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 "Code"), (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the Bonds is exempt from Missouri income taxation by the State of Missouri and (3) the Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "**TAX MATTERS**" in this Official Statement.*

MISSOURI DEVELOPMENT FINANCE BOARD

$6,720,000
Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Hartman Heritage Project)
Series 2011B

Dated: November 15, 2011 **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, Kansas City, Missouri, as Trustee and Paying Agent. Principal of the Bonds will be due as shown on the inside cover page. Interest on the Bonds will be payable on each April 1 and October 1, beginning on April 1, 2012.

The Bonds are not subject to optional or mandatory redemption prior to maturity.

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 described herein, certain Incremental Tax Revenues; and (iii) certain other funds held by the Trustee under the Indenture. See "**SECURITY AND SOURCES OF PAYMENT 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 redevelopment project or any other facilities or property of the City.

THE BONDS ARE NOT AN INDEBTEDNESS OF BOARD, THE CITY, THE STATE OF MISSOURI OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE OF MISSOURI. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFORE 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 Dayla Bishop Schwartz, City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about November 22, 2011.

PiperJaffray®

The date of this Official Statement is November 8, 2011

MISSOURI DEVELOPMENT FINANCE BOARD

$6,720,000
Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Hartman Heritage Project)
Series 2011B

Dated: November 15, 2011 **Due: April 1 as shown below**

Maturity Schedule

Serial Bonds

Due April 1	Principal Amount	Interest Rate	Price
2012	$ 375,000	2.000%	100.140%
2013	375,000	2.000	100.172
2014	365,000	2.000	99.450
2015	405,000	2.250	98.784
2016	395,000	2.500	97.969
2017	440,000	3.000	98.438
2018	435,000	3.500	99.040
2019	485,000	3.750	98.416
2020	1,630,000	4.000	98.252
2021	1,815,000	4.125	97.904

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. 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

$6,720,000
Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Hartman Heritage Project)
Series 2011B

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") and (iii) the refinancing of a portion of the Hartman Heritage Redevelopment Project more fully described herein (the "Hartman Heritage Redevelopment Project") with a portion of the proceeds of the Bonds.

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

Loan of Bond Proceeds

The proceeds of the Bonds are being loaned to the City pursuant to the Financing Agreement dated as of June 1, 1999, as amended (the "Master Financing Agreement," said Master Financing Agreement as so further supplemented and amended including by the Series 2011B Supplemental Financing Agreement being hereinafter referred to as the "Financing Agreement"), between the Board and the City to, along with certain other moneys, (1) refund the Series 2003 Bonds described below which mature on April 1, 2013 and thereafter in the principal amount of $6,825,000 (the "Refunded Bonds"), and (2) pay the costs of issuance of the Bonds.

On September 25, 2003, the Board issued its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri **-** Hartman Heritage Center Project), Series 2003, in the original principal amount of $8,715,000 (the "Series 2003 Bonds") pursuant to the Bond Trust Indenture dated as of June 1, 1999, as amended by the Series 2003 Supplemental Bond Trust Indenture dated as of September 1, 2003, of which $7,120,000 remains outstanding as of the date hereof. On May 30, 2007, the Board issued its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Center Project), Series 2007B, in the original principal amount of $10,330,000 (the "Series 2007B Bonds") pursuant to the Bond Trust Indenture dated as of June 1, 1999, as amended by the Series 2007B Supplemental Bond Trust Indenture dated as of May 1, 2007 (the "Master Indenture") of which $7,985,000 remains outstanding as of the date hereof. Proceeds of the Series 2003 Bonds were loaned by the Board to the City to fund an earlier phase of the Project as described herein. Proceeds of the Series 2007B Bonds were loaned by the Board to the City to refund bonds issued in 2000 for Project improvements. The Series 2000A Bonds are no longer outstanding. Subsequent to the issuance of the Bonds, the PILOTS and EATS (both described herein) generated by the Hartman Heritage Redevelopment Project will be pledged on a parity basis to secure the Series 2007B Bonds, the Bonds and all Additional Bonds.

The Project consists of public and private improvements related to the Hartman Heritage Redevelopment Project located in the City of Independence Missouri. The City has adopted a tax increment financing plan with respect to the Hartman Heritage Redevelopment Project pursuant to The Real Property Tax Increment Allocation Redevelopment Act, Section 99.800 et seq. of the Revised Statutes of Missouri, as amended (the "TIF Act"), and Ordinances adopted by the City (collectively, the "TIF Ordinances"), pursuant to which it has pledged the Incremental Tax Revenues (as defined herein) to secure its obligation to make Loan Payments pursuant to the Financing Agreement. The Incremental Tax Revenues consist of certain Payments in Lieu of Taxes or PILOTS hereafter made with respect to the property in the Hartman Heritage Center Redevelopment Area and, subject to annual appropriation by the City, Economic Activity Tax Revenues derived from the Hartman Heritage Center Redevelopment Area, all as described herein under the caption "**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**." The portion of Incremental Tax Revenues consisting of Economic Activity Tax Revenues is subject to annual appropriation by the City. The pledge of Incremental Tax Revenues is in addition to the City's annual appropriation obligation to make Loan Payments under the Financing Agreement.

The Bonds

The Bonds are being issued pursuant to the Act and the Indenture between the Board and Commerce Bank, 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.

Additional Bonds

The Indenture provides for the issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the Series 2007B Bonds previously issued by the Board, the Bonds and any other bonds then outstanding under such Indenture issued on a parity with the Series 2007B Bonds and the Bonds. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds"** and **"SUMMARY OF THE INDENTURE – Authorization of Additional Bonds"** in **Appendix C** hereto.

Security for the Bonds

The Bonds and the interest thereon are special, limited obligations of the Board payable by the Board solely from (1) certain payments to be made by the City under the Financing Agreement, (2) subject to the conditions described herein, certain Incremental Tax 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. The Series 2007B Bonds and the Bonds are secured on a parity as to the pledge of Incremental Tax Revenues, but are not secured on a parity as to the account in the Debt Service Reserve Fund established for the Series 2007B Bonds. No Debt Service Reserve is being established for the Bonds.

The Bonds are not an indebtedness of the Board, the City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the state of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any 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 PAYMENT FOR THE BONDS – City Annual Appropriation Obligation."**

Tax Increment Financing

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 Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved and is in effect with respect to the Hartman Heritage Redevelopment Project. **The Hartman Heritage Redevelopment Agreement provides for disbursements of Incremental Tax Revenues for purposes other than making payments related to the Bonds and Additional Bonds issued on a parity therewith.** See **"THE HARTMAN HERITAGE REDEVELOPMENT PROJECT"** herein.

Prospective investors should not rely upon the collection of Incremental Tax Revenues (PILOTS and EATS) 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. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Tax Increment Financing"** herein.

Bondowners' Risks

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

Continuing Disclosure

The City will execute a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to provide certain annual financial information and notices of the occurrence of certain material events. The information will include a description of the Incremental Tax Revenues deposited into the Hartman Heritage Special Allocation Fund. 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 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, 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.

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.
- ***Reuben A. Shelton*** — term as a member expires September 14, 2012. Mr. Shelton serves as Senior Counsel-Litigation to Monsanto Company in St. Louis, 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.
- ***Patrick J. Lamping*** — term as a member expires September 14, 2012. Mr. Lamping serves as County Executive for Jefferson County in Hillsboro, 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.
- ***Sara Parker Pauley*** — ex-officio member. Ms. Pauley 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 Hartman Heritage Project

The Board has previously issued the Series 2003 Bonds and the Series 2007B Bonds in the aggregate principal amount of $19,045,000 of which $15,105,000 remains outstanding as of the date hereof. Future series of Additional Bonds may also be issued under the terms of the Indenture and the Financing Agreement. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."**

Estimated Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

Sources of Funds:

	Series 2011B
Principal amount of the Bonds	$6,720,000.00
Net Reoffering Premium (Discount)	(99,050.75)
Transfer from Refunded Bonds Debt Service Reserve Fund	871,714.12
Accrued Interest	4,432.73
Total sources of funds	$7,497,096.10

Uses of Funds:

	Series 2011B
Deposit to the Escrow Fund	$7,298,000.00
Costs of Issuance (includes Underwriter's Discount)	194,663.37
Deposit to Debt Service Fund	4,432.73
Total uses of funds	$7,497,096.10

Following the issuance of the Bonds, the total principal amount of bonds issued for the Hartman Heritage Centre Redevelopment Project and secured by Incremental Tax Revenues relating to the Hartman Heritage Centre Redevelopment Project will be $14,705,000.

TAX INCREMENT FINANCING IN MISSOURI

The following description of Tax Increment Financing in Missouri applies to the Incremental Tax Revenues. Incremental Tax Revenues from the Hartman Heritage Redevelopment Project are pledged (subject to annual appropriation with respect to the pledge of EATS) to secure the Bonds. The obligation of the City to make Loan Payments under the Financing Agreement is also secured by the annual appropriation obligation of the City as described herein under the caption **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – City Annual Appropriation Obligation."**

Overview

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

When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property is improved, the assessed value of real property in the redevelopment area should increase above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a "tax increment" is produced. The annual tax increments (referred to as "Payments in Lieu of Taxes" or "Pilots") are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in the Pilots Account of a "special allocation fund." Similarly, an amount (referred to as "Economic Activity Tax Revenues" or "EATS") attributable to 50% of the increase in tax revenues generated by economic activities within the Redevelopment Area (including sales and utilities taxes, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments, other than payments in lieu of taxes, sales taxes levied pursuant to Section 70.500 RSMo and taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo) over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of tax increment financing for the Redevelopment Area by the City are transferred by the collecting agency to the treasurer of the city or county and deposited in an economic activity tax account of such special allocation find. Tax increment financing for the Hartman Heritage Redevelopment Project was adopted in 1999. All or a portion of the moneys in the special allocation fund are used to pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The TIF Act

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

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

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

Tax Increment Financing Litigation

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

Assessment and Collection of Ad Valorem Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Collection of Economic Activity Tax Revenues

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

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

THE HARTMAN HERITAGE REDEVELOPMENT PROJECT

The Hartman Heritage Centre Redevelopment Area. The Hartman Heritage Centre Redevelopment Area is located in Eastern Jackson County within the corporate limits of the City and consists of approximately 60.29 acres of land located north of Interstate Highway 70 at its intersection with Little Blue Parkway and south of the Little Blue River. The Hartman Heritage Centre Redevelopment Area is located within two miles of Jackson County’s two fastest growing cities, Lee’s Summit and Blue Springs.

Approval of Hartman Heritage Centre Redevelopment Plan*.* Following public hearings by the TIF Commission of the City, the City Council adopted the TIF Ordinances approving the Hartman Heritage Centre Redevelopment Plan and the Hartman Heritage Centre Redevelopment Project and designating the Hartman Heritage Centre Redevelopment Area as a “blighted area” under the TIF Act, and adopting tax increment financing for the Hartman Heritage Centre Redevelopment Area.

The Hartman Heritage Centre Redevelopment Project*.* The Hartman Heritage Centre Redevelopment Plan provides for the construction of both public and private improvements within the Hartman Heritage Centre Redevelopment Area in order to cure the blighted conditions that exist. The public improvements will consist of approximately $12.5 million of public infrastructure. The private improvements will consist of a mixed-use development at an estimated cost of $97.6 million, which includes approximately $6,716,000 of costs which the City expects to either (i) reimburse with the proceeds of the Bonds or Additional

Bonds secured on a parity with the Bonds, or (ii) reimburse on a "pay-as-you-go" basis with the proceeds of Incremental Tax Revenues which are not needed to pay the debt service on the Bonds. The first phase is expected to consist of at least 270,000 square feet of new retail/commercial space and a convention center hotel, including a full service restaurant. The second phase is expected to consist of up to 325,000 square feet of office space, approximately 40,000 square feet of restaurant and professional and financial office development, and possibly one or more additional hotels. The Developer of the project is Dial Realty Development Corp., a Nebraska corporation (the "Developer"), however, the Developer may enter into sale and lease agreements with third parties to complete the development.

