\$2,500,000.00	\$67,413,709.76
Debt Service Reserve Fund	7,729,844.22	281,219.93	8,011,064.15
Debt Service Fund	288,224.65	4,475.00	292,699.65
Capitalized Interest	6,023,044.05	0.00	6,023,044.05
Costs of Issuance ^{††}	<u>1,979,889.92</u>	<u>106,177.07</u>	<u>2,086,066.99</u>
Total uses of funds	\$80,934,712.60	\$2,891,872.00	\$83,826,584.60

[†] Includes the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds and the Series 2009F Bonds, but does not include the Eastland Project Bonds described herein.

^{††} Includes underwriter's discount and certain fees, costs and expenses relating to the creation and implementation of the CID.

THE CID

General

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

Land Area and Existing Development

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

1. Eastland Center – The Eastland Center Project is a tax increment financing project initiated by the City over approximately 212 acres. The Eastland Center area includes retail, commercial and hotel development, including a Costco and Lowe's. Further office development is anticipated in the Eastland Center area. The site of the Events Center is also within the Eastland Center tax increment financing redevelopment area.

2. Bolger Square – The retail and commercial development in Bolger Square is anchored by Target, JC Penney and Dick's Sporting Goods. Bolger Square was formerly a tax increment financing project but tax increment financing is no longer in effect because all eligible redevelopment project costs have been paid.

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

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

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

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

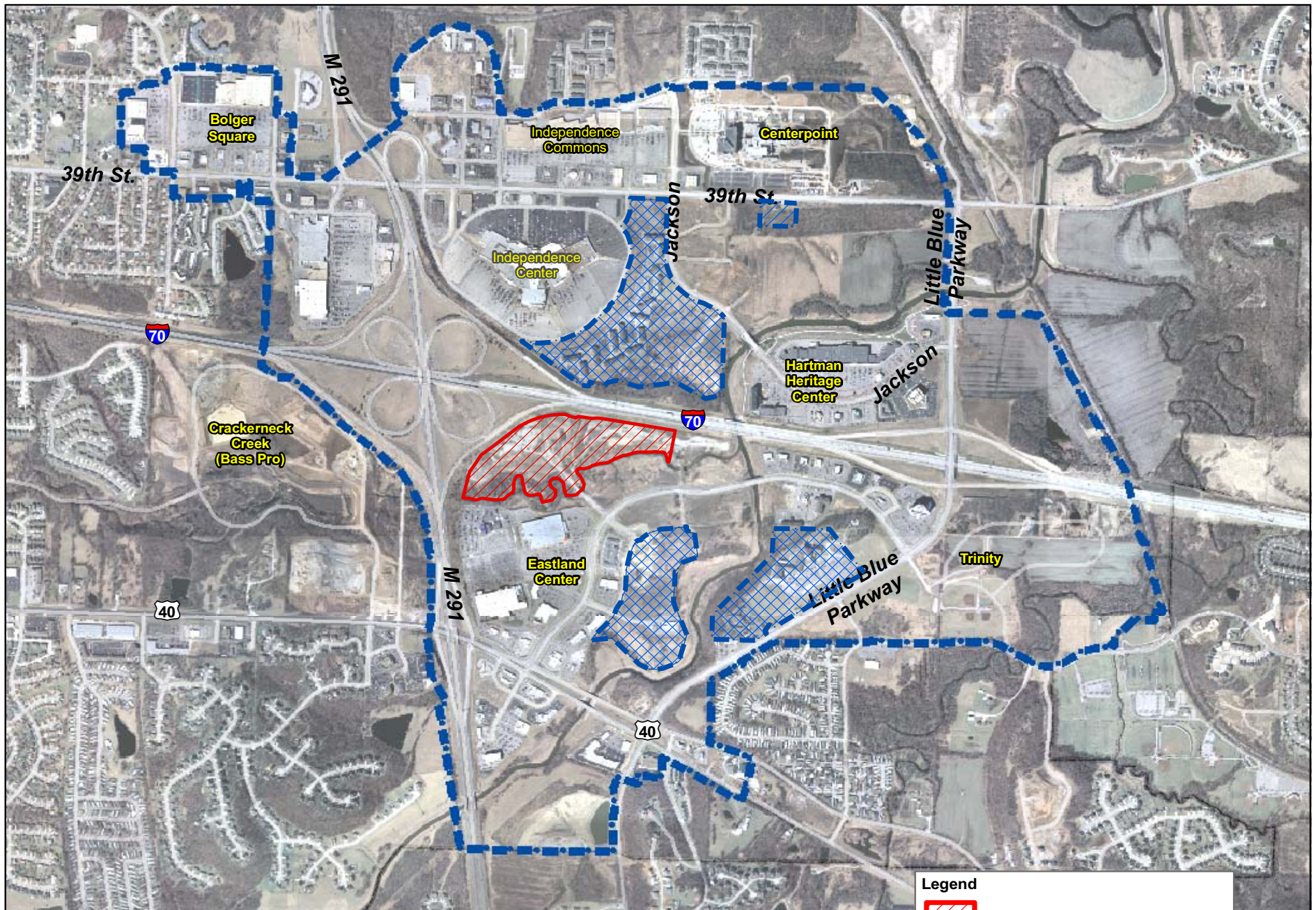
7. Trinity Project – The Trinity tax increment financing project is still in the early stages of development. It is projected to include retail stores, including restaurants, comprising approximately 33,200 square feet, approximately 98,250 square feet of general commercial space and multiple office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

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




The CID includes numerous other smaller retail establishments, restaurants and other commercial uses. Annual sales in the area of what has since become the CID during calendar year 2009 were approximately \$663,113,767. As determined by the Jackson County Assessor, the market value of real property and improvements in the CID is approximately \$562,999,252.

The CID is also adjacent to the Crackerneck Creek redevelopment project. This project is anticipated to include 450,000 square feet of retail space, including a 150,000 square foot Bass Pro Outdoor World Store which is open. An approximately 55,000 square foot Hobby Lobby and an approximately 25,000 square foot Mardel (a retailer selling Christian-oriented merchandise) have recently opened in the project. The Crackerneck Creek Project is not in the CID.

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



Independence Events Center CID Boundary

- Legend**
-  Events Center Site
 -  Areas Excluded from CID
 -  Events Center CID Boundary

CID Governance and Administration

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

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

Name	Office	Affiliation	Term Expires
Larry Kaufman	Chairman and Executive Director	City of Independence, Asst. City Manager	12/19/2011
Stephanie Roush	Vice-Chairman	City of Independence, Director of Tourism	12/19/2013
James C. Harlow	Treasurer	City of Independence, Director of Finance	12/19/2011
Vernon Meckel	Secretary	Simon Property Group, Mall Manager	12/19/2013
G.L. "Tom" Thomas	n/a	Blue Ridge Bank, Chairman of the Board	12/19/2013

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

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

CID Sales Tax

On February 26, 2008, the qualified voters of the District approved the imposition of a sales tax in the amount of up to one percent (1%) on all transactions that are taxable pursuant to the CID Act (the "CID Sales Tax"). The current intention of the CID, which was presented to the voters of the District during the election process, is that the CID Sales Tax will be imposed at a rate of .5% for a period of 20 years and thereafter be increased to .625% for the remaining life of the CID, provided that the rate of the tax would be increased if necessary, but only to the maximum of 1.0%, to pay debt service on any bonds issued to finance the completion of the Events Center. Recent projections indicate that the rate of the CID sales tax needed to pay debt service on the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds may need to be increased to .625% as early as fiscal year 2013, and then to .750% and .875% in 2014 and 2015 respectively, and remain at the .875% rate until at least 2031. These projections do not take into account the potentially significant impact on

CID Sales Tax collections of the opening of the Events Center because the facility has only been open since November, 2009, and consequently, insufficient data exists to determine the impact of the activity associated with the facility. No further voter authorization for an increase in the CID Sales Tax Rate up to 1% is needed. While current projections indicate that the rate of the CID Sales Tax will need to be increased above .5% to pay debt service on bonds issued for the Events Center Project, the plan of the Board of Directors of the CID remains to assess the level of CID Sales Tax Revenues in each year to determine if an increase in the rate of the CID Sales Tax is needed. See **“Projected Debt Service Coverage of the CID Sales Tax Revenues”** below.

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

In the Cooperative Agreement, the CID has covenanted, subject to annual appropriation by the Board of Directors of the CID, to remit moneys it receives from the CID Sales Tax to the City. The City has covenanted under the Financing Agreement to use CID Sales Tax Revenues for payment of the Bonds. CID Sales Tax Revenues consist of revenues received by the City from the CID Sales Tax, less (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, (ii) such amount as is retained by the State of Missouri for collecting the CID Sales Tax, (iii) any sum received by the CID which is the subject of a suit or other claim communicated to the CID which suit or claim challenges the collection of such sum, (iv) an administration fee payable to the City for administering and accounting for the CID Sales Tax in the amount of 2% of the total CID Sales Tax, plus any actual costs and expenses incurred by the City greater than such 2% amount, (v) a one-time payment to the City of \$1,200 to reimburse the City for administrative set-up costs and expenses of the CID, (vi) actual, reasonable operating costs of the CID, and (vii) any costs and expenses incurred in connection with any collection or enforcement issues associated with the CID Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue. The City estimates that the total amount of such administrative and collection costs (exclusive of collection costs of the State which are set at 1% of collections) will equal 2% of CID Sales Tax collections, plus approximately \$50,000 per year.

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

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Projected Debt Service Coverage of the CID Sales Tax Revenues

The following table summarizes projected debt service coverage for the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds based on the CID Sales Tax Revenues starting in calendar year 2010 if the CID Sales Tax is levied at the highest rate that has been authorized by the voters of the CID, 1.0%, throughout the term of the Bonds. The CID Sales Tax has been initially levied at the rate of .5%. The City anticipates that the amount of the CID Sales Tax will be increased as needed to pay debt service on the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds up to the maximum authorized rate of 1%. See “**THE CID – CID Sales Tax**” herein.

To derive the estimated CID Sales Tax Revenue, the table uses estimated gross sales revenues information for businesses operating within the CID District for the calendar year ending December 31, 2009, with no increase in 2010 or 2011, a 1.5% increase in 2012 and 2013, and an increase of 2.0% thereafter.

Calendar Year	Estimated CID Sales Tax Revenues ¹	Other Revenues ²	Total Projected Revenues	Projected Total Debt Service ³	Projected Coverage
2010	\$6,382,203	\$5,322,169	\$11,704,372	\$5,432,140	2.15x
2011	\$6,382,203	\$80,267	\$6,462,470	\$5,501,012	1.17x
2012	\$6,478,686	\$160,221	\$6,638,907	\$5,479,587	1.21x
2013	\$6,576,616	\$200,277	\$6,776,893	\$5,496,587	1.23x
2014	\$6,709,149	\$200,277	\$6,909,426	\$5,512,087	1.25x
2015	\$6,844,332	\$200,277	\$7,044,609	\$5,501,618	1.28x
2016	\$6,982,218	\$200,277	\$7,182,495	\$5,490,759	1.31x
2017	\$7,122,863	\$200,277	\$7,323,140	\$5,559,587	1.32x
2018	\$7,266,320	\$200,277	\$7,466,597	\$5,663,375	1.32x
2019	\$7,412,646	\$200,277	\$7,612,923	\$5,766,100	1.32x
2020	\$7,561,899	\$200,277	\$7,762,176	\$5,877,475	1.32x
2021	\$7,714,137	\$200,277	\$7,914,414	\$5,981,293	1.32x
2022	\$7,869,420	\$200,277	\$8,069,697	\$6,090,931	1.32x
2023	\$8,027,809	\$200,277	\$8,228,086	\$6,184,346	1.33x
2024	\$8,189,365	\$200,277	\$8,389,642	\$6,293,353	1.33x
2025	\$8,354,152	\$200,277	\$8,554,429	\$6,411,859	1.33x
2026	\$8,522,235	\$200,277	\$8,722,512	\$6,533,703	1.34x
2027	\$8,693,680	\$200,277	\$8,893,957	\$6,531,775	1.36x
2028	\$8,868,553	\$200,277	\$9,068,830	\$6,892,043	1.32x
2029	\$9,046,924	\$200,277	\$9,247,201	\$8,652,921	1.07x
2030	\$9,228,863	\$200,277	\$9,429,140	\$8,179,487	1.15x
2031	\$9,414,440	\$200,277	\$9,614,717	\$8,848,512	1.09x
2032	\$9,603,729	\$200,277	\$9,804,006	\$9,011,853	1.09x
2033	\$9,796,804	\$200,277	\$9,997,081	\$9,208,818	1.09x
2034	\$9,993,740	\$200,277	\$10,194,017	\$9,370,062	1.09x
2035	\$10,194,615	\$200,277	\$10,394,892	\$9,562,231	1.09x
2036	\$10,399,507	\$200,277	\$10,599,784	\$9,739,318	1.09x
2037	\$10,608,497	\$200,277	\$10,808,774	\$9,939,181	1.09x
2038	\$10,821,667	\$8,215,786	\$19,037,454	\$16,338,062	1.17x

¹ Net of estimated collection and administration expenses, and includes TIF Revenues but no other revenues from tax increment financing. The tax can be collected through the year 2043.

² Represents estimated earnings on debt service reserve fund, capitalized interest in 2010 and release of reserves in 2038.

³ Debt service on 5 series of bonds in the aggregate principal amount of \$85,235,000.00.

The foregoing table reflects debt service on the Series 2008D Bonds, Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds. The City does not anticipate the issuance of any Additional Bonds for the Project. However, such bonds may be issued in the future. Nothing in the Indenture or Financing Agreement requires the City to have a positive coverage of debt service. The issuance of the Additional Bonds, if any, is not subject to any parity test so long as the City secures such Additional Bonds with its annual appropriation covenant.

The City has recently adjusted certain revenue projections, including those for sales tax, downward for Fiscal Year 2010 based upon seven months of operating results. The City will continue to evaluate revenues from the CID Sales Tax in the structuring of Additional Bonds if any are issued. However, there can be no assurance that CID Sales Tax Revenues will increase either initially or over time as described above. See **“BONDOWNERS RISKS – Risk Factors Relating to the City’s Obligation to Make Loan Payments – Limited Availability of General Fund Revenues,” “ - Risk Factors Relating to Collection of CID Sales Tax and TIF Revenues – Changes in Retail Sales Market Conditions”** and **“APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JANUARY 31, 2010.”**

THE EVENTS CENTER PROJECT

The Events Center improvements consisted of three basic categories of improvements, which included the Events Center, an Adjacent Ice and Practice Facility, and related Infrastructure Improvements, each as further described below. Construction of the Events Center is complete and the facility is open and has been hosting events since November, 2009. The Events Center is located on an approximately 27 acre tract of land at the southeast quadrant of the intersection of Interstate 70 and Missouri Highway 291, as identified on the map on page 9. The Events Center is owned by the City.

Events Center

The Events Center is capable of hosting sporting, civic and entertainment events and contains approximately 162,000 square feet of space on two levels. The Events Center has 5,800 fixed seats, 25 luxury suites and 2,000 paved parking spaces on site. The capacity of the Events Center is expanded to a maximum of 7,000 for concerts and other special events by the use of folding or stacking chairs. The seating totals also include club seats and a separate loge section which is served by lounges with bars and concessions.

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

The City, as owner of the Events Center, and Independence Professional Hockey LLC (“IPH”) entered into an Amended and Restated Arena Lease dated August 13, 2009 (“Hockey Lease”), which authorizes IPH to play a minimum of 30 regular season home games per year, plus play-off games if necessary, and to utilize the Events Center for practices, training camp, and other team related activities. The initial term of the Hockey Lease expires on April 30, 2020, and IPH has the option to extend the term for one additional 10 year term.

IPH, which owns and operates the Missouri Mavericks minor league hockey team that is currently playing its home games at the Events Center, entered into a License Agreement dated February 27, 2009, with Western Professional Hockey League, Inc. d/b/a Central Hockey League (“CHL”) to operate at the Events Center. The CHL currently consists of 18 teams located in mid-market communities throughout the Central and Western regions of the United States. The CHL is owned by Global Entertainment Corporation (“Global”). One of the principals of IPH formally was an owner of a CHL franchise that was based in Lubbock, Texas. Under a Conditional Assignment of Arena Lease the City, IPH and the CHL agree that if an

Lubbock, Texas. Under a Conditional Assignment of Arena Lease the City, IPH and the CHL agree that if an event of default occurs under the Lease, the CHL may remedy such default. Such remedy may at the CHL's discretion include becoming a team owner under the Lease.

Global and the City have entered into an agreement for Global to manage the Events Center. See the caption **"DEVELOPMENT AND MANAGEMENT OF THE EVENTS CENTER PROJECT"** herein for a description of Global, its subsidiaries and the management agreement.

Adjacent Ice and Practice Facility

The Adjacent Ice and Practice Facility is under the same roof as the Events Center but is set up as a separate facility. The facility contains approximately 28,200 square feet, including a standard NHL size rink of 85 feet x 200 feet. The facility also includes its own lobby and spectator bleacher seating for approximately 270 spectators, a storage area for various hockey and figure skating gear, a skate rental area, separate concession areas, a party room, restroom facilities, and shared locker rooms with the main Events Center facility. The City's Parks and Recreation Department has an administrative office in the facility. Scoreboards and some electronic signage have been installed. The facility utilizes the same mechanical equipment and infrastructure constructed for the Events Center. The City anticipates that the Adjacent Ice and Practice Facility will be used by the public and also for practices by the CHL franchise.

Infrastructure Improvements

Site infrastructure improvements have been made to accommodate the Events Center. 2,000 on-site parking spaces have been constructed and streets necessary to access the Events Center have also been completed. Other completed improvements include utilities to the site, landscaping, grading, drainage, and erosion control.

Cost of the Events Center

The cost of the Events Center Project will be approximately \$70,500,000, including the Events Center building, the Adjacent Ice and Practice Facility, Land Acquisition and necessary infrastructure improvements. The proceeds of the Bonds will be used to make final payments to the primary construction contractor and construction consultants for the Events Center Project, to fund additional enhancements including such things as a marquee sign and parking lot signage, and to pay other startup costs and fees.

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

DEVELOPMENT AND MANAGEMENT OF THE EVENTS CENTER PROJECT

The City is has entered into a management agreement with Global Entertainment Corporation, a Nevada corporation ("Global") and a project consultant agreement with International Coliseums Company ("ICC"), a subsidiary of Global. Global is a public company. Global's common stock was traded on the American Stock Exchange under the symbol "GEE" until the stock was removed from the exchange by the company in April, 2009. Global is now traded over the counter under the symbol "GNTP." Global is managing the Events Center and Adjacent Ice and Practice Facility. Global is an event and entertainment company that is engaged, through its seven wholly owned subsidiaries, in sports management, multipurpose events center and related real estate development, facility and venue management and marketing, venue ticketing and brand licensing. Global was organized as a Nevada corporation on August 20, 1998, under the name Global II, Inc.

Global, with the assistance of its subsidiaries including ICC, provided consultation services during the design and construction of the. The City hired The Benham Companies, L.L.C., as the project manager to act as the City's representative in the oversight of the Events Center ("Benham") during design and construction. The Events Center was designed by Sink Combs Dethlefs, which has designed over 24 arena and event center projects throughout the United States. JE Dunn Construction Company constructed the Events Center Project.

THE BONDS

General Terms

The Bonds are being issued in the principal amount shown on the cover page, are dated March 1, 2010, will bear interest from the date thereof or from the most recent interest payment date to which interest has been paid at the rates per annum set forth on the inside cover page, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2010, and will mature on April 1 in the years as set forth on the inside cover page. The Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The principal of the Bonds is payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Bonds will be made in book-entry only form (as described immediately below), in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any payment on the Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. The 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

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

Optional Redemption. The Bonds are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after 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 Bonds maturing on April 1, 2020 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Due</u>	<u>Principal Amount</u>
4/1/2017	\$70,000
4/1/2018	70,000
4/1/2019	75,000
4/1/2020*	80,000

*Final Maturity

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

<u>Due</u>	<u>Principal Amount</u>
4/1/2021	\$80,000
4/1/2022	85,000
4/1/2023	90,000
4/1/2024	95,000
4/1/2025*	100,000

*Final Maturity

The Bonds maturing on April 1, 2030 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Due</u>	<u>Principal Amount</u>
4/1/2026	\$105,000
4/1/2027	110,000
4/1/2028	115,000
4/1/2029	125,000
4/1/2030*	130,000

*Final Maturity

The Bonds maturing on April 1, 2035 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Due</u>	<u>Principal Amount</u>
4/1/2031	\$135,000
4/1/2032	145,000
4/1/2033	155,000
4/1/2034	160,000
4/1/2035*	170,000

*Final Maturity

The Bonds maturing on April 1, 2038 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>Due</u>	<u>Principal Amount</u>
4/1/2036	\$180,000
4/1/2037	190,000
4/1/2038*	485,000

*Final Maturity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer Outside Book-Entry Only System

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

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

Special, Limited Obligations

The Bonds and the interest thereon are special, limited obligations of the Board, payable solely from certain payments to be made by the City under the Financing Agreement and certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. All Loan Payments and Additional Payments by the City under the Financing Agreement are subject to annual appropriation by the City except CID Sales Tax Revenues which have been received from the CID.

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

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

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

The Financing Agreement

Under the Financing Agreement the City is required to make Loan Payments to the Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Bonds when due. The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as herein, all General Fund revenues of the City. The taxing power of the City is not pledged to the payment of Loan Payments either as to principal or interest.

City Annual Appropriation Obligation

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

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

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

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

from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

CID Sales Tax Revenues

In the Cooperative Agreement, the CID has covenanted, subject to annual appropriation by the Board of Directors of the CID, to remit moneys it receives from the CID Sales Tax to the City. The City has covenanted under the Financing Agreement to use CID Sales Tax Revenues for payment of the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds and anticipates that a similar covenant would be contained in any supplemental financing agreement entered into in connection with any Additional Bonds issued on a parity therewith. CID Sales Tax Revenues consist of revenues received by the City from the CID Sales Tax, less (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, (ii) such amount as is retained by the State of Missouri for collecting the CID Sales Tax, (iii) any sum received by the CID which is the subject of a suit or other claim communicated to the CID which suit or claim challenges the collection of such sum, (iv) an administration fee payable to the City for administering and accounting for the CID Sales Tax in the amount of 2% of the total CID Sales Tax, plus any actual costs and expenses incurred by the City greater than such 2% amount, (v) a one-time payment to the City of \$1,200 to reimburse the City for administrative set-up costs and expenses of the District, (vi) actual, reasonable operating costs of the CID, and (vii) any costs and expenses incurred in connection with any collection or enforcement issues associated with the CID Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue. The annual amount to be used for these administrative and collection functions (exclusive of collection costs of the State which are set at 1% of collections) is estimated by the City to equal 2% of CID Sales Tax collections, plus approximately \$50,000 per year.

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

Subordinate Lien on Certain TIF Revenues

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

The TIF Revenues may be required to be used to pay bonds which have already been issued or may be issued in the future, or may be needed to reimburse the applicable developers, various taxing district or the City for redevelopment costs not associated with the Events Center. There is no limit on the amount of additional bonds the City may issue from such TIF Revenues. For these reasons, **prospective investors**

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

Debt Service Reserve Fund

Pursuant to the Indenture, the Board will establish a Debt Service Reserve Fund for the Bonds. The Debt Service Reserve Fund will be fully funded at the time of the issuance of the Bonds from the proceeds of the Bonds in an amount equal to "Debt Service Reserve Requirement." The Debt Service Reserve Requirement is an amount equal to \$281,219.93. Moneys in each account of the Debt Service Reserve Fund shall only be available to fund a deficiency in the Debt Service Fund with respect to the associated series of bonds. Amounts in the Debt Service Reserve Fund are to be used to pay principal of and interest on the Bonds to the extent of any deficiency in the Debt Service Fund and to retire the last Outstanding Bonds.

The Indenture

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

Additional Bonds

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

Any Additional Bonds would be secured on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds (except that the account of the Debt Service Reserve Fund established for each series of bonds secures only the associated series of bonds), and therefore would share an equal claim on the CID Sales Tax Revenues and TIF Revenues. The City does not currently anticipate the issuance of Additional Bonds for the Events Center.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds even if the CID Sales Tax Revenues and TIF Revenues are not sufficient to provide for the Loan Payments on such Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the CID Sales Tax Revenues and TIF Revenues as a source of repayment**

of the Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.

BONDOWNERS' RISKS

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

General

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

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

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

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

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

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

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

Limited Availability of General Fund Revenues. If CID Sales Tax Revenues are insufficient to pay debt service on the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds, the Bonds and any Additional Bonds, any deficiencies would need to be made up from moneys in the City's General Fund, subject to annual appropriation by the City.

Because of the general decline in economic activity, the City has adjusted projections for its General Fund sales tax revenues for fiscal year 2010 to reflect a decrease of approximately \$535,716 or 3.1%. The City has also reduced estimates of various license and permit revenues, based on seven months of operating results.

Overall, the City currently projects that its General Fund revenues will be approximately 1.3% higher than original estimates. Much of this increase is attributable to a projected increase in utility franchise fees, which is the result of the settlement of a lawsuit with AT&T. The City projects that the fund balance in the General Fund will decrease by \$743,943 to \$6,314,825 from the beginning to the end of the 2010 fiscal year as a result of the expected use of \$1,780,034 of reserved and designated funds and \$1,036,091 of undesignated funds. The projected General Fund balance on June 30, 2010, is \$6,314,825 which is equal to 8.8% of projected fiscal 2010 General Fund revenues. The City is taking steps to reduce expenditures accordingly, including evaluating vacancies for possible salary savings during the year. See “**APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JANUARY 31, 2010.**” If General Fund revenues and the General Fund balance decline or 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

The City continually monitors the amount of sales tax generated in the City, including the CID Sales Tax, and will continue to adjust projections accordingly. Such projections will also be taken into account in the structuring of Additional Bonds for the Events Center Project if any are issued. The City currently projects that no Additional Bonds will be issued. However, there can be no assurance that CID Sales Tax Revenues will increase either initially or over time as described herein, that sufficient General Fund revenues will be available if CID Sales Tax Revenues are insufficient to pay debt service, or that the City would appropriate General Fund revenues for that purpose.

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

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

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

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

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

Changes in Retail Sales Market Conditions. The estimates of the CID Sales Tax Revenues and TIF Revenues used in the City’s internal projections and in the projections contained under the caption “**THE CID - Projected Debt Service Coverage of the CID Sales Tax Revenues**” are based on the current status of the national and local business economy and assume a future performance of the retail sales market similar to the historical performance of such market in the Independence area. However, changes in the market conditions for the City, as well as changes in general economic conditions, could adversely effect the amount of the CID Sales Tax Revenues and TIF Revenues collected.

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

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. As described herein, the City has lowered projections for sales tax revenues in the General Fund for fiscal year 2010. See **“APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JANUARY 31, 2010.”**

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 CID Sales Tax Revenues, TIF Revenues and General Fund revenues.

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

A primary example of this is the Crackerneck Creek project, which is not within the CID and includes a Bass Pro Outdoor World Store that is in excess of 150,000 square feet. An additional 300,000 square feet of retail and commercial development has been projected for completion in the Crackerneck Creek project. The existence and further development of the Crackerneck Creek project and other area development that is outside the CID could negatively impact sales within the CID. An approximately 55,000 square foot Hobby Lobby and an approximately 25,000 square foot Mardel (a retailer selling Christian-oriented merchandise) have recently opened in the project

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

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

Risk of Non-Appropriation of CID Sales Tax

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

Risk of Non-Appropriation of TIF Revenues

The application of TIF Revenues in the various special allocation funds for the Eastland Center, Hartman Heritage, Centerpoint and Trinity redevelopment projects is subject to annual appropriation by the City. Although the City has covenanted to request annually that the appropriation of the TIF Revenues in the various special allocation funds be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made by the City Council, and the City Council is not legally obligated to do so.

Prior Pledge of TIF Revenues

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

Possible Additional Bonds

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with such Bonds even if the CID Sales Tax Revenues and TIF Revenues are not sufficient to provide for the Loan Payments relating to such Bonds, without regard to the proposed Additional Bonds. The City does not currently expect that Additional Bonds will be issued.

Loss of Premium Upon Early Redemption

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

Enforcement of Remedies

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

Amendment of Indenture

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

LITIGATION

The Board

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

The City

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

LEGAL MATTERS

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

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

TAX MATTERS

Opinion of Bond Counsel

Federal Income Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations 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 excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Bond over its initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner during any accrual period generally equals (i) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in such Bond. Owners of any Bonds purchased at an original issue discount should consult with their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning such Bonds.

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

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

Other Tax Consequences

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

RATING

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

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2009 excerpted from the City's Comprehensive Annual Financial Report and an unaudited Financial and Operating Report for the period ended January 31, 2010 are included in **Appendix B** to this Official Statement. The financial statements for the fiscal year ended June 30, 2009 have been audited by Cochran Head Vick & Co., P.C., independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto. The unaudited Financial and Operating report has been prepared by the City.

CONTINUING DISCLOSURE

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

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a bond purchase agreement entered into by and among the Board, the City and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase the Bonds at a purchase price of \$2,843,147.00 (which represents the principal amount of the Bonds less an underwriter's discount of \$44,250.00 and original issue discount of \$62,603.00) plus accrued interest. In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all of the Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The City has agreed in the bond purchase agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the bond purchase agreement.

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

MISCELLANEOUS

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

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

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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THE CITY

General Information

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

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

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

<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

Elections occur in April. The Mayor is running unopposed and there are three candidates for the two At-Large seats, with both incumbents running for re-election. The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock is the City Manager. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is currently held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. Allen Garner has served as City Counselor since May 2003.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial and commercial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity.

Employee Retirement System

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. The City makes a portion of the required contributions to this plan and employees make a contribution of 4% of salary for the difference. The total pension expense for the City for the years ended June 30, 2008 and 2009 was \$4,813,003 and \$4,492,585, respectively.

Insurance

The City self-insures for workers' compensation claims up to \$1,000,000 per accident and purchases a \$3,000,000 excess worker's compensation insurance policy from 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	2,500
Independence School District	Public School District	2,000
Centerpoint Medical Center	Health Care	1,600
City of Independence	Local Government	1,176
Government Employee Hospital (GEHA)	Medical Ins. Service Center	650
Rosewood Health Center at the Groves	Retirement Community	400
Burd & Fletcher	Paper Carton Manufacturing	350
Jackson County Circuit Court	Judicial System	274
Mid-Continent Public Library	Library	248
Unilever (Thomas J. Lipton)	Food Manufacturing	220

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>2008*</u>	<u>2009*</u>
City of Independence	111,797	112,301	113,288	110,440	114,128
Jackson County	629,266	633,232	654,880	668,417	669,287
State of Missouri	4,916,686	5,117,073	5,595,211	5,911,870	5,938,126

Sources: U.S. Census Bureau, City's Community Development Dep., Claritas, Inc. & Mid-America Regional Council

*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%	6.70%
5-9 years	6.74%	7.04%	6.52%
10-14 years	6.32%	6.71%	6.60%
15-20 years	7.20%	7.86%	8.51%
21-24 years	4.44%	4.70%	5.31%
25-34 years	12.05%	12.79%	13.15%
35-44 years	13.47%	14.28%	13.28%
45-54 years	14.89%	14.95%	14.63%
55-59 years	6.64%	6.37%	6.32%
60-64 years	5.84%	5.14%	5.24%
65-74 years	7.86%	6.54%	7.18%
75-84 years	5.24%	4.12%	4.51%
85 and older	2.21%	1.87%	2.05%
Median Age	39.56	37.29	37.41
Average Age	39.33	37.45	38.13

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009*</u>
<u>Kansas City MSA</u>					
Total Labor Force	1,025,477	1,027,058	1,038,110	1,040,411	1,043,647
Unemployed	57,831	51,465	51,610	59,548	84,580
Unemployment Rate	5.6%	5.0%	5.0%	5.7%	8.1%
<u>Jackson County</u>					
Total Labor Force	334,758	333,255	334,928	334,121	334,613
Unemployed	21,300	18,940	19,447	22,935	31,533
Unemployment Rate	6.4%	5.7%	5.8%	6.9%	9.4%
<u>State of Missouri</u>					
Total Labor Force	2,997,744	3,014,120	3,023,106	3,012,126	2,999,825
Unemployed	160,781	145,263	152,844	182,837	260,062
Unemployment Rate	5.4%	4.8%	5.1%	6.1%	8.7%

Source: Mid-America Regional Council

*Average estimated through April 2009.

Income Statistics

The following table sets forth income figures from the 2000 census and an estimate for 2009.

	<u>Per Capita</u>		<u>Median Household</u>	
	<u>2000</u>	<u>2009</u>	<u>2000</u>	<u>2009</u>
City of Independence	\$19,384	\$22,655	\$45,876	\$53,625
Jackson County	20,788	24,393	48,435	57,795
State of Missouri	19,936	24,125	37,934	56,733

Source: Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2009.

<u>Housing type</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Single Detached	35,990	70.47%
Single Attached	1,790	3.50
Double	2,214	4.33
3 to 19 Unites	6,838	13.39
20 to 49 Units	1,052	2.06
50 + Units	1,582	3.10
Mobile Home	1,581	3.10
All Other	<u>27</u>	<u>0.05</u>
Total Units	51,074	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 2009 by Claritas, Inc., as follows:

	<u>Median Value</u>	
	<u>2000</u>	<u>2009*</u>
City	\$77,000	\$103,445
Jackson County	85,000	120,840
State of Missouri	89,900	125,170

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Residential</i>					
Number of Permits	737	567	434	224	222
Estimated Cost	\$66,838,976	\$40,861,800	\$27,365,631	\$18,755,251	\$13,119,817
<i>Non-Residential</i>					
Number of Permits	188	150	180	119	103
Estimated Cost	\$32,069,290	\$52,568,560	\$74,867,315	\$36,840,594	\$99,875,472

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

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

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2009 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 certain tax revenues and payments in lieu of taxes received by the City by source.

Year	Total	Real Estate Tax	Railroad Utilities Tax	Cigarette Tax	Transient Guest Tax	Sales Tax	Franchise Tax	In Lieu of Taxes
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
2009*	68,562,682	7,030,381	55,093	514,225	972,773	35,816,523	10,669,952	13,503,735

* 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, 2009 (the last completed assessment):

	<u>Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Actual Valuation</u>
Real Estate:			
Residential	\$773,624,781	19%	\$4,071,709,374
Commercial	274,853,776	32%	858,918,050
Agricultural	1,063,868	12%	8,865,567
Railroad and Utilities	<u>4,908,045</u>	32%	<u>15,337,641</u>
Real Estate Sub-Total	1,054,450,470		4,954,830,631
Personal Property	<u>264,939,784</u>	33.3%	<u>795,614,967</u>
Total	\$1,319,390,254		\$5,750,445,598

Source: Jackson and Clay Counties Assessor's Office

* 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>
2009	\$1,319,390,254	-6.6%
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	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, 2009.

<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	\$22,148,951	1.68%
Sprint	Communications	14,309,100	1.08
Centerpoint Medical Center	Health Care	9,468,744	0.72
Cole EDD Mt Independence LLC	Retail Center	9,410,731	0.71
Geospace	Underground Commercial	8,528,233	0.65
Unilever Bestfoods NA	Food Manufacturer	6,579,003	0.50
Bradley Operating LTD PTP	Retail Center	6,046,633	0.46
AT&T	Communications	5,703,409	0.43
Noland Fashion Square Partners	Retail Center	4,881,823	0.37
Southern Union Company	Utility	<u>4,705,107</u>	<u>0.36</u>
Total		\$91,781,734	6.96%

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 had no General Obligation debt outstanding as of June 1, 2008. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

(i) \$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 February 1, 2010:

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 Leasehold 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>
\$14,785,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	\$12,170,000
\$17,520,000	MDFB	Infrastructure Facilities Revenue Bonds**	2009C	\$17,520,000
\$19,310,000	MDFB	Infrastructure Facilities Revenue Bonds**	2009E	\$19,310,000

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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	\$12,170,000
\$6,175,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	\$2,580,000
\$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	\$12,295,000
\$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
\$19,310,000	MDFB	Infrastructure Facilities Revenue Bonds**	2009E	\$19,310,000
\$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
\$2,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2009I	\$2,325,000
\$3,630,000	MDFB	Infrastructure Facilities Revenue Bonds	2009J	\$3,630,000

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

**Same issues, 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 October 1, 2009. There can be no assurance that the Developer will continue to make such voluntary payments, and the Developer has not made a written commitment to do so.

PILOTS and EATS generated within the Santa Fe Redevelopment Area are insufficient to make debt service payments on the Series 2007C Bonds. According to the City’s audited financial statements, PILOTS and EATS generated in the Santa Fe Redevelopment Area in Fiscal Year 2009 were approximately \$1,572. 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

Crackerneck Creek Redevelopment Project

The City anticipates the issuance of additional bonds to fund costs related to a redevelopment project known as the Crackerneck Creek Redevelopment Project. This project includes the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek project will include an approximately 150,000 square foot Bass Pro Shops Outdoor World retail store, and is expected to include a minimum of 300,000 square feet of additional retail space and a hotel. Under a lease with the City, Bass Pro will be required to operate its retail store for a twenty (20) year period and will make lease payments to the City equal to approximately 2% of gross sales. The Board has passed a resolution expressing its intent to issue one or more series of bonds to finance the City’s costs associated with this development. The bonds are expected to be issued in an approximate principal amount of \$98,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately \$73,600,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves. The City expects that these bonds will be payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City. The City’s loan payments will be secured by a pledge of the Bass Pro lease payments, certain tax increment revenues (local and state sales taxes and property taxes), revenues from a transportation development district sales tax, and if not paid from such lease payments and tax revenues, from the City’s general fund, subject to annual appropriation. Of the projected \$98,000,000 in bonds anticipated to be issued by the Board, \$89,570,000 have been issued to date. The Bass Pro store is open. In addition, an approximately 55,000 square foot Hobby Lobby and a 25,000 square foot Mardel (a retailer selling Christian-oriented merchandise) have recently opened in the project.

Because of the previous failure of Crackerneck Creek, L.L.C. (the “Developer”) to produce sufficient retail commitments as required by the redevelopment agreement related to the project (the “Redevelopment Agreement”), on June 22, 2007 the City delivered to the Developer a notice of termination under the terms of the Redevelopment Agreement. On February 7, 2008, the City and Developer entered into an Agreement for Stay of Termination (the “Stay of Termination”). Under the provisions of the Stay of Termination, the City consented to stay the provisions of the termination until June 30, 2008 to provide the Developer additional time to procure retail development for the project. Because commitments for such retail development have not been secured, the City can proceed at any time with the termination of the Developer and the Developer has

expressly waived any ability to challenge the termination proceedings as part of the Stay of Termination. The City has not yet acted to permanently terminate Developer as the developer of record under the Redevelopment Agreement. Subsequent to the execution of the Stay of Termination, the City and Developer have entered into a parcel development agreement where the City will make up to \$5,054,100 from amounts saved under the original public improvements budget available to the Developer to assist in funding actual development costs of certain parcels in the Crackerneck Creek project for 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 anticipates the issuance of bonds in 2010 or 2011 to fund additional capitalized interest on bonds previously issued because current projections indicate that development now in place will not generate sufficient incremental tax revenues to pay debt service on such bonds.

Centerpoint Redevelopment Project

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

Water Utility

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

Electric Utility

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

Water Pollution Control

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

The City is currently engaged in evaluating options for funding the required improvements. A study for the wastewater utility is underway which includes evaluation of possible rate increases to fund the improvements. The study is nearly complete. 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, 2009 are comprised of the following:

Sun Trust Leasing, interest at 4.19% annual installments through July 2013. A lease to purchase a fire truck.	\$ 412,854
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.	37,690
IBM Corporation, interest at 3.199% monthly installments through 2011. A lease to purchase an I Series System along with other computer equipment.	54,049
Missouri Development Finance Board, interest at 3.00% monthly installments through 2012. A lease to purchase a phone system.	<u>98,931</u>
TOTAL	\$650,673

Overlapping or Underlying Indebtedness Debt

The following table sets forth overlapping and underlying debt repaid with property taxes of political subdivisions with boundaries overlapping the City as of June 30, 2009, 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%	37,289,000
Independence School District	108,530,000	100.00	121,546,322
Raytown School District	97,505,000	6.00	5,656,800
Fort Osage #1	<u>40,173,012</u>	12.50	<u>4,733,334</u>
TOTAL	\$334,708,012		\$296,401,926

* Does not include amounts available in certain debt service funds

APPENDIX B

**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2009; UNAUDITED FINANCIAL
AND OPERATING REPORT
FOR PERIOD ENDED JANUARY 31, 2010**

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**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2009**

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City of Independence, Missouri
Historic City of the Trails



For the Fiscal Year Ended

June 30, 2009

*Comprehensive Annual
Financial Report*

CITY OF INDEPENDENCE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009



Mayor
Don B. Reimal

City Council

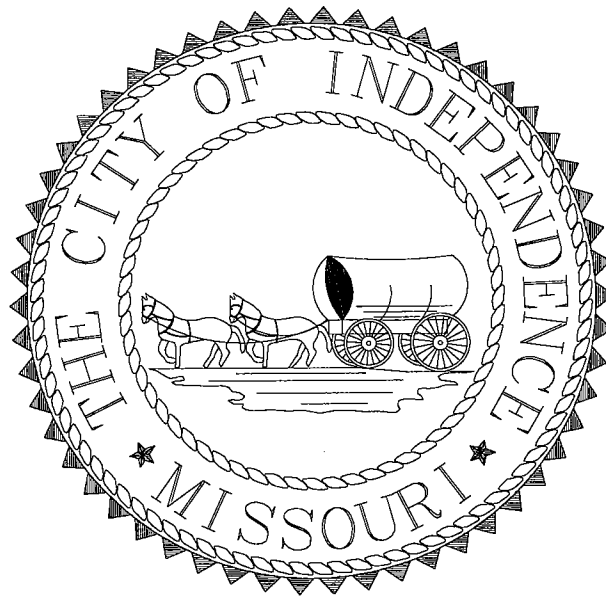
Marcie Gragg	District #1
Will Swoffer	District #2
Myron Paris	District #3
Jim Page	District #4
Lucy Young	At-large
Jim Schultz	At-large

City Manager

Robert Heacock

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration



CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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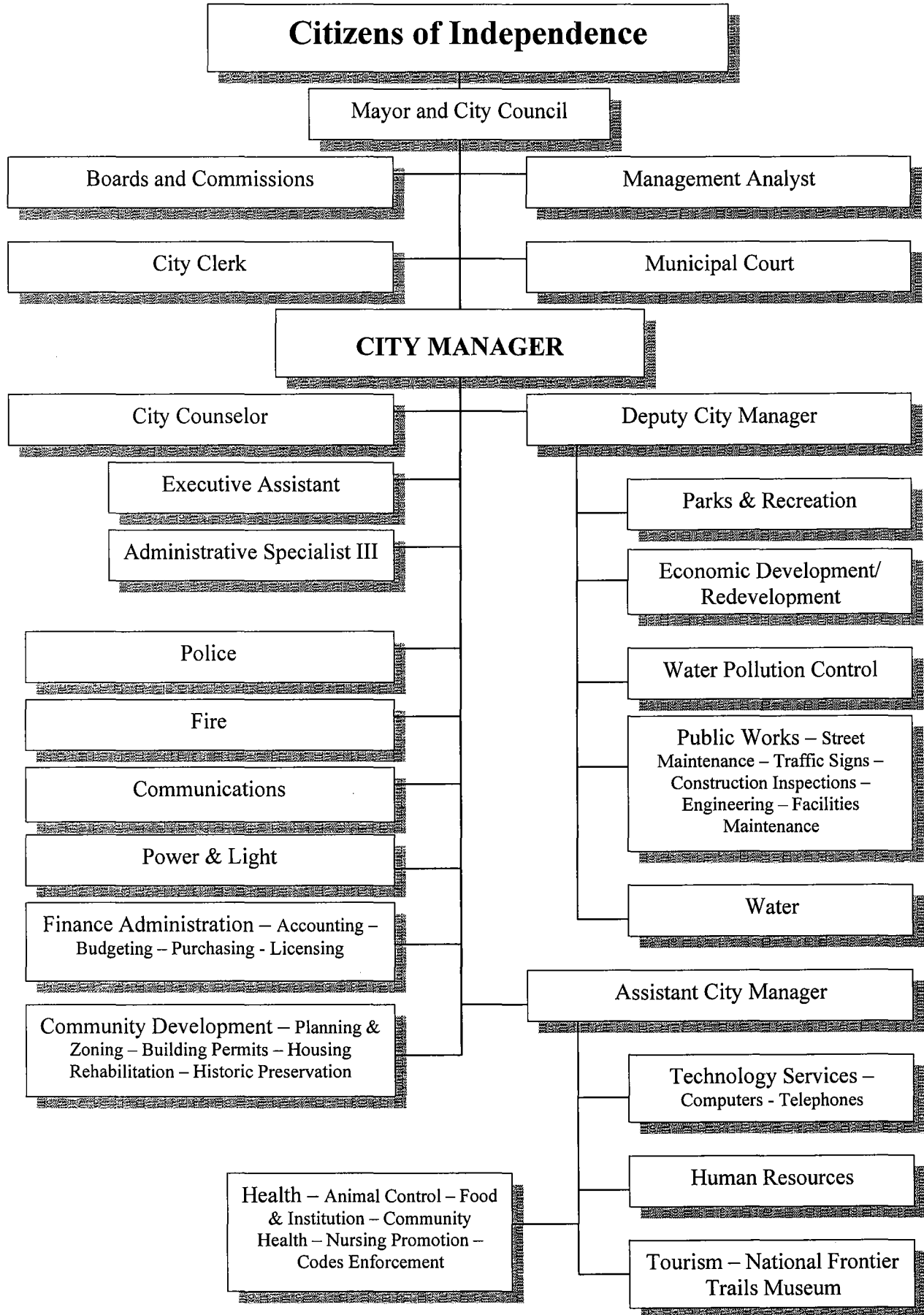
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Introductory Section

City of Independence, Missouri Organizational Chart





City of Independence

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November 1, 2009

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2009. This report is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter.

The responsibility for accuracy, completeness and fairness of the data presented, including all disclosures, rests with the City. We believe the report, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and the results of the City, on a Government-wide and Fund basis. It is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

This report was prepared by the City's Finance Department staff in accordance with general accepted accounting principles (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting in the United States. This report is intended to provide sufficient information to permit the assessment of stewardship and accountability and to demonstrate legal compliance.

The City of Independence's financial statements, as required by the Charter, have been audited by Cochran Head Vick & Co., P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Independence was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the City of Independence's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Independence's MD&A can be found immediately following the report of the independent auditor.

Profile of the City

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S Truman, 33rd President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 114,128. The City of Independence was presented the All American City award for 2001 by the National Civic League. *Working Woman* magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21st Century Community Learning Centers. Patricia Schultz included several tourism attractions in Independence in her recent travel book, *"1,000 Places to See in the United States and Canada Before You Die."*

Its central location in the "Heart of America" offers residents and businesses unique location advantages and means that traveling, shipping, receiving and communications are more economical because of shorter distances to most parts of the country. Situated along major interstate highways (I-70, I-35, & I-29) and rail routes, access to Independence from all parts of the nation, as well as, Canada and Mexico is excellent. The City's 78 square miles accommodate its residents and numerous businesses with 32 square miles of mixed-use land in eastern Independence available for development.

The City of Independence is home to Lake City Army Ammunition Plant, the largest small-caliber ammunition manufacturing plant in the world. Lake City is the largest employer in Independence and encompasses 458 buildings on 3,935 acres. Independence is home to the Harry S Truman Presidential Museum & Library, one of only twelve in the nation. There are six major industrial and business parks in Independence. A large portion of the manufacturing, warehousing and office space is located underground in three separate, sub-surface business parks. This area has over 750 acres of mixed-use business parks with over 32 million square feet of industrial space, underground warehousing, and a cold storage facility with 1.2 million square feet.

The City of Independence is organized, as a constitutional charter city under the Missouri statutes utilizing the Council-Manager form of government. In accordance with the charter, the registered voters within the City elect a mayor and six council members to serve four-year terms as representatives on the City Council. An election for four districts is conducted as a unit, while elections for mayor and two at-large seats are conducted two years later. The Council appoints a City Manager to serve as the chief administrative officer of the City.

The City of Independence provides a comprehensive range of municipal services normally associated with a municipality, including police and fire protection, public works services, public health services, parks and recreation facilities, general administrative services and a trails history museum. The City also provides electric, water, and sanitary sewer services, all of which are accounted for in the financial statements as business-type activities.

In fulfilling its responsibilities for reliable financial statements, management depends on the City's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded.

In addition to the independent audit and the internal control system, the Charter provides that the Council appoint a Management Analyst. The Management Analyst performs such duties as directed by the Council. These duties include the periodic review of all departments and the preparation of an annual report to the Council.

The Audit and Finance Committee, comprised of three members of the Council, acts in an advisory capacity to the Council and reviews financial information for appropriateness, reliability, clarity, timeliness and compliance with generally accepted accounting principles and legal requirements. In addition, this committee reviews the audit functions and adequacy of internal control systems.

The annual budget serves as the foundation for the City of Independence's financial planning and control. The appropriated budget is prepared by fund, function (e.g. public safety), and department (police). Department heads may make transfers of appropriations within their department. Transfers of appropriations between departments, however, require approval of the City Council. Budget-to-actual comparisons for the General and Special Revenue Funds, which are required for each individual governmental fund for which an appropriated annual budget has been adopted, are included in this report.

Purchase orders and contracts are encumbered prior to their release to vendors. Any item, which would result in expenditures in excess of a department's budget, is not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2009, are reported as reservations of fund balances since the City intends to honor the purchase orders and contracts.

Factors Affecting Financial Condition

Local economy. The City is continuing to experience growth on the eastern side of town. The I-70 interchange has made the Little Blue Parkway the professional business corridor of the 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of the fastest growing area in the Kansas City metropolitan area. This area will be home to the Events Center which will include an arena with 5,800 seats for hockey with additional seating for concerts and a community ice rink. The Events Center is scheduled to open in November 2009.

Long-term financial planning. The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The CIP for fiscal year 2009-2010 includes projects totaling an estimated \$84 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales taxes.

The City's policy is to maintain an undesignated fund balance level in the General Fund equal to 5% of annual revenues. Unreserved, undesignated fund balance in the General Fund does not fall within the policy guidelines set by the Council for budgetary and planning purposes

Major initiatives. Development of the Little Blue Parkway, a new thoroughfare connecting the eastern portion of the City to the north-eastern portion is still under construction. This extension covers 32 square miles with plans to add an additional 20,000 residents and 5,000 new jobs by 2020. Construction is underway for the addition of the Falls at Crackerneck, a project that covers approximately 200 acres and includes a 160,000 square-foot Bass Pro retail store, restaurant, hotel, and three adjoining commercial areas providing 350,000 square feet of retail shops and will create 300 new jobs. The Bass Pro retail store opened in February 2008. Across from the Bass Pro Shop are an 18-acre lake and 80-acre city-owned Waterfall Park featuring two waterfalls, walking trail and playground equipment including a rock

climbing wall for children. The economy has impacted the development of this project; however, a Hobby Lobby store is currently under construction.

Cash management policies and practices. The Finance Department strives to keep abreast of current trends and procedures for cash management and forecasting to ensure the most efficient and profitable use of the City's cash resources. While efforts are made to maximize the return on the City's investment dollar, the primary concern is to always assure the return on principal. To maximize investment earnings, the City consolidates cash balances of all funds except for certain restricted funds. Idle cash during the year was invested in U.S. agencies and certificates of deposit. The average yield on investments was 2.38 percent.

Risk management. During the fiscal year, the City renewed all major insurance policies (property, boiler and machinery, general liability, automobile liability, public official's liability and law enforcement liability.) Significant attention is being given to cost control in the area of health insurance.

Awards and Acknowledgements

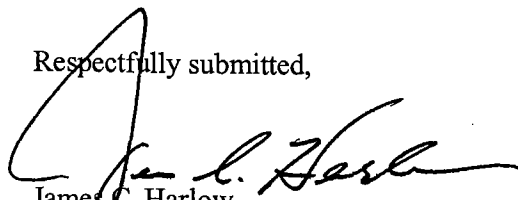
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

The preparation of this report would not have been possible without the efficient and dedicated services of several members of the Finance Department. I wish to express my appreciation to all members of the department, especially our Controller, Paulette Holst and Senior Accountant, Nancy Cooper, who assisted and contributed to the preparation of this report. I also would like to thank the firm of Cochran Head Vick & Co., P. C. for their assistance and patience in the preparation of this annual report.

Respectfully submitted,



James C. Harlow
Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence
Missouri

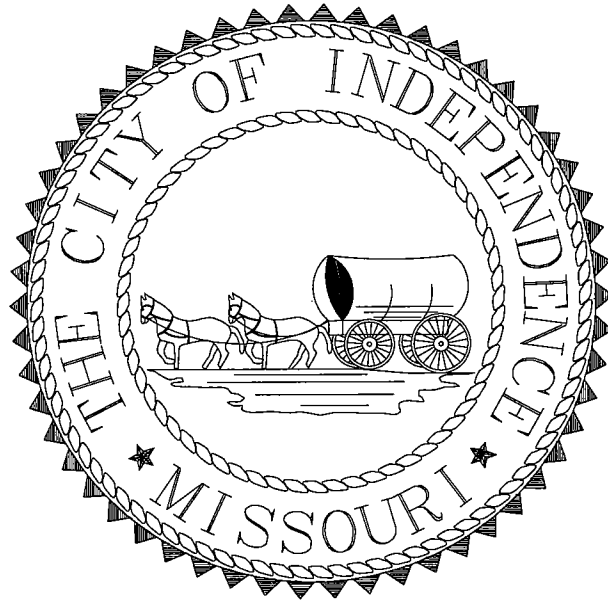
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Financial Section



& Co

COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

Independent Auditors' Report

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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, (the City) as of and for the year ended June 30, 2009, 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 respective 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, 2009, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

October 16, 2009

Cochran Head V. J. & L. P.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2009

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, 2009. 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 \$34.8 million. The City's 'governmental-type activities' had an increase of \$39.8 million and the 'business-type activities' had a decrease of \$5.0 million.

Sales tax revenue decreased by \$733,421. 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. The Bass Pro store opened during February 2008 and Hobby Lobby is expected to open before the end of 2009.

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

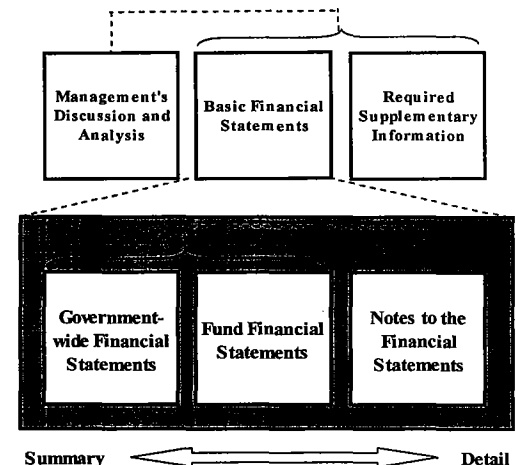
The City has a contract with Global Enterprises to develop and operate a multi-purpose events center in the southeast part of the City. The events center's primary tenant will be a Central Hockey League team. This project required the establishment of a community improvement district and a sales tax in the district. The events center will open during November 2009.

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:

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



CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2009

- 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.

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.

Figure MD-2
Major Features of the City of Independence's Government-wide and Fund Financial Statements

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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2009

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.

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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2009

- 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, 2009

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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 47,614,181	55,967,090	140,011,759	64,410,060	187,625,940	120,377,150
Capital assets	304,518,101	255,546,959	386,094,078	344,195,683	690,612,179	599,742,642
Total assets	352,132,282	311,514,049	526,105,837	408,605,743	878,238,119	720,119,792
Long-term obligations	43,236,438	42,935,261	191,088,617	74,150,308	234,325,055	117,085,569
Other liabilities	14,879,351	14,368,011	17,524,080	11,995,483	32,403,431	26,363,494
Total liabilities	58,115,789	57,303,272	208,612,697	86,145,791	266,728,486	143,449,063
Net assets						
Invested in capital assets, net of related debt	289,028,019	233,350,380	283,871,824	285,931,913	572,899,843	519,282,293
Restricted	15,475,723	25,270,518	3,691,325	5,216,672	19,167,048	30,487,190
Unrestricted (deficit)	(10,487,249)	(4,410,121)	29,929,991	31,311,367	19,442,742	26,901,246
Total net assets	\$ 294,016,493	254,210,777	317,493,140	322,459,952	611,509,633	576,670,729

The City's combined net assets increased 6.03% to \$611.5 million from \$576.7 million. Net assets of the City's governmental activities increased 15.66% to \$294.0 million. Governmental assets increased \$40.6 million and liabilities increased \$.8 million. Long-term obligations for Governmental Activities increased \$.3 million and Business-type Activities increased \$116.9 million. The increase in long-term obligations is due, for the most part, to the issuance of obligations for capital improvements.

Total unrestricted net assets were \$19.4 million with the business-type activities being \$29.9 million. The City's unrestricted net assets (deficit) for governmental activities were (\$10.5) million.

Unrestricted net assets for business activities were \$29.9 million and decreased \$1.4 million from the previous year. Net assets invested in capital assets, net of related debt were \$283.9 million and decreased \$2.1 million from the previous year.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
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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	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Charges for services	\$ 13,920,788	14,515,300	139,020,540	141,017,185	152,941,328	155,532,485
Operating grants and contributions	8,223,227	8,902,787	—	—	8,223,227	8,902,787
Capital grants and contributions	41,557,506	27,772,386	3,396,999	4,363,127	44,954,505	32,135,513
General revenues						
Property taxes	7,963,698	7,067,966	—	—	7,963,698	7,067,966
Sales taxes	37,353,520	38,086,941	—	—	37,353,520	38,086,941
Other taxes	13,183,160	16,551,812	—	—	13,183,160	16,551,812
Interest	605,453	1,476,448	485,895	1,850,519	1,091,348	3,326,967
Other	438,354	348,143	1,405,433	37,982	1,843,787	386,125
Total revenues	123,245,706	114,721,783	144,308,867	147,268,813	267,554,573	261,990,596
Expenses						
Administrative services	8,216,824	8,487,120	—	—	8,216,824	8,487,120
Public works	13,197,612	13,013,430	—	—	13,197,612	13,013,430
Public safety	47,972,502	44,390,164	—	—	47,972,502	44,390,164
Culture & recreation	8,135,903	7,813,486	—	—	8,135,903	7,813,486
Community development	4,003,876	4,381,932	—	—	4,003,876	4,381,932
Health & welfare	3,599,725	3,287,200	—	—	3,599,725	3,287,200
Electric	—	—	100,572,906	101,665,442	100,572,906	101,665,442
Water	—	—	19,938,460	19,131,054	19,938,460	19,131,054
Sanitary sewer	—	—	15,233,127	14,451,363	15,233,127	14,451,363
Events center	—	—	132,808	179,032	132,808	179,032
Storm water	2,445,470	2,270,858	—	—	2,445,470	2,270,858
General government	8,374,983	7,921,217	—	—	8,374,983	7,921,217
Interest	891,473	1,073,318	—	—	891,473	1,073,318
Total expenses	96,838,368	92,638,725	135,877,301	135,426,891	232,715,669	228,065,616
Excess (deficiency) of revenues or expenses before transfers	26,407,338	22,083,058	8,431,566	11,841,922	34,838,904	33,924,980
Transfers - In (Out)	13,398,378	14,181,015	(13,398,378)	(14,181,015)	—	—
Change in net assets	39,805,716	36,264,073	(4,966,812)	(2,339,093)	34,838,904	33,924,980
Net assets, beginning of year	254,210,777	217,946,704	322,459,952	324,799,045	576,670,729	542,745,749
Net assets, end of year	\$ 294,016,493	254,210,777	317,493,140	322,459,952	611,509,633	576,670,729

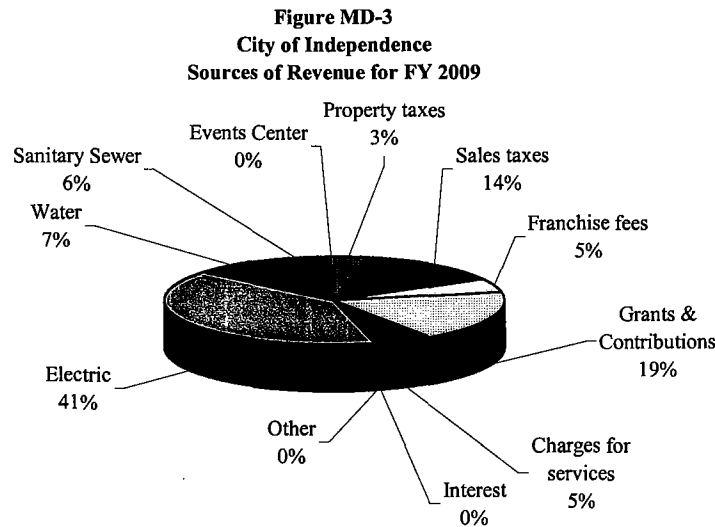
Total revenues increased 2.1% or \$5.6 million and Governmental revenues increased 7.4% or \$8.5 million. This increase can be attributed mostly to the increase in developer donations of streets and bridges and grants for road improvements. Of significance is the slow growth of property and sales taxes. This is a reflection of the economy and retail competition.

Total expenses increased 2.0% or \$4.6 million and Governmental expenses increased 4.5% or \$4.2 million. This increase can be attributed, to a great extent, to costs associated with events center and public safety. 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, 2009

Revenues

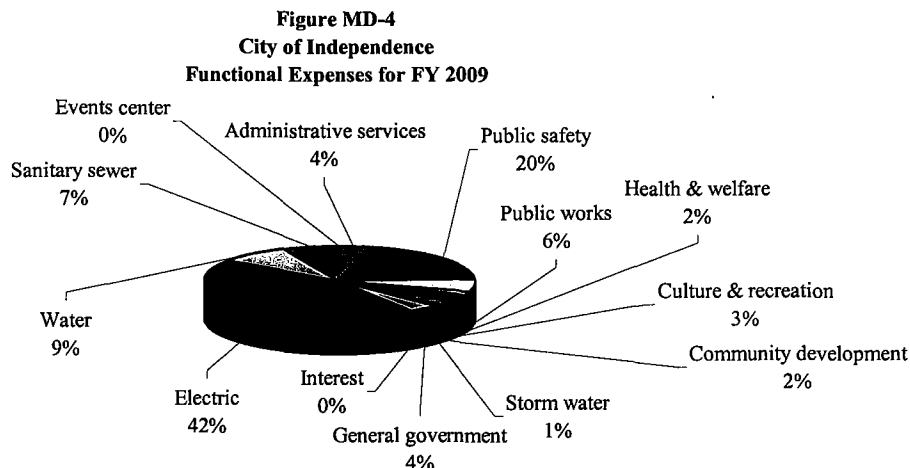
For the fiscal year ending June 30, 2009 revenues totaled \$267.6 million. Of this amount charges for services (governmental and business type) was \$152.9 million or 57.2% of the total. Revenue from business-type activities represents \$144.3 million or 53.9% of the total City revenues (Figure MD-3).



Revenues from governmental activities were \$123.2 million. Sales taxes, the largest governmental category, were \$37.4 million or 30.3%. All taxes represent \$58.5 million or 47.5% of governmental revenue. Operating and capital grants were \$49.8 million or 40.4% of governmental revenues. Charges for services at \$13.9 million were 11.3% of the total.

Expenses

For the fiscal year ending June 30, 2009 expenses totaled \$232.7 million. Of this amount the electric utility was \$100.6 million or 43.0% of the total. Business-type expenses represent \$135.9 million or 58.4% of the total City expenses (Figure MD-4).



CITY OF INDEPENDENCE, MISSOURI
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June 30, 2009

Expenses from governmental activities were \$96.8 million. Public safety expenses, the largest governmental category, were \$48.0 million or 49.5% of the total. Public Works is the next largest category at \$13.2 million, which is 13.6% of the total.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Administrative services	\$ 8,216,824	8,487,120	1,952,780	2,527,396
Public works	13,197,612	13,013,430	(22,807,547)	(6,259,150)
Public safety	47,972,502	44,390,164	41,574,272	38,406,937
Culture & Recreation	8,135,903	7,813,486	6,507,481	6,585,876
Community development	4,003,876	4,381,932	1,483,876	853,226
Health & Welfare	3,599,725	3,287,200	2,321,386	2,051,329
Storm water	2,445,470	2,270,858	1,454,148	1,962,740
General government and interest on long-term debt	9,266,456	8,994,535	650,451	(4,680,102)
Total	\$ 96,838,368	92,638,725	33,136,847	41,448,252

As noted in Table MD-3 expenses from governmental activities for fiscal year 2009 were \$96.8 million. However, the net costs of these services were \$33.1 million. The difference represents direct revenues received from charges for services of \$13.9 million, operating grants and contributions of \$8.2 million, and capital grants and contributions of \$41.6 million. Taxes and other revenues of \$59.5 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities decreased \$3.0 million or 2.0% and expenses increased \$.5 million. This change in revenues is primarily the result of mild weather conditions for both the electric and water utilities. The increase in expenses is due mostly to the addition of the events center. 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, 2009

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$21.4 million. The fund balance of the General Fund decreased \$2,269,049 during fiscal year 2009. The unreserved, undesignated portion of the General Fund's fund balance decreased \$1,483,856. 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.

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 \$396,431. The increase in the deficit from the prior year is due to decreased revenues over expenditures. The Fund has a receivable from other governments in the amount of \$1.6 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 \$68,722 from the original estimate. Actual revenues at the end of the year were less than projected by \$3.8 million. The largest variance was in the area of taxes and payments in lieu of taxes, accounting for \$2.0 million of the revenue variance. A large variance also occurred in the area of Licenses and Permits, accounting for \$1.1 million.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$2.1 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.

Actual expenditures, including encumbrances, were \$4.5 million less than the amount appropriated, representing operating savings of 6.1%. 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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the City had invested \$690.6 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased \$90.9 million or 15.2% during the period.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
Land & land imp	\$ 27,484,679	20,664,176	11,244,437	11,244,437	38,729,116	31,908,613	21.38%
Buildings & Improvements	77,535,320	70,499,675	—	—	77,535,320	70,499,675	9.98%
Office furniture & equipment	66,174	71,254	—	—	66,174	71,254	-7.13%
Computer equipment	483,082	690,436	—	—	483,082	690,436	-30.03%
Mobile equipment	6,785,193	7,582,112	—	—	6,785,193	7,582,112	-10.51%
Other equipment	2,281,734	2,004,864	6,800,542	26,014	9,082,276	2,030,878	347.21%
Infrastructure	114,866,418	98,039,565	306,790,630	312,349,946	421,657,048	410,389,511	2.75%
Construction in progress	75,015,501	55,994,877	61,258,469	20,575,286	136,273,970	76,570,163	77.97%
Total	\$ 304,518,101	255,546,959	386,094,078	344,195,683	690,612,179	599,742,642	15.15%

The budget for fiscal year 2010 projects the City will spend an additional \$40 million for capital projects.

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

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
Loans and bonds payable	\$ 13,586,351	20,681,754	178,411,467	63,829,753	191,997,818	84,511,507	127.19%
Capital lease obligations	603,524	650,673	65,954	—	669,478	650,673	2.89%
Neighborhood Improvement District	800,207	864,153	—	—	800,207	864,153	-7.40%
Total	\$ 14,990,082	22,196,580	178,477,421	63,829,753	193,467,503	86,026,333	124.89%

The City at the end of fiscal year 2009 had a total of \$193.5 million of outstanding obligations. This was an increase of \$107.4 million or 124.9% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$178.5 million or 92.3% are obligations of the business-type activities.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2009

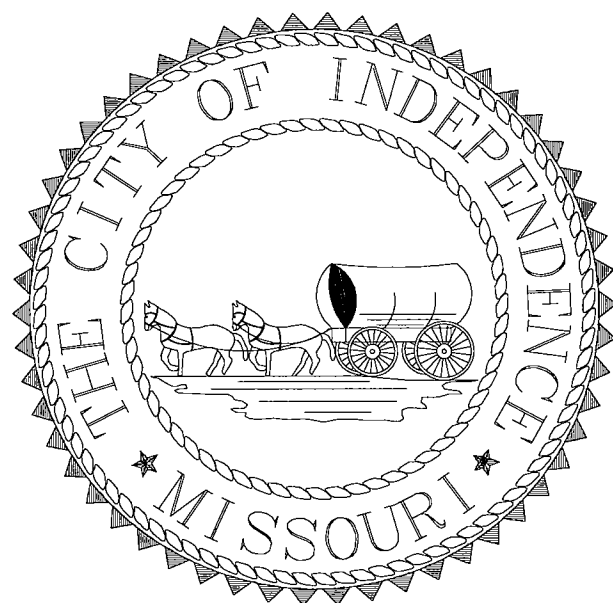
Additional information regarding debt can be found in the 'Notes to Financial Statements', Note (7), of this report.

Economic Factors

In the last five years the City, as a community, lost 9,316 jobs, with current total employment at 53,414 jobs. Unemployment by mid-2009 was 8.5%, this is lower than Jackson County at 9.4% and the State at 8.7%. As with most of the rest of the country the City's unemployment rate has increased during the last two years. Median income for 2009 is estimated to be \$53,625, compared to \$56,733 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, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
Assets:				
Current assets:				
Pooled cash and investments	\$ 27,339,756	17,005,944	44,345,700	11,072,019
Receivables:				
Taxes	12,574,085	—	12,574,085	483,222
Accounts	629,278	9,292,107	9,921,385	51,347
Unbilled revenue	—	9,988,608	9,988,608	—
Special assessment principal and accrued interest	2,204,267	37,810	2,242,077	—
Accrued interest	49,490	45,984	95,474	—
Internal balances	252,687	(252,687)	—	—
Due from component unit	674,440	—	674,440	—
Due from other governments	3,042,665	1,004,358	4,047,023	240,692
Inventory	151,298	12,259,664	12,410,962	—
Prepaid items	15,308	62,699	78,007	—
Restricted cash and investments	230,300	2,050,705	2,281,005	—
Total current assets	<u>47,163,574</u>	<u>51,495,192</u>	<u>98,658,766</u>	<u>11,847,280</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	96,100,009	72,502,906	168,602,915	—
Depreciable, net	208,418,092	313,591,172	522,009,264	—
Deferred debt issue costs	139,811	6,421,846	6,561,657	1,491,906
Other deferred charges	—	2,148,229	2,148,229	—
Restricted cash and investments	310,796	79,946,492	80,257,288	28,882,296
Total noncurrent assets	<u>304,968,708</u>	<u>474,610,645</u>	<u>779,579,353</u>	<u>30,374,202</u>
Total assets	<u>\$ 352,132,282</u>	<u>526,105,837</u>	<u>878,238,119</u>	<u>42,221,482</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	\$ 6,063,011	12,015,318	18,078,329	90,637
Accrued items	2,136,690	1,020,317	3,157,007	2,786,226
Other current liabilities	620,534	51,189	671,723	—
Due to primary government	—	—	—	674,440
Due to other governments	—	—	—	4,200
Unearned revenue	936,084	—	936,084	—
Current portion of long-term obligations	9,082,872	7,100,168	16,183,040	6,765,388
Self-insurance claims payable	2,703,565	—	2,703,565	—
Liabilities payable from restricted assets	230,300	3,913,038	4,143,338	—
Total current liabilities	<u>21,773,056</u>	<u>24,100,030</u>	<u>45,873,086</u>	<u>10,320,891</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	21,777,349	178,462,249	200,239,598	202,364,765
Self-insurance claims payable	2,189,167	—	2,189,167	—
Other post-employment benefits	12,376,217	5,526,200	17,902,417	—
Advances for construction	—	524,218	524,218	—
Total noncurrent liabilities	<u>36,342,733</u>	<u>184,512,667</u>	<u>220,855,400</u>	<u>202,364,765</u>
Total liabilities	<u>58,115,789</u>	<u>208,612,697</u>	<u>266,728,486</u>	<u>212,685,656</u>
Net assets:				
Invested in capital assets, net of related debt	289,028,019	283,871,824	572,899,843	—
Restricted for:				
Capital projects	563,700	—	563,700	—
Special revenue	13,738,144	—	13,738,144	—
Debt service	1,173,879	3,691,325	4,865,204	—
Unrestricted (deficit)	<u>(10,487,249)</u>	<u>29,929,991</u>	<u>19,442,742</u>	<u>(170,464,174)</u>
Total net assets (deficit)	<u>294,016,493</u>	<u>317,493,140</u>	<u>611,509,633</u>	<u>(170,464,174)</u>
Total liabilities and net assets (deficit)	<u>\$ 352,132,282</u>	<u>526,105,837</u>	<u>878,238,119</u>	<u>42,221,482</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	\$ 8,216,824	6,247,933	16,111	—	(1,952,780)
Public safety	47,972,502	4,432,454	1,875,776	90,000	(41,574,272)
Public works	13,197,612	449,172	4,221,920	31,334,067	22,807,547
Health and welfare	3,599,725	776,194	390,945	111,200	(2,321,386)
Culture and recreation	8,135,903	842,523	264,730	521,169	(6,507,481)
Community development	4,003,876	1,172,512	1,347,488	—	(1,483,876)
Storm water	2,445,470	—	106,257	885,065	(1,454,148)
General government	8,374,983	—	—	8,616,005	241,022
Interest on long-term debt	891,473	—	—	—	(891,473)
Total governmental activities	96,838,368	13,920,788	8,223,227	41,557,506	(33,136,847)
Business-type activities:					
Power and light	100,572,906	105,064,847	—	1,323,998	5,815,939
Water	19,938,460	18,607,799	—	337,859	(992,802)
Sewer	15,233,127	15,347,894	—	1,735,142	1,849,909
Events center	132,808	—	—	—	(132,808)
Total business-type activities	135,877,301	139,020,540	—	3,396,999	6,540,238
Total primary government	\$ 232,715,669	152,941,328	8,223,227	44,954,505	(26,596,609)
Component unit:					
Tax increment financing	\$ 27,893,294	1,009,328	—	865,004	(26,018,962)
		Governmental Activities	Business-Type Activities	Total	Component Unit
Changes in net assets:					
Net (expense) revenue		\$ (33,136,847)	6,540,238	(26,596,609)	(26,018,962)
General revenues:					
Taxes					
Property taxes		7,963,698	—	7,963,698	731,758
Sales and use taxes		37,353,520	—	37,353,520	2,638,940
Intergovernmental activity taxes		—	—	—	8,606,754
Franchise taxes		13,138,965	—	13,138,965	—
Financial institutions tax		44,195	—	44,195	—
Investment earnings		605,453	485,895	1,091,348	376,566
Miscellaneous		438,354	1,405,433	1,843,787	49,151
Transfers in (out)		13,398,378	(13,398,378)	—	—
Total general revenues and transfers		72,942,563	(11,507,050)	61,435,513	12,403,169
Change in net assets		39,805,716	(4,966,812)	34,838,904	(13,615,793)
Net assets (deficit), beginning		254,210,777	322,459,952	576,670,729	(156,848,381)
Net assets (deficit), ending		\$ 294,016,493	317,493,140	611,509,633	(170,464,174)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
Governmental Funds
June 30, 2009

Assets	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 1,043,107	109,764	19,271,370	20,424,241
Receivables:				
Taxes	9,786,424	—	2,787,661	12,574,085
Accounts, net	203,427	—	21,289	224,716
Special assessment principal and accrued interest	586,257	536,674	1,081,336	2,204,267
Accrued interest	4,296	—	31,561	35,857
Due from other funds	4,642,973	—	16,155	4,659,128
Due from component unit	9,014	651,606	13,820	674,440
Due from other governments	709,824	1,637,881	694,960	3,042,665
Restricted assets	447,074	—	94,022	541,096
Total assets	<u>\$ 17,432,396</u>	<u>2,935,925</u>	<u>24,012,174</u>	<u>44,380,495</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 330,284	2,338,811	3,340,413	6,009,508
Due to other funds	—	—	4,552,744	4,552,744
Accrued items	1,795,164	—	101,791	1,896,955
Other current liabilities	612,759	—	7,775	620,534
Deferred revenue	7,405,121	993,545	1,291,194	9,689,860
Liabilities payable from restricted assets:				
Deposits and court bonds	230,300	—	—	230,300
Total liabilities	<u>10,373,628</u>	<u>3,332,356</u>	<u>9,293,917</u>	<u>22,999,901</u>
Fund balances:				
Reserved for:				
Encumbrances	819,105	10,663,765	8,914,764	20,397,634
Other purposes	499,981	—	4,751	504,732
Unreserved, reported in:				
General fund	5,739,682	—	—	5,739,682
Special revenue funds	—	—	5,357,555	5,357,555
Debt service fund	—	—	56,553	56,553
Capital projects funds	—	(11,060,196)	384,634	(10,675,562)
Total fund balance (deficit)	<u>7,058,768</u>	<u>(396,431)</u>	<u>14,718,257</u>	<u>21,380,594</u>
Total liabilities and fund balance	<u>\$ 17,432,396</u>	<u>2,935,925</u>	<u>24,012,174</u>	<u>44,380,495</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, 2009

Fund balances – total governmental funds	\$ 21,380,594
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	455,142,903
Less accumulated depreciation	<u>(150,719,881)</u>
	304,423,022
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid	(227,833)
Adjustment of deferred revenue	8,753,776
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	2,507,787
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	(14,230,613)
Capital lease obligations	(603,524)
Compensated absences	(15,241,856)
Discounts (premiums)	(155,945)
Other post-employment benefits	(12,228,726)
Claims payable	<u>(500,000)</u>
	(42,960,664)
Deferred debt costs	<u>139,811</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 294,016,493</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, 2009

	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 34,719,966	—	20,411,716	55,131,682
Licenses and permits	3,158,139	—	537,832	3,695,971
Intergovernmental	4,954,426	10,852,349	3,325,140	19,131,915
Charges for services	2,041,498	1,896	730,890	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	306	334,442	495,337
Reimbursements from component unit	—	11,530,528	743,643	12,274,171
Other	348,595	6,283	569,214	924,092
Total revenues	52,782,515	22,391,362	26,652,877	101,826,754
Expenditures:				
Current:				
Administrative services	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	1,542,289
General government	7,366,383	—	120,594	7,486,977
Capital outlay	767,557	26,516,846	15,158,125	42,442,528
Debt service:				
Principal	343,755	—	6,934,000	7,277,755
Interest and fiscal agent fees	45,023	—	932,093	977,116
Total expenditures	68,467,774	26,516,846	32,895,806	127,880,426
Deficiency of revenues over expenditures	(15,685,259)	(4,125,484)	(6,242,929)	(26,053,672)
Other financing sources (uses):				
Capital leases	101,734	—	—	101,734
Transfers in – utility payments in lieu of taxes	13,503,735	—	—	13,503,735
Transfers in	—	3,811,784	86,154	3,897,938
Transfers out	(219,387)	(46,154)	(3,737,754)	(4,003,295)
Sale of capital assets	30,128	—	10,141	40,269
Total other financing sources	13,416,210	3,765,630	(3,641,459)	13,540,381
Net change in fund balances	(2,269,049)	(359,854)	(9,884,388)	(12,513,291)
Fund balances (deficit), beginning	9,327,817	(36,577)	24,602,645	33,893,885
Fund balances (deficit), ending	\$ 7,058,768	(396,431)	14,718,257	21,380,594

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, 2009

Net change in fund balances – total governmental funds	\$ (12,513,291)
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	43,233,507
Depreciation expense	(11,777,825)
Donated assets	17,542,006
	<u>48,997,688</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	(25,997)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	3,382,989
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	(101,734)
Principal payments	7,277,755
Debt issuance costs amortization	(63,858)
Debt premiums and discounts amortizations	30,476
	<u>7,142,639</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	(1,441,325)
Accrued interest	85,643
Other post-employment benefits	(5,988,289)
	<u>(7,343,971)</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:	165,659
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>39,805,716</u></u>

See accompanying notes to financial statements.