The Hartman Heritage Centre Redevelopment Project Costs. "Redevelopment Costs" for the Hartman Heritage Redevelopment Project consist of City Reimbursable Project Costs in an amount not to exceed $12,465,000, plus interest and financing costs and Developer Reimbursable Project Costs in an amount not to exceed $6,716,000, plus interest and financing costs. Reimbursable Redevelopment Costs not paid from the proceeds of the Bonds (currently estimated at not less than $12,366,240.43) will be reimbursed (i) from the proceeds of Additional Bonds secured on a parity with the Bonds, or (ii) on a "pay-as-you-go" basis with the proceeds of Incremental Tax Revenues which are not needed to pay the debt service on the Bonds. The Hartman Heritage Centre Public Project consists of the following improvements: (a) the acquisition of the right-of-way for and the construction of: (i) Jackson Drive from 39th Street south across the Little Blue River through the Redevelopment Area and east of Little Blue Parkway; (ii) necessary improvements to the intersections of Jackson Drive and 39th Street and Jackson Drive and Little Blue Parkway; (iii) landscaping the median of and the lighting of the Little Blue Expressway from I-70 to 39th Street, and (iv) any other improvements which are to be located in right-of-way or easements along the aforementioned portions of Jackson Drive; (b) improvements to the Little Blue Trace Park adjacent to the Redevelopment Area; (c) acquisition of right-of-way for and construction of sanitary sewer and water line improvements east of the Little Blue Expressway to serve a new Blue Springs elementary school; and (d) as the City determines to be necessary and appropriate, acquisition of right-of-way for and construction of improvements to the Little Blue Expressway north of 39th Street to the northern boundary of the Blue Springs School District.

Status of the Hartman Heritage Centre Redevelopment Project Improvements. The public project components of the Harman Heritage Redevelopment Project are substantially complete except for off-site traffic improvements, which for this project consist of the extension of Little Blue Parkway. Many of the private improvements associated with the Hartman Heritage Redevelopment Project have been developed, although only one hotel has been completed.

Hartman Heritage Centre Tax Incremental Revenues. The City's audited financial statements for the years ended June 30, 2010 and June 30, 2011 indicate that for those two fiscal years the City has deposited Incremental Tax Revenues from the Hartman Heritage Redevelopment Project into the Special Allocation Fund in the amounts of $1,490,232 and $1,516,281, respectively. Net maximum annual debt service on the Bonds and the Series 2007B Bonds will be $1,852,434, which would have resulted in coverage of .80x in FY 2010 and .81x in FY 2011. Recently a Bed Bath & Beyond store and a Buy Buy Baby store opened within the Hartman Heritage Redevelopment Area. The City projects that these stores will have a positive impact on the amount of Incremental Revenues generated by the project but because of the recent openings no tax revenue data is available for them as of the date hereof. In addition, as of June 30, 2011, audited financial information indicates a surplus in the Hartman Heritage special allocation fund of approximately $1,900,000. This amount may be used to pay debt service on the Series 2007B Bonds and the Bonds if needed, or may be used to fund the costs of other improvements benefitting the Hartman Heritage Redevelopment Area.

THE CITY'S GENERAL FUND

The following information describing the City's General Fund has been excerpted from the City's 2011-2012 Operating Budget approved by the City Council on June 20, 2011. The entire report is available on the City's website at: http://www.ci.independence.mo.us/finance/budget.aspx.

The City's General Fund represents the primary operating fund for general governmental services. It provides most traditional tax supported municipal services such as police and fire protection.

Revenue growth in the General Fund is not keeping pace with increased costs for providing services. For example, personal services costs (wages and benefits) for uniformed personnel in the Police and Fire Departments are projected to increase approximately $1.64 million due to existing labor contracts. Police overtime is projected to increase $454,000, and the cost of health insurance for employees in the General Fund is projected to increase $314,000. The sum of these three items ($2.4 million) exceeds a projected Revenue increase of $2.3 million and prevents [the City Manager] from recommending an across-the-board salary increase for all employees for the second consecutive year.

To meet the financial requirements of the bonds that were issued for The Falls at Crackerneck Creek TIF redevelopment project, the City will need to pay a portion of the debt service from the General Fund. The budget includes $4,142,859 to fund the debt service payments. The major actions included in the recommended budget to provide this funding are:

- All personnel, with the exception of employees in the Power and Light, Water, Water Pollution Control and Tourism departments, will be furloughed without pay for three days (24 hours pay) during the fiscal year;

- All employees will be required to pay an increased share of health and dental insurance premiums (the employee's share will increase to 20% from the current 17%);

- Discontinuing contribution of the equivalent of 1% of base salary to the City's 401(A) Plan for all full-time employees, unless specifically provided by work agreement;

- Implementation of the REAP modified staffing plan for the Fire Department;

- Beginning the fiscal year with an undesignated fund balance that is less than 5% of General Fund revenues.

Resolution #4948 . . . provides that the City will maintain an Undesignated Fund Balance in the General Fund equal to 5% of annual revenues and that the Fund Balance will be used for certain specific needs. The first need is, "…the loss or substantial reduction in actual revenue collections over anticipated amounts." Clearly, the slow development of The Falls at Crackerneck Creek redevelopment project has caused a severe reduction of anticipated tax revenue, resulting in the City having to pay a portion of the project's debt service from the Undesignated Fund Balance.

Resolution #4948 also requires that, "To the extent feasible, personnel cost reductions will be achieved through attrition and reassignment." It should be noted that, as a part of the City's adjustment to deteriorating economic conditions during the last several years, we have held a significant number of vacant positions unfunded. We ended the previous fiscal year with 42 unfunded General Fund positions. We enter the new fiscal year with an additional 20 unfunded positions. This has allowed the City to avoid approximately $4 million in personnel costs. I believe the Directors of the affected departments and their staffs are to be complimented for finding ways to minimize disruption of City services during this period. Unfortunately, our current financial stress has not allowed us to depend solely on attrition to reduce our workforce. Thirteen filled positions are being eliminated in the current fiscal year to save approximately $750,000 in Fiscal Year 2011-12. In conformance to the Resolution, the administration is attempting to reassign all employees who wish to continue in City employment, to the extent possible.

The General Fund is the tax and fee supported portion of the City's budget. At $69,677,795, it is 28% of the total budget, and pays for most of the City's operations. Areas not financed by the General Fund include the Power and Light Department, the Water Pollution Control Department, the Water Department and the Tourism Program, which are operated from enterprise funds.

General Fund revenues are projected to be $2,278,038 greater than was budgeted in fiscal year 2010-11.

Sales taxes are one of the largest components of the City's General Fund revenue. Sales tax collections are projected to remain relatively flat, due to the economy and redistribution of retail sales due to additional commercial development throughout Eastern Jackson County, reflecting a decrease of $49 thousand or 0.3 percent compared to original projections for the previous fiscal year.

General Fund Highlights

A. *Undesignated Fund Balance*. For fiscal year 2011-2012, the fund balance is projected to be $2,302,039. City Policy (Resolution #4948) is to maintain an undesignated fund balance for the General Fund equivalent to 5% of revenues (approximately $3.6 million). This level of fund balance cannot be achieved because of the projected revenue shortfalls of The Falls at Crackerneck Creek TIF.

B. *Public Safety*. The adopted budget for the Police Department is $24.9 million. The adopted budget for the Fire Department is $15.7 million. Approximately 56% of the General Fund is designated for these two departments.

1. The budget includes an increase to the Police Department budget of approximately $560,000. The costs for salary and benefit increases for fiscal year 2011-12 are projected to increase $1.4 million over the current fiscal year. In addition, the budget for overtime increased by $454,000 and the budget for fuel increased by $69,000. To partially offset these cost increases the budget reflects, among other changes, elimination of the night shift at the information desk, scaling back the “Take Home” car program, and the assignment of 25 percent of the department’s fuel charges to the Public Safety Sales Tax.

2. The budget includes a reduction in the Fire Department budget of approximately $240,000. Salary and benefit increases for fiscal year 2011-12 are projected to increase approximately $449,000. To offset these increases and achieve a net reduction in the Fire Department’s budget several vacant positions in the department will not be funded and we will be implementing the department’s proposed Response Equipment Adjustment Procedure (REAP). REAP will be used to reduce the number of personnel who will have to be hired when minimum staffing situations occur.

C. *Employee Benefits*. Funding has been included for a 5% increase in health care insurance costs, effective January 1, 2012. The status of the Stay Well Fund and plan utilization will need to be closely monitored until early next fall when a final determination will need to be made of the actual required increase. If the required amount is greater than 5% then a decision will need to be made regarding plan changes and/or additional funding to the plan. Funding has also been included for a 4% increase in dental insurance premiums, which will also increase January 1, 2012. Effective July 1, 2011 current employees and employees who retired after the recent LAGERS plan change (L-6) will begin paying 20% of the costs for health and dental insurance premiums which is a change from the current level of 17%. Employees who retired from City service prior to the recent LAGERS plan change (L-6) will begin paying 17% of the premium cost, compared to the current 14%.

D. *Technology Updates*. Approximately $163,000 is included to fund scheduled replacement of electronic equipment such as file servers, microcomputers and printers.

Capital Outlay

The adopted 2011-12 budget includes $374,848 for capital outlay from the General Fund. This is a reduction of $138,352 from the current budget.

For additional discussion of the City's General Fund see **Appendix B** hereto**.**

THE BONDS

General Terms

The Bonds are being issued in the principal amounts shown on the cover page, are dated November 15, 2011, 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, 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 are payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Bonds will be made in book-entry only form (as described immediately below), in the denomination of $5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any payment on the Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. The Depository Trust Company ("DTC"), New York, New York, 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, each 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 Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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.

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

Discontinuation of Book Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the 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

Optional Redemption. The Bonds are not subject to optional redemption.

Mandatory Sinking Fund Redemption. The Bonds are not subject to mandatory sinking fund redemption.

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. Except as provided in the following paragraph, all Loan Payments and Additional Payments by the City under the Financing Agreement are subject to annual appropriation.

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

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 Incremental Tax Revenues (PILOTS and EATS) 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.

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 15^{th} day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15^{th} 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.

No Debt Service Reserve Fund

No Debt Service Reserve Fund is being established for the Bonds.

Tax Increment Financing

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

The Hartman Heritage Redevelopment Agreement provides for disbursements of Incremental Tax Revenues for purposes other than making payments related to the Bonds and Additional Bonds issued on a parity therewith. See **"SUMMARY OF THE AUTHORIZING ORDINANCE - Administration of Special Allocation Fund"** in **Appendix C** hereto

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) 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.

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 City does not expect that Additional Bonds will be issued to fund project costs related to the Hartman Heritage Redevelopment Project. However, if such Additional Bonds were issued, they would be secured on a parity with the Bonds and the Series 2007B Bonds (except with respect to the Series 2007B account of the Debt Service Reserve Fund which shall only be pledged to secure the Series 2007B Bonds) and therefore would share an equal claim on the Incremental Tax Revenues from the Hartman Heritage Redevelopment Area.

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

The sole economic test for the issuance of Additional Bonds on a parity with the Bonds and the Series 2007B 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 Bonds, and the Series 2007B Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Bonds and the Series 2007B Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2011B Financing Agreement. The Bonds are not secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.**

BONDOWNERS' RISKS

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

General

The Bonds are limited obligations of the Board payable by the Board solely from payments to be made by the City pursuant to the 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. Except as provided herein with respect to PILOTS pledged to secure Loan Payments, all payments by the City under the Financing Agreement are subject to annual appropriation.

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.

General Fund Revenues. If Incremental Tax Revenues are insufficient to pay debt service on the Bonds, any deficiencies would need to be made up from moneys in the City's General Fund, subject to annual appropriation by the City.

For the fiscal year ending June 30, 2012, approximately 82.2% of the General Fund ($57,280,590) is expected to be spent for personnel costs – salaries, wages and benefits. Any appropriations from the General Fund to pay debt service on the Bonds is likely to result in reductions to salaries, wages and benefits. Such reductions could be very difficult to implement and may impact the City's decision of whether to continue to support the payment of debt service on the Bonds by continuing its annual appropriation pledge.

Of the 82.9% of the General Fund expended on salaries, wages and benefits in the fiscal year ending June 30, 2011, approximately 5.8% ($4,176,822) was expended for contributions to a defined benefit pension plan known as LAGERS and 4.4% ($3,156,948) was expended on a "pay-as-you-go" basis for expenses described as "Other Post-Employment Benefits" (OPEB), all as more fully described in Notes 9 and 10 to the City's audited financial statements included in **Appendix B**. In addition, **Appendix B** presents multi-year trend information about whether the actuarial value of defined benefit pension plans assets is increasing or decreasing over time relative to the actuarial accrued liability and also includes information concerning the historical trends of OPEB. Both the contribution to LAGERS and the projected OPEB costs are based upon actuarial reports that include certain key assumptions. The most recent actuarial report received by the City relating to the City's contribution to LAGERS is attached hereto as **Appendix E.** The most recent actuarial report received by the City relating to the projected OPEB is attached hereto as **Appendix F**. Prospective investors should evaluate whether the assumptions used in such reports are reasonable and the future impact such costs could have on the General Fund.

The City has secured multiple series of other bonds with the City's General Fund, subject to annual appropriation. Included are bonds issued to fund costs related to the Crackerneck Creek redevelopment project. For FY 2012, the City has included $4,142,859 in appropriations from the General Fund to pay debt service on bonds issued for the Crackerneck Creek project.

For additional information on certain existing and projected future obligations of the City's General Fund see **"Appendix A – INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI – THE CITY"** and **"- FINANCIAL INFORMATION CONCERNING THE CITY."**

No Pledge, Lease or Mortgage of any Project 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 any Project, or any other facilities or property of the City or any developer. Except as provided herein, the Bonds are payable solely from annual appropriation by the City and other money held by the Trustee.

Risk Factors Relating to the Collection of Incremental Tax Revenues

As noted herein the payment by the City of Loan Payments under the Financing Agreement is secured by a pledge of Incremental Tax Revenues (PILOTS and EATS) derived from the Hartman Heritage Redevelopment Project.

Prospective investors should evaluate factors which could cause such the Incremental 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 the Incremental Revenues are not sufficient to make such payments.

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

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

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Hartman Heritage Redevelopment Project Area will equal or exceed the expected assessed value. Even if the assessed value is initially determined as expected, there can be no assurance that such assessed value will be maintained throughout the term of the Bonds. The property owner has the ability to appeal all assessed value determinations.

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

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

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

Additional Bonds. The sole economic test for the issuance of Additional Bonds on a parity with the Series 2007B 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 Incremental Tax Revenues are not sufficient to provide for the Loan Payments relating to such Bonds, without regard to the proposed Additional Bonds. The City expects to cause Additional Bonds to be issued as described above under the caption **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds."**

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

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

Certain recent economic indicators and studies indicate a decline in economic conditions has occurred, including declining retail sales and a resulting decline in local sales tax revenues. During FY 2011, the City audited figures show that in the General Fund the City's sales tax receipts were $481,044 less than original estimates. Audited Sales tax receipts in the General Fund in FY 2011 were $3,758 more than FY 2010 and FY 2010 sales tax receipts were 3.9% less than FY 2009. In the last four years, General Fund sales tax revenues have decreased by $887,385. The City is taking steps to reduce expenditures accordingly.

The City continually monitors the amount of sales tax generated in the City, including the Economic Activity Taxes in the Hartman Heritage Redevelopment Area, and will continue to adjust projections accordingly. Such projections will also be taken into account in the structuring of Additional Bonds for the

Hartman Heritage Project. However, there can be no assurance that Incremental Revenues will maintain past levels or increase over time.

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

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.**"

Determination of Taxability

The interest rates on the Bonds are not subject to adjustment in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Bond is or was includible in the gross income of the owner of a Bond for federal income tax purposes. Such determination may, however, result in a breach of the Board's tax covenants set forth in the Indenture which may constitute an event of default under such Indenture. It may be that Bondowners would continue to hold their Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.

Enforcement of Remedies

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

Amendment of Indenture

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

LITIGATION

The Board

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

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the Bonds by the Board, or questioning or affecting the validity of the Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board's right to enter into the Indenture or the Financing Agreement or to secure the Bonds in the manner provided in the Indenture, the Act or the City's right to enter into the Financing Agreement. See "**TAX INCREMENT FINANCING IN MISSOURI – Tax Increment Financing Litigation"** for a description of certain litigation that could impact the Bonds.

LEGAL MATTERS

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

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

TAX MATTERS

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

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal and Missouri Tax Exemption. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Bond counsel's opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Board and the City 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, excludable from gross income for federal income tax purposes. The Board and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading "**TAX MATTERS**."

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 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 (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

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

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

Collateral Federal Income 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, 2011 excerpted from the City's Comprehensive Annual Financial Report are included in **Appendix B** to this Official Statement. The financial statements for the fiscal year ended June 30, 2011 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.

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 $6,520,149.25 (which represents the principal amount of the Bonds, $6,720,000.00, less net original issue discount of $99,050.75, less an underwriter's discount of $100,800.00) plus accrued interest of $4,432.73. 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 and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission 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.

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

The execution and delivery of this Official Statement has been duly authorized by the City, and its use has been approved by the Board.

CITY OF INDEPENDENCE, MISSOURI

By: /s/ Robert Heacock
City Manager

APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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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:

Council Members	Occupation	District	Expiration of Term
Don B. Reimal, Mayor	Retired	n/a	2014
Marcie Gragg	Church leader	District 1	2012
Jim Engelman	Retired	District 2	2012
Myron Paris	Retired	District 3	2012
Jim Page	Retired	District 4	2012
Jim Schultz	Insurance agent	At-Large	2014
Lucy Young	Secretary	At-Large	2014

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. Dayla Bishop Schwartz was appointed as City Counselor since July 2011, and has previously served in the law department since 1985.

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

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

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 9.3% (general), 10.5% (police), and 11.10% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 28, 2011, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was $220,918,979. The actuarial value of assets was $137,468,939, which results in an unfunded accrued liability (UAL) of $68,136,107 and a funded ratio of 62%. The covered payroll (annual payroll of active employees covered by the plan) was $68,136,107, which results in a ratio of the UAL to the covered payroll of 122%.

The schedule of funding progress set out below 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.

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 –						
2/29/08	$167,685,693	$157,816,387	$(9,869,306)	106%	$60,490,320	-16%
2/28/09	132,825,715	163,788,001	30,962,286	81	63,652,470	49
2/28/10	135,669,752	204,912,339	69,242,587	66	65,625,583	106
2/28/11	137,468,939	220,918,979	83,450,040	62	68,136,107	122

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' office in Jefferson City at P.O. Box 1665 Jefferson City, Missouri 65102 or telephone 1-800-447-4334.

Annual Pension Cost

Schedule of Employer Contributions

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fiscal year ending:			
June 30, 2009	$4,492,585	100%	--
June 30, 2010	5,502,058	100	--
June 30, 2011	10,047,652	67.2	$3,295,630

For 2011, the City's annual pension cost of $10,047,652 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2009 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 7.25% per year, compounded annually;

(b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy Table, set back 10 years for men and women; and

(e) post-retirement mortality based on the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2009 was 30 years.

The most recent actuarial report received by the City relating to the City's contribution to LAGERS is attached to the Official Statement as **Appendix E**.

Post-Employment Health Benefits

In addition to the pension benefits described above 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 percentages that are comparable to 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, 2009, which is the effective date of the current 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	1,089
Retirees & covered spouses of retirees	955
Total Participants	2,044

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) which represents an amount that is actuarially determined in accordance with the requirements of GASB Statement 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	$14,971,790
Interest on net OPEB obligation	1,218,274
Adjustment to annual required contribution	(1,254,291)
Annual OPEB cost (expense)	14,935,773
Less: Expected net employer contributions	(5,665,946)
Increase in net OPEB obligation	9,269,827
Net OPEB obligation - July 1, 2010	27,072,757
Net OPEB obligation - June 30, 2011	$36,342,584

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 years designated below are 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
6/30/10	$14,947,974	38.65%	27,072,757
6/30/11	$14,935,773	37.96%	$36,338,530

Funded Status and Funding Progress

As of January 1, 2009, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $198.8 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 $61.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 324 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress set out below 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 for benefits.

Schedule of Funding Progress
Other Post Employee Benefits

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b)-(a)/(c) UAAL as a Percentage of Covered Payroll
1/1/2007	0	$156,700,731	$156,700,731	0%	$54,887,375	285%
1/1/2009	0	198,767,219	198,767,219	0	61,350,244	324

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, 2009 actuarial valuation. At this 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.

The most recent actuarial report received by the City relating to the projected OPEB is attached to the Official Statement as **Appendix F**.

Insurance

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

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). 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, automobile liability, and medical malpractice 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 $3,000,000 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 and retirees a contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of $250,000 and aggregate claims in excess of $24,597,000 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately $15,403,570. 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. Incurred but not reported medical, vision, and prescription claims are accrued as a liability in the 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	
	2010	2011	2010	2011
Beginning of year	$3,045,422	$2,908,592	$1,850,425	$3,256,076
Increases	1,794,230	1,544,048	18,445,032	20,518,089
Decreases	(1,931,060)	(1,550,132)	(17,039,381)	(21,488,489)
End of year	$2,908,592	$2,902,508	$3,256,076	$2,285,676

Payment Record

The City has never defaulted on any financial obligations.

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ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
Alliant Tech Systems	Small Arms Ammunition	2,600
Independence School District	Public School District	2,043
Centerpoint Medical Center	Health Care	1,600
City of Independence	Local Government	1,300
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	Food Manufacturing	220

Source: Independence Council for Economic Development.

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2009	2010
City of Independence	111,797	112,301	113,288	114,128	121,212
Jackson County	629,266	633,232	654,880	669,287	671,057
State of Missouri	4,916,686	5,117,073	5,595,211	5,938,126	5,965,573

Sources: U.S. Census Bureau 2010, City's Community Development Dept, Claritas, Inc. & Mid-America Regional Council

Population Distribution by Age

	City of Independence	Jackson County	State of Missouri
Age 0-4	6.93%	7.45%	6.78%
Age 5-9	6.78	7.05	6.53
Age 10-14	6.09	6.43	6.47
Age 15-20	6.86	7.52	8.45
Age 21-24	4.65	4.88	5.51
Age 25-34	13.94	14.75	13.05
Age 35-44	12.52	13.23	12.60
Age 45-54	14.33	14.45	14.47
Age 55-64	12.46	11.56	12.01
Age 65-74	7.99	6.70	7.57
Age 75-84	5.27	4.13	4.51
Age 85 and older	2.17	1.84	2.04
Median Age	38.79	36.44	37.55
Average Age	39.30	37.40	38.30

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.

	2007	2008	2009	2010	2011*
Kansas City MSA					
Total Labor Force	1,042,721	1,041,985	1,048,214	1,037,449	1,037,996
Unemployed	52,108	60,031	92,258	94,263	90,638
Unemployment Rate	5.0%	5.8%	8.8%	9.1%	8.8%
Jackson County					
Total Labor Force	338,320	335,816	344,121	340,863	340,187
Unemployed	19,680	23,086	35,034	37,400	34,902
Unemployment Rate	5.8%	6.9%	10.2%	11.0%	10.3%
State of Missouri					
Total Labor Force	3,050,422	3,046,891	3,051,123	3,014,310	3,030,794
Unemployed	154,691	185,636	282,979	288,783	277,570
Unemployment Rate	5.1%	6.1%	9.3%	9.6%	9.2%

Source: MERIC MO Economic Research and Information Center/MO Dept of Economic Development
*Average estimated January through July 2011.

Income Statistics

The following table sets forth estimated income statistics for 2011:

	Per Capita	Average Household
City of Independence	$22,563	$52,397
Jackson County	24,325	58,211
State of Missouri	23,703	58,795

Source: Mid-America Regional Council and Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2011:

Year Round Units	Number of Units	Percentage of Units
Single Detached	39,343	71.73%
Single Attached	2,836	5.17
Double	1,802	3.29
3 to 19 Units	6,940	12.65
20 to 49 Units	1,024	1.87
50 + Units	1,375	2.51
Mobile Home	1,522	2.78
All Other	4	0.01
Total Units	54,846	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 2011, as follows:

	Median Value	
	2000	**2011***
City	$77,000	$105,374
Jackson County	85,000	123,239
State of Missouri	89,900	129,779

*Estimated
Source: Claritas, Inc.

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.