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	\$ 8,144,104	1,006,670	7,855,170	—	17,005,944	6,915,515
Receivables:						
Accounts (net of allowance of \$862,411)	6,369,887	1,405,927	1,516,293	—	9,292,107	404,562
Unbilled revenue	7,858,825	1,106,474	1,023,309	—	9,988,608	—
Special assessment principal and accrued interest	3,375	—	34,435	—	37,810	—
Accrued interest	31,277	—	14,707	—	45,984	13,633
Due from other funds	19,301	11,614	8,773	—	39,688	—
Due from other governments	612,535	—	—	391,823	1,004,358	—
Inventory	11,534,291	647,766	77,607	—	12,259,664	151,298
Prepaid items	62,699	—	—	—	62,699	15,308
Restricted cash and investments	1,359,572	386,361	304,772	—	2,050,705	—
Total current assets	35,995,866	4,564,812	10,835,066	391,823	51,787,567	7,500,316
Noncurrent assets:						
Capital assets:						
Nondepreciable	16,827,031	3,744,300	3,941,394	47,990,181	72,502,906	93,979
Depreciable, net	145,381,918	102,458,428	65,750,826	—	313,591,172	1,100
Deferred debt issue costs	1,532,610	1,418,159	—	3,471,077	6,421,846	—
Other deferred charges	—	2,148,229	—	—	2,148,229	—
Restricted cash and investments	29,658,395	13,638,404	—	36,649,693	79,946,492	—
Total noncurrent assets	193,399,954	123,407,520	69,692,220	88,110,951	474,610,645	95,079
Total assets	\$ 229,395,820	127,972,332	80,527,286	88,502,774	526,398,212	7,595,395
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	\$ 5,282,042	527,595	1,407,356	4,798,325	12,015,318	50,388
Due to other funds	—	—	—	1,072	1,072	145,000
Accrued items	536,443	256,240	227,634	—	1,020,317	11,902
Other current liabilities	—	—	51,189	—	51,189	—
Current portion of long-term obligations	3,434,227	3,326,736	309,205	30,000	7,100,168	45,907
Self-insurance claims payable	—	—	—	—	—	2,706,680
Liabilities payable from restricted assets	1,403,208	953,270	276,005	1,280,555	3,913,038	—
Total current liabilities	10,655,920	5,063,841	2,271,389	6,109,952	24,101,102	2,959,877
Noncurrent liabilities:						
Revenue bonds payable	40,391,467	50,965,000	—	82,255,000	173,611,467	—
Compensated absences – long-term	3,015,862	1,113,492	677,440	—	4,806,794	82,376
Other long-term obligations	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
Self-insurance claims payable	—	—	—	—	—	2,189,167
Advances for construction	421,896	102,322	—	—	524,218	—
Total noncurrent liabilities	46,973,637	53,491,114	1,792,916	82,255,000	184,512,667	2,419,034
Total liabilities	57,629,557	58,554,955	4,064,305	88,364,952	208,613,769	5,378,911
Net assets:						
Invested in capital assets, net of related debt	145,998,331	65,832,994	69,685,625	2,354,874	283,871,824	95,079
Restricted for:						
Debt service/capital outlay	3,191,325	500,000	—	—	3,691,325	—
Unrestricted	22,576,607	3,084,383	6,777,356	(2,217,052)	30,221,294	2,121,405
Total net assets (deficit)	171,766,263	69,417,377	76,462,981	137,822	317,784,443	2,216,484
Total liabilities and net assets	\$ 229,395,820	127,972,332	80,527,286	88,502,774	526,398,212	7,595,395

Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds

Net assets of business-type activities

(291,303)
\$ 317,493,140

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, 2009

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	
Operating revenues:					
Charges for services	\$ 103,739,618	18,119,003	15,195,887	—	137,054,508
Other reimbursements	—	—	—	—	1,799,055
Miscellaneous	1,325,229	488,796	152,007	—	1,966,032
Total operating revenues	105,064,847	18,607,799	15,347,894	—	139,020,540
Operating expenses:					
Personal services	17,491,072	7,709,633	5,156,886	—	30,357,591
Other services	16,274,108	3,666,182	7,065,820	—	27,006,110
Supplies	49,740,012	1,438,747	684,685	—	51,863,444
Capital outlay	—	261,525	—	—	261,525
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
Total operating expenses	101,700,198	18,879,908	15,708,423	—	136,288,529
Operating income (loss)	3,364,649	(272,109)	(360,529)	—	2,732,011
Nonoperating revenues (expenses):					
Interest revenue	278,408	18,001	146,552	42,934	485,895
Miscellaneous revenue	1,467,201	1,811,194	91,357	391,823	3,761,575
Interest expense	(919,647)	(1,832,147)	(10)	(132,808)	(2,884,612)
Total nonoperating revenue (expenses)	825,962	(2,952)	237,899	301,949	1,362,858
Income (loss) before contributions and transfers	4,190,611	(275,061)	(122,630)	301,949	4,094,869
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)
Transfers in	—	—	105,357	—	105,357
Transfers out	—	—	—	—	—
Change in net assets	(4,752,084)	(1,710,721)	254,346	301,949	(5,906,510)
Total net assets:					
Beginning of the year (deficit)	176,518,347	71,128,098	76,208,635	(164,127)	1,111,127
End of the year (deficit)	\$ 171,766,263	69,417,377	76,462,981	137,822	2,216,484
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					939,698
Change in net assets of business-type activities.					\$ (4,966,812)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2009

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total
Cash flows from operations:					
Receipts from customers and others	\$ 106,067,415	20,129,809	15,423,100	—	141,620,324
Payments to suppliers	(74,565,540)	(8,462,311)	(6,801,697)	—	(89,829,548)
Payments to employees	(16,030,903)	(6,814,334)	(4,483,392)	—	(27,328,629)
Net cash provided by (used in) operating activities	15,470,972	4,853,164	4,138,011	—	24,462,147
Cash flows from noncapital financing activities:					
Transfers in	—	—	105,357	—	105,357
Transfers (out)	—	—	—	—	—
Transfers out – payments in lieu of taxes	(10,266,693)	(1,773,519)	(1,463,523)	—	(13,503,735)
Negative cash balance implicitly financed	(7,091,352)	—	—	—	(7,091,352)
Advances to/from other funds	6,655	4,005	—	—	10,660
Net cash provided by (used in) noncapital financing activities	(17,351,390)	(1,769,514)	(1,358,166)	—	(20,479,070)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(7,363,152)	(3,509,244)	(4,509,375)	(35,154,783)	(50,536,554)
Capital Lease Payable	(1,168)	(514)	(186)	—	(1,868)
Interest paid on revenue bonds and equipment contracts	(473,357)	(1,448,651)	—	(42,934)	(1,964,942)
Debt expense paid on revenue bonds	—	(174,795)	—	(25,233)	(200,028)
Disposal costs from disposition of equipment	(548,268)	(25,188)	—	—	(573,456)
Proceeds from bond issue	30,086,395	16,941,033	—	67,172,916	114,200,344
Redemption of revenue bonds	(2,155,000)	(2,380,000)	—	—	(4,535,000)
Interest received on special assessment	—	—	90	—	90
Net cash provided by (used in) capital and related financing activities	19,545,450	9,402,641	(4,509,471)	31,949,966	56,388,586
Cash flows from investing activities:					
Purchases of investments	(16,953,537)	(1,488,384)	(8,488,384)	—	(26,930,305)
Proceeds from sales and maturities of investments	28,461,183	2,988,384	12,488,084	—	43,937,651
Interest on investments	489,393	24,489	228,223	42,934	785,039
Net cash provided by (used in) investing activities	11,997,039	1,524,489	4,227,923	42,934	17,792,385
Net increase (decrease) in cash and cash equivalents	29,662,071	14,010,780	2,498,297	31,992,900	78,164,048
Cash and cash equivalents at beginning of year	—	1,020,655	2,161,645	4,656,793	7,839,093
Cash and cash equivalents at end of year	29,662,071	15,031,435	4,659,942	36,649,693	86,003,141
Investments with original maturities greater than 90 days	9,500,000	—	3,500,000	—	13,000,000
Pooled cash and investments	\$ 39,162,071	15,031,435	8,159,942	36,649,693	99,003,141
Noncash capital and related financing activities:					
Capital lease	42,389	18,651	6,782	—	67,822
Contributed capital	\$ 1,323,998	337,859	1,735,142	—	3,396,999
Components of cash and short-term investments at end of fiscal year:					
Unrestricted assets	\$ 8,144,104	1,006,670	7,855,170	—	17,005,944
Restricted assets	31,017,967	14,024,765	304,772	36,649,693	81,997,197
Total pooled cash and investments	\$ 39,162,071	15,031,435	8,159,942	36,649,693	99,003,141
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 3,364,649	(272,109)	(360,529)	—	2,732,011
Adjustments not affecting cash:					
Depreciation and amortization	11,433,567	2,823,435	2,703,058	—	16,960,060
Nonoperating revenues	1,467,201	1,811,194	91,357	391,823	3,761,575
Nonoperating expenses	—	(613,995)	—	—	(613,995)
Change in assets and liabilities:					
Accounts receivable	(509,972)	587,154	9,319	—	86,501
Inventory	117,214	(37,792)	(2,869)	—	76,553
Prepaid items and other assets	82,476	—	—	—	82,476
Unbilled revenue	51,444	(262,343)	(39,709)	—	(250,608)
Due from other governments	(66,468)	—	—	(391,823)	(458,291)
Special assessments receivable	529	—	11,583	—	12,112
Other receivable	—	—	2,656	—	2,656
Accounts and contracts payable	(2,042,184)	(153,968)	1,059,710	—	(1,136,442)
Accrued and other liabilities	47,701	35,159	(58,269)	—	24,591
Other post-employment benefits	1,502,612	661,136	577,386	—	2,741,134
Self-insurance claims payable	—	—	—	—	—
Customer deposits	146,993	69,683	61,637	—	278,313
Compensated absences	(124,790)	205,610	82,681	—	163,501
Total adjustments	12,106,323	5,125,273	4,498,540	—	21,730,136
Net cash provided (used) by operating activities	\$ 15,470,972	4,853,164	4,138,011	—	24,462,147

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private- Purpose Trust Funds	Agency Funds
Assets:		
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 contracts payable	231	—
Funds held in escrow	1,801	56,235
Flexible benefit payable	—	59,233
Total liabilities	<u>2,032</u>	<u>\$ 115,468</u>
Net assets:		
Held in trust	<u>\$ 60,555</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, 2009

	Private- Purpose Trust Funds
	<u> </u>
Additions:	
Charges for services	\$ 16,940
Interest	<u> 536</u>
Total additions	<u> 17,476</u>
Deductions:	
Capital outlay	<u> 18,339</u>
Total deductions	<u> 18,339</u>
Change in net assets	(863)
Net assets, beginning	<u> 61,418</u>
Net assets, ending	\$ <u><u> 60,555</u></u>

See accompanying notes to financial statements.



CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(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, 2009

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.

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

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.

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 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

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 fuel and vehicle and equipment parts and materials and is valued at the lower of cost or market.

(g) Prepaid Items

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

(h) Interfund Activity

The City has the following types of interfund activity:

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City's business-type activities during the fiscal year was \$5,476,366. Of this amount, \$2,591,754 was included as part of the cost of the capital assets under construction in connection with power and light, water, and events center projects.

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, 2009

	<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
Machinery and equipment	7-25
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
Machinery and equipment	5-22
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25
Machinery and equipment	5-20
Events Center Fund:	
Buildings and improvements	20-40

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, 2009

(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' for General Fund employees and nine months for Firefighters of regular earnings at the employee's current rate of pay and compensation for vacation is paid up to a maximum of 400 hours for General Fund employees and 780 hours for 24 hour shift Firefighters.

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) 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."

(n) 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.

(o) 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(p) New Accounting Pronouncements

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.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City is currently evaluating the impact of adopting Statement No. 53. The City will implement GASB No. 53 beginning with the year ended June 30, 2010.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes clearer fund balance classification that can be more consistently applied and clarifies the existing governmental fund type definitions. The City is currently evaluating the impact of adopting Statement No. 54. The City will implement GASB No. 54 beginning with the year ended June 30, 2011.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(2) Deposits and Investments

At June 30, 2009, the carrying values of deposits and investments are summarized as follows:

Investments:	
Short-term investments held in trust	\$ 108,379,380
U.S. government securities	<u>26,652</u>
Total investments	108,406,032
Deposits and repurchase obligations	58,594,610
Petty cash	<u>15,228</u>
Total	<u>\$ 167,015,870</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	\$ 44,345,700	177,562	44,523,262	11,072,019	55,595,281
Restricted cash and investments	<u>82,538,293</u>	<u>—</u>	<u>82,538,293</u>	<u>28,882,296</u>	<u>111,420,589</u>
	<u>\$ 126,883,993</u>	<u>177,562</u>	<u>127,061,555</u>	<u>39,954,315</u>	<u>167,015,870</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 funds with overdrawn balances (cash and investments) 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, 2009

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. As of June 30, 2009 the City had no investments subject to ratings by Moody's Investor Service.

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, 2009, 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, 2009.

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, 2009, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of \$26,652 that will mature in 2027.

Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of June 30, 2009, the City had a U.S. Treasury Bond investment of \$26,652.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2009 is as follows:

	General	Nonmajor Governmental Funds	Total
Real estate tax	\$ 7,030,381	22,735	7,053,116
Railroad utilities tax	55,093	—	55,093
Cigarette tax	514,225	—	514,225
Transient guest tax	—	972,773	972,773
Sales tax	16,450,315	19,416,208	35,866,523
Franchise tax	10,669,952	—	10,669,952
	<u>\$ 34,719,966</u>	<u>20,411,716</u>	<u>55,131,682</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, 2008, on which the fiscal 2009 levy was based, was \$1,411,932,554.

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, 2009 were \$0.4463 for the General Fund, \$0.2102 for Public Health and Recreation, and \$0.4627 for the Independence Square Benefit District Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2009 consisted of the following:

	General Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total
Federal				
Department of Agriculture	\$ —	—	350	350
Department of Housing & Urban Development				
Community Development Block Grant	—	—	812,373	812,373
Emergency Shelter Grant	—	—	58,866	58,866
Home Investment Partnership	—	—	463,215	463,215
Department of Justice	—	—	690,622	690,622
Department of Transportation	25,393	10,622,326	298,783	10,946,502
Department of Health & Human Services	25,000	—	260,599	285,599
Department of Homeland Security	—	—	146,929	146,929
Total Federal	<u>50,393</u>	<u>10,622,326</u>	<u>2,731,737</u>	<u>13,404,456</u>
State & Local				
Department of Health & Human Services	4	—	109,038	109,042
Department of Revenue				
Motor Vehicle Fuel Tax	3,111,994	—	—	3,111,994
Motor Vehicle Sales Tax	603,933	—	—	603,933
Motor Vehicle Fees	499,706	—	—	499,706
Financial Institutions Tax	44,195	—	—	44,195
Division of Tourism	—	—	213,462	213,462
Department of Public Safety	—	—	44,250	44,250
Missouri Highway and Transportation Commission	—	—	3,645	3,645
Missouri State Safety Center	—	—	12,395	12,395
Platte County Sheriff's Office	—	—	47,160	47,160
Missouri Department of Natural Resources	—	—	98,960	98,960
Jackson County Anti Drug Tax	329,927	—	—	329,927
Jackson County DARE	314,274	—	—	314,274
Jackson County Urban Road System	—	230,023	—	230,023
Target	—	—	500	500
Healthcare Foundation of Greater Kansas City	—	—	62,083	62,083
General Mills	—	—	15	15
Truman Heartland Community Foundation	—	—	1,895	1,895
Total State & Local	<u>4,904,033</u>	<u>230,023</u>	<u>593,403</u>	<u>5,727,459</u>
Grand Total	<u>\$ 4,954,426</u>	<u>10,852,349</u>	<u>3,325,140</u>	<u>19,131,915</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

Amounts due from other governments at June 30, 2009 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund:				
Department of Health & Human Services	\$ 4,167	—	—	4,167
Department of Transportation	12,696	—	—	12,696
Department of Revenue				
Motor Vehicle Fuel Tax	—	518,000	—	518,000
Motor Vehicle Sales Tax	—	50,000	—	50,000
Motor Vehicle License Fees	—	123,000	—	123,000
39th St Transportation Development District	—	—	1,961	1,961
	<u>16,863</u>	<u>691,000</u>	<u>1,961</u>	<u>709,824</u>
Street Improvements Fund:				
Department of Transportation	1,174,684	—	—	1,174,684
Jackson County Urban Road System	—	—	458,903	458,903
39th St Transportation Development District	—	—	4,294	4,294
	<u>1,174,684</u>	<u>—</u>	<u>463,197</u>	<u>1,637,881</u>
Nonmajor Governmental Funds:				
Department of Agriculture	400	—	—	400
Department of Justice	154,612	—	—	154,612
Department of Transportation	55,337	14,120	—	69,457
Department of Health & Human Services	51,168	—	—	51,168
Department of Homeland Security	30,328	—	—	30,328
Department of Housing & Urban Development	243,655	—	—	243,655
Missouri Division of Tourism	—	145,340	—	145,340
	<u>535,500</u>	<u>159,460</u>	<u>—</u>	<u>694,960</u>
Totals	\$ <u>1,727,047</u>	<u>850,460</u>	<u>465,158</u>	<u>3,042,665</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2009, consisted of the following:

	Due from Nonmajor Governmental	Events Center	Due from Internal Service Fund	Total
Due to:				
Governmental activities:				
General Fund	\$ 4,536,589	—	106,384	4,642,973
Nonmajor governmental	16,155	—	—	16,155
Total governmental activities	<u>4,552,744</u>	<u>—</u>	<u>106,384</u>	<u>4,659,128</u>
Business-type activities:				
Power and Light Fund	—	—	19,301	19,301
Water Fund	—	—	11,614	11,614
Sanitary Sewer Fund	—	1,072	7,701	8,773
Total business-type activities	<u>—</u>	<u>1,072</u>	<u>38,616</u>	<u>39,688</u>
Total	<u>\$ 4,552,744</u>	<u>1,072</u>	<u>145,000</u>	<u>4,698,816</u>

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

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2009 were as follows:

	Interfund Charges	Rent
Nonmajor governmental funds	\$ 35,000	\$ 13,820
Power and Light Fund	1,777,601	43,534
Sanitary Sewer Fund	612,291	13,213
Water Fund	964,737	25,086
	<u>\$ 3,389,629</u>	<u>\$ 95,653</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, 2009

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2009 as follows:

Sanitary Sewer Fund	\$ 295,232
Power and Light Fund	1,417,114
	<u>\$ 1,712,346</u>

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2009 as follows:

Sanitary Sewer Fund	\$ 97,638
Water Fund	546,157
	<u>\$ 643,795</u>

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of \$10,266,693, \$1,773,519 and \$1,463,523 in fiscal year 2009 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, 2009, consisted of the following:

	Transfer Out				Total
	General	Street Improvements	Nonmajor Governmental	Pharmacy Benefit	
Transfers In:					
Street Improvements	\$ 114,030	—	3,697,754	—	3,811,784
Sanitary Sewer Fund	105,357	—	—	—	105,357
Staywell Healthcare	—	—	—	82,781	82,781
Nonmajor governmental	—	46,154	40,000	—	86,154
Total Primary Government	<u>\$ 219,387</u>	<u>46,154</u>	<u>3,737,754</u>	<u>82,781</u>	<u>4,086,076</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(6) Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 19,005,796	2,078,712	—	21,084,508
Construction work in progress	55,994,877	41,382,313	(22,361,689)	75,015,501
Total nondepreciable capital assets	75,000,673	43,461,025	(22,361,689)	96,100,009
Depreciable capital assets:				
Land improvements	1,762,432	4,839,231	—	6,601,663
Buildings	39,814,342	9,481,108	(23,000)	49,272,450
Building improvements	12,930,034	376,378	—	13,306,412
Improvements other than buildings	31,223,505	518,947	—	31,742,452
Office furniture and equipment	816,076	10,682	—	826,758
Computer equipment	1,445,526	24,219	(17,555)	1,452,190
Mobile equipment	20,630,836	1,020,748	(272,655)	21,378,929
Other equipment	4,198,533	659,089	(56,756)	4,800,866
Infrastructure	207,155,860	22,745,774	—	229,901,634
Total depreciable capital assets	319,977,144	39,676,176	(369,966)	359,283,354
Less accumulated depreciation for:				
Land improvements	(104,052)	(97,440)	—	(201,492)
Buildings	(7,027,694)	(1,143,441)	23,000	(8,148,135)
Building improvements	(2,725,994)	(649,095)	—	(3,375,089)
Improvements other than buildings	(3,714,518)	(1,548,252)	—	(5,262,770)
Office furniture and equipment	(744,822)	(15,762)	—	(760,584)
Computer equipment	(755,090)	(228,875)	14,857	(969,108)
Mobile equipment	(13,048,724)	(1,810,125)	265,113	(14,593,736)
Other equipment	(2,193,669)	(366,464)	41,001	(2,519,132)
Infrastructure	(109,116,295)	(5,918,921)	—	(115,035,216)
Total accumulated depreciation	(139,430,858)	(11,778,375)	343,971	(150,865,262)
Total depreciable capital assets, net	180,546,286	27,897,801	(25,995)	208,418,092
Governmental activities capital assets, net	\$ 255,546,959	71,358,826	(22,387,684)	304,518,101

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

Depreciation expense was charged to functions as follows:

Administrative services	\$	311,647
Public safety		2,360,988
Public works		5,727,817
Health and welfare		78,139
Culture and recreation		1,611,609
Community development		75,950
Storm water		877,660
General government		<u>734,015</u>
Total		11,777,825

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

Total depreciation expense

		<u>550</u>
\$		<u><u>11,778,375</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 2,953,206	—	—	2,953,206
Construction in progress	15,058,209	9,236,494	(10,420,878)	13,873,825
Total nondepreciable capital assets	18,011,415	9,236,494	(10,420,878)	16,827,031
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	157,238,370	549,447	—	157,787,817
Transmission plant	25,762,354	1,618,582	(5)	27,380,931
Distribution plant	119,021,299	7,468,300	(411,714)	126,077,885
General plant	6,019,735	16,488	—	6,036,223
Total infrastructure	310,797,326	9,652,817	(411,719)	320,038,424
Machinery and equipment	13,798,448	768,061	(897,075)	13,669,434
Total depreciable capital assets	324,595,774	10,420,878	(1,308,794)	333,707,858
Less accumulated depreciation:				
Infrastructure	(165,312,595)	(11,215,149)	976,149	(175,551,595)
Machinery and equipment	(12,929,884)	(741,536)	897,075	(12,774,345)
Total accumulated depreciation	(178,242,479)	(11,956,685)	1,873,224	(188,325,940)
Total depreciable capital assets, net	146,353,295	(1,535,807)	564,430	145,381,918
Total power and light capital assets	\$ 164,364,710	7,700,687	(9,856,448)	162,208,949

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Water Fund:				
Nondepreciable capital assets:	\$			
Land	2,164,725	—	—	2,164,725
Construction in progress	1,402,620	311,835	(134,880)	1,579,575
Total nondepreciable capital assets	3,567,345	311,835	(134,880)	3,744,300
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	12,547,766	—	—	12,547,766
Nonutility property	40,014	—	—	40,014
Source of supply	7,458,521	—	(84)	7,458,437
Pumping plant	14,581,249	71,830	(22,920)	14,630,159
Treatment plant	22,312,317	4,779	(5,250)	22,311,846
Transmission plant	68,656,540	2,106,590	(203,933)	70,559,197
General plant	1,906,992	—	—	1,906,992
Total infrastructure	127,503,399	2,183,199	(232,187)	129,454,411
Machinery and equipment	6,329,341	341,973	(335,475)	6,335,839
Total depreciable capital assets	133,832,740	2,525,172	(567,662)	135,790,250
Less accumulated depreciation:				
Infrastructure	(28,594,036)	(2,608,068)	282,151	(30,919,953)
Machinery and equipment	(2,357,185)	(390,158)	335,474	(2,411,869)
Total accumulated depreciation	(30,951,221)	(2,998,226)	617,625	(33,331,822)
Total depreciable capital assets, net	102,881,519	(473,054)	49,963	102,458,428
Total water capital assets	\$ 106,448,864	(161,219)	(84,917)	106,202,728

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

	June 30, 2008	Additions	Retirements	June 30, 2009
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	2,672,651	4,048,364	(3,109,812)	3,611,203
Total nondepreciable capital assets	3,002,842	4,048,364	(3,109,812)	3,941,394
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	85,983,419	3,929,393	(2,083)	89,910,729
Pumping plant	4,487,431	460,314	(20,735)	4,927,010
Treatment plant	12,926,261	—	(23,600)	12,902,661
General plant	1,205,333	—	—	1,205,333
Total infrastructure	104,648,812	4,389,707	(46,418)	108,992,101
Machinery and equipment	5,692,461	926,993	(505,787)	6,113,667
Total depreciable capital assets	110,341,273	5,316,700	(552,205)	115,105,768
Less accumulated depreciation:				
Infrastructure	(43,006,325)	(2,258,888)	42,455	(45,222,758)
Machinery and equipment	(4,193,801)	(444,170)	505,787	(4,132,184)
Total accumulated depreciation	(47,200,126)	(2,703,058)	548,242	(49,354,942)
Total depreciable capital assets, net	63,141,147	2,613,642	(3,963)	65,750,826
Total sewer capital assets	66,143,989	6,662,006	(3,113,775)	69,692,220
Events Center:				
Nondepreciable capital assets:				
Land	5,796,315	—	—	5,796,315
Construction in progress	1,441,806	40,752,060	—	42,193,866
Total events center capital assets	7,238,121	40,752,060	—	47,990,181
Total business-type activities capital assets	\$ 344,195,684	54,953,534	(13,055,140)	386,094,078

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	\$ 11,433,567
Water	2,823,435
Sanitary sewer	2,703,058
Total business-type activities depreciation expense	\$ 16,960,060

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

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.

Under accounting practices promulgated in the utility industry by the Federal Energy Regulatory Commission (FERC), for business-type activities, units are retired plus the cost of removal, less salvage, are charged against accumulated depreciation, with no gain or loss recognized.

(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, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
Loans and notes payable:					
Loans payable	\$ 20,494,484	—	7,064,871	13,429,613	2,833,558
Capital lease obligations	650,673	101,734	148,883	603,524	169,914
Neighborhood Improvement District	865,000	—	64,000	801,000	64,000
Premium (discount), net	186,422	—	30,477	155,945	—
Total loans and notes payable	<u>22,196,579</u>	<u>101,734</u>	<u>7,308,231</u>	<u>14,990,082</u>	<u>3,067,472</u>
Other liabilities:					
Compensated absences	13,925,104	7,105,460	5,660,425	15,370,139	6,015,400
Other post-employment benefits	6,313,578	6,062,639	—	12,376,217	—
Claims payable	<u>500,000</u>	<u>—</u>	<u>—</u>	<u>500,000</u>	<u>—</u>
Total Governmental Activities	<u>\$ 42,935,261</u>	<u>13,269,833</u>	<u>12,968,656</u>	<u>43,236,438</u>	<u>9,082,872</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, 2009

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	\$ 14,460,000	31,415,000	2,155,000	43,720,000	2,245,000
Less deferred amount on refunding	(1,305,247)	—	(221,714)	(1,083,533)	—
Total revenue bonds	13,154,753	31,415,000	1,933,286	42,636,467	2,245,000
Capital lease obligations	—	42,389	1,168	41,221	13,729
Compensated absences	4,316,149	1,791,915	1,916,703	4,191,361	1,175,498
Other post-employment benefits	1,614,308	1,502,612	—	3,116,920	—
Total Power and Light Fund	19,085,210	34,751,916	3,851,157	49,985,969	3,434,227
Water Fund:					
Revenue bonds	38,350,000	17,520,000	2,380,000	53,490,000	2,525,000
Capital lease obligations	—	18,651	513	18,138	6,041
Compensated absences	1,345,412	822,862	617,251	1,551,023	437,531
Other long-term obligations	972,161	—	613,997	358,164	358,164
Other post-employment benefits	637,067	661,136	—	1,298,203	—
Total Water Fund	41,304,640	19,022,649	3,611,761	56,715,528	3,326,736
Sanitary Sewer Fund:					
Capital lease obligations	—	6,782	187	6,595	2,197
Compensated absences	901,767	453,680	370,999	984,448	307,008
Other post-employment benefits	533,691	577,386	—	1,111,077	—
Total Sanitary Sewer Fund	1,435,458	1,037,848	371,186	2,102,120	309,205
Events Center Fund:					
Revenue bonds	12,325,000	69,960,000	—	82,285,000	30,000
Total Events Center Fund	12,325,000	69,960,000	—	82,285,000	30,000
Total business-type activities	\$ 74,150,308	124,772,413	7,834,104	191,088,617	7,100,168

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Discretely-presented component unit:					
TIF loans	\$ 168,225,000	21,135,000	4,330,000	185,030,000	4,990,000
Loans payable	145,516	—	70,128	75,388	75,388
Premium (discount), net	(1,556,740)	(565,435)	(124,190)	(1,997,985)	—
Deferred amount on refunding	(861,753)	—	(62,528)	(799,225)	—
	165,952,023	20,569,565	4,213,410	182,308,178	5,065,388
Developer obligations	28,387,775	710,500	2,276,300	26,821,975	1,700,000
	\$ 194,339,798	21,280,065	6,489,710	209,130,153	6,765,388

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

Debt service requirements on long-term debt with schedules maturities at June 30, 2009 are as follows:

Governmental Activities								
	Loans Payable		NID Payable		Total			
	Principal	Interest	Principal	Interest	Principal	Interest		
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	965,000	101,275	75,000	27,774	1,040,000	129,049		
2015-2019	1,010,000	53,025	413,000	79,132	1,423,000	132,157		
2020-2024	—	—	41,000	7,873	41,000	7,873		
	<u>\$ 13,429,613</u>	<u>1,796,227</u>	<u>801,000</u>	<u>259,356</u>	<u>14,230,613</u>	<u>2,055,583</u>		

Business-type Activities								
	Power and Light		Water		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,245,000	2,149,388	2,525,000	2,770,539	30,000	5,302,141	4,800,000	10,222,068
2011	2,345,000	2,053,863	2,765,000	2,500,370	200,000	5,126,488	5,310,000	9,680,721
2012	2,455,000	1,952,263	2,950,000	2,376,133	200,000	5,118,488	5,605,000	9,446,884
2013	2,560,000	1,844,315	3,195,000	2,235,188	225,000	5,110,488	5,980,000	9,189,991
2014	2,700,000	1,730,035	3,440,000	2,075,948	250,000	5,100,988	6,390,000	8,906,971
2015-2019	7,925,000	7,437,713	16,235,000	7,598,546	1,640,000	25,330,391	25,800,000	40,366,650
2020-2024	11,835,000	5,467,425	7,905,000	5,086,629	4,645,000	24,634,675	24,385,000	35,188,729
2025-2029	4,540,000	2,839,531	10,270,000	2,722,169	11,085,000	22,786,428	25,895,000	28,348,128
2030-2034	7,115,000	1,395,813	4,205,000	120,894	26,135,000	17,334,709	37,455,000	18,851,416
2035-2038	—	—	—	—	37,875,000	6,603,994	37,875,000	6,603,994
	<u>\$ 43,720,000</u>	<u>26,870,346</u>	<u>53,490,000</u>	<u>27,486,416</u>	<u>82,285,000</u>	<u>122,448,790</u>	<u>179,495,000</u>	<u>176,805,552</u>

Discretely-Presented Component Unit						
	TIF Loans		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 4,990,000	9,536,123	75,388	3,317	5,065,388	9,539,440
2011	6,670,000	9,292,377	—	—	6,670,000	9,292,377
2012	7,470,000	8,977,709	—	—	7,470,000	8,977,709
2013	7,550,000	8,623,219	—	—	7,550,000	8,623,219
2014	8,095,000	8,268,600	—	—	8,095,000	8,268,600
2015-2019	49,000,000	34,851,714	—	—	49,000,000	34,851,714
2020-2024	59,275,000	20,040,873	—	—	59,275,000	20,040,873
2025-2028	41,980,000	5,148,609	—	—	41,980,000	5,148,609
	<u>\$ 185,030,000</u>	<u>104,739,224</u>	<u>75,388</u>	<u>3,317</u>	<u>185,105,388</u>	<u>104,742,541</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(a) Governmental activities

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

Governmental activities loans payable at June 30, 2009 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 \$53,067 consist of funds available for costs related to this debt.	\$ 65,000
\$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 \$163,707 consist of funds available for costs related to this debt.	139,613
\$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%.	3,370,000
\$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%.	5,380,000
\$5,485,000 Series 2006 (Park Projects) annual installments of \$1,010,000 to \$1,190,000 through 2013; interest at 4.25%.	4,475,000
Total Governmental Activities Loans Payable	<u>\$ 13,429,613</u>

Restricted assets in the General Fund of \$447,074 at June 30, 2009 consist of cash on deposit for debt service reserve on loans above and for municipal court bond deposits (also see Note 14).

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

Neighborhood Improvement District bonds payable at June 30, 2009 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%	\$	710,000
\$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%		91,000
Total Neighborhood Improvement District	\$	<u>801,000</u>

(3) Capital Lease Obligations

Capital leases payable at June 30, 2009 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of \$59,484 to \$64,437 through 2013; interest at 4.19%	\$	412,854
IBM Corporation (computer equipment) monthly installments of \$3,772 to \$4,245 through 2010; interest at 4.057%		37,690
IBM Corporation (computer equipment) monthly installments of \$1,969 to \$2,232 through 2011; interest at 3.199%		54,049
Missouri Development Finance Board (phone system) monthly installments of \$2,708 to \$2,948 through 2012; interest at 3.00%		98,931
Total Capital Lease Obligations	\$	<u>603,524</u>

The cumulative amount of assets acquired under the capital leases described above amounted to \$762,273 as of June 30, 2009.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Year ending June 30:	
2010	\$ 191,645
2011	155,553
2012	130,221
2013 - 2014	186,467
	<u>663,886</u>
Less imputed interest	<u>(60,362)</u>
Present value of minimum lease payments	<u>\$ 603,524</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2009 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%	\$ 9,320,000
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\$5,975,000 Series 2003 annual installments of \$435,000 to \$660,000 through 2014; interest at 2.00% to 3.65%	2,985,000
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\$31,415,000 Series 2009 D annual installments of \$810,000 to \$4,125,000 through 2034; interest at 3.75% to 5.75%	31,415,000
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Less deferred amount on refunding	(1,083,533)
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Total Power and Light fund	<u>42,636,467</u>
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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%	23,245,000
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\$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2025; interest at 3.054% to 5.00%	12,725,000
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\$17,520,000 Series 2009 C annual installments of \$505,000 to \$4,205,000 through 2029; interest at 4.00% to 5.75%	17,520,000
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Total Water Fund	<u>53,490,000</u>
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Events Center Fund:

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75%	12,325,000
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\$10,725,000 Series 2008 H semi-annual installments of \$230,000 to \$1,220,000 through 2038; interest at 6.75% to 7.00%	10,725,000
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\$15,190,000 Series 2009 A semi-annual installments of \$5,000 to \$2,035,000 through 2038; interest at 6.125% to 6.750%	15,190,000
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\$44,045,000 Series 2009 F semi-annual installments of \$100,000 to \$9,365,000 through 2038; interest at 5.00% to 6.25%	44,045,000
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Total Events Center Fund	<u>82,285,000</u>
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Total revenue bonds	<u>\$ 178,411,467</u>
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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

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 above required reserves and other 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	\$ 3,191,325	—	—	—
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	26,467,070	13,138,404	—	36,649,693
Total revenue bond reserves	29,658,395	13,638,404	—	36,649,693
Customer deposits	1,224,092	350,608	276,005	—
Workers' compensation	135,480	35,753	28,767	—
Total	\$ 31,017,967	14,024,765	304,772	36,649,693

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, except for the following:

The 1986 bond indenture contains certain covenants, non-compliance with which could constitute an event of default. The covenants require the City to maintain Net Available Revenues, as defined in the indenture, in excess of 125% of the amount to be paid for debt service. For the fiscal year ended June 30, 2009, the ratio was 113%. In accordance with the procedures prescribed in the covenants, the City has taken corrective action, which included a rate study. The City does not believe the violation of this covenant constitutes an event of default.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(2) Other Obligations

The City entered into agreements with two of its wholesale water customers to settle disputes. The remaining future obligations of \$358,164 are scheduled to be settled in full during the 2010 fiscal year.

(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 \$200 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, 2009, total principal and interest remaining on the loans was \$289.8 million and the outstanding developer obligations was \$26.8 million. The loans are scheduled to mature at varying 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 \$.7 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

Missouri Development Finance Board Loans Payable

\$8,715,000 Series 2003 (Hartman Heritage TIF) annual installements of \$135,000 to \$2,675,000 through 2021; interest at 2.00% to 5.00%	\$ 7,705,000
\$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%	810,000
\$11,325,000 Series 20005 C (Crackerneck Creek TIF) annual installements of \$185,000 to \$1,270,000 through 2026; interest at 4.00% to 5.00%	11,140,000
\$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%	48,030,000
\$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%	1,365,000
\$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%	4,860,000
\$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%	16,930,000
\$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%	9,225,000
\$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%	9,270,000
\$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%	850,000

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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\$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%	19,140,000
\$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%	1,200,000
\$13,315,000 Series 2008 F (HCA - Centerpoint TIF) annual installments of \$195,000 to \$1,940,000 through 2027; interest at 4.000% to 6.000%	13,120,000
\$4,600,000 Series 2008 G (Eastland Center TIF) annual installments of \$120,000 to \$885,000 through 2022; interest at 4.00% to 5.25%	4,420,000
\$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of \$135,000 to \$480,000 through 2022; interest at 4.00% to 5.500%	3,220,000
Total Discretely Presented Component Unit	<u>\$ 185,030,000</u>

Restricted assets held by the Commission of \$28,882,296 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, 2009, \$12,985,000 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 450,000 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. In December 2008, the Crackerneck Creek developer made a public announcement that a 55,000

CITY OF INDEPENDENCE, MISSOURI

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square foot Hobby Lobby and a 25,000 square foot Mardel would locate in the project. The pad sites for these buildings have been prepared but construction of the buildings has not yet commenced. The City and the developer remain in discussions regarding securing additional retail and hotel development for the project. However, no agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

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 150,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions 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.

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 \$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 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 March 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

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

<u>Calendar Year</u>	<u>Amount</u>
2009	\$ 1,000,000
2010	1,000,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
2014-2018	5,000,000
2019-2023	5,000,000
2024-2026	<u>3,000,000</u>
Total	<u>\$ 18,000,000</u>

(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, 2009, were \$421,896.

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, 2009, 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 6.4% (general), 7.4% (police), and 8.5% (fire) of annual covered payroll. The contribution requirements of plan members are

CITY OF INDEPENDENCE, MISSOURI

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determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 28, 2009, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$163,788,001. The actuarial value of assets was \$132,825,715, which results in an unfunded accrued liability (UAL) of \$30,962,286 and a funded ratio of 81%. The covered payroll (annual payroll of active employees covered by the plan) was \$63,652,470, which results in a ratio of the UAL to the covered payroll of 49%.

The schedule of funding progress (Exhibit 11), 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 liability.

Annual Pension Cost

Schedule of Employer Contributions:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fiscal year ending:			
June 30, 2007	\$ 5,736,388	100	—
June 30, 2008	4,813,003	100	—
June 30, 2009	4,492,585	100	—

For 2009, the City's annual pension cost of \$4,492,585 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2007 and/or February 28, 2008 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) pre-retirement mortality based on the RP-2000 Combined Healthy Table, set back 0 years for men and women; and
- (e) post-retirement 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

CITY OF INDEPENDENCE, MISSOURI

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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, 2009 was 15 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2009, 2008, and 2007.

(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. The City adopted the requirements of GASB Statement No. 45 during the fiscal year ended June 30, 2008. Under the guidelines of GASB Statement No. 45, 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 year's service will be phased in over 30 years, commencing with the initial liability recorded in 2007-08.

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 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

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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 No. 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	\$ 13,276,244
Interest on net OPEB obligation	409,439
Adjustment to annual required contribution	(421,544)
Annual OPEB cost (expense)	<u>13,264,139</u>
Less: Expected net employer contributions	(4,460,366)
Increase in net OPEB obligation	<u>8,803,773</u>
Net OPEB obligation – July 1, 2008	<u>9,098,644</u>
Net OPEB obligation – June 30, 2009	<u><u>\$ 17,902,417</u></u>

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, 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 13,264,139	33.63%	\$ 17,902,417

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

CITY OF INDEPENDENCE, MISSOURI

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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.

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). The Missouri General Assembly created MOPERM 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 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 \$745,000. 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	
		2008	2009	2008	2009	2008	2009
Beginning of year	\$	5,796,307	3,998,387	1,215,829	1,733,043	37,777	36,867
Increases		2,511,714	1,435,858	12,069,267	14,185,721	703,376	936,397
Decreases		(4,309,634)	(2,388,823)	(11,552,053)	(14,078,790)	(704,286)	(962,813)
End of year	\$	<u>3,998,387</u>	<u>3,045,422</u>	<u>1,733,043</u>	<u>1,839,974</u>	<u>36,867</u>	<u>10,451</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

(12) Commitments

Construction Commitments

At June 30, 2009, the City had commitments of approximately \$23.3 million to complete construction contracts. Of this amount, \$7.2 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 \$24,700,000 for 672,564 megawatt-hours of delivered energy during fiscal year 2009.

In July 1997, the City became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. Membership of the WSPP Agreement has expanded from the original experimental eleven western United States electric utilities to over 250 members that are located throughout the entire United States and parts of Canada and include investor-owned electric utilities, municipalities, cooperatives, state and federal public power systems and power marketers. Under the WSPP Agreement, the City makes short term power purchases and sales with KCPL, Aquila Inc., Associated Electric Cooperative Inc., and other utilities and power marketers. During fiscal year 2009, the cost of purchases was approximately \$7,055,000 for 106,441 megawatt-hours of wholesale energy. The City sold 50,882 megawatt-hours of wholesale energy for approximately \$1,600,000.

In January 2004, the City entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the City purchases an 8.33% share (approximately 57 megawatts) of a new 682 megawatt coal-fired baseload generating unit at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). 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 has issued tax-exempt bonds to pay for the construction of the unit and the City is 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 began commercial operation on 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. During fiscal year 2009, the delivered cost of capacity and energy under the agreement, including all demand, energy, and transmission costs was approximately \$1,770,000 for 61,665 megawatt-hours of wholesale energy.

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 100 MW ownership share of a new nominal 850 megawatt

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2009

Iatan 2 coal-fired generating unit currently under construction 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 August 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.

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 purchases a 10.10% share (15 megawatts) of a 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. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties. During fiscal year 2009, the cost of the energy purchases including transmission costs was approximately \$1,550,000 for 32,969 megawatt-hours of wholesale energy.

Events Center Management Agreement

The City has entered into a management agreement (the Agreement) with Global Entertainment Corporation (the Manager) in connection with the City's Events Center. Under the Agreement, the Manager will open, manage, promote, market, ticket, and operate the Events Center on behalf of the City and in exchange will be compensated \$17,000 per month, adjusted annually by the increase in the Consumer Price Index, as well as certain commissions and incentive fees. The Agreement, which expires fifteen years after the fifth day prior to the opening of the Events Center, provides the City the option to renew the Agreement for an additional five years.

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 \$396,431 in the Street Improvements Fund, \$2,088,277 in the Street Improvements Sales Tax Fund, \$3,219,267 in the Parks Sales Tax Fund, \$16,155 in the Storm Drainage Fund, \$86,957 in the Pharmacy Benefit Plan Fund, and \$1,586,416 in the Workers' Compensation Fund, will be eliminated by future revenues or transfers.

CITY OF INDEPENDENCE, MISSOURI

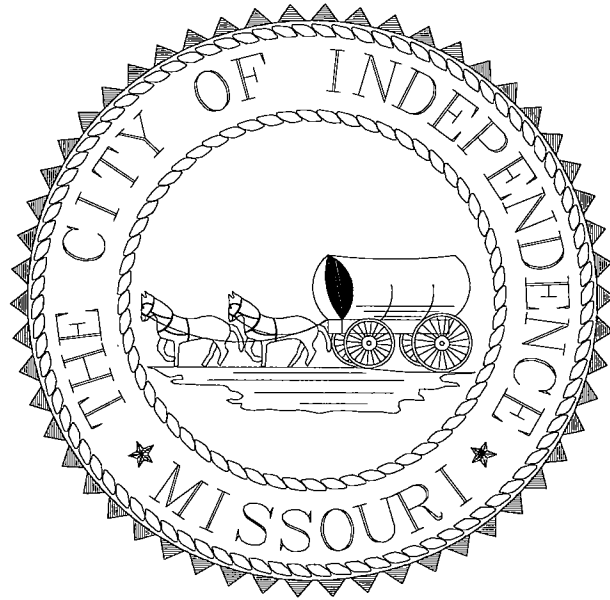
Notes to Financial Statements

June 30, 2009

(14) Fund Equity

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

	Governmental Funds			Total
	General	Street Improvements	Nonmajor	
Fund balances:				
Reserved for:				
Encumbrances	\$ 819,105	10,663,765	8,914,764	20,397,634
Debt service	216,774	—	22	216,796
Protested revenues	268,153	—	4,729	272,882
Domestic violence	15,054	—	—	15,054
Total fund balances reserved	<u>1,319,086</u>	<u>10,663,765</u>	<u>8,919,515</u>	<u>20,902,366</u>
Unreserved:				
Designated for:				
Police equipment	209,456	—	—	209,456
Capital projects	229,322	—	3,611,182	3,840,504
Strategic goal	161,717	—	—	161,717
TIF distribution	762,205	—	—	762,205
Vandalism reward	3,000	—	—	3,000
Debt service	900,000	—	—	900,000
Leave pay-outs	1,000,000	—	—	1,000,000
Economic development	400,000	—	—	400,000
Total fund balances designated	<u>3,665,700</u>	<u>—</u>	<u>3,611,182</u>	<u>7,276,882</u>
Undesignated	<u>2,073,982</u>	<u>(11,060,196)</u>	<u>2,187,560</u>	<u>(6,798,654)</u>
Total fund equity	<u>\$ 7,058,768</u>	<u>(396,431)</u>	<u>14,718,257</u>	<u>21,380,594</u>



**Required
Supplementary
Information**



CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2009

(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 2008-2009 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 most funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Improvements Sales Tax, Storm Water Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax, and Grant Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 35,920,647	35,920,647	34,719,966	(1,200,681)
Licenses and permits	4,324,981	4,324,981	3,158,139	(1,166,842)
Grants – federal and state	25,393	38,090	25,397	(12,693)
State and county shared revenue	5,451,274	5,451,274	4,929,029	(522,245)
Charges for current services	1,680,498	1,687,521	2,041,498	353,977
Interfund charges for support services	3,289,000	3,289,000	3,389,629	100,629
Fines and forfeitures	4,433,461	4,433,461	4,009,673	(423,788)
Other revenue	577,408	626,410	539,312	(87,098)
Total revenues	55,702,662	55,771,384	52,812,643	(2,958,741)
Other financing sources:				
Payments in lieu of taxes	14,326,062	14,326,062	13,503,735	(822,327)
Total other financing sources	14,326,062	14,326,062	13,503,735	(822,327)
Total revenues and other financing sources	70,028,724	70,097,446	66,316,378	(3,781,068)
Expenditures:				
City Council	406,982	412,824	392,654	20,170
City Clerk	455,201	460,045	412,251	47,794
City Manager	1,065,315	1,088,052	1,056,269	31,783
National Frontier Trails Center	376,480	384,942	379,547	5,395
Technology services	1,760,857	1,802,819	1,655,578	147,241
Municipal court	751,741	763,609	736,684	26,925
Law	745,326	780,570	780,379	191
Finance	1,868,028	1,907,682	1,857,094	50,588
Human resources	511,577	524,636	465,850	58,786
Community development	2,820,958	2,865,915	2,557,963	307,952
Police	22,442,460	23,121,022	22,851,533	269,489
Fire	14,941,308	15,050,542	15,050,477	65
Health	2,706,680	2,788,430	2,741,268	47,162
Public works	7,345,945	7,415,143	6,701,866	713,277
Water pollution control	314,500	317,354	317,354	—
Parks and recreation	2,125,418	2,182,405	2,152,145	30,260
General government	8,669,377	8,374,343	6,965,611	1,408,732
City Council strategic goals	300,000	536,820	375,104	161,716
Capital outlay	1,474,129	2,242,519	1,076,822	1,165,697
Total expenditures	71,082,282	73,019,672	68,526,449	4,493,223
Other financing uses— transfers out	105,357	233,357	219,387	13,970
Total expenditures and other financing uses	71,187,639	73,253,029	68,745,836	4,507,193
Excess of revenue and other financing sources over (under) expenditures and other financing uses	\$ (1,158,915)	(3,155,583)	(2,429,458)	726,125
Undesignated fund balance at beginning of year			3,557,838	
Cancellation of prior year encumbrances			186,619	
Change in other fund balance components during the year			758,983	
Undesignated fund balance at end of year			\$ 2,073,982	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2009

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	\$ 66,316,378
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>66,316,378</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 68,526,449
Basis differences – budget to GAAP:	
Capital lease	101,734
Outstanding encumbrances at year-end charged to the current year's budget	(761,991)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>601,582</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	\$ <u>68,467,774</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, 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%
February 28, 2009	132,825,715	163,788,001	30,962,286	81%	63,652,470	49%

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, 2006 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.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 18,845,578	425,792	—	19,271,370
Receivables:				
Taxes	2,787,661	—	—	2,787,661
Accounts	21,289	—	—	21,289
Special assessment principal and accrued interest	—	—	1,081,336	1,081,336
Accrued interest	31,561	—	—	31,561
Due from other funds	16,155	—	—	16,155
Due from component unit	—	13,820	—	13,820
Due from other governments	694,960	—	—	694,960
Restricted assets	22	—	94,000	94,022
Total assets	\$ 22,397,226	439,612	1,175,336	24,012,174
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 3,340,413	—	—	3,340,413
Due to other funds	4,528,879	16,155	7,710	4,552,744
Accrued items	101,791	—	—	101,791
Other current liabilities	7,775	—	—	7,775
Deferred revenue	184,850	—	1,106,344	1,291,194
Total liabilities	8,163,708	16,155	1,114,054	9,293,917
Fund balances:				
Reserved for:				
Encumbrances	8,875,941	38,823	—	8,914,764
Other purposes	22	—	4,729	4,751
Unreserved, reported in:				
Special revenue funds	5,357,555	—	—	5,357,555
Debt service funds	—	—	56,553	56,553
Capital projects funds	—	384,634	—	384,634
Total fund balances	14,233,518	423,457	61,282	14,718,257
Total liabilities and fund balances	\$ 22,397,226	439,612	1,175,336	24,012,174

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 20,411,716	—	—	20,411,716
Licenses and permits	537,832	—	—	537,832
Intergovernmental	3,325,140	—	—	3,325,140
Charges for services	635,812	—	95,078	730,890
Investment income	331,030	982	2,430	334,442
Reimbursements from component unit	526,120	217,523	—	743,643
Other	153,539	415,675	—	569,214
Total revenues	25,921,189	634,180	97,508	26,652,877
Expenditures:				
Current:				
Administrative services	13,110	—	—	13,110
Public safety	3,233,818	—	—	3,233,818
Health and welfare	390,945	—	—	390,945
Culture and recreation	3,788,307	—	—	3,788,307
Community development	1,099,907	—	—	1,099,907
Storm water	1,224,907	—	—	1,224,907
General government	119,471	—	1,123	120,594
Capital outlay	14,894,202	263,923	—	15,158,125
Debt service:				
Principal	6,870,000	—	64,000	6,934,000
Interest and fiscal agent fees	887,077	—	45,016	932,093
Total expenditures	32,521,744	263,923	110,139	32,895,806
Excess (deficiency) of revenues over expenditures	(6,600,555)	370,257	(12,631)	(6,242,929)
Other financing sources (uses):				
Transfers in	46,154	40,000	—	86,154
Transfers out	(3,737,754)	—	—	(3,737,754)
Sale of capital assets	10,141	—	—	10,141
Total other financing sources (uses)	(3,681,459)	40,000	—	(3,641,459)
Net change in fund balances	(10,282,014)	410,257	(12,631)	(9,884,388)
Fund balances, beginning	24,515,532	13,200	73,913	24,602,645
Fund balances, ending	\$ 14,233,518	423,457	61,282	14,718,257

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

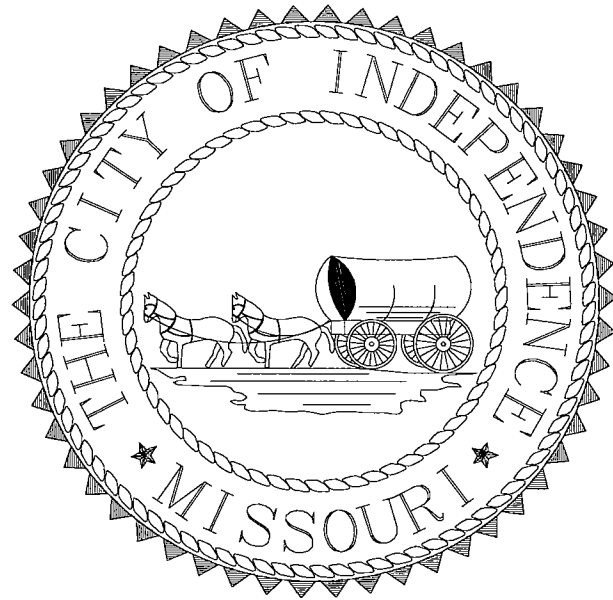
Nonmajor Special Revenue Funds

June 30, 2009

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 25)	License Surcharge	Grants	Total
Pooled cash and investments	\$ 1,466,745	—	—	—	14,524,659	2,854,174	—	18,845,578
Receivables:								
Taxes	100,000	2,945	—	—	2,684,716	—	—	2,787,661
Accounts	—	—	—	—	—	—	21,289	21,289
Accrued interest	—	—	—	—	28,339	3,222	—	31,561
Due from other funds	—	—	—	—	16,155	—	—	16,155
Due from other governments	145,340	—	136,824	105,382	—	—	307,414	694,960
Restricted assets	—	—	—	—	22	—	—	22
Total assets	<u>\$ 1,712,085</u>	<u>2,945</u>	<u>136,824</u>	<u>105,382</u>	<u>17,253,891</u>	<u>2,857,396</u>	<u>328,703</u>	<u>22,397,226</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	\$ 98,541	—	5,635	19,502	3,167,248	—	49,487	3,340,413
Due to other funds	—	408	123,860	75,345	4,260,111	—	69,155	4,528,879
Accrued items	10,203	—	6,646	3,031	56,700	—	25,211	101,791
Other current liabilities	—	—	—	7,500	275	—	—	7,775
Deferred revenue	—	—	—	—	—	—	184,850	184,850
Total liabilities	<u>108,744</u>	<u>408</u>	<u>136,141</u>	<u>105,378</u>	<u>7,484,334</u>	<u>—</u>	<u>328,703</u>	<u>8,163,708</u>
Fund balances:								
Reserved for:								
Encumbrances	153,388	—	301,043	531,969	7,730,884	—	158,657	8,875,941
Other purposes	—	—	—	—	22	—	—	22
Unreserved, reported in:								
Special revenue funds	1,449,953	2,537	(300,360)	(531,965)	2,038,651	2,857,396	(158,657)	5,357,555
Total fund balances	<u>1,603,341</u>	<u>2,537</u>	<u>683</u>	<u>4</u>	<u>9,769,557</u>	<u>2,857,396</u>	<u>—</u>	<u>14,233,518</u>
Total liabilities and fund balances	<u>\$ 1,712,085</u>	<u>2,945</u>	<u>136,824</u>	<u>105,382</u>	<u>17,253,891</u>	<u>2,857,396</u>	<u>328,703</u>	<u>22,397,226</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2009

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	\$ 972,773	22,735	—	—	19,416,208	—	—	20,411,716
Licenses and permits	—	—	—	—	—	537,832	—	537,832
Intergovernmental	213,462	—	812,373	463,215	98,960	—	1,737,130	3,325,140
Charges for services	600	—	—	—	534,925	—	100,287	635,812
Investment income	11,420	141	—	—	263,315	56,154	—	331,030
Reimbursements from component unit	—	—	—	—	526,120	—	—	526,120
Other	4,987	—	—	—	148,552	—	—	153,539
Total revenues	<u>1,203,242</u>	<u>22,876</u>	<u>812,373</u>	<u>463,215</u>	<u>20,988,080</u>	<u>593,986</u>	<u>1,837,417</u>	<u>25,921,189</u>
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	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
General government	—	—	—	—	17,571	—	101,900	119,471
Capital outlay	—	22,104	—	—	14,872,098	—	—	14,894,202
Debt service:								
Principal	—	—	—	—	6,870,000	—	—	6,870,000
Interest and fiscal agent fees	—	—	—	—	887,077	—	—	887,077
Total expenditures	<u>1,077,336</u>	<u>22,104</u>	<u>636,692</u>	<u>463,215</u>	<u>28,484,980</u>	<u>—</u>	<u>1,837,417</u>	<u>32,521,744</u>
Excess (deficiency) of revenues over expenditures	<u>125,906</u>	<u>772</u>	<u>175,681</u>	<u>—</u>	<u>(7,496,900)</u>	<u>593,986</u>	<u>—</u>	<u>(6,600,555)</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	46,154	—	—	46,154
Transfers out	—	—	(175,681)	—	(1,976,605)	(1,585,468)	—	(3,737,754)
Sale of capital assets	—	—	—	—	10,141	—	—	10,141
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(175,681)</u>	<u>—</u>	<u>(1,920,310)</u>	<u>(1,585,468)</u>	<u>—</u>	<u>(3,681,459)</u>
Net change in fund balances	<u>125,906</u>	<u>772</u>	<u>—</u>	<u>—</u>	<u>(9,417,210)</u>	<u>(991,482)</u>	<u>—</u>	<u>(10,282,014)</u>
Fund balances, beginning	<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>
Fund balances, ending	<u>\$ 1,603,341</u>	<u>2,537</u>	<u>683</u>	<u>4</u>	<u>9,769,557</u>	<u>2,857,396</u>	<u>—</u>	<u>14,233,518</u>



CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Transient guest taxes	\$ 1,077,500	1,077,500	972,773	(104,727)
Interest	68,500	60,000	11,420	(48,580)
Grants – federal, state, and local	—	214,437	213,462	(975)
Other revenue	—	8,500	5,587	(2,913)
Total revenues	<u>1,146,000</u>	<u>1,360,437</u>	<u>1,203,242</u>	<u>(157,195)</u>
Expenditures:				
Tourism	<u>992,144</u>	<u>1,226,100</u>	<u>1,155,340</u>	<u>70,760</u>
Total expenditures	<u>992,144</u>	<u>1,226,100</u>	<u>1,155,340</u>	<u>70,760</u>
Excess of revenues over (under) expenditures	\$ <u>153,856</u>	<u>134,337</u>	47,902	<u>(86,435)</u>
Undesignated fund balance at beginning of year			755,374	
Cancellation of prior year encumbrances			4,350	
Change in other fund balance components during the year (1)			(111,660)	
Undesignated fund balance at end of year			<u>\$ 695,966</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, 2009

	Tourism Fund
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,203,242
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,203,242</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,155,340
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(153,388)
fiscal year (1)	<u>75,384</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,077,336</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
			(Budget Basis)	Budget
Revenues:				
Federal grant - CDBG	\$ 747,434	747,434	812,373	64,939
Total revenues	<u>747,434</u>	<u>747,434</u>	<u>812,373</u>	<u>64,939</u>
Expenditures:				
CDBG administration	246,613	182,009	149,570	32,439
CDBG expenditures	—	950,784	695,141	255,643
Public facilities and improvements	—	19,163	—	19,163
Commercial facade program	—	187,639	93,024	94,615
Total expenditures	<u>246,613</u>	<u>1,339,595</u>	<u>937,735</u>	<u>401,860</u>
Other financing uses:				
Transfers out	—	102,500	175,681	(73,181)
Total other financing uses	<u>—</u>	<u>102,500</u>	<u>175,681</u>	<u>(73,181)</u>
Total expenditures and other uses	<u>246,613</u>	<u>1,442,095</u>	<u>1,113,416</u>	<u>328,679</u>
Excess of revenues over (under)				
expenditures and other				
financing uses	\$ <u>500,821</u>	<u>(694,661)</u>	<u>(301,043)</u>	<u>393,618</u>
Undesignated fund balance (deficit) at beginning of year			(301,910)	
Change in other fund balance				
components during the year (1)			302,593	
Undesignated fund balance (deficit) at end of year			\$ <u>(300,360)</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.

Exhibit 17.1

CITY OF INDEPENDENCE, MISSOURI
Budgetary Basis Reconciliation Schedule
Community Development Block Grant Fund
Year ended June 30, 2009

	Community Development Block Grant
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 812,373
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>812,373</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 937,735
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	<u>(301,043)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>636,692</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Rental Rehabilitation

Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
HOME program grant	\$ 439,326	439,326	463,215	23,889
Total revenues	<u>439,326</u>	<u>439,326</u>	<u>463,215</u>	<u>23,889</u>
Expenditures:				
HOME administration	48,069	38,800	48,793	(9,993)
Multi family housing	—	593,671	502,508	91,163
Single family housing	—	330,333	234,054	96,279
Community housing development	—	193,396	209,827	(16,431)
Total expenditures	<u>48,069</u>	<u>1,156,200</u>	<u>995,182</u>	<u>161,018</u>
Excess of revenues over (under) expenditures	\$ <u>391,257</u>	<u>(716,874)</u>	(531,967)	<u>184,907</u>
Undesignated fund balance (deficit) at beginning of year			(158,274)	
Change in other fund balance components during the year (1)			158,276	
Undesignated fund balance (deficit) at end of year			\$ <u>(531,965)</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, 2009

	<u>Rental Rehabilitation</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 463,215
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>463,215</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 995,182
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	<u>(531,967)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>463,215</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Street Improvements Sales Tax Fund
 Year ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 6,244,363	6,244,363	6,586,624	342,261
Interest	42,000	42,000	10,146	(31,854)
Other revenue	—	—	604,832	604,832
Total revenues	<u>6,286,363</u>	<u>6,286,363</u>	<u>7,201,602</u>	<u>915,239</u>
Other Financing sources:				
Transfers in	—	—	46,154	46,154
Issuance of debt	9,205,962	—	—	—
Total other financing sources	<u>9,205,962</u>	<u>—</u>	<u>46,154</u>	<u>46,154</u>
Total revenues and other financing sources	<u>15,492,325</u>	<u>6,286,363</u>	<u>7,247,756</u>	<u>961,393</u>
Expenditures:				
General Government	9,000	9,000	13,361	(4,361)
Capital outlay	11,230,000	17,006,728	5,601,748	11,404,980
Debt service	4,253,325	4,253,325	4,245,325	8,000
Total expenditures	<u>15,492,325</u>	<u>21,269,053</u>	<u>9,860,434</u>	<u>11,408,619</u>
Other financing uses:				
- Transfers out	—	3,396,361	1,778,640	1,617,721
Total other financing uses	<u>—</u>	<u>3,396,361</u>	<u>1,778,640</u>	<u>1,617,721</u>
Total expenditures and other financing uses	<u>15,492,325</u>	<u>24,665,414</u>	<u>11,639,074</u>	<u>13,026,340</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ —</u>	<u>(18,379,051)</u>	<u>(4,391,318)</u>	<u>13,987,733</u>
Undesignated fund balance (deficit) at beginning of year			(1,308,728)	
Change in other fund balance components during the year (1)			(78,650)	
Undesignated fund balance (deficit) at end of year			<u>\$ (5,778,696)</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, 2009

	<u>Streets Improvements Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 7,201,602
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>\$ 7,201,602</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 9,860,434
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 9,860,434</u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Park Improvements Sales Tax Fund
Year ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 4,162,909	4,162,909	3,857,852	(305,057)
Public health and recreation	167,809	171,006	58,065	(112,941)
Adventure Oasis Water Park	465,000	465,000	476,860	11,860
Other revenue	5,196	5,196	40,926	35,730
Total revenues	<u>4,800,914</u>	<u>4,804,111</u>	<u>4,433,703</u>	<u>(370,408)</u>
Expenditures:				
Culture and recreation	2,835,876	2,841,842	2,790,577	51,265
General government	6,000	6,000	4,055	1,945
Capital outlay	467,271	1,208,430	594,545	613,885
Debt service	2,449,677	2,449,677	2,447,631	2,046
Total expenditures	<u>5,758,824</u>	<u>6,505,949</u>	<u>5,836,808</u>	<u>669,141</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>(957,910)</u>	<u>(1,701,838)</u>	(1,403,105)	<u>298,733</u>
Undesignated fund balance (deficit) at beginning of year			(2,544,078)	
Cancellation of prior year encumbrances			29,325	
Change in other fund balance components during the year (1)			165,505	
Undesignated fund balance (deficit) at end of year			\$ <u>(3,752,353)</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, 2009

	Park Improvements Sales Tax
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,433,703
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>\$ 4,433,703</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,836,808
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(306,740)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	227,134
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 5,757,202</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, 2009

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 4,162,909	4,162,909	3,858,941	(303,968)
Interest	471,500	471,500	175,361	(296,139)
Other revenue	—	—	128,314	128,314
Total revenues	<u>4,634,409</u>	<u>4,634,409</u>	<u>4,162,616</u>	<u>(471,793)</u>
Expenditures:				
Storm water				
Administration	322,590	322,775	153,320	169,455
Maintenance	1,208,214	1,209,113	911,612	297,501
Permit completion	250,325	250,325	243,225	7,100
Capital outlay	4,276,000	11,442,967	3,458,231	7,984,736
Total expenditures	<u>6,057,129</u>	<u>13,225,180</u>	<u>4,766,388</u>	<u>8,458,792</u>
Other financing uses:				
Transfers out	—	197,965	197,965	—
Total other financing uses	<u>—</u>	<u>197,965</u>	<u>197,965</u>	<u>—</u>
Total expenditures and other financing uses	<u>6,057,129</u>	<u>13,423,145</u>	<u>4,964,353</u>	<u>8,458,792</u>
Excess of revenues over (under) expenditures	\$ <u>(1,422,720)</u>	<u>(8,788,736)</u>	<u>(801,737)</u>	<u>7,986,999</u>
Undesignated fund balance at beginning of year			8,451,318	
Cancellation of prior year encumbrances			48,304	
Change in other fund balance components during the year (1)			923,403	
Undesignated fund balance at end of year			\$ <u>8,621,288</u>	

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2009

	<u>Storm Water Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,162,616
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>4,162,616</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 4,766,388
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(260,128)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	176,878
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>4,683,138</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Police Public Safety Sales Tax Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
			(Budget Basis)	Budget
Revenues:				
Sales taxes	\$ 2,206,312	2,206,312	2,055,300	(151,012)
Investment income	112,000	112,000	21,961	(90,039)
Other revenue	—	—	10,225	10,225
Total revenues	<u>2,318,312</u>	<u>2,318,312</u>	<u>2,087,486</u>	<u>(230,826)</u>
Expenditures:				
Public safety				
Communications	272,531	1,145,598	828,671	316,927
Facilities	1,391,000	286,295	120,142	166,153
Equipment	975,238	1,206,876	1,102,568	104,308
Debt service	517,363	517,363	515,290	2,073
Total expenditures	<u>3,156,132</u>	<u>3,156,132</u>	<u>2,566,671</u>	<u>589,461</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>(837,820)</u>	<u>(837,820)</u>	(479,185)	<u>358,635</u>
Undesignated fund balance at beginning of year			1,458,993	
Cancellation of prior year encumbrances			99,155	
Change in other fund balance components during the year (1)			—	
Undesignated Fund Balance at end of year			\$ <u>1,078,963</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, 2009

	<u>Police Public Safety Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,087,486
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>\$ 2,087,486</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,566,671
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(1,286,895)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	219,335
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,499,111</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budget Basis)	with Final Budget
Revenues:				
Sales taxes	\$ 3,295,636	3,295,636	3,057,491	(238,145)
Other revenue	189,000	189,000	55,323	(133,677)
Total revenues	<u>3,484,636</u>	<u>3,484,636</u>	<u>3,112,814</u>	<u>(371,822)</u>
Expenditures:				
Public safety	1,776,080	1,776,080	831,820	944,260
Capital outlay	—	5,850,246	5,217,574	632,672
Debt service	553,713	553,713	550,313	3,400
Total expenditures	<u>2,329,793</u>	<u>8,180,039</u>	<u>6,599,707</u>	<u>1,580,332</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>1,154,843</u>	<u>(4,695,403)</u>	(3,486,893)	<u>1,208,510</u>
Undesignated fund balance at beginning of year			1,891,888	
Cancellation of prior year encumbrances			78,264	
Change in other fund balance components during the year (1)			3,386,190	
Undesignated fund balance at end of year			\$ <u>1,869,449</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, 2009

	Fire Public Safety Sales Tax
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 3,112,814
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>\$ 3,112,814</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 6,599,707
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(353,302)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	438,690
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,685,095</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
			<u>(Budget Basis)</u>	<u>Budget</u>
Revenues:				
Grants and other shared revenue	\$ 1,094,879	4,904,247	1,737,130	(3,167,117)
Charges for current services	65,858	100,287	100,287	—
Interest income and other revenue	—	38,625	—	(38,625)
Total revenues	<u>1,160,737</u>	<u>5,043,159</u>	<u>1,837,417</u>	<u>(3,205,742)</u>
Expenditures:				
Law department	25,130	17,690	13,110	4,580
Police department	631,318	2,045,079	1,321,985	723,094
Fire department	42,512	261,657	136,601	125,056
Health department	461,777	606,173	400,553	205,620
Community development	—	123,836	123,825	11
Total expenditures	<u>1,160,737</u>	<u>3,054,435</u>	<u>1,996,074</u>	<u>1,058,361</u>
Excess of revenues over (under) expenditures	\$ <u>—</u>	<u>1,988,724</u>	(158,657)	<u>(2,147,381)</u>
Undesignated fund balance (deficit) at beginning of year			(87,900)	
Change in other fund balance components during the year (1)			87,900	
Undesignated fund balance (deficit) at end of year			\$ <u>(158,657)</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, 2009

	<u>Grants</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,837,417
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>1,837,417</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,996,074
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(158,657)
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>1,837,417</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, 2009