	2007	**2008**	**2009**	**2010**	**2011**
Residential					
Number of Permits	434	224	222	199	223
Estimated Cost	$27,365,631	$18,755,251	$13,119,817	$11,386,607	$23,387,011
Non-Residential					
Number of Permits	180	119	103	172	209
Estimated Cost	$74,867,315	$36,840,594	$99,875,472	$49,569,537	$57,576,453

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, 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, 2011 was performed by Cochran Head Vick & Company, P.C. in Kansas City, Missouri. Copies of the audit reports for the past five 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
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
2010*	70,154,675	7,224,258	27,958	454,533	988,984	34,577,988	12,655,707	14,225,247
2011*	75,265,266	7,459,074	31,864	468,859	1,077,506	34,483,950	15,532,633	16,211,380

* 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 as of June 30, 2011:

	Assessed Valuation*	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	$781,239,728	19%	$4,111,788,042
Commercial	235,721,480	32%	736,629,625
Agricultural	1,126,981	12%	9,391,508
Railroad and Utilities	6,193,742	32%	19,355,444
Real Estate Sub-Total	$1,024,281,931		$4,877,164,619
Personal Property	262,875,610	33.3%	789,416,246
Total	$1,287,157,541		$5,666,580,865

Source: Jackson and Clay County 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, for each of the following fiscal years ended June 30, has been as follows:

Year	Assessed Valuation	Percent Change
2011	$1,287,157,541	-0.9%
2010	1,298,840,974	-0.4
2009	1,303,875,996	-7.7
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

Source: Jackson and Clay Counties Assessor's Offices

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, 2011:

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
Simon Property Group LP	Retail Center	$22,131,786	1.72%
Sprint	Communications	11,203,388	0.87
AT&T	Communications	9,076,885	0.71
Cole EDD Mt Independence LLC	Retail Center	8,963,343	0.70
Space Center of Kansas City	Underground Storage	8,529,447	0.66
Comcast Cablevision	Utility	6,767,792	0.53
Southern Union Company	Railroad	5,335,323	0.41
Unilever Bestfoods NA	Food Manufacturer	5,253,260	0.41
Centerpoint Medical Center	Health Care	4,215,065	0.33
Mansion Apartments	Apartments	4,032,764	0.31
Total		$85,509,053	6.64%

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 30, 2011. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

(i) $83,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of $111,000, and

(ii) $585,000 of its Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, issued in the original principal amount of $995,000.

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

Revenue Debt. The following is a summary of the City's Revenue Bond debt as of September 1, 2011:

Power and Light Fund

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$5,975,000	City	Electric Utility Refunding Revenue Bonds	2003	$1,865,000

Power and Light Fund – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$5,975,000	City	Electric Utility Refunding Revenue Bonds	2003	$1,865,000
31,415,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2009D	31,415,000
33,645,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2010B	31,250,000

Water Fund – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$14,785,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	$11,590,000
17,520,000	MDFB	Infrastructure Facilities Revenue Bonds	2009C	17,520,000
19,310,000	MDFB	Infrastructure Facilities Revenue Bonds	2009E	17,100,000

Events Center – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
12,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2008D	11,995,000
10,725,000	MDFB	Infrastructure Facilities Revenue Bonds	2008H	10,725,000
15,190,000	MDFB	Infrastructure Facilities Revenue Bonds	2009A	15,190,000
44,045,000	MDFB	Infrastructure Facilities Revenue Bonds	2009F	44,045,000
2,950,000	MDFB	Infrastructure Facilities Revenue Bonds	2010A	2,950,000

Hartman Heritage TIF Project – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$8,715,000	MDFB	Infrastructure Facilities Revenue Bonds	2003	$ 7,120,000
10,330,000	MDFB	Infrastructure Facilities Revenue Bonds	2007B	7,985,000

Drumm Farm TIF Project – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
1,030,000	MDFB	Infrastructure Facilities Revenue Bonds	2005B	625,000
1,590,000	MDFB	Infrastructure Facilities Revenue Bonds	2006	1,185,000
995,000	MDFB	Infrastructure Facilities Revenue Bonds	2007D	700,000
1,230,000	MDFB	Infrastructure Facilities Revenue Bonds	2008E	1,140,000

Crackerneck Creek TIF Project – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
11,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2005C	10,525,000
34,340,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006A	32,225,000
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
5,035,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2008A	4,335,000
7,920,000	MDFB	Infrastructure Facilities Revenue Bonds	2008B	7,920,000
4,130,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2009H	4,130,000

Centerpoint TIF Project – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$4,980,000	MDFB	Infrastructure Facilities Revenue Bonds	2006F	4,595,000
19,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2007E	18,265,000
13,315,000	MDFB	Infrastructure Facilities Revenue Bonds	2008F	12,225,000
2,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2009I	2,195,000

Eastland Center TIF Project – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$19,390,000	MDFB	Infrastructure Facilities Revenue Bonds	2007A	14,090,000
8,000,000	MDFB	Infrastructure Facilities Revenue Bonds	2008C	8,000,000
4,600,000	MDFB	Infrastructure Facilities Revenue Bonds	2008G	4,175,000
3,220,000	MDFB	Infrastructure Facilities Revenue Bonds	2009B	2,935,000
3,630,000	MDFB	Infrastructure Facilities Revenue Bonds	2009J	3,275,000

Santa Fe TIF Project – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$10,060,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2007C	8,440,000

Other Bonds Secured by the City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$6,175,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	1,325,000
8,225,000	MDFB	Infrastructure Facilities Revenue Bonds	2005A	3,760,000
5,485,000	MDFB	Infrastructure Facilities Revenue Bonds	2006D	2,330,000
4,020,000	MDFB	Infrastructure Facilities Revenue Bonds	2009G	3,225,000

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 $8,440,000 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. 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 unaudited financial statements, PILOTS and EATS generated in the Santa Fe Redevelopment Area in Fiscal Year 2011 were approximately $19,192. Under an agreement with Jackson County, the City also received certain economic activity taxes from Independence and Jackson County from certain automobile sales which amounted to approximately $83,480.35 in FY 2011. 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.

The developer of the Santa Fe project, McProperties L.L.C. (the "Developer"), has voluntarily made payments to the City to cover a portion of the shortfalls in debt service payments on the Series 2007C Bonds. As of the date hereof, the Developer's voluntary reimbursements to the City are $590,800 in arrears. The most recent payment was made by the Developer on September 28, 2011, in the amount of $250,401.58. The Developer has indicated orally to the City that the $590,800 amount will be paid to the City by the end of calendar year 2011. There can be no assurance that the Developer will make any additional voluntary payment in the future. The Developer has not made a written commitment to make any such payments.

If the Santa Fe developer does not 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 continue 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

Centerpoint Redevelopment Project

Concurrently with the issuance of the Bonds, the Board at the City's request is issuing $490,000 in bonds to fund costs related to the 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 to fund additional project costs of approximately $400,000 in the future either through the issuance of additional bonds or on a pay as you go basis.

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. 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 in 2012 by the Board in the amount of $48,630,000 to fund improvements to the City's electric utility. 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.

A study for the wastewater utility was recently completed related to comprehensive improvements to the utility, along with a recommended rate increase. The rate increase was approved in June, 2010, by the City Council and will be phased in over a 5 year period. The City anticipates the issuance of bonds by the Board to fund approximately $91 million in improvements. Such bonds are anticipated to be issued in installments through 2020 and are further anticipated to 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. The City anticipates the first series of bonds for the wastewater utility to be issued in 2012.

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.

Crackerneck Creek Redevelopment Project

General Description of the Crackerneck Creek Project

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing Plan. This approval established the Crackerneck Creek Redevelopment Area, designated such area as blighted, and designated Crackerneck Creek, L.L.C. as the developer for all projects in the Crackerneck Creek Redevelopment Area (the "Developer"). The Crackerneck Creek Tax Increment Financing Plan provides for the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek Project was originally projected 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.

As part of the Project, the City entered into the Lease with Options (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City owns a 160,000 square foot Bass Pro retail store (the "Bass Pro Store") and leases the Bass Pro Store to Bass Pro under the terms and conditions contained in the Bass Pro Lease. Under the Bass Pro Lease the City is obligated to make $25,000,000 available to Bass Pro. This amount was funded from the proceeds of a series of bonds issued in 2006 and was used to construct the Bass Pro Store. The Board at the request of the City has issued a total of $89,570,000 of taxable and tax-exempt bonds for the Crackerneck Creek project (the "Crackerneck Creek Project Bonds"). Such bonds are secured by payments under the Bass Pro Lease described below, certain Incremental Tax Revenues defined below, and, subject to annual appropriation, the City's general fund.

Development of the Project has occurred at a much slower pace than originally anticipated which, when combined with general economic conditions, has resulted in lower payments in lieu of taxes and economic activity taxes (together, "Incremental Tax Revenues") and Bass Pro Lease Payments than originally projected. In FY 2011, the City appropriated $3,586,752 from general fund revenues to pay debt service on Crackerneck Creek Project bonds. As part of adoption of its FY 2012 budget, the City has appropriated an additional $4,142,859 from general fund revenues to pay debt service on the Crackerneck Creek Project bonds. The City's current projections indicate that Bass Pro Lease Payments and Incremental Tax Revenues will continue to be insufficient to fund debt service on bonds issued for the Crackerneck Creek project in the future.

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

The Bass Pro Store opened for business in March, 2008. The only other businesses that have opened within the Crackerneck Creek Redevelopment Area as of the date hereof are a 55,000 square foot Hobby Lobby, a 25,000 square foot Mardels (a retailer selling Christian-oriented merchandise), and an 8,500 square foot Cheddar's Casual Café restaurant. No lease or other binding commitment related to this potential tenant has been executed as of the date hereof, and the City is not aware of any other existing letters of intent for the Project.

On July 26, 2006, the Crackerneck Creek Transportation Development District ("TDD") was formed by order of the Jackson County Circuit Court. The TDD was formed to fund a portion of the transportation improvements associated with the Crackerneck Creek Project. The boundaries of the TDD encompass all of the retail areas in the Crackerneck Creek Tax Redevelopment Area, as well as a portion of the City park area within the Crackerneck Creek Tax Redevelopment Area that is located to the west of the retail area. The TDD has authorized a sales tax on retail sales (the "TDD Sales Tax") to fund transportation improvements. The use of such revenues to pay debt service on the Crackerneck Creek Project Bonds is subject to annual appropriation by the Board of Directors of the TDD.

Status of Developer and Development Agreement

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

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

On February 7, 2008, the City and Developer entered into an Agreement for Stay of Termination (the "Stay of Termination"). Under the provisions of the Stay of Termination, the City consented to stay the provisions of the termination until June 30, 2008 to provide the Developer additional time to procure retail development for the project. Because commitments for such retail development have not been secured, the City can proceed at any time with the termination of the Developer and the Developer has expressly waived any ability to challenge the termination proceedings as part of the Stay of Termination. The City has not yet acted to permanently terminate Developer as the developer of record under the Redevelopment Agreement.

Subsequent to the execution of the Stay of Termination, the City and Developer have entered into an "Agreement for Parcel Development in the Falls at Crackerneck Project" dated October 9, 2008 (the "Parcel Development Agreement"). Under the terms of the Parcel Development Agreement, the City agrees to 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 potential development. Subsequent to the execution of the Parcel Development Agreement, the City and Developer agreed that $425,000 of the $5,054,100 made available under the Parcel Development Agreement would be reimbursed to the Developer for site costs related to the construction of a Cheddars restaurant at the Project.

Of the total made available to the Developer under the Parcel Development Agreement, approximately $1,918,119 remains eligible for reimbursement. Of that amount, approximately $189,354 is currently reimbursable related to the Cheddars construction. The remainder will be reimbursed only if the Developer incurs eligible costs under the Parcel Development Agreement.

In 2007 and 2008 the Developer protested the assessed value assigned by Jackson County, Missouri, to certain property in the Crackerneck Creek Redevelopment Area. During the time the protest was pending, the PILOTS attributable to such parcels were not available to the City to pay debt service. The protest was resolved in 2009 and all PILOT payments from the Project are currently available to the City. There can be no assurance that future valuations of property at the Project will not be subject to protest.

The City and Developer remain in discussions regarding securing additional retail and hotel development for the project. However, no agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro, Mardels, Hobby Lobby and Cheddars. It is impossible to predict whether any future development will occur or whether the existing businesses will continue in operation.

The Bass Pro Store and the Bass Pro Lease

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

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

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

Pursuant to the Lease, Bass Pro covenanted that it would open for business on the commencement date stated in the Lease and it will remain open and continuously operate under the Bass Pro trade name during the entire 20 year initial term (the "Operating Covenant Period"). Following the Operating Covenant Period, Bass Pro will have no obligation to remain open for business to the public. The Operating Covenant Period runs through the year 2026.