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	\$ —	—	9,690,224	2,152,389	2,682,046	14,524,659
Receivables:						
Taxes	978,876	534,827	534,849	277,480	358,684	2,684,716
Accrued interest	—	—	22,597	2,871	2,871	28,339
Due from other funds	—	—	16,155	—	—	16,155
Restricted assets	19	3	—	—	—	22
Total assets	\$ 978,895	534,830	10,263,825	2,432,740	3,043,601	17,253,891
Liabilities and Fund Balances						
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	3,067,172	3,754,097	126,276	6,561	530,228	7,484,334
Fund balances:						
Reserved for:						
Encumbrances	3,690,400	533,083	1,516,261	1,347,216	643,924	7,730,884
Other purposes	19	3	—	—	—	22
Unreserved, reported in:						
Special revenue funds	(5,778,696)	(3,752,353)	8,621,288	1,078,963	1,869,449	2,038,651
Total fund balances	(2,088,277)	(3,219,267)	10,137,549	2,426,179	2,513,373	9,769,557
Total liabilities and fund balances	\$ 978,895	534,830	10,263,825	2,432,740	3,043,601	17,253,891

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Sales Tax Funds
Year ended June 30, 2009

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:						
Taxes	\$ 6,586,624	3,857,852	3,858,941	2,055,300	3,057,491	19,416,208
Intergovernmental	—	—	98,960	—	—	98,960
Charges for services	—	534,925	—	—	—	534,925
Investment income	10,146	561	175,361	21,961	55,286	263,315
Reimbursements from component unit	500,000	26,120	—	—	—	526,120
Other	104,832	14,245	29,354	84	37	148,552
Total revenues	7,201,602	4,433,703	4,162,616	2,077,345	3,112,814	20,988,080
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
General government	13,361	4,210	—	—	—	17,571
Capital outlay	5,601,748	594,545	3,458,231	—	5,217,574	14,872,098
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	887,077
Total expenditures	9,860,434	5,757,202	4,683,138	1,499,111	6,685,095	28,484,980
Excess (deficiency) of revenues over expenditures	(2,658,832)	(1,323,499)	(520,522)	578,234	(3,572,281)	(7,496,900)
Other financing sources (uses):						
Transfers in	46,154	—	—	—	—	46,154
Transfers out	(1,778,640)	—	(197,965)	—	—	(1,976,605)
Sale of capital assets	—	—	—	10,141	—	10,141
Total other financing sources (uses)	(1,732,486)	—	(197,965)	10,141	—	(1,920,310)
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)	10,856,036	1,837,804	6,085,654	19,186,767
Fund balances, ending	\$ (2,088,277)	(3,219,267)	10,137,549	2,426,179	2,513,373	9,769,557

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2009

Assets	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ 19,706	217	—	405,869	425,792
Receivables:					
Due from component unit	—	—	—	13,820	13,820
Total assets	<u>\$ 19,706</u>	<u>217</u>	<u>—</u>	<u>419,689</u>	<u>439,612</u>
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ —	—	16,155	—	16,155
Total liabilities	<u>—</u>	<u>—</u>	<u>16,155</u>	<u>—</u>	<u>16,155</u>
Fund balances (deficit):					
Reserved for:					
Encumbrances	—	18,883	—	19,940	38,823
Unreserved, reported in:					
Capital projects funds	19,706	(18,666)	(16,155)	399,749	384,634
Total fund balances (deficit)	<u>19,706</u>	<u>217</u>	<u>(16,155)</u>	<u>419,689</u>	<u>423,457</u>
Total liabilities and fund balances	<u>\$ 19,706</u>	<u>217</u>	<u>—</u>	<u>419,689</u>	<u>439,612</u>

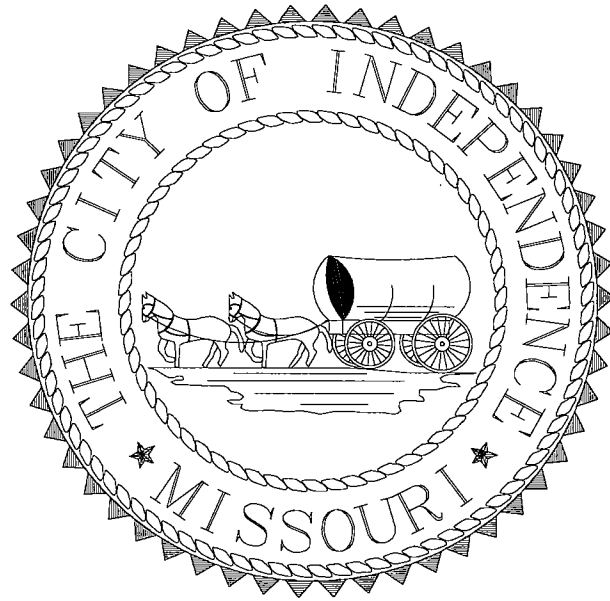
CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2009

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:					
Investment income	\$ 153	2	—	827	982
Reimbursements from component unit	—	147,316	—	70,207	217,523
Other	—	—	—	415,675	415,675
Total revenues	<u>153</u>	<u>147,318</u>	<u>—</u>	<u>486,709</u>	<u>634,180</u>
Expenditures:					
Capital outlay	—	187,316	—	76,607	263,923
Total expenditures	<u>—</u>	<u>187,316</u>	<u>—</u>	<u>76,607</u>	<u>263,923</u>
Excess (deficiency) of revenues over expenditures	<u>153</u>	<u>(39,998)</u>	<u>—</u>	<u>410,102</u>	<u>370,257</u>
Other financing sources (uses):					
Transfers in	—	40,000	—	—	40,000
Total other financing sources (uses)	<u>—</u>	<u>40,000</u>	<u>—</u>	<u>—</u>	<u>40,000</u>
Net change in fund balances	<u>153</u>	<u>2</u>	<u>—</u>	<u>410,102</u>	<u>410,257</u>
Fund balances (deficit), beginning	<u>19,553</u>	<u>215</u>	<u>(16,155)</u>	<u>9,587</u>	<u>13,200</u>
Fund balances (deficit), ending	<u>\$ 19,706</u>	<u>217</u>	<u>(16,155)</u>	<u>419,689</u>	<u>423,457</u>



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, 2009

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:					
Current assets:					
Pooled cash and investments	\$ 234,143	67,446	5,421,051	1,192,875	6,915,515
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
Total current assets	<u>391,573</u>	<u>68,494</u>	<u>5,523,290</u>	<u>1,516,959</u>	<u>7,500,316</u>
Noncurrent assets:					
Capital assets:					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	146,481	—	—	—	146,481
Less accumulated depreciation	(145,381)	—	—	—	(145,381)
Total noncurrent assets	<u>95,079</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,079</u>
Total assets	<u>\$ 486,652</u>	<u>68,494</u>	<u>5,523,290</u>	<u>1,516,959</u>	<u>7,595,395</u>
Liabilities:					
Current liabilities:					
Accounts and contracts payable	\$ 33,474	—	—	16,914	50,388
Due to other funds	—	145,000	—	—	145,000
Accrued liabilities	10,409	—	—	1,493	11,902
Compensated absences – current	33,858	—	—	12,049	45,907
Self-insurance claims payable	—	10,451	1,839,974	856,255	2,706,680
Total current liabilities	<u>77,741</u>	<u>155,451</u>	<u>1,839,974</u>	<u>886,711</u>	<u>2,959,877</u>
Noncurrent liabilities:					
Compensated absences – long-term	54,879	—	—	27,497	82,376
Other post employment benefits	147,491	—	—	—	147,491
Self-insurance claims payable	—	—	—	2,189,167	2,189,167
Total noncurrent liabilities	<u>202,370</u>	<u>—</u>	<u>—</u>	<u>2,216,664</u>	<u>2,419,034</u>
Total liabilities	<u>280,111</u>	<u>155,451</u>	<u>1,839,974</u>	<u>3,103,375</u>	<u>5,378,911</u>
Net assets:					
Invested in capital assets	95,079	—	—	—	95,079
Unrestricted	111,462	(86,957)	3,683,316	(1,586,416)	2,121,405
Total net assets (deficit)	<u>206,541</u>	<u>(86,957)</u>	<u>3,683,316</u>	<u>(1,586,416)</u>	<u>2,216,484</u>
Total liabilities and net assets	<u>\$ 486,652</u>	<u>68,494</u>	<u>5,523,290</u>	<u>1,516,959</u>	<u>7,595,395</u>

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	Workers' Compensation	Total (Exhibit 6)
Operating revenues:					
Charges for services	\$ 1,958,023	886,099	11,232,822	1,971,390	16,048,334
Other reimbursements	—	—	—	1,799,055	1,799,055
Total operating revenues	1,958,023	886,099	11,232,822	3,770,445	17,847,389
Operating expenses:					
Personal services	651,592	—	—	103,535	755,127
Other services	349,504	962,813	14,185,720	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	14,185,720	804,997	17,877,415
Operating income (loss)	34,138	(76,714)	(2,952,898)	2,965,448	(30,026)
Nonoperating revenues:					
Interest revenue	1,488	1,565	99,062	8,001	110,116
Miscellaneous revenue	43,003	49,642	932,570	52	1,025,267
Total nonoperating revenue	44,491	51,207	1,031,632	8,053	1,135,383
Income (loss) before transfers	78,629	(25,507)	(1,921,266)	2,973,501	1,105,357
Transfers in	—	—	82,781	—	82,781
Transfers out	—	(82,781)	—	—	(82,781)
Change in net assets	78,629	(108,288)	(1,838,485)	2,973,501	1,105,357
Total net assets:					
Beginning of the year (deficit)	127,912	21,331	5,521,801	(4,559,917)	1,111,127
End of the year (deficit)	\$ 206,541	(86,957)	3,683,316	(1,586,416)	2,216,484

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2009

	Internal Service Funds				
	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	Total (Exhibit 7)
Cash flows from operations:					
Receipts from customers	\$ 2,002,485	1,038,295	12,139,463	3,496,553	18,676,796
Payments to suppliers	(1,366,985)	(989,229)	(14,078,789)	(1,680,459)	(18,115,462)
Payments to employees	(573,853)	—	—	(100,994)	(674,847)
Net cash provided (used) by operating activities	61,647	49,066	(1,939,326)	1,715,100	(113,513)
Cash flows from noncapital financing activities:					
Transfers in	—	—	82,781	—	82,781
Transfers (out)	—	(82,781)	—	—	(82,781)
Advances from other funds	—	(50,000)	—	(530,226)	(580,226)
Net cash provided (used) by noncapital financing activities	—	(132,781)	82,781	(530,226)	(580,226)
Cash flows from investing activities:					
Purchases of investments	—	—	(3,000,000)	—	(3,000,000)
Proceeds from sales and maturities of investments	—	—	2,999,800	—	2,999,800
Interest on investments	1,488	1,565	153,913	8,001	164,967
Net cash provided by investing activities	1,488	1,565	153,713	8,001	164,767
Net increase (decrease) in cash and cash equivalents	63,135	(82,150)	(1,702,832)	1,192,875	(528,972)
Cash and cash equivalents at beginning of year	171,008	149,596	4,123,883	—	4,444,487
Cash and cash equivalents at end of year	234,143	67,446	2,421,051	1,192,875	3,915,515
Investments with original maturities greater than 90 days	—	—	3,000,000	—	3,000,000
Pooled cash and investments	\$ 234,143	67,446	5,421,051	1,192,875	6,915,515
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 34,138	(76,714)	(2,952,898)	2,965,448	(30,026)
Adjustments not affecting cash:					
Depreciation and amortization	550	—	—	—	550
Nonoperating Revenues	43,003	49,642	932,570	52	1,025,267
Change in assets and liabilities:					
Accounts receivable	1,459	102,554	(25,929)	(273,944)	(195,860)
Inventory	(47,524)	—	—	—	(47,524)
Prepaid items	—	—	—	(15,308)	(15,308)
Accounts and contracts payable	(47,718)	—	—	(9,603)	(57,321)
Accrued liabilities	825	(26,416)	106,931	276	81,616
Other post-employment benefits	74,350	—	—	—	74,350
Self-insurance claims payable	—	—	—	(952,965)	(952,965)
Compensated absences	2,564	—	—	1,144	3,708
Total adjustments	27,509	125,780	1,013,572	(1,250,348)	(83,487)
Net cash provided (used) by operating activities	\$ 61,647	49,066	(1,939,326)	1,715,100	(113,513)

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009 (Exhibit 8)
Flexible Benefit Plan:				
Assets:				
Pooled cash and investments	\$ 57,056	74,994	78,189	53,861
Imprest bank accounts	5,372	—	—	5,372
	<u>\$ 62,428</u>	<u>74,994</u>	<u>78,189</u>	<u>59,233</u>
Liabilities:				
Flexible benefit payable	\$ 62,428	538,082	541,277	59,233
	<u>\$ 62,428</u>	<u>538,082</u>	<u>541,277</u>	<u>59,233</u>
Susie Block Trust:				
Assets:				
Pooled cash and investments	\$ 31,086	1,359	1,197	31,248
Accrued interest receivable	494	1,324	1,325	493
	<u>\$ 31,580</u>	<u>2,683</u>	<u>2,522</u>	<u>31,741</u>
Liabilities:				
Funds held in escrow	\$ 31,580	1,358	1,197	31,741
	<u>\$ 31,580</u>	<u>1,358</u>	<u>1,197</u>	<u>31,741</u>
Seniors Travel Programs:				
Assets:				
Pooled cash and investments	\$ 28,296	81,003	84,805	24,494
Liabilities:				
Accounts and contracts payable	\$ 5,693	66,790	72,483	—
Funds held in escrow	22,603	80,150	78,259	24,494
	<u>\$ 28,296</u>	<u>146,940</u>	<u>150,742</u>	<u>24,494</u>
All Agency Funds:				
Assets:				
Pooled cash and investments	\$ 116,438	157,356	164,191	109,603
Imprest bank accounts	5,372	—	—	5,372
Accrued interest receivable	494	1,324	1,325	493
	<u>\$ 122,304</u>	<u>158,680</u>	<u>165,516</u>	<u>115,468</u>
Liabilities:				
Flexible benefit payable	\$ 62,428	538,082	541,277	59,233
Accounts and contracts payable	5,693	66,790	72,483	—
Funds held in escrow	54,183	81,508	79,456	56,235
	<u>\$ 122,304</u>	<u>686,380</u>	<u>693,216</u>	<u>115,468</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Balance Sheet
Component Unit - Tax Increment Financing
June 30, 2009

Assets	Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center
Pooled cash and investments	\$ 260,654	42,822	—	11,871	1,393,301	659,521	1,871,852
Receivables:							
Taxes	267	18,000	1,572	18,295	64,978	31,413	232,928
Accounts	—	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—	—
Due from other governments	—	—	5,038	—	27,920	1,307	144,952
Restricted assets	—	—	972,313	—	1,925,578	20,621	9,619,233
Total assets	\$ 260,921	60,822	978,923	30,166	3,411,777	712,862	11,868,965
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	\$ —	—	—	—	—	—	—
Due to other funds	—	4,857	—	—	—	—	—
Due to primary government	—	—	7,719	—	—	—	16,219
Due to other governments	—	—	—	—	—	—	—
Total liabilities	—	4,857	7,719	—	—	—	16,219
Fund balances:							
Reserved for:							
Other purposes	—	—	972,313	—	1,925,578	20,621	3,649,036
Unreserved, reported in:							
Capital projects funds	260,921	55,965	(1,109)	30,166	1,486,199	692,241	8,203,710
Total fund balances	260,921	55,965	971,204	30,166	3,411,777	712,862	11,852,746
Total liabilities and fund balances	\$ 260,921	60,822	978,923	30,166	3,411,777	712,862	11,868,965

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
4,227	10,268	107,715	—	2,879,312	343	—	108,383	3,721,084	666	11,072,019
2,400	800	49,900	14,630	46,000	—	—	140	1,899	—	483,222
—	—	—	—	51,347	—	—	—	—	—	51,347
—	—	—	—	—	—	—	—	—	10,646	10,646
1,551	30	25,579	—	28,916	—	—	5,399	—	—	240,692
—	—	—	—	11,178,693	—	—	—	5,165,858	—	28,882,296
<u>8,178</u>	<u>11,098</u>	<u>183,194</u>	<u>14,630</u>	<u>14,184,268</u>	<u>343</u>	<u>—</u>	<u>113,922</u>	<u>8,888,841</u>	<u>11,312</u>	<u>40,740,222</u>
—	—	—	—	—	—	—	90,637	—	—	90,637
—	—	—	—	—	—	5,789	—	—	—	10,646
—	—	—	1,295	1,708	—	—	—	647,499	—	674,440
—	—	—	—	—	—	—	—	4,200	—	4,200
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,295</u>	<u>1,708</u>	<u>—</u>	<u>5,789</u>	<u>90,637</u>	<u>651,699</u>	<u>—</u>	<u>779,923</u>
—	—	—	14,631	11,056,622	—	—	—	3,485,966	—	21,124,767
<u>8,178</u>	<u>11,098</u>	<u>183,194</u>	<u>(1,296)</u>	<u>3,125,938</u>	<u>343</u>	<u>(5,789)</u>	<u>23,285</u>	<u>4,751,176</u>	<u>11,312</u>	<u>18,835,532</u>
<u>8,178</u>	<u>11,098</u>	<u>183,194</u>	<u>13,335</u>	<u>14,182,560</u>	<u>343</u>	<u>(5,789)</u>	<u>23,285</u>	<u>8,237,142</u>	<u>11,312</u>	<u>39,960,299</u>
<u>8,178</u>	<u>11,098</u>	<u>183,194</u>	<u>14,630</u>	<u>14,184,268</u>	<u>343</u>	<u>—</u>	<u>113,922</u>	<u>8,888,841</u>	<u>11,312</u>	

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 (26,821,975)

Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due (2,786,226)

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 (182,308,178)

Unamortized issuance costs on TIF loans payable 1,491,906

Net assets (deficit) of component unit \$ (170,464,174)

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Component Unit - Tax Increment Financing
Year ended June 30, 2009

	Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Independence
Revenues:								
Taxes	\$ 41,027	119,195	79,928	24,858	1,740,946	478,343	3,973,657	62,486
Investment income	2,570	31	7,756	60	26,200	14,084	76,861	61
Developer contributions	—	—	855,939	—	—	—	—	—
Lease payments	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Total revenues	43,597	119,226	943,623	24,918	1,767,146	492,427	4,050,518	62,547
Expenditures:								
Capital outlay	895	4,858	8,842	160	127,590	17,234	1,892,477	1,336
Reimbursements to City	—	—	—	—	—	500,000	2,081,133	—
Debt service:								
Principal	203,650	20,432	385,000	—	920,128	240,000	1,435,000	20,888
Interest and fiscal agent fees	—	153,697	566,731	—	819,658	191,750	1,446,077	42,873
Total expenditures	204,545	178,987	960,573	160	1,867,376	948,984	6,854,687	65,097
Excess (deficiency) of revenues over expenditures	(160,948)	(59,761)	(16,950)	24,758	(100,230)	(456,557)	(2,804,169)	(2,550)
Other financing sources:								
Issuance of debt	—	—	—	—	—	—	7,820,000	—
Reoffering premium/original issue discount	—	—	—	—	—	—	(246,119)	—
Total other financing sources	—	—	—	—	—	—	7,573,881	—
Net change in fund balances	(160,948)	(59,761)	(16,950)	24,758	(100,230)	(456,557)	4,769,712	(2,550)
Fund balances, beginning	421,869	115,726	988,154	5,408	3,512,007	1,169,419	7,083,034	10,728
Fund balances, ending	\$ 260,921	\$ 55,965	\$ 971,204	\$ 30,166	\$ 3,411,777	\$ 712,862	\$ 11,852,746	\$ 8,178

Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
13,111	659,277	14,631	676,608	98	253,108	175,850	3,664,329	—	11,977,452
132	967	294	156,456	4	3,509	277	87,199	105	376,566
—	—	—	9,065	—	—	—	—	—	863,004
—	—	—	1,009,328	—	—	—	—	—	1,009,328
—	—	—	49,151	—	—	—	—	—	49,151
13,243	660,244	14,925	1,900,608	102	256,617	176,127	3,751,528	105	14,277,501
266	13,384	171	3,488,417	2	5,804	9,503	251,582	3,483	5,826,004
—	—	—	95,032	—	—	—	9,598,006	—	12,274,171
19,357	534,550	39,000	525,000	—	253,211	97,646	895,000	—	5,588,862
—	150,095	293	4,713,201	—	35,310	119,324	1,649,568	—	9,888,577
19,623	698,029	39,464	8,821,650	2	294,325	226,473	12,394,156	3,483	33,577,614
(6,380)	(37,785)	(24,539)	(6,921,042)	100	(37,708)	(50,346)	(8,642,628)	(3,378)	(19,300,113)
—	—	—	—	—	—	—	13,315,000	—	21,135,000
—	—	—	—	—	—	—	(319,316)	—	(565,435)
—	—	—	—	—	—	—	12,995,684	—	20,569,565
(6,380)	(37,785)	(24,539)	(6,921,042)	100	(37,708)	(50,346)	4,353,056	(3,378)	1,269,452
17,478	220,979	37,874	21,103,602	243	31,919	73,631	3,884,086	14,690	38,690,847
11,098	183,194	13,335	14,182,560	343	(5,789)	23,285	8,237,142	11,312	39,960,299

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

Change in fund balances \$ 1,269,452

Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level (710,500)

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	(21,135,000)
Reoffering premium/original issue discount	565,435
Issuance costs	123,946
Principal payments and reductions	6,676,429
Amortizations of discounts & premiums	(124,192)
Amortizations of issuance costs	(101,150)
Amortizations of deferred refunding costs	(62,528)
	<u>(14,057,060)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the Tax Increment Financing funds.

Accrued interest (117,685)

Change in net assets of Tax Increment Financing funds \$ (13,615,793)

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses- Power and Light Fund
Years ended June 30, 2009 and 2008

	2009			2008		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 11,803,281			16,760,306
Gas			731,661			905,340
Oil			331,923			234,751
Total production fuel			12,866,865			17,900,397
Purchased power:						
Purchased energy			25,182,239			23,316,457
Purchased capacity (net)			8,290,828			7,755,000
Border customers			49,364			30,711
Control and dispatching	-		1,072,334			860,291
Total purchased power			34,594,765			31,962,459
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 642,685	542,334	1,185,019	623,361	645,844	1,269,205
Steam	826,159	4,105,568	4,931,727	823,162	3,896,045	4,719,207
Electric	809,321	792,619	1,601,940	799,413	780,075	1,579,488
Structures and improvements	-	117,802	117,802	-	54,714	54,714
Allowance	64,010	-	64,010	290,845	-	290,845
Miscellaneous	1,427,074	459,987	1,887,061	1,319,887	482,804	1,802,691
	3,769,249	6,018,310	9,787,559	3,856,668	5,859,482	9,716,150
Missouri City Station:						
Supervision and engineering	83,220	5,231	88,451	98,957	1,089	100,046
Steam	340,117	2,135,391	2,475,508	403,124	1,489,336	1,892,460
Electric	351,503	64,485	415,988	411,525	114,853	526,378
Structures and improvements	-	73,456	73,456	-	89,507	89,507
Miscellaneous	465,984	389,945	855,929	813,320	301,482	1,114,802
	1,240,824	2,668,508	3,909,332	1,726,926	1,996,267	3,723,193
Combustion Turbine Station:						
Supervision and engineering	96	63,814	63,910	-	557	557
Generation expenses	-	299,234	299,234	-	186,887	186,887
Structures and improvements	-	18,715	18,715	-	8,470	8,470
Miscellaneous	6,975	153,502	160,477	6,161	623,228	629,389
	7,071	535,265	542,336	6,161	819,142	825,303
Total production (other)	\$ 5,017,144	9,222,083	14,239,227	5,589,755	8,674,891	14,264,646
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 262,927	21,726	284,653	179,190	17,956	197,146
Overhead expenses	65,093	54,196	119,289	37,987	11,256	49,243
Station expenses	17,570	262,270	279,840	8,234	261,605	269,839
Wheeling charges	1,909,782	-	1,909,782	1,244,552	-	1,244,552
Underground line expense	-	-	-	3,370	-	3,370
Miscellaneous	-	-	-	20,646	-	20,646
Total transmission	2,255,372	338,192	2,593,564	1,493,979	290,817	1,784,796

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2009 and 2008

	2009			2008		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	\$ 135,416	48,541	183,957	119,724	53,870	173,594
Overhead lines	824,033	3,346,517	4,170,550	911,220	3,211,262	4,122,482
Station expenses	13,453	642,734	656,187	15,145	623,042	638,187
Street lights and traffic signals	247,958	553,564	801,522	271,477	532,141	803,618
Meters	165,839	637,623	803,462	223,668	730,345	954,013
Customer installations	—	—	—	—	—	—
Underground lines	768,568	726,606	1,495,174	505,811	705,194	1,211,005
Dispatching communication	777,763	—	777,763	761,060	—	761,060
Line transformers	—	102,752	102,752	—	112,811	112,811
Miscellaneous	597,997	261,549	859,546	578,998	285,014	864,012
Total distribution	3,531,027	6,319,886	9,850,913	3,387,103	6,253,679	9,640,782
Total transmission and distribution	\$ 5,786,399	6,658,078	12,444,477	4,881,082	6,544,496	11,425,578
Customer service:						
Supervision			\$ 174,240			142,515
Meter reading			576,251			582,029
Customer records and collections			1,652,154			1,469,816
Provisions for doubtful accounts			581,530			755,238
Miscellaneous			45,675			67,613
Total customer service			3,029,850			3,017,211
General and administrative:						
Salaries			917,146			857,957
Office supplies			600,969			595,056
Insurance			931,041			1,128,408
Injuries and damage			754,421			713,259
Employee benefits			5,190,722			5,637,456
Outside services			2,726,806			1,939,083
Miscellaneous			1,035,466			1,382,843
Administrative expenses – transfers			(62,958)			(60,871)
Total general and administrative			12,093,613			12,193,191
Depreciation and amortization			11,433,567			10,571,375
Payroll taxes			997,834			992,801
Total operating expenses			\$ 101,700,198			102,327,658



CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics—Power and Light Fund
Year ended June 30, 2009

	Number of customers			
	Beginning of year	End of year	Revenue	KWH
Sale of electric energy:				
Metered:				
Residential	51,649	51,535	\$ 52,971,706	515,504,004
Small general services	3,050	3,000	3,361,258	26,249,156
General services – space heating	2	1	1,652	20,845
Large general services	1,622	1,652	31,592,983	354,118,863
Large general services – prime voltage	9	6	978,557	12,129,811
Large general services – space heating	2	2	9,456	102,446
Total electric general services	92	94	4,368,437	58,177,111
Schools, churches, and hospitals	287	283	3,726,725	39,704,609
Schools, churches, and hospitals, all electric	9	10	351,765	4,616,664
Large power services	4	3	1,678,235	23,769,900
Combined interruptible services	—	1	1,155,354	19,338,000
Sewer pumping	6	6	171,963	1,681,014
City traffic signals	58	63	57,979	149,659
Wholesale (border customers)	—	—	167,686	3,740,888
Wholesale (interchange)	—	—	1,597,007	50,882,000
	<u>56,790</u>	<u>56,656</u>	<u>102,190,763</u>	<u>1,110,184,970</u>
Unmetered:				
Private security lighting	1,644	1,660	309,130	1,484,895
City public street lighting	11,596	11,762	1,375,655	9,684,805
	<u>13,240</u>	<u>13,422</u>	<u>1,684,785</u>	<u>11,169,700</u>
Change in unbilled revenue			(51,443)	(8,604,994)
Other operating revenue			1,200,493	—
EVTC			40,249	—
Total operating revenue and total energy sales			<u>\$ 105,064,847</u>	<u>1,112,749,676</u>
Net generation				296,366,528
Wholesale power purchased				874,825,274
Unintentional interchange				(48,000)
Net generation and power purchased				<u>1,171,143,802</u>
Retail energy sales				1,109,008,788
Wholesale (border customers) sales				3,740,888
Power and light usage (building and substations)				<u>1,479,812</u>
Net disposition				<u>1,114,229,488</u>
Transmission and distribution operating losses			\$	<u>56,914,314</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2009 and 2008

	2009			2008		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 15,404	—	15,404	15,346	—	15,346
Labor and expenses	245,373	—	245,373	273,885	—	273,885
Structures and improvements	—	432,311	432,311	—	31,766	31,766
Miscellaneous	—	225,842	225,842	—	184,694	184,694
Total source of supply	260,777	658,153	918,930	289,231	216,460	505,691
Power and pumping:						
Supervision and engineering	30,623	17,822	48,445	28,996	11,167	40,163
Fuel/power purchased	1,394,942	—	1,394,942	1,400,789	—	1,400,789
Labor and expenses	237,929	—	237,929	187,033	—	187,033
Structures and improvements	—	11,264	11,264	—	13,298	13,298
Miscellaneous	—	—	—	—	14,252	14,252
Total power and pumping	1,663,494	29,086	1,692,580	1,616,818	38,717	1,655,535
Water treatment:						
Supervision and engineering	33,136	17,959	51,095	32,296	16,954	49,250
Chemicals	1,052,892	—	1,052,892	1,024,386	—	1,024,386
Labor and expenses	757,760	—	757,760	668,582	—	668,582
Structures and improvements	—	250,095	250,095	—	78,159	78,159
Miscellaneous	—	461,375	461,375	—	314,137	314,137
Total water treatment	1,843,788	729,429	2,573,217	1,725,264	409,250	2,134,514
Total production	\$ 3,768,059	1,416,668	5,184,727	3,631,313	664,427	4,295,740
Transmission and distribution:						
Supervision and engineering	\$ 88,164	64,324	152,488	86,593	62,192	148,785
Storage facilities	17,935	68,138	86,073	16,438	50,404	66,842
Transmission and distribution lines	649,034	785,784	1,434,818	683,326	755,634	1,438,960
Meters	419,695	131,117	550,812	273,142	131,472	404,614
Customer installations	90,857	—	90,857	87,480	—	87,480
Services	—	213,462	213,462	—	444,785	444,785
Hydrants	—	70,876	70,876	—	58,883	58,883
Miscellaneous	828,672	199,150	1,027,822	668,261	151,784	820,045
Total transmission and distribution	\$ 2,094,357	1,532,851	3,627,208	1,815,240	1,655,154	3,470,394
Customer service:						
Customer accounting paid and collecting:						
Supervision			\$ 202,688			156,770
Meter reading			571,256			685,862
Customer records			94,276			297,440
Provision for uncollectible amounts			66,326			71,557
Total customer accounting paid and collecting			934,546			1,211,629
Sales promotion:						
Expenses			39,461			45,315
Total customer service			974,007			1,256,944
General and administrative:						
Salaries			553,921			620,354
Office supplies and expense			321,019			366,533
Injuries and damages			480,183			381,572
Employee benefits			1,519,240			1,534,356
Outside services			1,031,074			1,171,580
Miscellaneous			229,316			488,389
Total general and administrative			4,134,753			4,562,784
Depreciation and amortization			2,823,435			2,722,564
Payroll taxes			359,297			320,143
Other			49,432			74,892
Total operating expenses			17,152,859			16,703,461
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			1,727,049			1,361,960
			\$ 18,879,908			18,065,421

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2009

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
Sale of water:				
Residential	44,779	44,732	\$ 9,037,743	2,952,653
Commercial	3,096	3,111	2,450,246	882,227
Industrial	7	7	300,577	173,600
Public authority	74	73	281,615	98,562
Resale	13	13	4,930,608	4,501,645
Private fire protection	381	382	88,007	—
Public fire protection	—	—	767,863	—
	<u>48,350</u>	<u>48,318</u>	<u>17,856,659</u>	<u>8,608,687</u>
Change in unbilled revenue			262,343	
Other operating revenue			<u>488,797</u>	
Total operating revenue			<u>\$ 18,607,799</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				—
Less total sales				<u>8,608,687</u>
Unaccounted for water				<u>(8,608,687)</u>

* Thousand gallons sold.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2009

	Number of customers		Revenue	CCF*
	Beginning of year	End of year		
Sale of sanitary sewer services:				
Residential	40,807	40,775	\$ 9,841,315	2,808,000
Commercial:				
Base	3,510	3,493	3,976,270	1,696,297
Surcharge	—	—	584,458	—
Contract waste treatment	15	11	274,377	—
Intermunicipal agreements:				
Sugar Creek	—	—	394,310	—
Kansas City	—	—	90,650	—
	<u>44,332</u>	<u>44,279</u>	15,161,380	<u>4,504,297</u>
Other operating revenue			146,805	
Change in unbilled revenue			<u>39,709</u>	
Total operating revenue			<u>\$ 15,347,894</u>	

* Hundred cubic feet.

STATISTICAL SECTION

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

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

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Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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

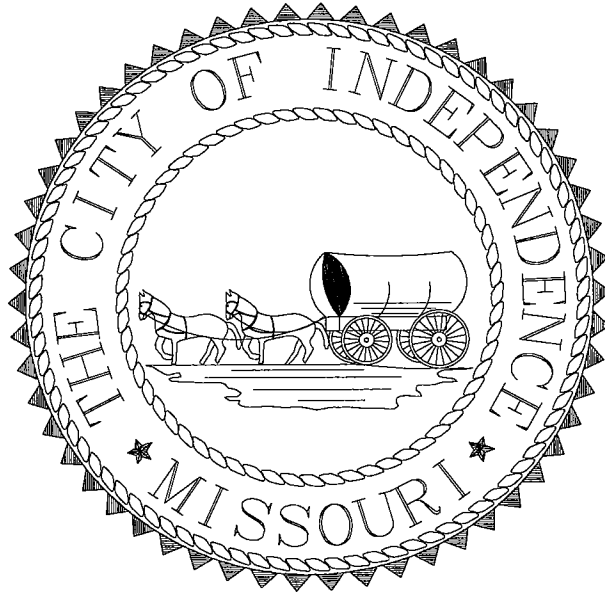


Table 1

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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	289,028,019
Restricted	5,523,788	8,932,152	12,415,044	26,147,417	25,262,407	28,164,683	25,270,518	15,475,723
Unrestricted	(37,143,473)	(43,181,083)	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)	(4,410,121)	(10,487,249)
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>	<u>294,016,493</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	283,871,824
Restricted	500,000	500,000	500,000	500,000	731,652	731,101	5,216,672	3,691,325
Unrestricted	75,880,444	78,252,510	85,443,314	72,143,939	70,071,662	60,010,180	31,311,367	29,929,991
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>	<u>317,493,140</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	572,899,843
Restricted	6,023,788	9,432,152	12,915,044	26,647,417	25,994,059	28,895,784	30,487,190	19,167,048
Unrestricted	38,736,971	35,071,427	36,565,902	66,391,593	66,042,778	56,877,378	26,901,246	19,442,742
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>	<u>611,509,633</u>

Note: GASB 34 was implemented in the 2002 fiscal year, so only eight 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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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	8,216,824
Public safety	31,837,122	33,028,116	32,987,626	35,069,866	36,796,996	38,253,819	44,390,164	47,972,502
Public works	6,842,096	6,686,542	6,196,849	6,889,773	12,817,343	13,231,006	13,013,430	13,197,612
Health and welfare	2,267,210	2,376,921	2,524,823	2,421,255	2,638,369	2,898,542	3,287,200	3,599,725
Culture and recreation	3,279,161	3,861,827	4,069,244	4,247,735	5,161,139	6,965,260	7,813,486	8,135,903
Community development	3,554,250	3,319,609	3,471,030	3,372,610	3,809,726	4,096,835	4,381,932	4,003,876
Storm water	846,628	1,081,513	1,043,573	1,493,534	1,641,992	2,193,290	2,270,858	2,445,470
General government	25,247,320	11,149,913	15,012,715	6,266,060	6,678,208	8,225,760	7,921,217	8,374,983
Interest on long-term debt	2,874,711	2,955,628	3,237,213	536,124	991,856	1,050,153	1,073,318	891,473
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	96,838,368
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	100,572,906
Water	14,581,301	15,297,405	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054	19,938,460
Sewer	11,021,666	11,535,324	11,381,487	11,995,774	12,236,654	12,721,171	14,451,363	15,233,127
Events center	—	—	—	—	—	—	179,032	132,808
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	135,877,301
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	232,715,669
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	6,247,933
Public safety	3,420,032	3,758,528	3,618,327	3,841,471	4,588,766	4,202,328	4,202,059	4,432,454
Public works	640,648	649,768	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172
Health and welfare	99,427	321,312	487,956	482,601	435,775	723,574	791,825	776,194
Culture and recreation	325,980	153,669	252,814	619,630	975,889	845,560	925,880	842,523
Community development	1,625,139	2,019,153	2,068,279	2,050,172	2,203,367	2,292,638	1,949,275	1,172,512
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	8,223,227
Capital grants and contributions	2,020,559	1,221,356	957,411	7,242,924	26,417,877	23,963,312	27,772,386	41,557,506
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	63,701,521
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	105,064,847
Water	15,224,354	15,937,835	16,610,572	17,080,050	18,312,720	17,744,404	18,114,183	18,607,799
Sewer	12,652,848	12,753,946	13,320,317	13,975,780	14,364,165	15,058,695	15,283,055	15,347,894
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	3,396,999
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	142,417,539
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	206,119,060

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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)	(33,136,847)
Business-type activities	15,518,360	14,142,017	16,920,353	15,217,488	20,021,346	21,788,124	9,953,421	6,540,238
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)	(26,596,609)
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	7,963,698
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	37,353,520
Franchise taxes	6,545,093	6,718,262	7,241,437	7,500,356	7,645,601	8,209,734	16,519,852	13,138,965
Financial institutions tax	31,592	32,412	29,000	37,149	22,181	34,802	31,960	44,195
Investment earnings	782,241	404,173	583,364	922,701	1,385,126	1,785,111	1,476,448	605,453
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149	589,469	348,143	438,354
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	13,398,378
Total governmental activities	56,541,495	57,416,349	60,937,705	59,477,407	67,585,163	68,480,350	77,712,325	72,942,563
Business-type activities:								
Investment earnings	2,539,975	822,222	709,029	1,567,536	2,449,623	2,532,853	1,850,519	485,895
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132	47,953	37,982	1,405,433
Transfers	(8,661,735)	(9,333,977)	(9,554,727)	(10,038,823)	(13,167,930)	(13,180,055)	(14,181,015)	(13,398,378)
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)	(11,507,050)
Total primary government	\$ 51,717,658	50,431,485	53,866,394	52,028,537	57,302,988	57,881,101	65,419,811	61,435,513
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	39,805,716
Business-type activities	10,694,523	7,157,153	9,849,042	7,768,618	9,739,171	11,188,875	(2,339,093)	(4,966,812)
Total primary government	\$ 11,036,859	15,276,831	19,049,576	29,243,542	49,762,883	44,024,008	33,924,980	34,838,904

Note: GASB 34 was implemented in the 2002 fiscal year, so only eight 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 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	1,319,086
Unreserved	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	5,739,682
Total General Fund	<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>	<u>7,058,768</u>
All other governmental funds										
Reserved	\$ 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	19,583,280
Unreserved, reported in:										
Special revenue funds	(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	5,357,555
Capital project funds	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)	(10,675,562)
Debt service funds	—	—	—	—	92,704	92,278	86,300	82,229	71,068	56,553
Permanent funds	11,770	12,606	12,966	13,160	13,274	13,616	14,220	9,670	—	—
Total all other governmental funds	<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>	<u>14,321,826</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)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 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	55,131,682
Licenses, fees and permits	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	3,695,971
Intergovernmental	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	19,131,915
Charges for services	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	2,774,284
Interfund charges for support services	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	3,389,629
Fines, forfeitures, and court costs	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	4,009,673
Investment earnings	852,855	1,570,953	757,872	381,436	571,402	901,209	1,309,569	1,588,358	1,197,790	495,337
Reimbursements from component unit	—	—	—	—	—	—	—	3,502,961	11,413,444	12,274,171
Other	667,564	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580	740,435	924,092
Total revenues	63,728,882	67,478,379	75,260,480	70,085,237	73,914,987	75,450,260	90,835,594	90,382,701	97,062,624	101,826,754
Expenditures										
Administrative services	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	7,728,128
Public safety	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	40,956,235
Public works	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	6,719,666
Health and welfare	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	3,150,172
Culture and recreation	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	5,942,029
Community development	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	3,657,531
Storm water	—	—	815,654	990,671	820,703	1,180,789	1,141,595	1,538,857	1,388,856	1,542,289
General government	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	7,486,977
Capital outlay	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	42,442,528
Debt Service										
Principal	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	7,277,755
Interest	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	977,116
Total expenditures	79,480,953	90,065,293	98,020,507	83,337,998	89,469,435	88,393,899	108,759,018	111,692,162	110,405,971	127,880,426
Excess of revenues over (under) expenditures	(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)	(26,053,672)
Other Financing Sources (Uses)										
Transfers in	1,696,776	809,418	1,686,134	1,817,327	651,553	222,429	1,724,648	2,102,299	1,266,294	3,897,938
Transfers out	(1,719,652)	(876,333)	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)	(4,003,295)
Issuance of debt	18,663,971	14,940,720	13,437,830	3,516,885	11,096,464	20,748,448	—	8,477,809	100,695	101,734
Transfers in - utility payments in lieu of taxes	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	13,503,735
Sale of capital assets	63,838	44,659	168,381	11,109	31,537	56,379	303,255	50,834	23,581	40,269
Total other financing sources (uses)	27,134,996	24,425,831	22,267,945	12,861,971	20,682,729	30,843,652	13,471,185	21,708,698	13,721,505	13,540,381
Net change in fund balances	\$ 11,382,925	1,838,917	(492,082)	(390,790)	5,128,281	17,900,013	(4,452,239)	399,237	378,158	(12,513,291)
Debt service as a percentage of non capital expenditures	6.05%	5.77%	5.37%	7.18%	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%

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

Note: The years 2000 - 2001 include the expendable trust funds. The years 2002 - 2009 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 Ten Calendar Years
(in thousands of dollars)

Sales by Retail Category:	Calendar Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Apparel stores	\$ 5,069	6,515	6,766	6,508	6,882	8,610	10,180	10,949	11,647	13,942
General merchandise	8,068	6,035	4,199	4,472	4,663	4,814	4,425	3,721	2,428	2,529
Food stores	149,273	153,258	152,739	151,513	149,211	176,871	192,808	198,979	192,782	172,033
Eating and drinking establishments	46,822	55,881	61,998	77,479	87,771	95,140	103,230	111,145	109,077	93,967
Home furnishings and appliances	160,725	213,235	198,519	178,942	164,914	146,574	155,934	122,354	146,407	73,773
Building materials and farm tools	2,432	5,669	6,978	7,983	8,095	8,607	7,667	7,575	7,189	6,511
Construction/Remodeling	2,241	2,573	2,935	2,880	3,392	3,356	2,869	1,725	1,569	1,955
Auto dealers and supplies	10,417	11,206	14,464	17,417	17,675	18,018	17,435	17,805	18,208	15,709
Service stations	35,080	38,716	39,528	49,392	52,896	67,021	80,534	80,008	80,135	56,986
Other retail stores	74,703	89,942	124,894	128,623	124,010	97,900	125,525	128,177	132,689	146,793
All other outlets	35,251	40,737	36,898	44,665	56,890	47,022	47,417	56,760	55,859	41,124
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>	<u>625,322</u>

Note: Amounts for 2009 are not provided due to only receiving partial year figures.