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

The City and Bass Pro are currently in litigation over the amount owed by Bass Pro for rent on the Bass Pro Store for the initial lease period. Bass Pro contends that $500,000 is sufficient, while the City contends that Bass Pro owes $1,000,000. The City also claims that Bass Pro owes approximately $421,650 for a construction license surcharge related to construction of the Bass Pro Store. The City has withheld the total amount of claimed rent and the construction license surcharge (a total of approximately $1,421,650) from amounts Bass Pro claims are due to it under the Bass Pro Lease for construction of the Bass Pro Store. The $421,650 in dispute for the construction license surcharge is not related to the Bass Pro Lease Payment. The City cannot predict at this time when the dispute over the $1,421,650 will be resolved. To date, rent payments for periods subsequent to the initial lease period have been paid on time by Bass Pro. A portion of the proceeds of the Bonds may be used by the City to pay any potential judgment or settlement amount related to this litigation. Upon a default by the City under the Bass Pro Lease, Bass Pro may pursue all available legal and equitable remedies, including termination of the lease.

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

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

The Lease also requires the City to purchase, prepare and give to Bass Pro at no cost an approximate five acre parcel located near or adjacent to the Bass Pro Store to be used for the construction of a hotel containing at least 150 rooms (the "Hotel") and such other improvements thereon as desired by Bass Pro. Bass Pro agreed that (subject to force majeure) it would cause the Hotel to be open for business within two (2) years of the opening date of the Bass Pro Store. Because the two year period has run without any progress by Bass Pro toward the construction of the Hotel, the City now has control of the Hotel site. Any sales generated from any Hotel will be excluded from Bass Pro's gross sales and will not be included in the calculation of rent due under the Bass Pro Lease. There are currently no letters of intent, leases or sale contracts of any kind related to development of the Hotel on the Hotel site.

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

Projected Shortfall of Bass Pro Lease Payments and Incremental Tax Revenues

Due to many factors, including the lack of development in the Redevelopment Area, flat or declining retail sales of existing businesses and the overall economic slowdown, Incremental Tax Revenues and Bass Pro Lease Payments received from the Crackerneck Creek Project have been materially short of the City's original projections. As a result, the City currently projects that Incremental Tax Revenues from the Bass Pro Store, when combined with the Bass Pro Lease Payments and other Incremental Tax Revenues from the Crackerneck Creek Redevelopment Area, will be materially short of the amount needed to fund debt service payments on the Crackerneck Creek Project Bonds. The City has appropriated moneys from its general fund to pay a portion of the debt service on the Crackerneck Creek Project Bonds as described herein.

In order for the project to generate sufficient revenues to pay debt service on the Crackerneck Creek Project Bonds significant additional development will need to occur and additional revenues sources will need to be allocated to the payment of debt service on the Project Bonds.

Other than the leases related to Bass Pro, Mardels, Hobby Lobby and Cheddars, no lease or other binding commitments related to development have been executed as of the date hereof. There can be no assurance that additional development will occur in the Crackerneck Creek Redevelopment Area in the future or that, if additional development does occur, that Incremental Tax Revenues and Bass Pro Lease Payments, will be sufficient to pay debt service on the Taxable Bonds and the Tax-Exempt Bonds when due.

The City will continue to monitor sales tax receipts to assist in evaluating its projections of Incremental Tax Revenues and Bass Pro Lease Payments.

Independence Events Center

The Board has previously issued $85,235,000 in bonds to fund construction of the Independence Events Center. Debt service on the bonds is payable from proceeds of a sales tax levied by a community improvement district, a special taxing district formed under Missouri law, a subordinate lien on certain tax increment financing revenues and, if not from those sources, the City's General Fund, subject to annual appropriation. Concurrently with the issuance of the Bonds, the Board at the City's request is issuing $11,815,000 in bonds to advance refund a prior series of the bonds issued in 2008 to fund construction of the Events Center.

The Events Center has been open and hosting events since November, 2009. The facility 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 Events Center also includes an adjacent ice and practice facility under the same roof that contains approximately 28,200 square feet, including a standard NHL size rink, lobby and spectator bleacher seating for approximately 270 spectators, storage, skate rental area, concession areas, a party room, restrooms and shared locker rooms with the main Events Center facility. The City's Parks and Recreation Department has an administrative office in the facility. The adjacent ice and practice facility is used primarily for public use and practice by the minor league hockey team playing its home games in the Events Center.

The Events Center is home to the Missouri Mavericks Central Hockey League (CHL) franchise and the Missouri Comets Major Indoor Soccer League (MISL) franchise. The Mavericks are scheduled to play 33 games between November, 2011 and March, 2012 at the Events Center and the Comets are scheduled to play 12 games between November, 2011 and February, 2012 at the Events Center. The Events Center also has various other events scheduled over the coming months.

Global Entertainment Corporation, a Nevada corporation ("Global") with the assistance of its subsidiaries, including International Coliseums Company ("ICC"), provided consultation services during the design and construction of the Events Center. 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 design and construction of the Events Center ("Benham"). 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 City and Global entered into a management agreement for the facility prior to its opening. Global managed the Events Center for the City from its opening in the fall of 2009 until October 10, 2010. The City and Global entered into a Management Transition Agreement which provided that, effective on October 10, 2010, the City became solely responsible for the management, promotion, marketing, and operation of the Events Center. The City formed the Independence Events Center Management Corporation ("IECMC"), a nonprofit corporation, to provide for the management of the Events Center. The City is the sole member of the IECMC. The Board of the IECMC consists of five officers and employees of the City, which are appointed by the City. The employees which provide for the day to day operation of the Events Center are employed by the IECMC and not by the City. Expenses for the operation of the Events Center are paid with revenues generated from the Events Center. If there are operational shortfalls, the City is responsible for paying the shortfalls.

Based on operations to date, the City does not currently anticipate operating shortfalls for the Events Center during FY 2012. However, because of the limited time that the City has been operating the facility, the operating cash flow of the Events Center will continue to be closely monitored and evaluated by the City. The anticipated source for funding any shortfalls that may occur is the City's General Fund.

Capital Leases

Capital leases payable at June 30, 2011 are comprised of the following:

Sun Trust Leasing, interest at 4.19% annual installments through July 2013. A lease to purchase a fire truck.	$257,802
Missouri Development Finance Board, interest at 3.00% monthly installments through 2012. A lease to purchase a phone system	32,029
IBM Corporation, interest at 3.199% monthly installments through 2011. A lease to purchase computer equipment.	2,232
TOTAL	$292,063

Overlapping or Underlying Indebtedness

The following table sets forth overlapping and underlying debt repaid with property taxes of political subdivisions with boundaries overlapping the City as of June 30, 2011, and the percent attributable (on the basis of assessed valuation figures) to the City. The table was compiled from information furnished by the jurisdictions responsible for the debt, and the City has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds, the amounts of which cannot be determined at this time.

Jurisdiction	General Obligation Bond Issues Outstanding*	Percentage Applicable to City of Independence	Amount Applicable to City of Independence
City of Independence	$ 0	-	$ 0
Jackson County	0	-	0
Jackson County School Districts:			
Metropolitan Community College	0	-	0
Blue Springs R-4 School District	137,945,000	2.0%	2,758,900
Independence School District	148,775,000	93.76	139,491,440
Raytown School District	110,774,999	6.00	6,646,500
Fort Osage #1	48,945,000	12.50	6,118,125
TOTAL	$446,439,999		$155,014,965

* Does not include amounts available in certain debt service funds

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APPENDIX B

ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2011

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City of Independence, Missouri

Historic City of the Trails

For the Fiscal Year Ended

June 30, 2011

Comprehensive Annual
Financial Report

CITY OF INDEPENDENCE, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Mayor
Don B. Reimal

City Council

Marcie Gragg	District #1
Jim Engelman	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

THE CITY OF INDEPENDENCE

MISSOURI

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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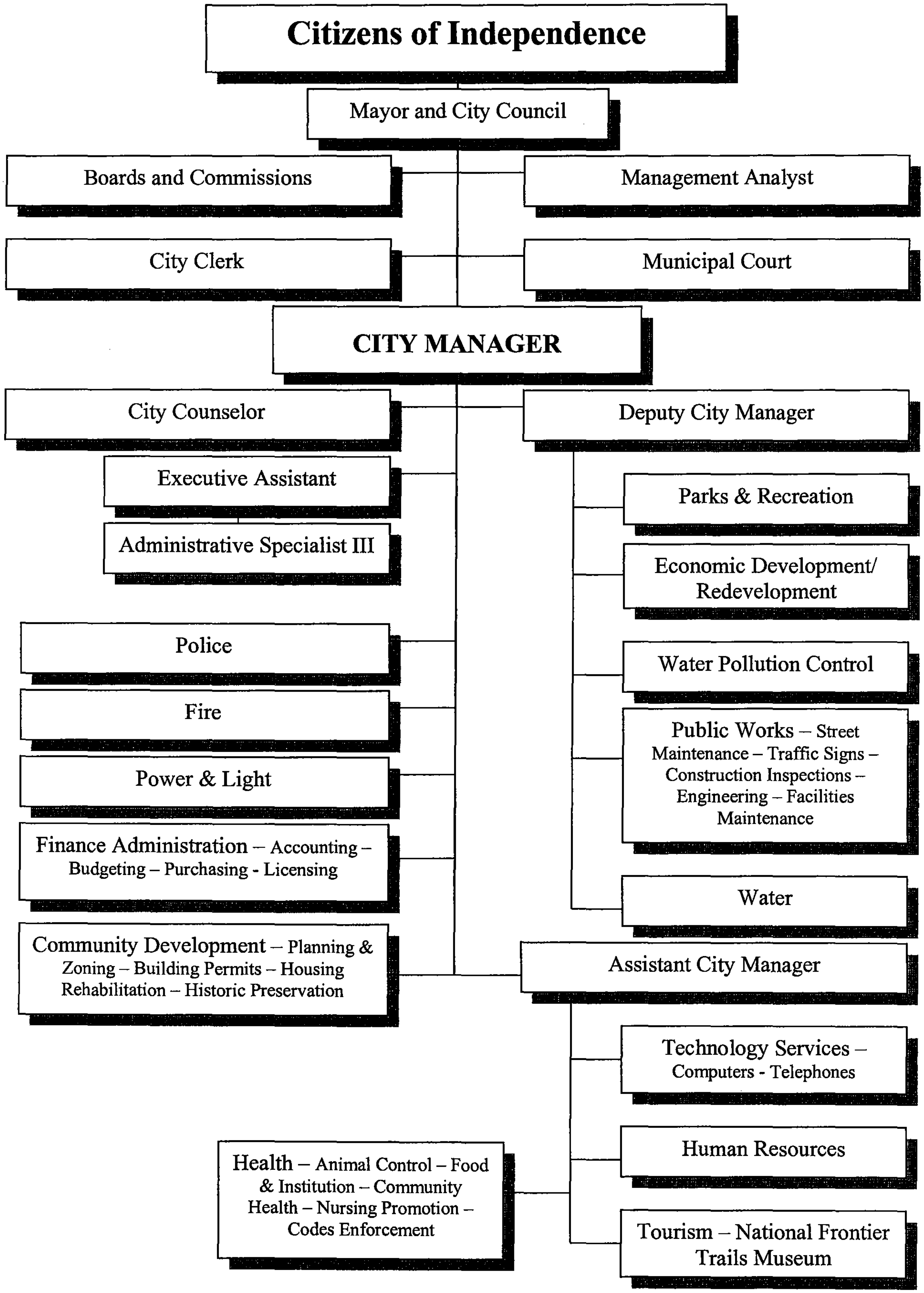

Citizens of Independence
Mayor and City Council
Boards and Commissions
Management Analyst
City Clerk
Municipal Court
CITY MANAGER
City Counselor
Deputy City Manager
Executive Assistant
Administrative Specialist III
Parks & Recreation
Economic Development/ Redevelopment
Police
Water Pollution Control
Fire
Public Works – Street Maintenance – Traffic Signs – Construction Inspections – Engineering – Facilities Maintenance
Power & Light
Finance Administration – Accounting – Budgeting – Purchasing - Licensing
Water
Community Development – Planning & Zoning – Building Permits – Housing Rehabilitation – Historic Preservation
Assistant City Manager
Technology Services – Computers - Telephones
Human Resources
Health – Animal Control – Food & Institution – Community Health – Nursing Promotion – Codes Enforcement
Tourism – National Frontier Trails Museum

City of Independence

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

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

November 10, 2011

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, 2011. 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 generally 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. The independent audit was conducted 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, 2011 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, 2011, 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.

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.

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 116,830.