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									
<u>Direct Sales Tax Rate City of Independence</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.500
Park Improvements	0.125	0.125	0.125	0.125	0.125	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.000	0.000	0.250	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	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.250	0.250	0.250	0.125
Direct Sales Tax Rate City of Independence	1.500	1.500	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.500	1.500	1.750	1.875	1.875	2.000	2.375	2.375	2.375	2.375
	Calendar Year									
<u>Total Local Option Sales Tax Rate</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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	0.750	0.750	0.750	0.750	1.125	1.125	1.125
City of Independence	1.500	1.500	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	6.600	6.600	6.850	6.850	6.850	6.975	7.350	7.725	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	State Assessed	Total	Personal Property	Railroads & Utilities				
2000	\$ NA	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	5,668,715	801,608,227	239,514,105	1,664,135	1,042,786,467	0.7500	4,489,250,248	23.23%
2002	599,989,193	1,076,138	214,841,925	5,473,911	821,381,167	254,740,232	1,976,733	1,078,098,132	0.7500	4,626,455,634	23.30%
2003	680,890,499	1,042,495	236,512,469	4,947,308	923,392,771	246,919,958	489,879	1,170,802,608	0.7500	5,089,915,714	23.00%
2004	692,984,990	1,058,124	240,816,129	5,477,070	940,336,313	257,027,857	378,363	1,197,742,533	0.6930	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	5,525,949	1,037,312,716	256,782,138	251,053	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	5,244,739	1,052,143,415	266,654,033	1,105,062	1,319,902,510	0.6630	5,787,206,471	22.81%
2007	826,183,410	1,077,386	289,266,376	4,991,962	1,121,519,134	278,254,929	836,952	1,400,611,015	0.6510	6,115,085,122	22.90%
2008	835,415,560	1,092,071	280,076,363	4,385,286	1,120,969,280	289,243,271	1,720,003	1,411,932,554	0.6560	6,168,940,666	22.89%
2009	773,626,811	1,061,838	274,853,776	3,793,786	1,053,336,211	264,939,784	1,114,259	1,319,390,254	0.7030	5,750,439,365	22.94%

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
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
2009	0.478	0.225	—	0.703	0.214	5.084	1.061	0.030

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

(2) County Tax Breakdown for Current Year:

Health & Welfare Fund	0.156
General Fund	0.153
Road & Bridge Fund	0.142
Park Fund	0.092
Mid-Continent Public Library	0.321
Handicap	0.075
Mental Health	0.122
Total County	<u>1.061</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	4.910
Blue Springs Reorganized #4	5.531
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 Ten Years Ago

Taxpayer	2009			2000		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	\$ 22,148,951	1	1.68%	\$ 17,060,539	1	1.73%
Sprint	14,309,100	2	1.08%			
Centerpoint Medical Center	9,468,744	3	0.72%			
Cole EDD Mt Independence LLC	9,410,731	4	0.71%			
Geospace	8,528,233	5	0.65%	7,943,111	4	0.81%
Unilever Bestfoods NA	6,579,003	6	0.50%			
Bradley Operating LTD PTP	6,046,633	7	0.46%			
AT&T	5,703,409	8	0.43%			
Noland Fashion Square Partners	4,881,823	9	0.37%	5,784,019	5	0.59%
Southern Union Company	4,705,107	10	0.36%	4,690,886	7	0.48%
Community Center Two, LLC				8,916,846	2	0.90%
Independence Regional Hospital				8,025,805	3	0.81%
POB Apollo Independence				5,104,007	6	0.52%
Southwestern Bell				3,839,661	8	0.39%
Independence Apartments Association				3,675,079	9	0.37%
Commercial Distribution				2,240,000	10	0.23%
Total	\$ <u>91,781,734</u>		<u>6.96%</u>	\$ <u>67,279,953</u>		<u>6.82%</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
2000	\$ 5,471,751	\$ 4,856,639	88.76%	\$ 610,979	\$ 5,467,618	99.92%
2001	5,568,934	5,135,996	92.23%	432,974	5,568,934	100.00%
2002	5,973,560	5,253,285	87.94%	717,546	5,970,831	99.95%
2003	6,048,256	5,684,526	93.99%	361,368	6,045,894	99.96%
2004	6,330,247	5,729,077	90.50%	598,068	6,327,145	99.95%
2005	6,444,741	6,084,821	94.42%	356,657	6,441,478	99.95%
2006	6,818,619	6,164,479	90.41%	644,674	6,809,153	99.86%
2007	6,905,547	6,557,341	94.96%	312,685	6,870,026	99.49%
2008	7,103,810	6,645,387	93.55%	193,032	6,838,420	96.26%
2009	7,287,258	6,807,203	93.41%	—	6,807,203	93.41%

Table 11

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

Sales by Category:	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Power and Light:										
Residential	\$ 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	52,555,000
Commercial	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	45,171,000
Industrial	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	2,904,000
Sold to Other Utilities	2,708,000	1,406,000	131,000	809,000	689,000	779,000	1,839,000	796,000	2,081,000	1,765,000
Other	715,000	827,000	824,000	881,000	941,000	1,008,000	1,128,000	1,214,000	1,328,000	1,434,000
Water:										
Residential	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	9,037,744
Commercial	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	2,450,246
Industrial	225,018	215,619	256,478	324,228	336,707	331,251	362,537	367,863	308,642	300,577
Public Authority	123,779	124,919	131,219	169,383	174,092	189,489	231,257	228,957	267,428	281,615
Sold to Other Utilities	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	4,930,608
Other	817,473	846,602	856,918	856,811	934,326	960,563	968,733	1,060,453	1,081,606	1,344,666
Sanitary Sewer:										
Residential	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	9,841,314
Commercial	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	4,560,728
Other	756,543	844,729	728,334	643,687	707,755	797,791	774,222	854,930	881,836	906,142
Total	\$ 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	137,482,640

Table 12

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

Rates by Category:	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Power and Light (per Kwh):	\$									
Residential	0.08	0.08	0.08	0.08	0.08	0.08	0.09	0.10	0.10	0.10
Commercial	0.06	0.07	0.07	0.07	0.07	0.07	0.08	0.09	0.09	0.09
Industrial	0.04	0.05	0.05	0.05	0.05	0.05	0.06	0.06	0.07	0.07
Sold to Other Utilities	0.07	0.05	0.02	0.03	0.03	0.03	0.04	0.04	0.05	0.03
Other	0.08	0.09	0.09	0.10	0.10	0.11	0.12	0.13	0.14	0.15
Water (per 1,000 gallons):										
Residential	2.34	2.37	2.37	2.35	2.37	2.49	2.54	2.63	2.80	3.06
Commercial	2.15	2.15	2.17	2.16	2.18	2.27	2.34	2.41	2.52	2.78
Industrial	1.11	1.15	1.09	1.10	1.12	1.14	1.31	1.34	1.44	1.73
Public Authority	1.97	1.94	1.97	1.94	2.02	2.28	2.34	2.42	2.58	2.86
Sold to Other Utilities	0.94	0.94	0.94	1.01	1.02	1.17	1.21	1.10	1.03	1.10
Sanitary Sewer (per 100 cubic feet):										
Residential	2.76	2.71	2.75	2.75	2.77	2.97	3.13	3.18	3.35	3.50
Commercial	2.22	2.08	2.15	2.26	2.34	2.32	2.46	2.64	2.68	2.69
Total	\$ <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>	<u>18.16</u>

Table 13

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

Utility Customer - Power and Light	2009			2000		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 1,493,098	1	1.44%	\$ 800,945	2	1.20%
Centerpoint Medical Center	1,275,452	2	1.23%			
Burd and Fletcher (Combined Accounts)	1,169,111	3	1.13%	456,108	4	0.68%
Simon Property Group LP	1,021,731	4	0.98%	883,152	1	1.32%
Commercial Distributions Center	1,005,808	5	0.97%	681,752	3	1.02%
Price Chopper (23rd Street)	479,759	6	0.46%	312,290	8	0.47%
Price Chopper (Noland Road)	474,220	7	0.46%	344,679	7	0.51%
City's Rock Creek Sanitary Sewer Plant	441,021	8	0.42%	277,438	9	0.41%
Costco Wholesales Inc.	434,297	9	0.42%			
The Boyer Company	428,695	10	0.41%			
AGCO Material Corp				352,362	5	0.53%
Independence Regional Health Center				345,456	6	0.52%
Community of Christ Auditorium				235,006	10	0.35%
Total	\$ 8,223,192		7.92%	\$ 4,689,188		7.00%

Table 14

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

Utility Customer - Water	2009			2000		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	\$ 2,512,095	1	13.69%	\$ 2,036,352	1	13.49%
Blue Springs	972,054	2	5.30%	840,570	2	5.57%
District #2, Jackson County	343,651	3	1.87%	261,823	3	1.74%
District #1, Lafayette County	277,842	4	1.51%	228,435	4	1.51%
Oak Grove	240,847	5	1.31%	217,939	5	1.44%
Grain Valley	196,252	6	1.07%	175,514	6	1.16%
District #15, Jackson County	142,205	7	0.78%	122,782	7	0.81%
Lafarge Corporation	116,444	8	0.63%			
Unilever (Thomas J. Lipton Co)	112,768	9	0.61%			
Buckner	108,060	10	0.59%	92,628	8	0.61%
Sugar Creek				76,022	9	0.50%
District #17, Jackson County				52,630	10	0.35%
Total	\$ <u>5,022,218</u>		<u>27.38%</u>	\$ <u>4,104,695</u>		<u>27.20%</u>

Table 15

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

Utility Customer - Sewer	2009			2000		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 393,759	1	2.57%	\$ 573,922	1	4.54%
City of Independence, Power & Light	287,066	2	1.88%	104,468	3	0.83%
AMOCO	286,327	3	1.87%	224,892	2	1.78%
Centerpoint Medical Center	63,064	4	0.41%			
Simon Property Group LP	35,452	5	0.23%	44,406	6	0.35%
Commercial Distributions Center	18,350	6	0.12%	26,443	7	0.21%
Price Chopper (23rd Street)	15,537	7	0.10%			
The Boyer Company	9,719	8	0.06%			
Wal-Mart (Bolger Drive)	9,487	9	0.06%			
Bass Pro	9,204	10	0.06%			
AGCO				81,116	4	0.64%
Independence Regional Health Center				49,893	5	0.39%
Total	\$ <u>1,127,965</u>		<u>7.37%</u>	\$ <u>1,105,140</u>		<u>8.73%</u>

Note: Amounts for customers 8 through 10 are not available for 2000.

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				
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	—				
2009	13,586,351	800,207	603,524	—				

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			
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
2009	178,411,467	—	65,954	—	193,467,503	7.75%	1,756.40

Notes: (1) See Table 21 for personal income and population data. The 2009 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		
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%	—
2009	—	—	—	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, 2009

<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	\$ 186,445,000	20.00%	\$ 37,289,000
Independence School District	121,546,322	100.00%	121,546,322
Raytown School District	94,279,999	6.00%	5,656,800
Fort Osage Reorganized #1 School District	37,866,674	12.50%	4,733,334
Subtotal, overlapping debt			<u>169,225,456</u>
City direct debt			<u>14,990,082</u>
Total direct and overlapping debt			<u><u>\$ 184,215,538</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit (1)	\$ 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	263,878,051
Total net debt applicable to limit	—	—	—	—	—	948,722	896,700	840,870	790,240	738,925
Legal Debt Margin	\$ 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	263,139,126
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value	\$ 1,319,390,254
Debt Limit (20% of assessed value)	263,878,051
General obligation:	
City-Wide	—
Neighborhood Improvement Districts	800,207
Revenue Bonds	178,411,467
Total Bonded Debt	179,211,674
Less:	
Water Utility Bonds	53,490,000
Electric Utility Bonds	42,636,467
Events Center Bonds	82,285,000
Debt Service Fund Balance	61,282
Total net debt applicable to limit	738,925
Legal debt margin	\$ 263,139,126

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)												
2000	\$	70,349,124	\$	50,390,860	\$	1,535,000	\$	1,384,760	\$	6.84		
2001		81,965,004		57,618,481		1,595,000		1,308,835		8.38		
2002		73,930,488		52,142,313		1,675,000		1,243,860		7.46		
2003		77,932,974		56,701,449		1,740,000		1,164,512		7.31		
2004		82,265,717		61,851,943		1,745,000		983,448		7.48		
2005		84,020,908		64,452,736		1,855,000		921,038		7.05		
2006		100,254,630		75,369,477		24,885,153		855,273		8.95		
2007		105,313,797		80,423,304		24,890,493		1,995,000		784,823	8.95	
2008		109,358,222		90,141,975		19,216,247		2,065,000		708,218	6.93	
2009		106,810,460		88,778,796		18,031,664		2,155,000		1,157,423	5.44	
Water (2) (3)												
2000	\$	16,656,302	\$	9,656,336	\$	6,999,966	\$	850,000	\$	1,596,133	\$	2.86
2001		16,267,295		10,018,126		6,249,169		900,000		1,561,920		2.54
2002		16,068,944		10,199,624		5,869,320		985,000		1,527,809		2.34
2003		16,348,365		10,788,334		5,560,031		1,070,000		1,489,510		2.17
2004		16,907,411		10,718,853		6,188,558		1,200,000		1,449,060		2.34
2005		17,928,618		11,096,626		6,831,992		1,285,000		2,014,517		2.07
2006		19,285,620		12,300,943		6,984,677		1,905,000		2,053,730		1.76
2007		18,473,889		12,850,111		5,623,778		2,040,000		1,923,627		1.42
2008		18,422,122		13,268,938		5,153,184		2,200,000		1,838,014		1.28
2009		18,709,946		13,618,857		5,091,089		2,380,000		2,032,591		1.15
Sanitary Sewer												
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		—		—		—
2009		15,585,793		13,005,365		2,580,428		—		—		—

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>
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%
2009	110,150	2,495,448,250	22,655	39.56	16,065	8.10%

Note: The information for 2009 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 Ten Years Ago

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems	2,500	1	4.68%	800	2	1.35%
Independence School District	2,000	2	3.74%			
Centerpoint Medical Center	1,600	3	3.00%			
City of Independence	1,176	4	2.20%			
Government Employee Hospital	650	5	1.22%	650	3	1.09%
Rosewood Health Center at the Groves	400	6	0.75%			
Burd & Fletcher	350	7	0.66%	275	6	0.46%
Jackson County Circuit Court	274	8	0.51%			
Mid-Continent Library	248	9	0.46%			
Unilever	220	10	0.41%			
Health Midwest				1,470	1	2.48%
Space Center Distribution				180	7	0.30%
Southwestern Bell Telephone				600	4	1.01%
Thomas J. Lipton				280	5	0.47%
Sprint Relay Center				171	8	0.29%
The Examiner				115	9	0.19%
Barbour Concrete				100	10	0.17%
Total	<u>9,418</u>		<u>17.63%</u>	<u>4,641</u>		<u>7.82%</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
City council office	11.00	11.00	11.00	11.00	11.00	10.00	10.00	10.00	10.00	10.00
City clerk	7.00	7.00	7.00	7.00	6.50	6.50	6.00	6.00	6.00	6.00
City manager	11.50	11.00	10.00	10.00	8.50	7.00	7.50	10.50	10.50	10.50
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology services	21.00	21.00	20.00	20.00	20.00	20.00	20.00	21.00	21.00	21.00
Municipal court	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00
Law - General fund	6.00	6.00	6.00	6.00	5.50	5.50	5.75	6.75	6.51	6.50
Law - Grant fund	—	—	—	—	—	0.50	0.50	0.50	0.37	0.25
Finance	25.00	25.00	25.00	25.00	24.00	24.00	25.00	26.00	25.00	24.15
Human resources	6.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Public Safety										
Police - General fund	269.00	275.00	274.00	275.00	275.00	277.00	281.50	281.50	283.00	290.40
Police - Grant fund	—	—	—	—	—	15.00	12.00	10.00	14.00	15.00
Fire - General fund	174.00	174.00	174.00	174.00	174.00	173.25	173.25	173.25	173.25	173.25
Fire - Grant fund	—	—	—	—	—	0.75	0.75	0.75	0.75	0.75
Public Works	87.90	89.90	88.90	87.90	82.00	81.00	82.00	83.00	82.00	82.00
Health and Welfare										
General fund	28.49	27.24	38.13	39.69	39.47	33.50	34.25	34.25	35.25	35.25
Grant fund	—	—	—	—	—	5.50	6.00	7.70	6.25	7.10
Culture and Recreation										
General fund	41.70	41.70	41.70	43.79	42.14	41.70	36.70	35.53	32.65	32.65
Tourism fund	3.40	3.40	3.41	3.41	3.41	4.41	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	25.29
Community Development										
General fund	31.00	35.00	23.00	23.00	22.00	22.00	26.00	25.75	26.64	26.05
Community Dev Block Grant fund	4.50	3.50	3.00	3.00	3.00	3.00	3.00	2.50	2.11	2.70
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	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	217.00
Water										
City Manager - General fund	1.50	1.50	1.50	1.50	1.50	—	—	—	—	—
Finance - General fund	—	—	—	—	—	1.00	1.00	0.17	0.15	0.85
Water	98.48	98.48	97.48	97.48	97.48	97.48	98.48	97.48	98.50	101.65
Sewer										
Public Works - General fund	—	—	—	—	—	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	71.50	73.50	72.00	72.00	69.00	70.00	70.00	70.00	70.00	70.00
Central Garage fund	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00	10.00	10.00
Worker' Compensation Fund	—	—	—	—	—	—	—	—	1.75	1.75
Total	<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>1,208.88</u>	<u>1,218.00</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	18,015	20,105	16,199	14,963	19,763	17,183	15,986	14,621	15,095	14,900
Public Safety										
Police										
Police Incident Calls	122,325	123,234	125,219	120,668	123,329	128,891	130,242	126,301	122,667	125,899
Traffic Unit Citations Issued	22,048	22,062	23,227	17,796	30,840	31,323	20,257	30,984	31,241	31,969
Fire										
Total Alarms	12,074	12,557	13,141	12,294	13,424	12,895	13,166	13,354	13,130	15,374
Public Education Audience	21,344	22,293	13,828	12,619	14,747	18,363	18,818	18,502	18,830	10,291
Public Works										
Street Overlay (lane miles)	110	144	122	110	104	88	66	26	—	53
Street Patching Jobs	1,951	1,133	1,524	744	575	542	474	3,897	6,822	3,168
Health and Welfare										
Food Handlers Trained	4,262	4,963	4,741	5,186	11,638	9,680	7,696	8,663	10,112	8,850
Flu Shots Given	774	450	450	539	600	431	680	1,118	764	789
Animal Control Service Calls	8,100	8,318	9,336	9,230	7,354	6,446	7,294	8,415	6,641	9,314
Culture and Recreation										
Park Shelter Reservations	275	283	671	675	210	214	462	457	646	872
Number of Sermon Center Memberships	830	900	1,275	1,032	1,056	948	930	1,095	1,500	1,323
Community Development										
Permits Issued	5,292	4,822	3,984	4,693	5,809	5,281	4,792	4,048	4,100	3,782
Tourism										
Site Attendance	403,560	357,747	432,268	334,853	306,407	290,499	295,381	260,342	244,524	230,483
Leisure Visitor Inquiries	28,540	21,446	42,608	44,659	23,172	34,512	44,943	34,116	35,446	33,392
Power and Light										
Average number of monthly customers	53,135	53,658	53,982	54,356	55,195	55,921	56,402	56,562	56,790	56,656
Water										
Number of customers	45,649	45,945	46,394	46,873	47,324	47,461	47,769	48,358	48,350	48,318
Water main breaks	215	294	180	292	239	182	241	271	179	171
Sewer										
Number of customers	42,194	42,487	42,856	42,394	43,434	43,909	44,290	44,351	44,210	44,279
Wastewater Treated (Million Gallons)	3,241	4,218	3,830	2,939	3,032	3,207	2,935	2,348	2,701	3,080

Table 25

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police										
Police stations	2	2	3	3	3	3	3	4	4	4
Vehicles	108	109	151	124	162	90	177	203	206	201
K - 9 Facility	—	—	—	—	—	1	1	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Fire Training Facilities	—	—	—	—	—	—	—	—	—	1
Vehicles	44	42	40	40	42	41	44	45	42	45
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	580	580	532	535	535	535	580	550	564	547
Culture and Recreation										
Park acreage	724	724	721	721	724	724	757	826	728	728
Parks	41	41	40	40	40	42	43	44	42	42
Community Centers	1	1	1	2	3	3	3	3	3	3
Fitness Centers	1	1	1	1	2	2	2	2	2	2
Ball Fields	53	54	53	53	53	53	53	53	54	54
Power and Light										
Power stations	5	5	5	5	5	5	5	5	5	5
Transmission/Distribution Circuits (miles)	650	776	789	794	802	809	817	829	835	840
Maximum daily use (Mwh)	5,506	5,432	5,395	5,401	5,838	5,320	5,464	5,865	5,579	5,472
Water										
Water mains (miles)	683	688	694	697	711	711	729	736	741	742
Fire hydrants	3,840	3,908	3,996	4,061	4,186	4,186	4,401	4,520	4,635	4,679
Maximum daily pumpage (millions of gallons)	37	39	39	42	42	41	44	44	39	38
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	515	515	565	565	582	576	578	590	578	596
Maximum daily capacity of treatment (MGD)	18	18	18	18	18	19	19	18	16	18

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**UNAUDITED FINANCIAL
AND OPERATING REPORT
FOR PERIOD ENDED JANUARY 31, 2010**

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CITY OF INDEPENDENCE, MISSOURI

FINANCIAL AND OPERATING REPORT



FOR PERIOD ENDED

January 31, 2010

**PREPARED BY:
FINANCE DEPARTMENT**



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

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



February 16, 2010

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

Re: January 2010 Financial Report

The Financial Report of the City of Independence for the period ended January 31st is submitted herewith. This report reflects 58.3% of the 2009-10 fiscal year operations for the funds represented.

The current budget for General Fund estimated revenues are \$9,955 more than the original estimate. Projected revenues for the year are expected to be \$941,772 more than the estimate. The projected revenues, for the most part, reflect trends that were developed last spring. Note this projection is based on seven months of actual operating results. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Due to the slow recovery in the general

economy and specifically retail sales we are paying very close attention to sales tax revenue. Current projections for sales tax are \$535,716 less than the original estimate. Utility franchise fees are up \$2,659,279, most of which is the result of the settlement of a lawsuit with AT&T.

General Fund Revenues					
	Original Est. Revenue	Adjusted Est. Revenue	Projected	Variance of Proj. to Adj.	%
Taxes	\$52,169,935	\$52,169,935	\$52,771,053	\$601,118	1.1%
Licenses & Permits	3,502,400	3,502,400	3,205,343	(297,057)	-9.3%
Grants	5,413,015	5,413,015	5,474,355	61,340	1.1%
Charges for Services	1,747,459	1,748,124	2,016,301	268,177	13.3%
Interfund Services	3,265,200	3,265,200	3,313,267	48,067	1.5%
Fines & Forfeitures	3,989,374	3,989,374	4,294,832	305,458	7.1%
Interest	122,800	122,800	106,227	(16,573)	-15.6%
Other Revenue	409,446	418,736	389,979	(28,757)	-7.4%
Debt Proceeds				0	
Total	<u>\$70,619,629</u>	<u>\$70,629,584</u>	<u>\$71,571,356</u>	<u>\$941,772</u>	<u>1.3%</u>

There is a negative variance from City owned utilities of \$1,283,198. Detail for these utilities can be found at the end of this letter. Due to the current economy and it's near term projections I have reduced several Business License & Permit accounts to the amount of recent projections received from the operating departments.

The fiscal year to date expenditures for the General Fund is \$41,288,455 and encumbrances are \$1,744,957. The total is \$43,033,412. This represents 60.0% of the adjusted budget. This is greater than the current month's proportion of 58.3%. This includes a number of blanket encumbrances written at the beginning of the year. The variance column adjusts for cost overruns projected in the Police

Department of \$558,865 for overtime and then a \$734,000 adjustment for projected savings. This variance may increase during the year. Salary and benefit projections show that 59.2% of the budget for this category has been expended.

General Fund Expenditures & Encumbrances						
	Adopted Budget	Adjusted Budget	Actual To Date	%	Projected	Variance of Proj. to Adj.
General Government	\$7,792,592	\$7,793,189	\$4,628,947	59.4%	\$7,793,189	\$0
Public Safety	41,436,990	41,554,865	25,666,377	61.8%	42,113,730	(558,865)
Public Works	7,224,632	7,224,632	4,225,921	58.5%	6,962,632	262,000
Health	2,775,159	2,775,159	1,745,961	62.9%	2,775,159	0
Parks & Recreation	2,190,959	2,200,265	1,370,196	62.3%	2,140,265	60,000
Council Goals	250,000	411,717	133,765	32.5%	411,717	0
TIF Distribution	0	762,204	16,638	2.2%	762,204	0
Other	8,949,297	8,949,297	5,245,607	58.6%	8,537,297	412,000
TOTAL	\$70,619,629	\$71,671,328	\$43,033,412	60.0%	\$71,496,193	\$175,135

Projected Financial Position - June 30:

The chart on the right is a projection of the fund balance account for the General Fund for this fiscal year. Total Fund Balance is decreasing by \$743,943 as a result of the expected use of \$1,780,034 of reserved and designated funds and the \$1,036,091 increase of undesignated funds.

Projected Unreserved Fund Balance - June 30

Of the \$7,058,768 of beginning fund balance reported above, the undesignated portion is \$2,073,982. The balance represents reserved and designated fund balance components. The undesignated portion is expected to increase by \$1,036,091 to a projected undesignated fund balance of \$3,110,073 at the end of this fiscal year. Several factors are impacting this increase, including the revenue and expenditure variances. The City Manager is continuing this year to evaluate vacancies to measure salary savings during the fiscal year. Departments are also being asked to consider reductions in non-personal service accounts. Detail information regarding unreserved fund balance can be found following this transmittal letter.

Fund Balance Activity	
Beginning Fund Balance	\$7,058,768
Current Fiscal Year	
Revenues	71,571,356
Expenditures	71,496,193
Rev. over/(under) Expenditures	75,163
Prior Year Encumbrances	819,106
Transfers In	
Transfers Out	
Projected Ending Fund Balance	\$6,314,825

Undesignated Fund Balance Activity	
Beginning Undesignated Fund Balance	\$ 2,073,982
Approved Budget Variances	(1,041,744)
Projection Variances:	
Revenue Variance	941,772
Expenditure Variance	175,135
Net Budget Variance	75,163
Transfers Authorized by the Budget	
Other:	
Increases	1,005,242
Decreases	44,314
Projected Ending Undesignated Fund Balance	\$ 3,110,073

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	\$161,717		
Current Year Authorization	<u>250,000</u>		
	<u>\$411,717</u>		
<u>Carry-Over Allocations from Prior Years:</u>			
Police Academy Scholarship Program	418		418
Neighborhood Park Matching Grants	15,681	15,681	
Police K-9 Officer Replacement	10,000		10,000
Neighborhood Block Celebrations	4,536	2,130	2,406
Demo. of Dangerous Bld. & Property Clean-up	30,687		30,687
Mowing & Refuse Cleanup on Private Property	398		398
Neighborhood Cleanup Program	2,438	2,438	
Independence Square Parking Spaces	125		125
Speed Risers near Palmer Senior Center	10,000		10,000
Graffiti Abatement Program	1,470	1,470	
Graffiti Reward Program	500		500
Neglected & Foreclosed Property	22,214	235	21,979
<u>Current Year Allocations:</u>			
Demo. of Dangerous Bld. & Property Clean-up	79,500		79,500
Mowing & Refuse Cleanup on Private Property	70,000	70,000	
Neighborhood Park Matching Grants	10,000	4,035	5,965
Graffiti Abatement Program	10,000	4,530	5,470
Neighborhood Cleanup Program	8,175	8,175	
Youth Recreation Program Scholarships	55,000	25,000	30,000
Englewood Substation	<u>3,600</u>		<u>3,600</u>
Total	<u>\$334,742</u>	<u>\$133,694</u>	<u>\$201,048</u>
Unallocated Balance	<u>\$76,975</u>		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is \$402,354 and interest is \$4,300 and unreserved fund balance is \$406,855.

Street Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is (\$12,536,286).

Park Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is (\$4,683,833).

<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>Projected</u>	<u>Variance</u>
Sales Tax	\$6,586,624	8,100,479	7,858,559	(241,920)
Interest	10,146		5,400	5,400
Other	104,831			0
Total Revenues	\$6,701,601	8,100,479	7,863,959	(236,520)
<u>Expenditures:</u>				
				0
Non-Departmental	13,361	7,000	7,000	0
Debt Service	4,245,325	866,820	866,820	0
Capital Appropriations	5,601,747	13,319,479	13,319,479	0
Total Expenditures	9,860,433	14,193,299	14,193,299	0
Excess of Revenues Over (Under) Expenditures	(3,158,832)		(6,329,340)	
<u>Other Fin. Sources (Uses)</u>				
Debt Proceeds				
Transfers In	546,154			
Transfers Out	1,778,640	4,118,669	4,118,669	
Total Other Financing	(1,232,486)		(4,118,669)	
<u>Fund Balance:</u>				
Encumbrances	3,690,400			
Other Reserves				
Unreserved	(5,778,677)		(12,536,286)	
Total	(2,088,277)		(12,536,286)	

<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>Projected</u>	<u>Variance</u>
Sales Tax	\$3,857,852	4,050,239	3,929,280	(120,959)
Interest	561	0	0	0
Charges for Services	534,925	490,000	490,000	0
Other	14,246	203,000	100,000	(103,000)
Total Revenues	\$4,407,584	4,743,239	4,519,280	(223,959)
<u>Expenditures:</u>				
Debt Service	2,447,476	2,168,014	2,168,014	0
Operating	2,715,182	2,808,365	2,808,365	0
Capital	594,545	1,007,467	1,007,467	0
Total Expenditures	5,757,203	5,983,846	5,983,846	0
Excess of Revenues Over (Under) Expenditures	(1,349,619)		(1,464,566)	
<u>Other Fin. Sources (Uses)</u>				
Debt Proceeds				
Transfers In	26,120			
Transfers Out				
Total Other Financing	26,120		0	
<u>Fund Balance:</u>				
Encumbrances	533,083			
Other Reserves				
Unreserved	(3,752,350)		(4,683,833)	
Total	(3,219,267)		(4,683,833)	

Fire Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is \$1,048,743.

Fire Sales Tax Fund				
	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	\$3,057,491	2,025,120	1,964,640	(60,480)
Interest	55,287	77,500	7,000	(70,500)
Other	37		0	
Total Revenues	\$3,112,815	2,102,620	1,971,640	(130,980)
Expenditures:				
Debt Service	550,313	554,213	554,213	0
Operating	917,208	2,249,385	2,249,385	0
Capital	5,217,574	632,672	632,672	0
Total Expenditures	6,685,095	3,436,270	3,436,270	0
Excess of Revenues Over (Under) Expenditures	(3,572,280)		(1,464,630)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Encumbrances	643,924			
Other Reserves				
Unreserved	1,869,449		1,048,743	
Total	2,513,373		1,048,743	

Police (Capital) Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is \$563,938.

Police (Capital) Sales Tax Fund				
	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	\$2,055,300	2,160,325	2,093,361	(66,964)
Interest	21,961	33,600	7,500	(26,100)
Other	10,226		0	0
Total Revenues	\$2,087,487	2,193,925	2,100,861	(93,064)
Expenditures:				
Debt Service	513,963	514,113	514,113	0
Capital	985,148	3,448,990	3,448,990	0
Total Expenditures	1,499,111	3,963,103	3,963,103	0
Excess of Revenues Over (Under) Expenditures	588,376		(1,862,242)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Encumbrances	1,347,216			
Other Reserves				
Unreserved	1,078,964		563,938	
Total	2,426,180		563,938	

Storm Water Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is \$200,598.

<u>Storm Water Sales Tax Fund</u>				
<u>Revenues:</u>	<u>Actual As Of Prior Fiscal Year</u>	<u>Budget</u>	<u>Projected</u>	<u>Variance</u>
Sales Tax	\$3,858,941	\$4,050,239	\$3,929,279	(120,960)
Intra-governmental	\$98,960	\$0	\$0	
Interest	175,360	133,100	41,000	(92,100)
Other	29,354		0	0
Total Revenues	\$4,162,615	\$4,183,339	\$3,970,279	(\$213,060)
<u>Expenditures:</u>				
Operating	1,224,907	2,035,189	2,035,189	-
Capital	3,458,231	11,852,041	11,872,041	20,000
Total Expenditures	4,683,138	13,887,230	13,907,230	20,000
Excess of Revenues Over (Under) Expenditures	(520,523)		(9,936,951)	
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	197,965			
Debt Proceeds				
Total Other Financing	(197,965)		0	
Fund Balance				
Encumbrances	1,516,261			
Designated Fund Balance				
Unreserved	8,621,288		200,598	
Total	10,137,549		200,598	

Central Garage

The Garage Fund realized a net loss of \$878 for this month of the fiscal year and a net loss of \$50,704 for the year to date. The Director of Public Works must review this closely to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for this fiscal year. Also, the Director should look at any fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after seven months of operation.