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." National Geographic Traveler, September 2010, included Independence's Santa-Cali-Gon Days, an annual festival celebrating the start of the Santa Fe, California, and Oregon Trails, as one of "our pick of travel-worthy events." The Kansas City Convention and Visitors Association awarded Independence the "Best Day Trip" award for 2010 and 2011 based on votes received from visitors outside of the state. The City of Independence (www.independencemo.org) has been ranked tenth in its population category (75,000 - 124,999) in the 11th annual Digital Cities Survey conducted by the Center for Digital Government (www.centerdigitalgov.com) and Digital Communities magazine. This is the tenth year in a row Independence has been ranked as one of the most technology-advanced cities in America. Only one other city, Roanoke, VA, has been ranked in each of the past ten years. This award will be presented to the City on November 11, 2011.

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 thirteen 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 evaluating the City as a reporting entity, management has considered all potential component units. Determination of whether an entity is controlled by, or dependent on, the City is made on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, or the City's obligation to fund any deficit that may occur. As allowed by accounting principles generally accepted in the United States of America, the City has included the Tax Increment Financing (TIF) Commission's activities in its financial statements as a discretely presented component unit and the Independence Events Center Management Corporation as a blended component unit.

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, 2011, are reported as committed and assigned fund balance since the City intends to honor the purchase orders and contracts.

Local economy

The City is continuing to experience growth on the eastern side of town. Non-residential building permits have increased by 21% in the last year. 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 is home to the Independence Events Center which includes an arena with 5,800 seats for hockey with additional seating for concerts and a community ice rink. The Events Center is home to the Central Hockey League franchise the Missouri Mavericks and Major Indoor Soccer League the Comets. The Comets recently signed a five year lease with the Events Center. The Events Center opened in November 2009 providing approximately 120 new jobs.

The following table sets forth average annual unemployment figures for Independence and Jackson County, compared to the State of Missouri.

Year	Area Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2011*	8.8%	10.3%	9.2%
2010	9.1%	11.0%	9.6%
2009	8.8%	10.2%	9.3%
2008	5.8%	6.9%	6.1%
2007	5.0%	5.8%	5.1%

Source: MERICO MO Economic Research and Information Center/MO Dept of Economic Development
* Average Estimated through July 2011

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 2011-2012 includes projects totaling an estimated $24.1 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 unassigned fund balance level in the General Fund equal to 5% of annual revenues. Unassigned fund balance in the General Fund does not fall within the policy guidelines set by the Council for budgetary and planning purposes.

Relevant financial policies

It is the City of Independence's policy to restore the unassigned fund balance through revenue allocations or expenditure reductions when it falls below the 5% of annual revenues. The City Manager has not funded vacant positions whenever possible in an effort to reduce salary and benefit costs. In addition, each department has been asked to reduce expenditures in an effort to reduce costs. The unassigned fund balance as of June 30, 2011 was 3.1% of the General Fund revenues. This is a slight increase from 2.9% last year.

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 roadway will eventually link four major highways and covers 32 square miles with plans to add an additional 20,000 residents and 5,000 new jobs by 2020.

Construction continues at 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, Hobby Lobby and Mardel opened in the fall of 2009 and Cheddar's Casual Café opened in February 2011.

The Neighborhood Stabilization Program has brought a number of private and public entities together to redevelop Northwest Independence as a vibrant community. Development incentives, school redistricting, and tax abatements have combined to encourage construction of new housing, rehabilitation of existing housing, and redevelopment of commercial nodes. Additional infrastructure investments by both the City and Missouri Department of Transportation have improved access and enhanced property values. The City anticipates that population will continue to rebound in this geographic area over the next five to ten years.

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, 2010. 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, 2010. 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, 2010

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

CHV & Co

COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Independence, Missouri, (the City) as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, 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.

Other Offices

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

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

400 Jules Street
Suite 415
St, Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress, which appear as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 financial statements. The combining and individual fund financial statements, schedules and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

November 10, 2011 Cochran Head Vick & Co PC

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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 decreased $2.9 million. The City's 'governmental-type activities' had a decrease of $3.0 million and the 'business-type activities' had an increase of $105,970.

Sales tax revenue increased by $8,811. Again this year 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. Lee's Summit has expanded its retail shopping opportunity with the opening of Summit Fair.

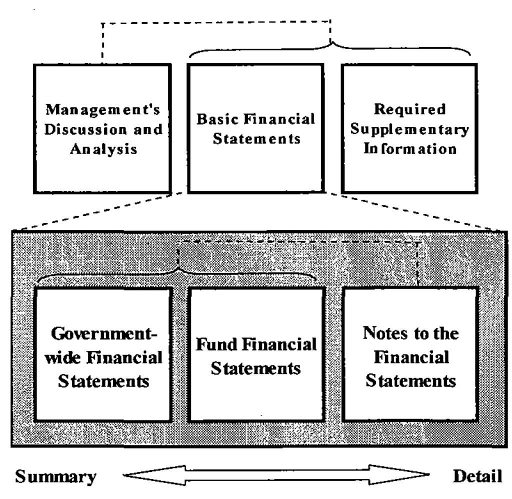
The State authorized legislation that was intended to settle the dispute between cell phone providers and local jurisdictions concerning franchise fees and was implemented on July 1, 2006. It was subsequently over-turned by the Missouri Supreme Court in August. The City's Code allowed for this possibility and the business license fee reverted to the pre-July 1st rate of 9.08%. Verizon, AT&T, T-Mobile, and Sprint have reached a settlement with the City.

Development 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 and Mardels opened at the end of 2009. A Cheddars restaurant opened in early 2011. The developers and City are in discussions with another big box retailer interested in locating at this site.

Rate studies have occurred for each of the three utilities: electric, water, and sanitary sewer. The City has authorized multi-year rate increases for electric, water, and sanitary sewer service.

The Independence Events Center opened in the southeast part of the City during November 2009. This project required the establishment of a community improvement district and a sales tax in the district to finance the obligations issued to construct the events center. The events center's primary tenant is the Mavericks a member of the Central Hockey League (CHL). A second tenant with a multi-year lease is the Comets of the Major Indoor Soccer League (MISL). Prior to opening the City entered into a contract with Global Enterprises to operate a multi-purpose events center. During October 2010 the City and Global Enterprises mutually agreed to terminate the agreement. The City established the Independence Events Center Management Corporation to operate the events center, and is currently operating the events center with staff from the prior operator.

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



Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements:

  - The governmental funds statements tell how general government services, like public safety, were financed in the short-term, as well as, what remains for future spending.

  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the electric system, water system, sanitary sewer system, and the events center.

  - Fiduciary fund statements provide information about financial relationships for which the City acts solely as a trustee or agent for the benefit of others, to whom the underlying resources belong, such as the Seniors Travel Fund, and Flexible Benefit Plan Fund.

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

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

		Fund Statements		
	Government-Wide 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

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.

- 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 three internal service funds. These are the self-funded health insurance fund, central garage 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.

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	
		2011	2010	2011	2010	2011	2010
Current and other assets	$	33,674,833	40,986,218	99,906,007	97,269,780	133,580,840	138,255,998
Capital assets		333,612,682	321,102,754	443,898,901	424,486,261	777,511,583	745,589,015
Total assets		367,287,515	362,088,972	543,804,908	521,756,041	911,092,423	883,845,013
Long-term obligations		60,148,069	50,427,210	216,180,344	191,056,042	276,328,413	241,483,252
Other liabilities		11,496,818	12,987,480	11,658,012	14,839,417	23,154,830	27,826,897
Total liabilities		71,644,887	63,414,690	227,838,356	205,895,459	299,483,243	269,310,149
Net assets							
Invested in capital assets, net of related debt		321,072,648	305,569,028	272,062,890	279,970,114	593,135,538	585,539,142
Restricted		16,275,115	16,889,552	6,423,693	3,692,885	22,698,808	20,582,437
Unrestricted (deficit)		(41,705,135)	(23,784,298)	37,479,969	32,197,583	(4,225,166)	8,413,285
Total net assets	$	295,642,628	298,674,282	315,966,552	315,860,582	611,609,180	614,534,864

The City's combined net assets decreased 0.48% to $611.6 million from $614.5 million. Net assets of the City's governmental activities decreased 1.0% to $295.6 million. Governmental assets increased $5.2 million and liabilities increased $8.2 million. Long-term obligations for Governmental activities increased $9.7 million and Business-type activities increased $25.1 million. The increase in long term obligations is due to the issuance of obligations for electric system improvements, an increase in other post employment benefits, and the net pension obligation for the LAGERS retirement program.

Total unrestricted net assets (deficit) were ($4.2) million with the Business-type activities being $37.5 million. The City's unrestricted net assets (deficit) for Governmental activities were ($41.7) million.

Unrestricted net assets for Business-type activities were $37.5 million and increased $5.3 million from the previous year. Net assets invested in capital assets, net of related debt were $272.1 million and decreased $7.9 million from the previous year.

Changes In Net Assets

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

Table MD-2
City of Independence's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	$ 14,531,445	14,439,932	170,895,196	150,142,821	185,426,641	164,582,753
Operating grants and contributions	13,517,593	9,182,959	4,813,612	—	18,331,205	9,182,959
Capital grants and contributions	12,598,018	11,912,031	4,012,182	7,760,380	16,610,200	19,672,411
General revenues						
Property taxes	7,458,788	7,276,215	—	—	7,458,788	7,276,215
Sales taxes	36,030,316	36,021,505	—	—	36,030,316	36,021,505
Other taxes	10,724,624	11,838,782	—	—	10,724,624	11,838,782
Interest	138,471	197,476	171,413	69,869	309,884	267,345
Other	1,079,391	466,775	679,868	609,962	1,759,259	1,076,737
Total revenues	96,078,646	91,335,675	180,572,271	158,583,032	276,650,917	249,918,707
Expenses						
Administrative services	9,305,826	9,172,736	—	—	9,305,826	9,172,736
Public works	13,647,390	13,687,890	—	—	13,647,390	13,687,890
Public safety	53,067,764	49,861,503	—	—	53,067,764	49,861,503
Culture & recreation	7,947,692	7,604,501	—	—	7,947,692	7,604,501
Community development	7,032,272	4,386,689	—	—	7,032,272	4,386,689
Health & welfare	3,732,795	3,607,469	—	—	3,732,795	3,607,469
Electric	—	—	113,956,212	105,486,932	113,956,212	105,486,932
Water	—	—	20,239,748	20,324,005	20,239,748	20,324,005
Sanitary sewer	—	—	16,304,874	15,268,389	16,304,874	15,268,389
Events center	—	—	13,764,087	4,862,017	13,764,087	4,862,017
Storm water	2,876,073	2,569,381	—	—	2,876,073	2,569,381
General government	9,366,479	9,421,062	—	—	9,366,479	9,421,062
Debt service component unit	7,709,611	—	—	—	7,709,611	—
Interest	625,778	640,902	—	—	625,778	640,902
Total expenses	115,311,680	100,952,133	164,264,921	145,941,343	279,576,601	246,893,476
Excess (deficiency) of revenues or expenses before transfers	(19,233,034)	(9,616,458)	16,307,350	12,641,689	(2,925,684)	3,025,231
Transfers - In (Out)	16,201,380	14,274,247	(16,201,380)	(14,274,247)	—	—
Change in net assets	(3,031,654)	4,657,789	105,970	(1,632,558)	(2,925,684)	3,025,231
Net assets, beginning of year	298,674,282	294,016,493	315,860,582	317,493,140	614,534,864	611,509,633
Net assets, end of year	$ 295,642,628	298,674,282	315,966,552	315,860,582	611,609,180	614,534,864

Total revenues increased 10.7% or $26.7 million, Business-type activities increased 13.9% or $22.0 million, and Governmental revenues increased 5.2% or $4.7 million. The increase in operating and capital grants and contributions for Governmental activities is the result of receiving more donations of assets from developers, and an increase in the amount of grants. Of significance is the small increase from sales taxes. This is a reflection of the economy and retail competition. The increase in charges for services for Business-type activities is the result of rate increases and more favorable weather conditions, as well as the Events Center Management Corporation being included as a blended component unit in 2011, but not in 2010.

Total expenses increased 13.2% or $32.7 million, Governmental expenses increased 14.2% or $14.4 million and Business-type expenses increased 12.6% or $18.3 million.