<u>Central Garage Operating Statement</u>		
	<u>Current Month</u>	<u>Year to Date</u>
Revenue:		
Repairs & Other Income	181,963	\$1,272,435
<u>Operating Expenses:</u>		
Personal Services	56,061	400,334
Other Services	30,163	286,243
Supplies	98,975	631,016
Capital Outlay	340	27,448
Depreciation Expense	381	656
Total Expenses	<u>185,920</u>	<u>1,345,697</u>
Net Income from Operations	(3,957)	(73,262)
Other Income/Expense:		
Interest Income/Expense	17	159
Misc. Income	3,062	<u>22,399</u>
<u>Net Income/(Loss)</u>	<u>(\$878)</u>	<u>(\$50,704)</u>
Fund Equity, Beginning		206,541
<u>Fund Equity, Ending</u>		<u>\$155,837</u>

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. In this analysis the amount shown as 'Due from Federal Government' represents receivables from the Missouri Department of Transportation for work performed on 39th Street, 35th Street & Noland Rd. Intersection, Little Blue Parkway and Hidden Valley Road. The amount for 'Due from Other Local Government' and 'Other' represents receivables from the County Urban Road System (CURS) and TIF Funds. Of the \$532,797 that is due from the 'Other' the City has submitted requests of \$23,332; approximately \$503,531 is retained from payments to contractors, leaving \$5,934 ready for submission. Of the \$2,038,625 that is 'Due from Federal Government', \$688,403 has been requested; approximately \$1,234,006 is retained from payments to contractors, leaving \$116,215 ready for submission.

<u>Street Improvements Fund</u>	
Assets	
Cash	\$299,971
Special Assessment Receivable	
Due From Federal Government	2,038,625
Due From Other Local Government	449,411
Due From Other	532,797
Contributions Receivable	
Total	<u>3,320,803</u>
Liabilities & Credits	
Accounts Payable	2,730,964
Deferred Revenue	950,909
Due To Other Funds	
Funds In Escrow	
Total	<u>3,681,873</u>
Fund Balance	<u><u>(\$361,069)</u></u>

Workers' Compensation Fund

The Worker's Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims of \$2,661,401, 64.5% or \$1,716,764 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 \$117,200 for major claims. Non-current liabilities include \$1,290,509 for major claims.

Stay Well Health Care Plan

With the consolidation of the employee health care plans into the self-funded Stay Well Health Care Plan as of January 1, 2010 a separate financial and activity report will be prepared.

<u>Worker's Compensation Fund</u>	
Assets	
Pooled cash and investments	1,903,842
Accounts receivable	396,287
Total Assets	<u>2,300,129</u>
Current Liabilities	
Accounts and contracts payable	
Accrued liabilities	2,770
Compensated absences	13,348
Worker's Comp claims	944,637
Total Current Liabilities	<u>960,755</u>
Noncurrent liabilities	
Compensated absences	30,341
Worker's Comp claims	1,716,764
Total noncurrent liabilities	1,747,105
Total Liabilities	<u>2,707,860</u>
Net Assets	
Invested in capital assets, net of debt	-
Unrestricted	(407,731)
Total net assets (deficit)	<u>(407,731)</u>
Total liabilities and net assets	<u><u>2,300,129</u></u>

Power and Light Fund

Total operating revenues of the Power and Light Fund of \$66,930,666 reflect an increase of \$2,649,784 over fiscal year 2008-09 operating revenues of \$64,280,882 or 4.1%. Key factors contributing to increased revenues were increases: in retail sales of \$1,845,197, in sales to other utilities of \$816,298. The unusually cool weather experienced during the summer contributed to sluggish revenues at the start of this fiscal year. A new purchase and sales agreement contributed to a surge in sales to other utilities which began in December 2009.

Total operating expenses of the Power and Light Fund of \$64,512,798 reflect a decrease of \$3,533,980 over fiscal year 2008-09 operating expenses of \$68,046,778 or 5.2%. Two key indicators contributing to decreased expenses were decreases in production costs of \$5,010,693, which were offset by increases in transmission costs of \$861,840, increases in payment in lieu of taxes of \$232,596, and increases in customer account costs of \$140,214. Production costs have decreased due to increased purchases from Nebraska City 2 and the Smoky Hills Wind Farm purchased power agreements.

Water Fund

Total operating revenues of the Water Fund of \$11,927,893 reflect an increase of \$676,332 from fiscal year 2008-09 total operating revenues of \$11,251,561 or 6.01%. Rate increases are responsible for the overall increase.

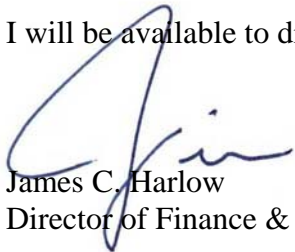
Total operating expenses of the Water Fund of \$10,571,230 reflect a decrease of \$592,887 from fiscal year 2008-09 total operating expenses of \$11,164,117 or 5.31%. Decreases in maintenance costs associated with water treatment structures and transmission/distribution plant have resulted in the overall reduction.

Sanitary Sewer Fund

Total operating revenues of the Sanitary Sewer Fund of \$8,695,367 reflects a decrease of \$232,462 from fiscal year 2008-09 total operating revenues of \$8,927,829 or 2.6%. This decrease is mainly attributable to reduction in commercial usage and a reduction in number of customers served.

Total operating expenses of the Sanitary Sewer Fund of \$9,670,576 reflect an decrease of \$77,295 from fiscal year 2008-09 total operating expenses of \$9,747,871 or 0.8%. This decrease is attributable to slightly lower collection and treatment expenses which are caused by the decrease in commercial usage.

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: 7			Actual Revenue Through January	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget					
Property Taxes:							
General Property Taxes:							
Real Estate	7,361,730	7,361,730	7,191,406	(55,919)		7,135,487	-226,243
R.R. & Other Utility	33,500	33,500		33,495		33,495	-5
Total Property Taxes	7,395,230	7,395,230	7,191,406	-22,424		7,168,982	-226,248
Sales and Use Taxes:							
Local Option Sales Tax	17,282,604	17,282,604	8,866,221	7,880,668		16,746,888	-535,716
Cigarette Tax	543,000	543,000	269,277	217,099	43,624	530,000	-13,000
Total Sales and Use Taxes	17,825,604	17,825,604	9,135,498	8,097,767	43,624	17,276,888	-548,716
Utility Franchise Fees:							
Water	22,000	22,000	12,274	9,171		21,445	-555
Gas	5,750,000	5,750,000	2,293,556	3,158,668	342,772	5,794,995	44,995
Telephone	4,665,000	4,665,000	5,058,513	2,187,499		7,246,012	2,581,012
Electricity	358,980	358,980	242,950	146,764		389,714	30,734
Cable Television	633,000	633,000	361,298	274,795		636,093	3,093
Total Utility Franchise Fees	11,428,980	11,428,980	7,968,590	5,776,897	342,772	14,088,259	2,659,279
Payments in Lieu of Taxes							
Power & Light in Lieu of Taxes	11,990,701	11,990,701	6,698,065	4,330,137	(143,263)	10,884,939	-1,105,762
Water Service in Lieu of Taxes	2,050,034	2,050,034	1,112,517	809,654	(22,330)	1,899,841	-150,193
Sanitary Sewer in Lieu of Taxes	1,479,386	1,479,386	855,562	615,207	(18,626)	1,452,143	-27,243
Total Payments in Lieu of Taxes	15,520,121	15,520,121	8,666,144	5,754,998	(184,219)	14,236,923	-1,283,198
Total Taxes	52,169,935	52,169,935	32,961,638	19,607,238	202,177	52,771,053	601,118
Business Licenses & Permits:							
Occupation Licenses	1,450,000	1,450,000	455,471	911,663		1,367,134	-82,866
Liquor Licenses	94,000	94,000	9,748	85,826		95,574	1,574
Bld. Trades Licenses and Exams	100,000	100,000	85,332	31,133	(16,465)	100,000	0
Fin - Other License/Permits	50,000	50,000	28,980	21,689		50,669	669
Building Permits, Com. Develop.	750,000	750,000	249,575	336,005	14,420	600,000	-150,000
Construction Permits, Public Works	300,000	300,000	60,033	112,066	47,900	220,000	-80,000
Nursing Home Permits	850	850	50	318		368	-482
Day Care Permits	6,105	6,105	1,233	3,802		5,035	-1,070
Food Handler's Permits	155,385	155,385	96,477	71,080	(14,879)	152,678	-2,707
Massage Therapist Appl	2,810	2,810	3,960	831		4,791	1,981
Other Food Permits	90,350	90,350	43,660	29,836		73,496	-16,854
Ambulance Permits & Licenses	39,000	39,000	23,388	14,282		37,670	-1,330
Plan Reviews - Health Dept.	900	900	1,800	250		2,050	1,150
Subtotal Bus. Licenses & Permits	3,039,400	3,039,400	1,059,707	1,618,782	30,976	2,709,465	-329,935
Non-business Licenses & Permits:							
Motor Vehicle Licenses	463,000	463,000	477,656	(8,840)	27,062	495,877	32,877
Subtotal Non-bus. Lic. & Permits	463,000	463,000	477,656	(8,840)	27,062	495,877	32,877
Total Licenses & Permits	3,502,400	3,502,400	1,537,363	1,609,942	58,038	3,205,343	-297,057
Intergovernmental Revenue:							
Federal:							
Emergency Management							
Public Health Nursing							
Community Health ed							
Dial-a-ride	25,393	25,393		20,668	4,725	25,393	0
Other			93			93	93
Total Federal	25,393	25,393	93	20,668	4,725	25,486	93

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

Months of Actual Revenue: 7			Actual Revenue Through January	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget					
State:							
Financial Institutions Tax	44,404	44,404	15,621	459	28,324	44,404	0
Gasoline Tax	3,350,000	3,350,000	1,862,374	1,374,489	113,138	3,350,000	0
Motor Vehicle License Fees	625,000	625,000	261,347	282,342	81,310	625,000	0
Motor Vehicle Sales Tax	750,000	750,000	356,465	321,067	72,468	750,000	0
Other							
Total State	4,769,404	4,769,404	2,495,807	1,978,357	295,240	4,769,404	0
Other:							
Jackson County Drug Task Force	300,000	300,000	208,927	151,175		360,102	60,102
Jackson County Dare Program	293,218	293,218	294,363	24,669	(24,669)	294,363	1,145
Mid Am Reg Council	25,000	25,000	14,583	13,365	(2,948)	25,000	0
Other Misc. Grants							
Total Other	618,218	618,218	517,873	189,209	(27,617)	679,465	61,247
Total Intergovernmental Revenue	5,413,015	5,413,015	3,013,772	2,188,234	272,348	5,474,355	61,340
Charges for Current Services:							
General Government:							
Planning & Zoning Fees	25,000	25,000	7,607	10,878		18,485	-6,515
Board of Adjustment Fees	4,050	4,050	1,500	1,777		3,277	-773
Sale of Maps, Books, Plans	8,000	8,000	5,703	4,143		9,845	1,845
Sale of Police Reports	33,000	33,000	15,685	13,610		29,296	-3,704
Sale of Fire Reports	250	250	35	90		125	-125
Computer Service Charges	12,500	12,500	2,111	5,840		7,951	-4,549
Health:							
Animal Shelter Fees	79,000	79,000	66,706	29,058		95,764	16,764
Animal ID Tags	20,000	20,000	10,630	8,807		19,437	-563
Health Training Programs			675			675	675
Public Safety:							
Reimb. For Police Services	30,000	30,000	2,363	15,803		18,167	-11,833
School Resource Officers	509,000	509,000	270,256	280,873	21,178	572,307	63,307
Alarm Charges - Police	40,000	40,000	20,900	14,112		35,012	-4,988
Alarm Charges - Fire	1,900	1,900	5,386	753		6,139	4,239
Recreation:							
Class Fees	63,150	63,150	42,016	30,079		72,095	8,945
Park Concessions	6,500	6,500	3,774	2,320		6,094	-406
Pool Fees							
Recreation Centers	18,425	18,425	17,908	8,719		26,626	8,201
Recreation Rentals	75,684	76,349	53,573	40,996		94,569	18,220
National Frontier Trails Center:							
NFTC - Admissions & Rentals	46,000	46,000	28,662	20,658		49,320	3,320
NFTC - Gift Shop	30,000	30,000	14,858	12,851		27,709	-2,291
Cemetery:							
Sale of Cemetery Lots	7,000	7,000		2,227		2,227	-4,773
Sale of Monument Bases	4,000	4,000	1,977	1,534		3,512	-488
Grave Opening Charges	52,000	52,000	15,200	22,655		37,855	-14,145
Other Charges:							
Sale of Street Signs	2,000	2,000	1,417	753		2,170	170
Special Assessments	165,000	165,000	110,230	81,892		192,123	27,123
Sale of Recycled Material	25,000	25,000	4,494	11,070		15,564	-9,436
Solid Waste Disp Fees	90,000	90,000	65,912	38,347		104,259	14,259
Miscellaneous Charges	400,000	400,000	253,097	312,603		565,700	165,700
Total Charges for Current Services	1,747,459	1,748,124	1,022,674	972,449	21,178	2,016,301	268,177

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

Months of Actual Revenue: 7			Actual Revenue Through January	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Description	Original Budget	Revised Budget					
Fines and Court Costs							
Fines & Forfeitures	3,544,500	3,544,500	2,117,593	1,561,242	78,334	3,757,170	212,670
Court Costs	314,415	314,415	259,827	137,374		397,201	82,786
Police Training	52,607	52,607	35,700	22,759		58,459	5,852
Domestic Violence	52,607	52,607	35,963	23,101		59,064	6,457
Dwi/drug	25,245	25,245	12,000	10,938		22,938	-2,307
Special Warrant Collection							
Total Fines and Court Costs	3,989,374	3,989,374	2,461,083	1,755,415	78,334	4,294,832	305,458
Interest Income							
Interest	47,300	47,300	5,037	22,962		28,000	-19,300
Special Assessments - Interest	500	500	412	254		666	166
Interest - Other	75,000	75,000	37,829	39,733		77,561	2,561
Total Interest Income	122,800	122,800	43,278	62,949		106,227	-16,573
Interfund Chgs. For Supp. Serv.	3,265,200	3,265,200	1,904,700	1,408,567		3,313,267	48,067
Other Revenue:							
Sale of Land							
Sale of Fixed Assets	55,000	55,000	4,407	37,223		41,630	-13,370
Rents	114,346	114,346	63,613	45,672		109,285	-5,061
Damage Claims	15,000	15,000	677	5,877		6,554	-8,446
Contributions	25,000	33,641	13,066	18,625		31,691	-1,950
Housing Auth. In Lieu of Taxes							
Cash Over/Short			87			87	87
Discounts Taken	100	100	30	53		83	-17
Misc. Non-operating Revenue	200,000	200,649	59,373	100,373	40,903	200,649	0
Proceed from Capital Lease							
Total Other Revenue	409,446	418,736	141,253	207,823	40,903	389,979	-28,757
Total Revenue	70,619,629	70,629,584	43,085,761	27,812,617	672,978	71,571,356	941,772

City of Independence, Missouri

Analysis of General Fund Undesignated Fund Balance

	Budget	January 31st	Variance	Notes
Beginning Undesignated Fund Balance	\$ 2,292,719	\$ 2,073,985	\$ (1,091,227)	
Current Fiscal Year Activity:				
<u>Estimated Revenues:</u>				
City Council Approved Revenue Estimates	\$70,619,629	\$70,629,584	\$9,955	
Projected Revenue Variances for the Year	-	\$941,772	\$941,772	
Net Projected Revenues	70,619,629	71,571,356	951,727	
<u>Appropriations/Expenditures:</u>				
City Council Approved Appropriations	\$70,619,629	\$71,671,328	\$1,051,699	
Projected Expenditure Variances for the Year	-	(\$175,135)	(\$175,135)	
Net Projected Expenditures	70,619,629	71,496,193	876,564	
Net Revenues Over/(Under) Expenditures	-	75,163	75,163	
Transfers Out:				
Storm Water Fund		-	-	
Total	-	-	-	
Transfers In:				
Total	-	-	-	
Other:				
Reservations of Fund Balance:				
Police Forfeitures	-	51,053	51,053	
Protested Revenues	-	(44,314)	(44,314)	
Cancellation of Prior Year Encumbrances	-	30,264	30,264	
Appropriations funded from Fund Balance Components:			-	
City Council Strategic Goals	-	161,717	161,717	
TIF Distributions (GTIF)	-	762,205	762,205	
Grant Close Out	-	-	-	
Total	-	960,925	960,925	
Projected Year End Undesignated Fund Balance	\$ 2,292,719	\$ 3,110,073	\$ (55,139)	
Notes:				

City of Independence, Missouri
Balance Sheet
Governmental Funds
January 31, 2010

Assets	General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	6,801,240	32,051,342	38,852,582
Receivables:			
Taxes	8,124,909	3,139,369	11,264,278
Accounts	107,261	10,276	117,537
Special assessment principal and accrued interest	717,999	1,485,341	2,203,340
Accrued interest	-	259	259
Due from other funds	106,384	-	106,384
Due from component unit to primary gvmnt	-	68,123	68,123
Due from other governments	664,121	3,316,091	3,980,212
Restricted assets	438,486	25,416,951	25,855,437
Advance to other funds	-	-	-
Total assets	<u>\$ 16,960,400</u>	<u>\$ 65,487,752</u>	<u>\$ 82,448,153</u>

	General	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	823,660	3,054,918	3,878,578
Due to primary government from component unit	-	83,870	83,870
Accrued items	2,382,206	122,416	2,504,622
Other current liabilities	566,027	59,682	625,709
Deferred revenue	4,773,486	2,058,937	6,832,424
Liabilities payable from restricted assets:			
Deposits and court bonds	221,836	-	221,836
Total liabilities	<u>8,767,215</u>	<u>5,379,824</u>	<u>14,147,039</u>

Fund Balances:			
Reserved for:			
Encumbrances	2,018,399	15,643,261	17,661,659
Domestic violence	5,760	-	5,760
Other purposes	529,117	21,161,378	21,690,496
Unreserved, reported in:			
General fund	3,058,538	-	3,058,538
Special revenue funds	-	1,049,342	1,049,342
Debt Service fund	-	165,910	165,910
Capital project funds	-	12,267,232	12,267,232
Designated general fund	2,581,371	-	2,581,371
Designated special revenue funds	-	3,256,900	3,256,900
Designated capital project funds	-	6,563,905	6,563,905
Total fund balance	<u>8,193,185</u>	<u>60,107,928</u>	<u>68,301,113</u>
Total liabilities and fund balance	<u>\$ 16,960,400</u>	<u>\$ 65,487,752</u>	<u>\$ 82,448,153</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Seven Months Ending January 31, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	24,295,494	21,856,190	46,151,683
Licenses and permits	1,537,363	402,354	1,939,717
Intergovernmental	3,013,772	7,025,198	10,038,971
Charges for services	1,022,674	457,280	1,479,954
Interfund charges for support services	1,904,700	-	1,904,700
Fines, forfeitures, and court costs	2,461,083	-	2,461,083
Investment Income	43,278	99,572	142,850
Sale of property, plant, and equipment	4,407	6,529	10,936
TIF Developer Contributions	-	262,310	262,310
Reimbursements from component unit	-	3,478,135	3,478,135
Other	136,846	1,193,910	1,330,756
Total revenues	<u>34,419,617</u>	<u>34,781,479</u>	<u>69,201,095</u>
Expenditures:			
Current:			
General government	4,556,372	22,150	4,578,522
Public safety	23,253,235	2,865,664	26,118,899
Public works	3,861,827	-	3,861,827
Health and welfare	1,598,015	289,597	1,887,611
Culture and recreation	1,263,519	2,022,914	3,286,434
Community development	1,588,269	857,562	2,445,830
Storm Water	189,273	825,898	1,015,171
Nondepartmental/other	5,223,722	175,232	5,398,954
Capital outlay	107,696	29,285,671	29,393,367
Debt service:			
Principal	139,024	1,320,870	1,459,894
Interest and fiscal agent fees	25,266	5,434,117	5,459,384
Total expenditures	<u>41,806,218</u>	<u>43,099,676</u>	<u>84,905,893</u>
Excess (deficiency) of revenues over expenditures	<u>(7,386,601)</u>	<u>(8,318,197)</u>	<u>(15,704,798)</u>
Other financing sources (uses):			
Proceeds from bond issuance	-	14,105,000	14,105,000
Reoffering premium/original issue discount	-	(105,005)	(105,005)
Transfers in-utility payments in lieu of taxes	8,665,016	-	8,665,016
Transfers in	-	1,832,890	1,832,890
Transfers out	(144,000)	(1,688,890)	(1,832,890)
Total other financing sources (uses)	<u>8,521,016</u>	<u>14,143,995</u>	<u>22,665,011</u>
Net change in fund balances	1,134,415	5,825,798	6,960,213
Fund balances, beginning	7,058,769	54,282,130	61,340,900
Fund balances, ending	<u>\$ 8,193,185</u>	<u>\$ 60,107,929</u>	<u>\$ 68,301,113</u>

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Seven Months Ending January 31, 2010

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	393,283	396,646	229,480	239	229,719	270
City Clerk	380,850	384,234	193,987	2,420	196,407	1,799
City Manager	1,016,828	1,037,312	602,551	1,199	603,750	5,450
National Frontier Trails Center	391,444	396,010	207,895	4,840	212,735	5,582
Technology Services	1,716,963	1,738,893	1,001,456	6,569	1,008,024	7,402
Municipal Court	792,117	798,863	434,951	5,691	440,642	6,404
Law	740,669	750,545	444,015	4,310	448,325	13,832
Finance	1,879,671	1,902,233	1,133,601	14,123	1,147,725	53,923
Human Resources	480,767	488,999	284,708	-	284,708	1,641
Total General Government	<u>7,792,592</u>	<u>7,893,735</u>	<u>4,532,643</u>	<u>39,392</u>	<u>4,572,036</u>	<u>96,304</u>
Public Safety:						
Community Development	2,671,488	2,695,587	1,565,320	22,949	1,588,269	328,826
Police	23,367,731	23,538,182	14,141,987	68,501	14,210,488	468,392
Fire	15,397,771	15,424,053	9,097,643	68,150	9,165,793	64,209
Total Public Safety	<u>41,436,990</u>	<u>41,657,822</u>	<u>24,804,950</u>	<u>159,600</u>	<u>24,964,550</u>	<u>861,427</u>
Public Works	6,928,498	6,968,980	3,765,688	96,139	3,861,827	270,960
Storm Water	296,134	297,337	189,273	-	189,273	-
Health	2,775,159	2,788,315	1,580,585	17,430	1,598,015	165,376
Parks and Recreation	2,190,959	2,218,902	1,251,513	12,006	1,263,519	118,683
Non-Departmental	8,434,083	8,157,102	5,041,286	17,900	5,059,187	61,107
Council Goals	250,000	411,717	86,682	98,543	185,224	47,083
Debt Service	-	-	-	-	-	-
Capital Outlay	515,214	515,214	19,374	76,752	96,126	123,840
TIF Distribution	-	762,205	16,461	-	16,461	177
Total Other	<u>21,390,047</u>	<u>22,119,771</u>	<u>11,950,862</u>	<u>318,770</u>	<u>12,269,632</u>	<u>787,225</u>
Total Expenditures & Encumbrances	<u>70,619,629</u>	<u>71,671,328</u>	<u>41,288,455</u>	<u>517,763</u>	<u>41,806,218</u>	<u>1,744,957</u>

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
Proprietary Funds
January 31, 2010

Assets	Enterprise Funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Current assets:						
Pooled cash and investments	\$ 10,272,437	(456,230)	6,527,098	899,812	17,243,117	7,375,696
Receivables:						
Accounts (net of allowance of \$854,113)	9,891,428	1,919,677	1,587,254	117,275	13,515,634	441,549
Unbilled revenue	5,779,071	1,107,182	962,926	34,100	7,883,279	104
Special assessment principal and accrued interest	2,783	—	23,849	—	26,632	101,185
Accrued interest	311	—	104	—	414	—
Other	—	—	—	—	—	—
Due from other funds	19,301	11,614	7,701	15,747	54,363	—
Due from other governments	—	—	—	—	—	—
Inventory	12,076,471	646,163	42,721	7,221	12,772,576	—
Prepaid items	861,225	121,341	56,808	259,940	1,299,313	—
Restricted assets	1,403,395	385,106	320,741	15,109,500	17,218,742	—
Total current assets	40,306,421	3,734,853	9,529,201	16,443,595	70,014,070	7,918,534
Noncurrent assets:						
Restricted assets	25,568,615	9,858,187	—	—	35,426,802	—
Capital assets:						
Nondepreciable	20,866,427	4,406,762	4,878,511	68,767,906	98,919,605	93,979
Depreciable, net	145,144,217	102,676,974	64,483,114	17,889	312,322,194	7,904
Advance to other funds	—	—	—	—	—	—
Deferred debt issue costs	1,473,709	1,335,529	—	3,388,616	6,197,854	—
Prepaid employee benefits	—	—	—	—	—	—
Other deferred charges	(101,966)	2,492,772	0	—	2,390,805	—
Total noncurrent assets	192,951,001	120,770,224	69,361,625	72,174,411	455,257,261	101,883
Total assets	\$ 233,257,422	124,505,077	78,890,827	88,618,006	525,271,331	8,020,417
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	\$ 5,153,005	399,434	78,973	283,016	5,914,427	228,983
Accrued items	958,133	425,540	503,951	71,644	1,959,268	31,436
Other current liabilities	—	—	51,942	—	51,942	—
Deferred revenue	—	—	—	866,734	866,734	—
Current portion of long-term obligations	3,442,001	3,228,726	329,289	100,000	7,100,016	52,598
Current portion of capital lease	5,771	6,041	2,235	—	14,047	—
Employee benefits payable	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	2,791,947
Liabilities payable from restricted assets	1,626,146	951,124	291,974	1,733,329	4,602,574	—
Total current liabilities	11,185,056	5,010,865	1,258,364	3,054,724	20,509,007	3,104,964
Noncurrent liabilities:						
Revenue bonds payable	40,502,325	46,568,273	—	82,155,000	169,225,598	—
Other long term liabilities	27,492	8,595	3,087	—	39,174	—
Other post employment benefits	3,950,080	1,650,102	1,343,268	—	6,943,449	184,491
Compensated absences – long-term	3,110,118	1,165,420	765,278	—	5,040,815	95,338
Advances for construction	591,963	74,322	—	—	666,285	—
Advances from other funds	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	1,716,764
Total noncurrent liabilities	48,181,978	49,466,711	2,111,632	82,155,000	181,915,321	1,996,594
Total liabilities	59,367,034	54,477,576	3,369,996	85,209,724	202,424,328	5,101,558
Net Assets						
Invested in capital assets, net of related debt	144,118,147	67,069,015	69,356,303	1,553,035	282,096,500	101,883
Restricted for:						
Debt service	4,680,524	500,000	—	—	5,180,524	—
Unrestricted	25,091,717	2,458,487	6,164,527	1,855,247	35,569,978	2,816,976
Total net assets	173,890,388	70,027,502	75,520,830	3,408,282	322,847,002	2,918,859
Total liabilities and net assets	\$ 233,257,422	124,505,077	78,890,827	88,618,006	525,271,331	8,020,417

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Seven Months Ending January 31, 2010

	Enterprise Funds					Internal
	Power and Light	Water	Sanitary Sewer	Events Center	Totals	Service Funds
Operating revenues:						
Charges for services	\$ 66,100,261	11,682,682	8,605,782	845,808	87,234,533	1,272,435
Miscellaneous	830,404	245,211	89,585	—	1,165,200	8,873,170
Total operating revenues	66,930,666	11,927,893	8,695,367	845,808	88,399,734	10,145,604
Operating expenses:						
Personal services	10,804,037	4,656,699	3,145,672	—	18,606,408	454,512
Other services	7,839,364	2,296,581	3,742,341	1,108,549	14,986,835	11,138,637
Capital Outlay	—	62,193	—	—	62,193	27,448
Supplies	28,756,000	975,682	391,198	54,606	30,177,487	632,618
Other expenses	2,562,460	858,806	51,388	(1,878,487)	1,594,167	—
Depreciation and amortization	6,712,088	1,721,269	1,484,414	3,578	9,921,349	656
Total operating expenses	56,673,949	10,571,230	8,815,014	(711,754)	75,348,439	12,253,871
Operating income	10,256,716	1,356,663	(119,647)	1,557,562	13,051,295	(2,108,266)
Nonoperating revenues (expenses):						
Interest revenue	15,835	2,947	20,741	4,925	44,448	24,280
Miscellaneous revenue	170,375	990,944	11,400	188,948	1,361,667	2,786,361
Interest expense	(1,704,218)	(1,489,340)	(106)	(3,246,890)	(6,440,554)	—
Total nonoperating revenue (expenses)	(1,518,008)	(495,449)	32,035	(3,053,017)	(5,034,439)	2,810,642
Income before contributions and transfers	8,738,709	861,214	(87,612)	(1,495,454)	8,016,856	702,375
Capital contributions	82,307	861,429	1,022	500,000	1,444,759	—
Transfers out - Utility payments in lieu of taxes	(6,696,937)	(1,112,517)	(855,562)	—	(8,665,016)	—
- Other	—	—	—	—	—	—
Transfers in	—	—	—	4,292,408	4,292,408	—
Change in net assets	2,124,079	610,126	(942,152)	3,296,954	5,089,007	702,375
Total net assets:						
Beginning of the period	171,766,309	69,417,376	76,462,981	111,328	317,757,994	2,216,484
End of the period	\$ 173,890,388	70,027,502	75,520,830	3,408,282	322,847,002	2,918,859

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

January 31, 2010

Assets	Private-Purpose Trust Funds	Agency Funds
Pooled cash and investments	\$ 62,194	170,746
Accrued interest receivable	-	607
Total assets	<u>\$ 62,194</u>	<u>171,353</u>
Liabilities		
Accounts and contacts payable	\$ 499	—
Funds held in Escrow	383	66,610
Employee deferred credit	—	104,743
Total liabilities	<u>\$ 882</u>	<u>171,353</u>
Net Assets		
Held in trust	<u>\$ 61,312</u>	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
January 31, 2010

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Pooled cash and investments	1,564,158	22,458	2,033	(227,733)	9,547,596	2,909,664	(106,100)	13,712,076
Receivables:								
Taxes	100,000	3,792	-	-	2,439,052	-	-	2,542,844
Accounts	-	-	-	-	-	-	10,276	10,276
Special assessment principal and accrued interest	-	-	-	-	-	-	3,946	3,946
Accrued interest	-	-	-	-	155	104	-	259
Due from other governments	-	-	11,445	261,923	-	-	190,348	463,717
Restricted assets	-	-	-	-	10,417	-	-	10,417
Total assets	\$ 1,664,158	\$ 26,250	\$ 13,478	\$ 34,191	\$ 11,997,220	\$ 2,909,768	\$ 98,470	\$ 16,743,535

	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	500	-	3,750	19,503	779,515	-	92	803,360
Accrued items	11,812	-	8,411	3,384	69,438	-	29,371	122,416
Other current liabilities	-	-	-	11,300	(25)	-	-	11,275
Deferred revenue	-	-	-	-	-	-	130,164	130,164
Total liabilities	12,312	-	12,161	34,187	848,928	-	159,627	1,067,215
Fund Balances:								
Reserved for:								
Encumbrances	335,653	-	211,659	444,441	7,669,247	-	2,698,660	11,359,661
Other purposes	-	-	-	-	10,417	-	-	10,417
Unreserved, reported in:								
Special revenue funds	562,206	26,250	(210,342)	(444,438)	3,468,628	406,855	(2,759,816)	1,049,342
Designated special revenue funds	753,987	-	-	-	-	2,502,913	-	3,256,900
Total fund balance	1,651,846	26,250	1,317	4	11,148,293	2,909,768	(61,157)	15,676,320
Total liabilities and fund balance	\$ 1,664,158	\$ 26,250	\$ 13,478	\$ 34,191	\$ 11,997,220	\$ 2,909,768	\$ 98,470	16,743,535

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Seven Months Ending January 31, 2010

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	609,934	23,999	-	-	10,545,790	-	-	11,179,724
Licenses and permits	-	-	-	-	-	402,354	-	402,354
Intergovernmental	19,083	-	489,806	353,645	-	-	1,077,748	1,940,282
Charges for services	-	-	-	-	246,473	-	49,179	295,652
Investment Income	922	97	-	-	45,047	4,300	10	50,376
Sale of property, plant, and equipment	-	-	634	-	5,895	-	-	6,529
Other	28,039	-	-	-	51,960	-	3,399	83,398
Total revenues	657,978	24,097	490,440	353,645	10,895,165	406,654	1,130,336	13,958,314
Expenditures:								
Current:								
General government	-	-	-	-	-	-	22,150	22,150
Public safety	-	-	-	-	2,157,465	-	708,199	2,865,664
Health and welfare	-	-	-	-	-	-	289,597	289,597
Culture and recreation	609,472	-	-	-	1,413,442	-	-	2,022,914
Community development	-	-	422,497	353,645	-	-	81,420	857,562
Storm water	-	-	-	-	825,898	-	-	825,898
Nondepartmental	-	-	-	-	133,724	-	39,972	173,697
Capital outlay	-	384	-	-	6,537,912	-	50,155	6,588,451
Debt service:								
Principal	-	-	-	-	790,000	-	-	790,000
Interest and fiscal agent fees	-	-	-	-	429,093	-	-	429,093
Total expenditures	609,472	384	422,497	353,645	12,287,534	-	1,191,493	14,865,025
Excess (deficiency) of revenues over expenditures	48,505	23,713	67,943	-	(1,392,369)	406,654	(61,157)	(906,711)
Other financing sources (uses):								
Proceeds from bond issuance	-	-	-	-	4,020,000	-	-	4,020,000
Reoffering premium/original issue discount	-	-	-	-	18,402	-	-	18,402
Transfers out	-	-	(67,309)	-	(1,267,298)	(354,283)	-	(1,688,890)
Total other financing sources (uses)	-	-	(67,309)	-	2,771,104	(354,283)	-	2,349,512
Net change in fund balances	48,505	23,713	634	-	1,378,735	52,372	(61,157)	1,442,802
Fund balances, beginning	1,603,341	2,537	683	4	9,769,558	2,857,396	-	14,233,519
Fund balances, ending	\$ 1,651,846	\$ 26,250	\$ 1,317	\$ 4	\$ 11,148,293	\$ 2,909,768	\$ (61,157)	\$ 15,676,320

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
January 31, 2010

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	464,120	(4,451,857)	9,290,371	1,864,810	2,380,152	9,547,596
Receivables:						
Taxes	973,225	486,820	487,191	248,069	243,746	2,439,052
Accrued interest	-	-	155	-	-	155
Restricted assets	10,417	-	-	-	-	10,417
Total assets	<u>\$ 1,447,763</u>	<u>\$ (3,965,037)</u>	<u>\$ 9,777,718</u>	<u>\$ 2,112,879</u>	<u>\$ 2,623,898</u>	<u>\$ 11,997,220</u>

	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	216,492	25,558	271,879	13,315	252,272	779,515
Due to other funds	-	-	-	-	-	-
Accrued items	-	47,941	21,497	-	-	69,438
Other current liabilities	-	(25)	-	-	-	(25)
Total liabilities	<u>216,492</u>	<u>73,474</u>	<u>293,376</u>	<u>13,315</u>	<u>252,272</u>	<u>848,928</u>
Fund Balances:						
Reserved for:						
Encumbrances	3,531,342	537,527	1,918,261	498,522	1,183,594	7,669,247
Other purposes	10,417	-	-	-	-	10,417
Unreserved, reported in:						
Special revenue funds	(2,310,489)	(4,576,037)	7,566,081	1,601,042	1,188,031	3,468,628
Designated special revenue funds	-	-	-	-	-	-
Total fund balance	<u>1,231,271</u>	<u>(4,038,511)</u>	<u>9,484,342</u>	<u>2,099,564</u>	<u>2,371,626</u>	<u>11,148,293</u>
Total liabilities and fund balance	<u>\$ 1,447,763</u>	<u>\$ (3,965,037)</u>	<u>\$ 9,777,718</u>	<u>\$ 2,112,879</u>	<u>\$ 2,623,898</u>	<u>\$ 11,997,220</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Seven Months Ending January 31, 2010