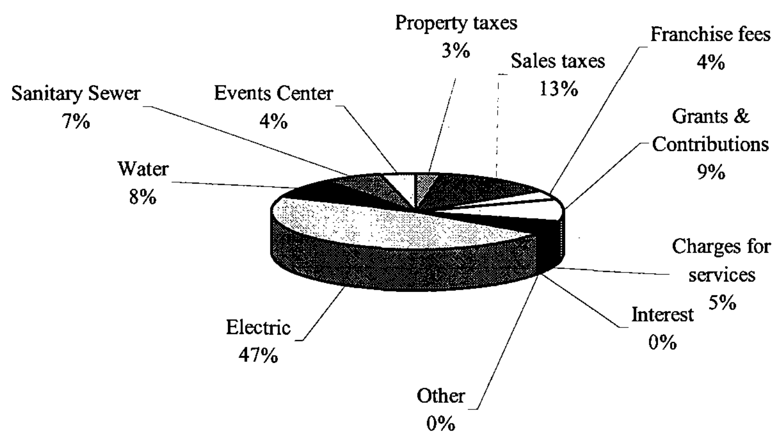
The increase in Governmental expenses can be attributed, to a great extent, to costs associated with public safety and debt service payment of the component unit of $7.7 million. Revenues in the Falls at Crackerneck TIF special allocation fund were insufficient to pay all the debt service on the outstanding obligations and the developer indicated they were not able to fund the deficit. The City chose not to issue additional capitalized interest obligations for the project. Instead funds from the recent cell phone settlements in the General Fund were appropriated ($3.6 million) and transferred to the special allocation fund for the difference. The City has appropriated and set aside $4.1 million during FY 2011-12 for debt service on the Falls at Crackerneck obligations. Letters requesting reimbursement for these debt service shortfalls have been sent to the developer

The change in the Business-type expenses is attributable to normal operations; some of the changes are related to the effect of weather on electric and water sales. A significant part of the Business-type activities increase is due to the Events Center Management Corporation being included as a blended component unit in 2011, but not in 2010.

Revenues

For the fiscal year ending June 30, 2011 revenues totaled $276.7 million. Of this amount charges for services (Governmental and Business-type) was $185.4 million or 67.0% of the total. Revenue from Business-type activities represents $180.6 million or 65.3% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenue for FY 2011

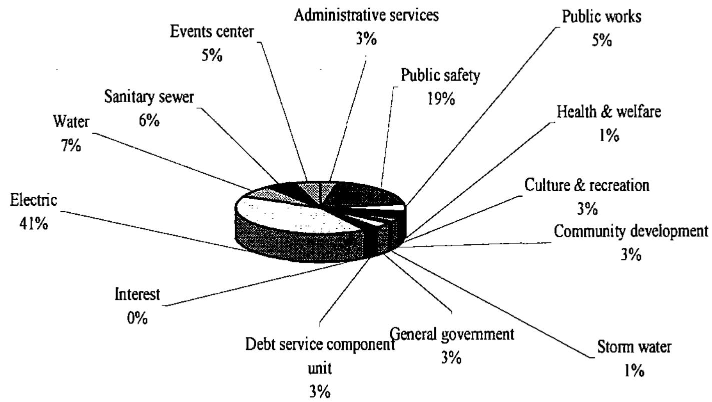


Revenues from Governmental activities were $96.1 million. Sales taxes, the largest Governmental category, were $36.0 million or 37.5%. All taxes represent $54.2 million or 56.4% of Governmental revenue. Operating and capital grants were $26.1 million or 27.2% of Governmental revenues. Charges for services at $14.5 million were 15.1% of the total.

Expenses

For the fiscal year ending June 30, 2011 expenses totaled $279.6 million. Of this amount the electric utility was $114.0 million or 40.8% of the total. Business-type expenses represent $164.3 million or 58.8% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2011



Expenses from Governmental activities were $115.3 million. Public safety expenses, the largest Governmental category, were $53.1 million or 46.0% of the total. Public Works is the next largest category at $13.7 million, which is 11.8% 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	
	2011	**2010**	**2011**	**2010**
Administrative services	$ 9,305,826	9,172,736	2,821,955	2,867,076
Public works	13,647,390	13,687,890	(2,007,348)	(2,143,765)
Public safety	53,067,764	49,861,503	44,006,023	42,874,932
Culture & Recreation	7,947,692	7,604,501	6,189,318	5,784,459
Community development	7,032,272	4,386,689	1,539,461	1,366,880
Health & Welfare	3,732,795	3,607,469	2,160,159	2,320,177
Storm water	2,876,073	2,569,381	2,791,661	2,511,069
General government and interest on long-term debt	9,992,257	10,061,964	9,453,784	9,836,383
Debt service component unit	7,709,611	—	7,709,611	—
Total	$ 115,311,680	100,952,133	74,664,624	65,417,211

As noted in Table MD-3 expenses from Governmental activities for fiscal year 2011 were $115.3 million. However, the net costs of these services were $74.7 million. The difference represents direct revenues received from charges for services of $14.5 million, operating grants and contributions of $13.5 million, and capital grants and contributions of $12.6 million. Taxes and other revenues of $55.4 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's Business-type activities increased $22.0 million or 13.9% and expenses increased $18.3 million. This change in revenues is primarily the result of scheduled rate increases and favorable weather conditions for both the electric and water utilities. Fluctuations in weather for the electric and water utilities impact both the revenues and expenses of these utilities. The addition of the Events Center Management Corporation as a blended component unit also has impacted both revenues and expenses, as discussed previously.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its Governmental funds reported a combined fund balance of $16.6 million. The fund balance of the General Fund decreased $364,147 during fiscal year 2011. The unassigned portion of the General Fund's fund balance increased $289,664. 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 the winter period impacted natural gas and electric franchise taxes and payments in-lieu of taxes.

The fund balance of the Street Improvements Fund was a deficit of $346,812. The decrease in the deficit from the prior year is due to increased revenues over expenditures. The Fund has a receivable from other governments in the amount of $2.0 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 $125,685 from the original estimate. Actual revenues at the end of the year were more than projected by $3.3 million. The largest variance was in the area of taxes and payments in lieu of taxes, accounting for $3.2 million of the revenue variance. A large variance also occurred in the area of state and county shared revenues, accounting for $0.4 million.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $4.9 million in the General Fund. These budget amendments generally fall into the following categories:

- 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.

- Increase of appropriations for the revenue shortfall on the Falls at Crackerneck obligations at $3.6 million.

Actual expenditures, including encumbrances, were $1.0 million less than the amount appropriated, representing operating savings of 1.2%. This was largely the result of an intentional under-spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset projected declining revenues and fund balance reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the City had invested $777.5 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased $31.9 million or 4.3% during the period.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Land & land imp	$ 36,682,736	27,627,890	11,244,437	11,244,437	47,927,173	38,872,327	23.29%
Buildings & Improvements	73,238,344	74,650,577	—	—	73,238,344	74,650,577	-1.89%
Office furniture & equipment	56,183	74,091	—	—	56,183	74,091	-24.17%
Computer equipment	533,235	340,338	—	—	533,235	340,338	56.68%
Mobile equipment	6,613,633	6,943,616	—	—	6,613,633	6,943,616	-4.75%
Other equipment	2,822,751	2,137,074	8,512,569	9,710,588	11,335,320	11,847,662	-4.32%
Infrastructure	127,796,921	118,419,651	382,284,379	371,586,211	510,081,300	490,005,862	4.10%
Construction in progress	85,868,879	90,909,517	41,857,516	31,945,025	127,726,395	122,854,542	3.97%
Total	$ 333,612,682	321,102,754	443,898,901	424,486,261	777,511,583	745,589,015	4.28%

The budget for fiscal year 2012 projects the City will spend an additional $24.1 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
	2011	2010	2011	2010	2011	2010	2010-2011
Loans and bonds payable	$ 11,580,656	14,366,011	195,970,016	175,035,863	207,550,672	189,401,874	9.58%
Capital lease obligations	292,063	431,454	21,353	43,988	313,416	475,442	-34.08%
Neighborhood Improvemt District	667,315	736,261	—	—	667,315	736,261	-9.36%
Total	$ 12,540,034	15,533,726	195,991,369	175,079,851	208,531,403	190,613,577	9.40%

The City at the end of fiscal year 2011 had a total of $208.5 million of outstanding obligations. This was an increase of $17.9 million or 9.4% from the previous fiscal year. None of these amounts relate to general obligations of the City and $196.0 million or 94.0% are obligations of the Business-type activities.

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 5,902 jobs, with current total employment at 53,008 jobs. Unemployment by mid-2010 was 9.4%; this is lower than Jackson County at 10.26% and higher than the State at 9.2%. As with most of the rest of the country the City's unemployment rate has increased during the last two years. Median income for 2011 is estimated to be $52,397, compared to $58,795 for the State as a whole.

Contacting the City's Financial Management

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

Exhibit 1

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
Assets:				
Current assets:				
Pooled cash and investments	$ 23,513,977	14,904,978	38,418,955	5,984,354
Receivables:				
Taxes	7,584,919	—	7,584,919	708,246
Accounts	419,952	13,516,630	13,936,582	56,414
Unbilled revenue	—	11,667,559	11,667,559	—
Special assessment principal and accrued interest	2,065,609	205,021	2,270,630	—
Internal balances	(5,030,289)	5,030,289	—	—
Due from component unit	105,449	—	105,449	—
Due from other governments	4,340,652	293,329	4,633,981	478,031
Sales tax bond	—	1,570	1,570	—
Inventory	43,365	13,687,880	13,731,245	—
Prepaid items	159,172	212,574	371,746	—
Restricted cash and investments	200,378	2,557,236	2,757,614	—
Total current assets	33,403,184	62,077,066	95,480,250	7,227,045
Noncurrent assets:				
Capital assets:				
Nondepreciable	115,986,987	53,101,953	169,088,940	—
Depreciable, net	217,625,695	390,796,948	608,422,643	—
Deferred debt issue costs	177,649	6,479,335	6,656,984	1,593,447
Other deferred charges	—	652,886	652,886	—
Restricted cash and investments	94,000	30,696,720	30,790,720	22,343,886
Total noncurrent assets	333,884,331	481,727,842	815,612,173	23,937,333
Total assets	$ 367,287,515	543,804,908	911,092,423	31,164,378
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	$ 2,274,727	4,234,683	6,509,410	238
Accrued items	3,003,848	2,008,710	5,012,558	2,786,414
Other current liabilities	454,581	388,301	842,882	6,000
Due to primary government	—	—	—	105,449
Unearned revenue	375,100	141,458	516,558	—
Current portion of long-term obligations	14,055,940	9,247,933	23,303,873	4,837,141
Self-insurance claims payable	3,272,085	—	3,272,085	—
Liabilities payable from restricted assets	200,378	4,293,487	4,493,865	—
Total current liabilities	23,636,659	20,314,572	43,951,231	7,735,242
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	19,006,517	194,379,809	213,386,326	196,640,308
Self-insurance claims payable	1,916,099	—	1,916,099	—
Other post-employment benefits	24,954,484	11,388,100	36,342,584	—
Net pension obligation	2,131,128	1,164,502	3,295,630	—
Unearned revenue	—	439,431	439,431	—
Advances for construction	—	151,942	151,942	—
Total noncurrent liabilities	48,008,228	207,523,784	255,532,012	196,640,308
Total liabilities	71,644,887	227,838,356	299,483,243	204,375,550
Net assets:				
Invested in capital assets, net of related debt	321,072,648	272,062,890	593,135,538	—
Restricted for:				
Public safety	2,741,772	—	2,741,772	—
Public works	5,362,474	—	5,362,474	—
Storm water	7,185,110	—	7,185,110	—
General government	28,030	—	28,030	—
Debt service	957,729	6,423,693	7,381,422	—
Unrestricted (deficit)	(41,705,135)	37,479,969	(4,225,166)	(173,211,172)
Total net assets (deficit)	295,642,628	315,966,552	611,609,180	(173,211,172)
Total liabilities and net assets (deficit)	$ 367,287,515	543,804,908	911,092,423	31,164,378