	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	4,204,842	2,097,986	2,098,458	1,105,134	1,039,371	10,545,790
Charges for services	16,382	230,091	-	-	-	246,473
Investment Income	5,290	-	30,378	4,547	4,831	45,047
Sale of property, plant, and equipment	-	-	5,895	-	-	5,895
Other	26,665	1,193	23,263	-	838	51,960
Total revenues	<u>4,253,179</u>	<u>2,329,270</u>	<u>2,157,995</u>	<u>1,109,681</u>	<u>1,045,040</u>	<u>10,895,165</u>
Expenditures:						
Current:						
Public safety	-	-	-	1,370,940	786,525	2,157,465
Culture and recreation	-	1,413,442	-	-	-	1,413,442
Storm Water	-	-	825,898	-	-	825,898
Nondepartmental/other	131,821	1,904	-	-	-	133,724
Capital outlay	3,509,214	713,538	1,985,304	-	329,856	6,537,912
Debt service:						
Principal	-	790,000	-	-	-	790,000
Interest and fiscal agent fees	63,700	229,630	-	65,356	70,406	429,093
Total expenditures	<u>3,704,735</u>	<u>3,148,514</u>	<u>2,811,202</u>	<u>1,436,297</u>	<u>1,186,787</u>	<u>12,287,534</u>
Excess (deficiency) of revenues over expenditures	<u>548,444</u>	<u>(819,244)</u>	<u>(653,207)</u>	<u>(326,616)</u>	<u>(141,747)</u>	<u>(1,392,369)</u>
Other financing sources (uses):						
Proceeds from bond issuance	4,020,000	-	-	-	-	4,020,000
Reoffering premium/original issue discount	18,402	-	-	-	-	18,402
Transfers out	(1,267,298)	-	-	-	-	(1,267,298)
Total other financing sources (uses)	<u>2,771,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,771,104</u>
Net change in fund balances	3,319,548	(819,244)	(653,207)	(326,616)	(141,747)	1,378,735
Fund balances, beginning	(2,088,277)	(3,219,267)	10,137,549	2,426,180	2,513,373	9,769,558
Fund balances, ending	<u>\$ 1,231,271</u>	<u>\$ (4,038,511)</u>	<u>\$ 9,484,342</u>	<u>\$ 2,099,564</u>	<u>\$ 2,371,626</u>	<u>\$ 11,148,293</u>

City of Independence, Missouri
Balance Sheet
Debt Service Fund
January 31, 2010

Assets	Debt Service Fund	Total
Pooled cash and investments	73,542	73,542
Receivables:		
Special assessment principal and accrued interest	977,865	977,865
Restricted assets	94,000	94,000
Total assets	<u>\$ 1,145,407</u>	<u>\$ 1,145,407</u>

	Debt Service	Total
Liabilities and Fund Balances		
Liabilities:		
Deferred revenue	977,865	977,865
Total liabilities	<u>977,865</u>	<u>977,865</u>
Fund Balances:		
Reserved for:		
Other purposes	1,632	1,632
Unreserved, reported in:		
Debt Service fund	165,910	165,910
Total fund balance	<u>167,542</u>	<u>167,542</u>
Total liabilities and fund balance	<u>\$ 1,145,407</u>	<u>\$ 1,145,407</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Seven Months Ending January 31, 2010

	Debt Service Fund	Total
Revenues:		
Charges for services	128,479	128,479
Investment Income	111	111
Total revenues	<u>128,590</u>	<u>128,590</u>
Expenditures:		
Current:		
Nondepartmental	1,535	1,535
Debt service:		
Principal	-	-
Interest and fiscal agent fees	20,794	20,794
Total expenditures	<u>22,330</u>	<u>22,330</u>
Excess (deficiency) of revenues over expenditures	<u>106,260</u>	<u>106,260</u>
Other financing sources (uses):		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	106,260	106,260
Fund balances, beginning	61,282	61,282
Fund balances, ending	<u><u>\$ 167,542</u></u>	<u><u>\$ 167,542</u></u>

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
January 31, 2010

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Pooled cash and investments	299,971	19,719	17,607,415	(6,074)	(16,155)	360,849	18,265,724
Receivables:							
Taxes	-	-	596,525	-	-	-	596,525
Special assessment principal and accrued interest	503,531	-	-	-	-	-	503,531
Due from component unit to primary gvmt	22,262	-	-	929	-	44,931	68,123
Due from other governments	2,495,039	-	312,655	5,361	-	39,319	2,852,375
Restricted assets	-	-	25,312,534	-	-	-	25,312,534
Total assets	<u>\$ 3,320,803</u>	<u>\$ 19,719</u>	<u>\$ 43,829,129</u>	<u>\$ 217</u>	<u>\$ (16,155)</u>	<u>\$ 445,098</u>	<u>47,598,811</u>
Liabilities and Fund Balances	Street Improvements	Revolving Public Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Liabilities:							
Accounts and contracts payable	2,730,964	-	(504,405)	-	-	24,999	2,251,558
Due to primary government from component unit	-	-	83,870	-	-	-	83,870
Deferred revenue	950,909	-	-	-	-	-	950,909
Total liabilities	<u>3,681,873</u>	<u>-</u>	<u>(372,127)</u>	<u>-</u>	<u>-</u>	<u>24,999</u>	<u>3,334,745</u>
Fund Balances:							
Reserved for:							
Encumbrances	3,699,101	-	504,623	68,348	-	11,528	4,283,600
Other purposes	-	-	21,149,328	-	-	-	21,149,328
Unreserved, reported in:							
Capital project funds	(4,060,171)	19,719	15,983,400	(68,131)	(16,155)	408,571	12,267,232
Designated capital project funds	-	-	6,563,905	-	-	-	6,563,905
Total fund balance	<u>(361,069)</u>	<u>19,719</u>	<u>44,201,256</u>	<u>217</u>	<u>(16,155)</u>	<u>420,099</u>	<u>44,264,066</u>
Total liabilities and fund balance	<u>\$ 3,320,803</u>	<u>\$ 19,719</u>	<u>\$ 43,829,129</u>	<u>\$ 217</u>	<u>\$ (16,155)</u>	<u>\$ 445,098</u>	<u>47,598,811</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Seven Months Ending January 31, 2010

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	-	-	10,676,466	-	-	-	10,676,466
Intergovernmental	5,040,237	-	-	5,361	-	39,319	5,084,917
Charges for services	33,143	-	5	-	-	-	33,148
Investment Income	66	13	48,755	0	-	253	49,086
TIF Developer Contributions	-	-	262,310	-	-	-	262,310
Reimbursements from component unit	2,869,095	-	-	929	-	608,111	3,478,135
Other	307,431	-	802,924	-	-	157	1,110,512
Total revenues	8,249,972	13	11,790,460	6,290	-	647,839	20,694,574
Expenditures:							
Capital outlay	9,955,193	-	11,995,999	73,599	-	672,429	22,697,220
Debt service:							
Principal	-	-	530,870	-	-	-	530,870
Interest and fiscal agent fees	-	-	4,984,230	-	-	-	4,984,230
Total expenditures	9,955,193	-	17,511,100	73,599	-	672,429	28,212,321
Excess (deficiency) of revenues over expenditures	(1,705,221)	13	(5,720,640)	(67,309)	-	(24,589)	(7,517,747)
Other financing sources (uses):							
Proceeds from bond issuance	-	-	10,085,000	-	-	-	10,085,000
Reoffering premium/original issue discount	-	-	(123,407)	-	-	-	(123,407)
Transfers in	1,740,582	-	-	67,309	-	24,999	1,832,890
Total other financing sources (uses)	1,740,582	-	9,961,593	67,309	-	24,999	11,794,483
Net change in fund balances	35,361	13	4,240,953	0	-	410	4,276,736
Fund balances, beginning	(396,430)	19,706	39,960,303	217	(16,155)	419,689	39,987,330
Fund balances, ending	\$ (361,069)	\$ 19,719	\$ 44,201,256	\$ 217	\$ (16,155)	\$ 420,099	\$ 44,264,066

City of Independence, Missouri
Balance Sheet
TIF Funds
1/31/10

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)	202,123	8,018	49,599	24,243	2,297,968	1,049,562	4,211,583	821	2,610	36,602	-	4,017,863	23,978	-	20,744	5,653,102	8,600	17,607,415
Receivables:																		
Taxes	35,508	17,000	2,212	36,746	9,962	57,707	193,322	1,900	6,660	46,000	-	42,000	138,869	0	6,640	2,000	-	596,525
Due from other governments (note 5)	-	-	1,645	-	31,902	1,456	163,074	2,144	688	46,914	-	53,500	2,874	-	6,599	1,860	-	312,655
Restricted assets (notes 3 and 8)	-	-	953,606	-	1,904,593	-	6,928,497	-	-	-	-	11,295,678	-	-	-	4,230,160	-	25,312,534
Total assets	<u>\$ 237,631</u>	<u>\$ 25,018</u>	<u>\$ 1,007,063</u>	<u>\$ 60,989</u>	<u>\$ 4,244,425</u>	<u>\$ 1,108,725</u>	<u>\$ 11,496,476</u>	<u>\$ 4,865</u>	<u>\$ 9,958</u>	<u>\$ 129,516</u>	<u>\$ -</u>	<u>\$ 15,409,041</u>	<u>\$ 165,720</u>	<u>\$ 0</u>	<u>\$ 33,983</u>	<u>\$ 9,887,121</u>	<u>\$ 8,600</u>	<u>\$ 43,829,129</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	-	-	-	-	-	-	-	-	-	-	-	-	-	(351,088)	(153,317)	-	-	(504,405)
Due to primary government from component unit	-	-	-	-	-	-	50,345	-	-	-	-	19,566	-	-	-	13,959	-	83,870
Other current liabilities	-	-	-	-	-	-	48,407	-	-	-	-	-	-	-	-	-	-	48,407
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,566</u>	<u>-</u>	<u>(351,088)</u>	<u>(153,317)</u>	<u>13,959</u>	<u>-</u>	<u>(372,127)</u>
Fund Balances:																		
Reserved for:																		
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	351,088	153,317	-	218	504,623
Other purposes	-	-	953,606	-	1,904,593	-	3,901,349	-	-	-	-	10,619,898	-	-	-	3,769,882	-	21,149,328
Unreserved, reported in:																		
Capital project funds	237,631	25,018	53,456	60,989	2,339,832	1,108,725	4,469,227	4,865	9,958	129,516	-	4,093,797	165,720	0	33,983	3,242,302	8,382	15,983,400
Designated capital project funds	-	-	-	-	-	-	3,027,148	-	-	-	-	675,780	-	-	-	2,860,978	-	6,563,905
Total fund balance	<u>237,631</u>	<u>25,018</u>	<u>1,007,063</u>	<u>60,989</u>	<u>4,244,425</u>	<u>1,108,725</u>	<u>11,397,724</u>	<u>4,865</u>	<u>9,958</u>	<u>129,516</u>	<u>-</u>	<u>15,389,474</u>	<u>165,720</u>	<u>351,088</u>	<u>187,300</u>	<u>9,873,162</u>	<u>8,600</u>	<u>44,201,256</u>
Total liabilities and fund balance	<u>\$ 237,631</u>	<u>\$ 25,018</u>	<u>\$ 1,007,063</u>	<u>\$ 60,989</u>	<u>\$ 4,244,425</u>	<u>\$ 1,108,725</u>	<u>\$ 11,496,476</u>	<u>\$ 4,865</u>	<u>\$ 9,958</u>	<u>\$ 129,516</u>	<u>\$ -</u>	<u>\$ 15,409,041</u>	<u>\$ 165,720</u>	<u>\$ 0</u>	<u>\$ 33,983</u>	<u>\$ 9,887,121</u>	<u>\$ 8,600</u>	<u>\$ 43,829,129</u>

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Seven Months Ending January 31, 2010

	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)	41,725	22,368	17,168	30,394	1,245,272	493,292	3,191,763	53,499	15,754	454,072	14,732	691,767	165,375	356,876	206,013	3,676,394	-	10,676,466
Charges for services	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	5
Investment Income	206	15	412	429	3,955	872	19,278	8	5	91	12	13,377	2	-	15	10,072	7	48,755
TIF Developer Contributions	-	-	262,310	-	-	-	-	-	-	-	-	-	-	-	-	-	-	262,310
Other (note 6)	-	-	32,194	-	-	-	-	-	-	-	-	770,730	-	-	-	-	-	802,924
Total revenues	41,932	22,383	312,085	30,823	1,249,232	494,164	3,211,041	53,507	15,759	454,164	14,744	1,475,873	165,376	356,876	206,028	3,686,466	7	11,790,460
Expenditures:																		
Current:																		
Capital outlay	-	-	3,351	-	23,576	4,626	6,499,363	-	-	-	28,080	1,999,089	-	-	3,013	3,432,182	2,719	11,995,999
Debt service:																		
Principal (note 8)	65,222	-	-	-	-	-	-	36,901	-	418,836	-	-	-	-	9,911	-	-	530,870
Interest and fiscal agent fees	-	53,330	272,874	-	393,009	93,675	783,071	19,918	16,900	89,007	-	2,317,270	-	-	29,089	916,088	-	4,984,230
Total expenditures	65,222	53,330	276,226	-	416,584	98,301	7,282,434	56,820	16,900	507,843	28,080	4,316,359	-	-	42,013	4,348,269	2,719	17,511,100
Excess (deficiency) of revenues over expenditures	(23,291)	(30,947)	35,859	30,823	832,647	395,863	(4,071,392)	(3,313)	(1,141)	(53,679)	(13,335)	(2,840,485)	165,376	356,876	164,014	(661,803)	(2,712)	(5,720,640)
Other financing sources (uses):																		
Proceeds from bond issuance	-	-	-	-	-	-	3,630,000	-	-	-	-	4,130,000	-	-	-	2,325,000	-	10,085,000
Reoffering premium/original issue discount	-	-	-	-	-	-	(13,629)	-	-	-	-	(82,600)	-	-	-	(27,178)	-	(123,407)
Total other financing sources (uses)	-	-	-	-	-	-	3,616,371	-	-	-	-	4,047,400	-	-	-	2,297,822	-	9,961,593
Net change in fund balances	(23,291)	(30,947)	35,859	30,823	832,647	395,863	(455,022)	(3,313)	(1,141)	(53,679)	(13,335)	1,206,915	165,376	356,876	164,014	1,636,019	(2,712)	4,240,953
Fund balances, beginning	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
Fund balances, ending	\$ 237,631	\$ 25,018	\$ 1,007,063	\$ 60,989	\$ 4,244,425	\$ 1,108,725	\$ 11,397,724	\$ 4,865	\$ 9,958	\$ 129,516	\$ -	\$ 15,389,474	\$ 165,720	\$ 351,088	\$ 187,300	\$ 9,873,162	\$ 8,600	\$ 44,201,256

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

January 31, 2010

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Worker's Compensation	Total (Exhibit 5)
Assets					
Current assets:					
Pooled cash and investments	\$ 354,156	—	5,117,698	1,903,842	7,375,696
Accounts receivable	—	—	45,262	396,287	441,549
Accrued interest receivable	—	—	104	—	104
Due from other funds	—	—	—	—	—
Inventory	101,185	—	—	—	101,185
Prepaid Items	—	—	—	—	—
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	455,341	—	5,163,064	2,300,129	7,918,534
Noncurrent assets:					
Property, plant, and equipment;					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	153,941	—	—	—	153,941
Less accumulated depreciation	(146,037)	—	—	—	(146,037)
Total noncurrent assets	101,883	—	—	—	101,883
Total assets	\$ 557,224	—	5,163,064	2,300,129	8,020,417
Liabilities					
Current liabilities:					
Accounts and contracts payable	\$ 83,983	—	145,000	—	228,983
Accrued liabilities	28,666	—	—	2,770	31,436
Compensated absences - current	39,250	—	—	13,348	52,598
Employee benefits payable	—	—	—	—	—
Self-insurance claims	—	—	1,847,310	944,637	2,791,947
Total current liabilities	151,899	—	1,992,310	960,755	3,104,964
Noncurrent liabilities:					
Compensated absences - long-term	64,996	—	—	30,342	95,338
Other post employment benefits	184,491	—	—	—	184,491
Self-insurance claims	—	—	—	1,716,764	1,716,764
Total liabilities	401,387	—	1,992,310	2,707,861	5,101,558
Net Assets					
Invested in capital assets, net of related debt	101,883	—	—	—	101,883
Unrestricted	53,954	—	3,170,753	(407,732)	2,816,976
Total net assets (deficit)	155,837	—	3,170,753	(407,732)	2,918,859
Total liabilities and net assets	\$ 557,224	—	5,163,064	2,300,129	8,020,417

CITY OF INDEPENDENCE, MISSOURI

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

For the Seven Months Ending January 31, 2010

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Worker's Comp	Total (Exhibit 6)
Operating revenues:					
Charges for services	\$ 1,272,435	—	—	—	1,272,435
Miscellaneous	—	—	8,873,170	—	8,873,170
Total operating revenues	1,272,435	—	8,873,170	—	10,145,604
Operating expenses:					
Personal services	400,334	—	—	54,178	454,512
Other services	286,243	—	9,701,637	1,150,757	11,138,637
Supplies	631,016	—	—	1,602	632,618
Capital outlay	27,448	—	—	—	27,448
Depreciation and amortization	656	—	—	—	656
Total operating expenses	1,345,697	—	9,701,637	1,206,537	12,253,871
Operating Income	(73,262)	—	(828,467)	(1,206,537)	(2,108,266)
Nonoperating revenues:					
Interest revenue	159	—	22,625	1,496	24,280
Miscellaneous revenue	22,399	—	380,237	2,383,725	2,786,361
Total nonoperating revenue	22,559	—	402,862	2,385,222	2,810,642
Income before transfers	(50,704)	—	(425,606)	1,178,685	702,375
Transfers in (out)	—	86,957	(86,957)	—	—
Change in net assets	(50,704)	86,957	(512,563)	1,178,685	702,375
Total net assets (deficit):					
Beginning of the period	206,541	(86,957)	3,683,316	(1,586,416)	2,216,484
End of the period	\$ 155,837	(0)	3,170,753	(407,732)	2,918,859

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
January 31, 2010

	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	\$ 62,194	62,194	104,743	30,800	35,203	170,746
Accrued interest receivable	—	—	—	607	—	607
Total assets	<u>\$ 62,194</u>	<u>62,194</u>	<u>104,743</u>	<u>31,407</u>	<u>35,203</u>	<u>171,353</u>
Due from flexible benefit plan			—	—		
Liabilities						
Accounts and contacts payable	\$					
Internal balances (note 6)	499	499	—	—	—	—
Liabilities payable from restricted assets:						
Funds held in Escrow	383	383	—	31,407	35,203	66,610
Employee deferred credit	<u>—</u>	<u>—</u>	<u>104,743</u>	<u>—</u>	<u>—</u>	<u>104,743</u>
Total liabilities	<u>882</u>	<u>882</u>	<u>104,743</u>	<u>31,407</u>	<u>35,203</u>	<u>171,353</u>
Net Assets						
Held in trust	<u>\$ 61,312</u>	61,312				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
January 31, 2010

FUND	CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	6,801,239.77	438,486.11	-	7,239,725.88
SPECIAL REVENUE				
TOURISM	1,564,157.98	-	-	1,564,157.98
CDA	2,032.76	-	-	2,032.76
RENTAL REHAB	-	-	(227,732.63)	(227,732.63)
INDEP. SQUARE BENEFIT	22,457.66	-	-	22,457.66
STREET SALES TAX	464,120.23	10,417.47	-	474,537.70
PARKS SALES TAX	-	-	(4,451,857.15)	(4,451,857.15)
STORM WATER SALES TAX	9,290,371.28	-	-	9,290,371.28
POLICE SALES TAX	1,864,809.91	-	-	1,864,809.91
FIRE SALES TAX	2,380,151.85	-	-	2,380,151.85
LICENSE SURCHARGE	2,909,664.26	-	-	2,909,664.26
GRANT	-	-	(106,100.07)	(106,100.07)
TOTAL	18,497,765.93	10,417.47	(4,785,689.85)	13,722,493.55
DEBT SERVICE FUND	73,542.28	94,000.00	-	167,542.28
CAPITAL PROJECTS				
STREET	299,970.62	-	-	299,970.62
TIF	17,607,414.88	25,312,533.54	-	42,919,948.42
BUILDING	-	-	(6,073.53)	(6,073.53)
STORM DRAINAGE	-	-	(16,155.37)	(16,155.37)
PARKS	360,848.65	-	-	360,848.65
REVOLVING PUBLIC IMPROV.	19,718.52	-	-	19,718.52
TOTAL	18,287,952.67	25,312,533.54	(22,228.90)	43,578,257.31
ENTERPRISE				
POWER & LIGHT	10,272,437.19	26,972,009.83	-	37,244,447.02
WATER	-	10,243,293.60	(456,229.66)	9,787,063.94
SEWER	6,527,097.60	320,741.37	-	6,847,838.97
EVENTS CENTER	899,811.97	15,109,499.60	-	16,009,311.57
TOTAL	17,699,346.76	52,645,544.40	(456,229.66)	69,888,661.50
INTERNAL SERVICE				
EMPLOYEE BENEFITS	-	-	-	-
CENTRAL GARAGE	354,156.02	-	-	354,156.02
PHARMACY BENEFIT FUND	-	-	-	-
STAYWELL INSURANCE	5,117,698.11	-	-	5,117,698.11
WORKER'S COMPENSATION	1,903,842.32	-	-	1,903,842.32
TOTAL	7,375,696.45	-	-	7,375,696.45
TRUST & AGENCY				
WAGGONER	-	-	-	-
MISC TRUST	62,194.26	-	-	62,194.26
SUSIE PAXTON BLOCK TRUST	30,799.87	-	-	30,799.87
SENIORS TRAVEL PROGRAMS	35,203.04	-	-	35,203.04
FLEXIBLE BENEFITS	104,743.24	-	-	104,743.24
TOTAL	232,940.41	-	-	232,940.41
GRAND TOTAL	68,968,484.27	78,500,981.52	(5,264,148.41)	142,205,317.38

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY
January 31, 2010

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		127,192,498.38	127,192,498.38	
CERTIFICATE OF DEPOSIT				
TOTAL		<u>0.00</u>	<u>0.00</u>	
U. S. TREASURY NOTES & AGENCY NOTES				
Commerce	02/15/27	18,887.50	26,652.34	7.074%
Bank of Kansas City	08/05/10	14,986,166.66	14,986,166.66	
TOTAL		<u>15,005,054.16</u>	<u>15,012,819.00</u>	
GRAND TOTAL		<u><u>142,197,552.54</u></u>	<u><u>142,205,317.38</u></u>	

APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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

“Additional Bonds” means any additional parity bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2008D Bonds, Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Series 2010A Bonds.

“Authorizing Ordinance” means the Ordinances of the City authorizing the execution of the Financing Agreement and certain other documents relating to the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Series 2010A Bonds.

“Bond” or **“Bonds”** means the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds, the Series 2010A Bonds and any Additional Bonds issued pursuant to the Indenture.

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

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

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

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

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

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

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

“Costs of the Project” means costs permitted under the Act and the CID Act to be paid out of proceeds of the Bonds with respect to the Project, including the total of all reasonable or necessary expenses

incidental to the acquisition, construction, renovation and equipping of the Project, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act and the CID Act.

“Debt Service Reserve Fund Requirement” means (i) with respect to the Series 2008D Bonds, an amount equal to \$883,475, (ii) with respect to the Series 2008H Bonds, an amount equal to \$1,039,790.24 (iii) with respect to the Series 2009A Bonds, an amount equal to \$1,473,129.54, (iv) with respect to the Series 2009F Bonds, an amount equal to \$4,333,449.44, (v) with respect to the Series 2010A Bonds, the amount set forth in the body of this Official Statement, and (vi) with respect to Additional Bonds issued on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A, the Series 2009F Bonds and the Series 2010A 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.

“Defeasance Obligations” means:

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

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

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

“Government Obligations” means the following:

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

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

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

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

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

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

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

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

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;
- (3) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export - Import Bank,
 - Farm Credit System Financial Assistance Corporation,
 - Rural Economic Community Development Administration (formerly the Farmers Home Administration),
 - General Services Administration,
 - U.S. Maritime Administration,
 - Small Business Administration,
 - Government National Mortgage Association (GNMA),
 - U.S. Department of Housing & Urban Development (PHA's),
 - Federal Housing Administration, and
 - Federal Financing Bank;

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

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
- Obligations of the Resolution Funding Corporation (REFCORP), and
- Senior debt obligations of the Federal Home Loan Bank System.;

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

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

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

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

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

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

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

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

The value (“Value”), which shall be determined as of the end of each month, of the above investments shall be calculated as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b)

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

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

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

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

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

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

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

“State” means the State of Missouri.

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

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

SUMMARY OF THE BOND TRUST INDENTURE

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

Trust Estate

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

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

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

Authorization of Additional Bonds

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds, the Series 2010A Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and in the Financing Agreement, for any purpose authorized under the Act.

Before any Additional Bonds are issued under the provisions of this caption, the Board shall adopt a resolution (1) authorizing the issuance of such Additional Bonds, fixing the principal amount thereof and describing the purpose or purposes for which such Additional Bonds are being issued, (2) authorizing the Board to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds and establishing the terms and provisions of such series of Bonds and the form of the Bonds of such series, (3) authorizing the Board to enter into a Supplemental Financing Agreement with the City to provide for payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due, and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement, and (4) providing for such other matters as are appropriate because of the issuance of the Additional Bonds, which matters, in the judgment of the Board, are not prejudicial to the Board or the owners of the Bonds previously issued.

Such Additional Bonds shall have the same general title as the Bonds, except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices, all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption.

Such Additional Bonds shall be executed in the manner set forth in the Indenture and shall be deposited with the Trustee for authentication, but prior to or simultaneously with the authentication and delivery of such Additional Bonds by the Trustee, and as a condition precedent thereto, there shall be filed with the Trustee the following:

(a) A copy, certified by the Secretary or Assistant Secretary of the Board, of the resolution adopted by the Board authorizing the issuance of such Additional Bonds and the execution of the Supplemental Indenture, Supplemental Financing Agreement and supplements to any other Transaction Documents as may be necessary.

(b) A copy, certified by the City Clerk of the ordinances and/or resolutions adopted by the City authorizing the execution and delivery of the Supplemental Financing Agreement and supplements to any other Transaction Documents.

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

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

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

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

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

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

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

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

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

Creation of Funds and Accounts

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

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

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

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

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

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

Project Fund

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

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

Debt Service Fund

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

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

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

Debt Service Reserve Fund

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

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

Rebate Fund

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

Investment of Moneys

Moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the City Representative, be invested and reinvested by the Trustee in accordance with the provisions of the Indenture and the Tax Compliance Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. In the absence of direction of the City Representative, the Trustee may invest and reinvest moneys in an investment described in paragraph (7) of the definition of the term "Permitted Investments." The Trustee may make any investments permitted by the provisions of the Indenture through its own bond department or short-term

investment department or that of any affiliate of the Trustee and may pool moneys for investment purposes, except moneys held in any fund or account that are required to be yield restricted in accordance with the Tax Compliance Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments (other than any amount required to be deposited in the Rebate Fund) shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account; provided, however, that all interest accruing on the Project Fund shall be automatically deposited into the Debt Service Fund. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments.

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

Events of Default

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

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

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

Acceleration of Maturity; Rescission and Annulment

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

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

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

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

Exercise of Remedies by the Trustee

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

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

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

Limitation on Suits by Bondowners

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

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

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

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

Control of Proceedings by Bondowners

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

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

Application of Moneys Collected

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

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

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

Resignation and Removal of Trustee

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

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

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

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

Appointment of Successor Trustee

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

Supplemental Indentures without Consent of Bondowners

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

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

Supplemental Indentures with Consent of Bondowners

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

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

required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Financing Agreement and their consequences; or

- (c) modify the obligation of the Board to make payment on or provide funds for the payment of any Bond; or
- (d) modify or alter the provisions of the proviso to the definition of the term “Outstanding”; or
- (e) modify any of the provisions of the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or
- (f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject to the Indenture or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

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

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

Payment, Discharge and Defeasance of Bonds

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

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

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Defeasance Obligations pursuant to subparagraph (c) above, subject to receipt by the Trustee of (1) a verification report in form and substance satisfactory to the Trustee prepared by independent certified public accountants, or other verification agent, satisfactory to the Trustee and the Board, and (2) an Opinion of Bond Counsel addressed and delivered to the Trustee in form and substance satisfactory to the Trustee to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Indenture has been provided for in the manner set forth in the Indenture and to the effect that so providing for the payment of any

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

Satisfaction and Discharge of Indenture

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

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

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

SUMMARY OF THE FINANCING AGREEMENT

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

Use of Proceeds

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

Loan Payments

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

- (a) *Debt Service Fund -- Interest:* On or before 10:00 a.m. on or before the Business Day preceding each April 1 and October 1, an amount which is not less than the interest to become

due on the next interest payment date on the Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

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

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

Additional Payments

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

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

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

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

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

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

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

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

Annual Appropriations

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

Annual Budget Request

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

Loan Payments to Constitute Current Expenses of the City

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

plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Security for the Loan

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

Notwithstanding the foregoing, CID Sales Tax Revenues are not subject to annual appropriation by the City and are pledged by the City pursuant to the Authorizing Ordinance to secure the Loan Payments and Additional Payments.

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

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

Additional Bonds

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

Project Completion

If the proceeds of the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds, the Series 2010A Bonds and any Additional Bonds shall be insufficient to complete the Project, the City shall pay, but only from legally available funds, the full amount of any such deficiency by making payments directly to the contractors and suppliers of materials and services as the same shall become due.

Financial Statements

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

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

Events of Default and Remedies

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

- (a) Failure by the City to make timely payment of any Loan Payment.
- (b) Failure by the City to make any Additional Payment when due and, after notice of such failure, the City shall have failed to make such payment within 10 days following the due date.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on the part of the City under the Financing Agreement or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b) of this caption, for a period of 30 days after written notice of such default has been given to the City, by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.
- (d) Any representation or warranty by the City in the Financing Agreement or in any certificate or other instrument delivered under or pursuant to the Financing Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Board and the Trustee or cured by the City, if such representation or warranty can be cured to the satisfaction of the Board and the Trustee within 30 days after notice thereof has been given to the City.

Remedies on Default

Subject to the provisions of the Financing Agreement, whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Board, may take any one or more of the following remedial steps; provided that if the principal of all Bonds then Outstanding and the interest accrued thereon shall have been declared immediately due and payable pursuant to the provisions of the Indenture, all Loan Payments for the remainder of the Loan Term shall become immediately due and payable without any

further act or action on the part of the Board or the Trustee and the Trustee may immediately proceed (subject to the provisions of the Financing Agreement) to take any one or more of the remedial steps set forth in subparagraph (b) of this caption:

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

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

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

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

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

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

Subject to the provisions of the Financing Agreement, in connection with any Event of Default by the City, if the Board or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable under the Financing Agreement or the enforcement of the performance or observance of any covenants or agreements on the part of the City contained in the Financing Agreement, the City agrees that it will, on

demand therefor, pay to the Board and the Trustee the reasonable fees of such attorneys and such other reasonable fees, costs and expenses so incurred by the Board and the Trustee.

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

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

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

Supplemental Financing Agreements with Consent of Bondowners

With the prior written consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Financing Agreement, the Board, the City may enter into Supplemental Financing Agreements, in form satisfactory to the Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Financing Agreement or of modifying in any manner the rights of the Trustee and the owners of the Bonds under the Financing

Agreement; provided, however, that no such Supplemental Financing Agreement shall, without the consent of the owner of each Outstanding Bond affected thereby:

- (a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, the Loan, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Financing Agreement, or the consent of whose owners is required for any waiver provided for in the Financing Agreement of compliance with certain provisions of the Financing Agreement or certain defaults under the Financing Agreement and their consequences; or
- (c) modify any of the provisions of this caption, except to increase any percentage provided thereby or to provide that certain other provisions of the Financing Agreement cannot be modified or waived without the consent of the owner of each Bond affected thereby.

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

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

SUMMARY OF THE AUTHORIZING ORDINANCE

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

Limited Obligations

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

Security for the Loan

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

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

As additional security for the City's obligation to make payments pursuant to the Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest by, subject to annual appropriation by the City Council as provided in the Authorizing Ordinance, on a subordinate basis as provided in the Authorizing Ordinance, the CID EATS deposited in the Economic Activity Tax

Accounts of the Special Allocation Funds relating to the Centerpoint Project, the Hartman Heritage Project and the Eastland Project, and on a priority basis as provided in the Authorizing Ordinance from the CID EATS deposited in the Economic Activity Tax Account of the Special Allocation Fund relating to the Trinity Project. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The Loan shall not constitute a general obligation of the City, nor shall it constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

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

The City currently intends to appropriate in each year the CID EATS in the Special Allocation Funds relating to the Centerpoint Project, the Eastland Project, the Hartman Heritage Project and the Trinity Project to the repayment of the Loan on a subordinate basis as described in the Authorizing Ordinance. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such CID EATS, the City shall immediately notify in writing the following persons of such event of nonappropriation: (i) the Board, (ii) Commerce Bank, N.A., as trustee for the Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds or the Board's bonds issued for the benefit of the City.

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

Application of CID Sales Tax Revenues

Not later than the last Business Day preceeding each April 1 and October 1 the City shall transfer to the Trustee from the CID Sales Tax Revenues, to the extent available, an aggregate amount equal to the Loan Payments due under the Financing Agreement and any other financing agreement relating to bonds issued to fund Project Costs that are secured on a parity with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Series 2010A Bonds; provided, however, in the event the amount to be so transferred is less than the amount required to make such Loan Payments, the City shall allocate such amounts on a pro rata basis based upon the principal amount of the outstanding Loan Payments.

Upon receipt by the City of written notice from the Trustee that the balance in any Debt Service Reserve Fund established under the Indenture related to the 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Series 2010A Bonds (the "Indenture") is less than the Debt Service Reserve Requirement (as defined in the Indenture) for the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds and the Series 2010A Bonds and any other bonds issued to fund Project Costs that are secured on a parity basis with the Series 2008D Bonds, the Series 2008H Bonds, the Series 2009A Bonds, the Series 2009F Bonds, and the Series 2010A Bonds the City shall transfer to the Trustee from the CID Sales Tax Revenues, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement provided, however, in the event the amount to be so transferred is less than the amount required to make such Additional Payments, the City shall allocate such amounts on a pro rata basis based upon the applicable Debt Service Reserve Requirement.

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

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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

Pursuant to the Continuing Disclosure Agreement, the City will, not later than **180** days after the end of the City's fiscal year, provide to each Repository (which means, until June 30, 2009, each National Repository, and on and after July 1, 2009, the Municipal Securities Rulemaking Board) the following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, and (B) the amount of CID Sales Tax Revenues and TIF Revenues received by the City. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.

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

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

If the City should fail to comply with any provision of the Continuing Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under the Continuing Disclosure Agreement; provided that the sole and exclusive remedy for breach of the Continuing Disclosure Agreement shall be an action to compel specific performance of the obligations of the City under the Continuing Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with the Continuing Disclosure Agreement are conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default as though such provisions applied under the Continuing Disclosure Agreement. Failure of the City to perform its obligations under the Continuing

Disclosure Agreement shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may amend or make changes to the Continuing Disclosure Agreement for any purpose, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth in the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

SUMMARY OF THE COOPERATIVE AGREEMENT

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

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

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

“Applicable Laws and Requirements” means any applicable constitution, treaty, statute, rule, regulation, ordinance, order, directive, code, interpretation, judgment, decree, injunction, writ, determination, award, permit, license, authorization, directive, requirement or decision of or agreement with or by any unit of government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Public Improvement Costs” means all actual and reasonable costs and expenses which are incurred by or at the direction of the City with respect to construction of the Public Improvements, including the actual and reasonable cost of labor and materials payable to contractors, builders, suppliers, vendors and materialmen

in connection with the construction contracts awarded in connection with the Public Improvements that are constructed or undertaken, plus all actual and reasonable costs to plan, finance, develop, design and acquire the Public Improvements, including but not limited to the following:

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

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

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

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

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

Imposition of the District Sales Tax

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

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

District Administration and Sales Tax Duties

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

may amend the forms, administrative rules and regulations applicable to the administration, collection, enforcement and operation of the District Sales Tax, as needed.

Administration Fee.

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

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

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

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

Operating Costs

The City, on behalf of the District, shall pay for the Operating Costs of the District from District Sales Tax Revenue. The Operating Costs shall be included in the District's annual budget, as provided in the Cooperative Agreement. In the course of performing the administrative duties set forth in the Cooperative Agreement or enforcement duties set forth in the Cooperative Agreement, the City may incur Operating Costs for the District which shall be approved by the District.

Enforcement of the District Sales Tax

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

Distribution of the District Sales Tax Revenue

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

- A. The City shall pay the Administration Fee.
- B. The City shall pay the Operating Costs of the District.

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

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

Repeal of the District Sales Tax

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

- A. Retain the City's Administration Fee to which it is entitled in accordance with the Cooperative Agreement.
- B. Pay all outstanding Operating Costs.
- C. Retain any remaining District Sales Tax until such time as the District is abolished and the District has provided for the transfer of any funds remaining in a manner permitted by the CID Act.

Design and Construction of Public Improvements

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

Financing the Public Improvements

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

Ownership and Maintenance of Public Improvements

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

and maintaining insurance for the design, construction, operation and maintenance of the Public Improvements.

New Public Improvements

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

District Board of Director Qualifications

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

Default and Remedies

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

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

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Missouri Development Finance Board
Jefferson City, Missouri

Piper Jaffray & Co.
Leawood, Kansas

City of Independence, Missouri
Independence, Missouri

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

Re: \$2,950,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project) Series 2010A

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 April 1, 2008, as supplemented and amended by the Series 2008H Supplemental Bond Trust Indenture dated as of November 1, 2008, the Series 2009A Supplemental Bond Trust Indenture dated as of February 1, 2009, the Series 2009F Supplemental Bond Trust Indenture dated as of April 1, 2009 and a Series 2010A Supplemental Bond Trust Indenture dated as of March 1, 2010 (as supplemented and amended, the “Indenture”) between the Board and Commerce Bank, N.A., as trustee (the “Trustee”). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the “City”), pursuant to a Financing Agreement dated as of April 1, 2008, as supplemented and amended by the Series 2008H Supplemental Financing Agreement dated as of November 1, 2008, the Series 2009A Supplemental Financing Agreement dated as of February 1, 2009, the Series 2009F Supplemental Financing Agreement dated as of April 1, 2009 and a Series 2010A Supplemental Financing Agreement dated as of March 1, 2010 (as supplemented and amended, the “Financing Agreement”) between the Board and the City to pay Costs of the Project as defined in the Indenture.

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

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

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

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

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

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

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

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

4. The Indenture, 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,