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	$ 9,305,826	6,453,890	29,981	—	(2,821,955)
Public safety	53,067,764	4,943,734	3,498,130	619,877	(44,006,023)
Public works	13,647,390	437,032	4,356,103	10,861,603	2,007,348
Health and welfare	3,732,795	732,116	728,670	111,850	(2,160,159)
Culture and recreation	7,947,692	796,820	207,198	754,356	(6,189,318)
Community development	7,032,272	1,167,853	4,324,958	—	(1,539,461)
Storm water	2,876,073	—	21,103	63,309	(2,791,661)
General government	9,366,479	—	351,450	187,023	(8,828,006)
Debt service component unit	7,709,611	—	—	—	(7,709,611)
Interest on long-term debt	625,778	—	—	—	(625,778)
Total governmental activities	115,311,680	14,531,445	13,517,593	12,598,018	(74,664,624)
Business-type activities:					
Power and light	113,956,212	126,755,826	—	1,905,706	14,705,320
Water	20,239,748	22,203,258	—	165,315	2,128,825
Sewer	16,304,874	17,061,489	—	1,941,161	2,697,776
Events center	13,764,087	4,874,623	4,813,612	—	(4,075,852)
Total business-type activities	164,264,921	170,895,196	4,813,612	4,012,182	15,456,069
Total primary government	$ 279,576,601	185,426,641	18,331,205	16,610,200	(59,208,555)
Component unit:					
Tax increment financing	$ 12,989,615	1,006,100	7,709,611	222,101	(4,051,803)

	Governmental Activities	Business-Type Activities	Total	Component Unit
Changes in net assets:				
Net (expense) revenue	$ (74,664,624)	15,456,069	(59,208,555)	(4,051,803)
General revenues:				
Taxes				
Property taxes	7,458,788	—	7,458,788	848,549
Sales and use taxes	36,030,316	—	36,030,316	2,818,229
Intergovernmental activity taxes	—	—	—	9,902,207
Franchise taxes	10,696,214	—	10,696,214	—
Financial institutions tax	28,410	—	28,410	—
Investment earnings	138,471	171,413	309,884	98,123
Miscellaneous	1,079,391	679,868	1,759,259	—
Transfers in (out)	16,201,380	(16,201,380)	—	—
Total general revenues and transfers	71,632,970	(15,350,099)	56,282,871	13,667,108
Change in net assets	(3,031,654)	105,970	(2,925,684)	9,615,305
Net assets (deficit), beginning	298,674,282	315,860,582	614,534,864	(182,826,477)
Net assets (deficit), ending	$ 295,642,628	315,966,552	611,609,180	(173,211,172)

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2011

Assets		General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	$	1,146,219	—	14,960,195	16,106,414
Receivables:					
Taxes		4,328,963	—	3,255,956	7,584,919
Accounts, net		177,208	—	6,516	183,724
Special assessment principal and accrued interest		705,119	489,424	871,066	2,065,609
Due from other funds		2,438,491	—	16,155	2,454,646
Due from component unit		—	105,449	—	105,449
Due from other governments		747,069	2,029,541	1,564,042	4,340,652
Restricted assets		200,378	—	94,000	294,378
Total assets	$	9,743,447	2,624,414	20,767,930	33,135,791
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	119,947	1,194,482	925,078	2,239,507
Due to other funds		—	1,094,955	6,564,387	7,659,342
Accrued items		2,629,511	—	135,630	2,765,141
Other current liabilities		439,981	—	14,600	454,581
Deferred revenue		1,528,678	681,789	1,054,827	3,265,294
Liabilities payable from restricted assets:					
Deposits and court bonds		200,378	—	—	200,378
Total liabilities		4,918,495	2,971,226	8,694,522	16,584,243
Fund balances:					
Restricted		442,556	—	16,659,329	17,101,885
Committed		1,413,292	—	437,150	1,850,442
Assigned		667,065	—	—	667,065
Unassigned		2,302,039	(346,812)	(5,023,071)	(3,067,844)
Total fund balance (deficit)		4,824,952	(346,812)	12,073,408	16,551,548
Total liabilities and fund balance	$	9,743,447	2,624,414	20,767,930	33,135,791

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, 2011

Fund balances – total governmental funds	$	16,551,548
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		506,991,393
Less accumulated depreciation		(173,502,535)
		333,488,858
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid		(207,014)
Adjustment of deferred revenue		2,890,194
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		2,419,099
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		(12,133,000)
Capital lease obligations		(292,063)
Compensated absences		(16,224,856)
Discounts (premiums)		(114,971)
Other post-employment benefits		(24,662,434)
Net pension obligation		(2,107,523)
Debt service component unit		(4,142,859)
		(59,677,706)
Deferred debt costs		177,649
Net assets of governmental activities (Exhibit 1)	$	295,642,628

See accompanying notes to financial statements.

Exhibit 4

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2011

		General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$	39,304,568	—	19,749,318	59,053,886
Licenses and permits		3,191,249	—	235,610	3,426,859
Intergovernmental		5,192,910	10,490,908	9,101,264	24,785,082
Charges for services		2,266,545	11,268	737,481	3,015,294
Interfund charges for support services		3,743,875	—	—	3,743,875
Fines, forfeitures, and court costs		4,398,111	—	—	4,398,111
Investment income		104,001	111	20,111	124,223
Reimbursements from component unit		—	370,092	211,432	581,524
Other		569,447	32	765,062	1,334,541
Total revenues		58,770,706	10,872,411	30,820,278	100,463,395
Expenditures:					
Current:					
Administrative services		7,832,622	—	29,981	7,862,603
Public safety		41,724,509	—	6,312,603	48,037,112
Public works		6,159,868	—	—	6,159,868
Health and welfare		2,549,391	—	728,223	3,277,614
Culture and recreation		2,122,379	—	3,873,179	5,995,558
Community development		2,696,115	—	4,034,773	6,730,888
Storm water		296,347	—	1,476,040	1,772,387
General government		7,840,660	—	666,482	8,507,142
Capital outlay		430,232	13,219,695	8,877,700	22,527,627
Debt service:					
Principal		139,391	—	2,824,000	2,963,391
Debt service component unit		3,566,752	—	—	3,566,752
Interest and fiscal agent fees		16,162	—	584,702	600,864
Total expenditures		75,374,428	13,219,695	29,407,683	118,001,806
Excess (deficiency) of revenues over expenditures		(16,603,722)	(2,347,284)	1,412,595	(17,538,411)
Other financing sources (uses):					
Transfers in – utility payments in lieu of taxes		16,211,380	—	—	16,211,380
Transfers in		48,195	2,358,653	92,913	2,499,761
Transfers out		(20,000)	—	(2,441,566)	(2,461,566)
Payments to/from component unit		—	—	—	—
Total other financing sources		16,239,575	2,358,653	(2,348,653)	16,249,575
Net change in fund balances		(364,147)	11,369	(936,058)	(1,288,836)
Fund balances (deficit), beginning		5,189,099	(358,181)	13,009,466	17,840,384
Fund balances (deficit), ending	$	4,824,952	(346,812)	12,073,408	16,551,548

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 2011

Net change in fund balances – total governmental funds	$	(1,288,836)
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		24,985,275
Depreciation expense		(13,073,467)
Donated assets		754,354
		12,666,162
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		(152,926)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(4,996,945)
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:		
Principal payments		2,963,391
Debt issuance costs amortization		(44,037)
Debt premiums and discounts amortizations		30,301
		2,949,655
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		(144,832)
Accrued interest		(24,914)
Other post-employment benefits		(6,212,779)
LAGERS net pension obligation		(2,107,523)
Debt service component unit		(4,142,859)
		(12,632,907)
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:		424,143
Change in net assets of governmental activities (Exhibit 2)	$	(3,031,654)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2011

	Enterprise funds					Internal
Assets	**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Service Funds**
Current assets:						
Pooled cash and investments	$ 6,082,156	1,763,234	6,616,050	443,538	14,904,978	7,407,563
Receivables:						
Accounts (net of allowance of $1,075,959)	10,177,156	1,846,760	1,339,748	152,966	13,516,630	236,228
Unbilled revenue	9,449,007	1,230,326	988,226	—	11,667,559	—
Special assessment principal and accrued interest	198,297	—	6,724	—	205,021	—
Due from other funds	5,578,520	66,596	—	—	5,645,116	—
Due from other governments	149,159	—	—	144,170	293,329	—
Sales tax bond	—	—	—	1,570	1,570	—
Inventory	12,939,459	656,963	48,898	42,560	13,687,880	43,365
Prepaid items	140,101	—	—	72,473	212,574	159,172
Restricted cash and investments	1,701,531	467,994	387,711	—	2,557,236	—
Total current assets	46,415,386	6,031,873	9,387,357	857,277	62,691,893	7,846,328
Noncurrent assets:						
Capital assets:						
Nondepreciable	39,680,754	4,679,593	2,945,291	5,796,315	53,101,953	93,979
Depreciable, net	151,944,327	105,149,798	67,720,412	65,982,411	390,796,948	29,845
Deferred debt issue costs	1,917,168	1,196,507	—	3,365,660	6,479,335	—
Other deferred charges	—	652,886	—	—	652,886	—
Restricted cash and investments	16,471,677	6,034,070	—	8,190,973	30,696,720	—
Total noncurrent assets	210,013,926	117,712,854	70,665,703	83,335,359	481,727,842	123,824
Total assets	$ 256,429,312	123,744,727	80,053,060	84,192,636	544,419,735	7,970,152
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	$ 3,335,244	453,680	368,027	77,732	4,234,683	35,220
Due to other funds	66,596	—	—	373,824	440,420	—
Accrued items	1,236,505	348,447	385,008	38,750	2,008,710	31,693
Other current liabilities	318,728	23,076	32,417	14,080	388,301	—
Unearned revenue	—	—	—	141,458	141,458	—
Current portion of long-term obligations	5,362,737	3,459,359	325,837	100,000	9,247,933	53,073
Self-insurance claims payable	—	—	—	—	—	3,272,085
Liabilities payable from restricted assets	1,819,587	794,559	358,944	1,320,397	4,293,487	—
Total current liabilities	12,139,397	5,079,121	1,470,233	2,066,241	20,754,992	3,392,071
Noncurrent liabilities:						
Revenue bonds payable	60,751,936	43,528,080	—	84,805,000	189,085,016	—
Compensated absences – long-term	3,391,704	1,191,532	711,557	—	5,294,793	101,635
Other post employment benefits	6,569,362	2,722,515	2,096,223	—	11,388,100	292,050
Net pension obligation	788,334	227,339	148,829	—	1,164,502	23,605
Deferred revenue	—	—	—	439,431	439,431	—
Self-insurance claims payable	—	—	—	—	—	1,916,099
Advances for construction	20,400	131,542	—	—	151,942	—
Total noncurrent liabilities	71,521,736	47,801,008	2,956,609	85,244,431	207,523,784	2,333,389
Total liabilities	83,661,133	52,880,129	4,426,842	87,310,672	228,278,776	5,725,460
Net assets:						
Invested in capital assets, net of related debt	137,587,784	68,864,509	70,663,568	(5,052,971)	272,062,890	123,824
Restricted for:						
Debt service/capital outlay	5,923,693	500,000	—	—	6,423,693	—
Unrestricted	29,256,702	1,500,089	4,962,650	1,934,935	37,654,376	2,120,868
Total net assets (deficit)	172,768,179	70,864,598	75,626,218	(3,118,036)	316,140,959	2,244,692
Total liabilities and net assets	$ 256,429,312	123,744,727	80,053,060	84,192,636		7,970,152
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					(174,407)	
Net assets of business-type activities					$ 315,966,552	

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, 2011

	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Operating revenues:						
Charges for services	$ 124,555,522	21,850,254	16,918,978	4,874,623	168,199,377	21,467,685
Miscellaneous	2,200,304	353,004	142,511	—	2,695,819	—
Total operating revenues	126,755,826	22,203,258	17,061,489	4,874,623	170,895,196	21,467,685
Operating expenses:						
Personal services	20,949,992	8,062,296	5,589,735	—	34,602,023	882,171
Other services	17,132,244	3,624,786	7,661,716	563,862	28,982,608	22,802,797
Supplies	56,285,960	1,641,150	675,694	—	58,602,804	1,178,505
Capital outlay	—	45,610	—	—	45,610	7,000
Other expenses	6,038,939	2,634,013	105,707	5,892,355	14,671,014	—
Depreciation and amortization	13,133,201	3,040,456	2,717,632	1,883,343	20,774,632	3,309
Total operating expenses	113,540,336	19,048,311	16,750,484	8,339,560	157,678,691	24,873,782
Operating income (loss)	13,215,490	3,154,947	311,005	(3,464,937)	13,216,505	(3,406,097)
Nonoperating revenues (expenses):						
Interest revenue	145,670	6,335	9,227	10,181	171,413	14,248
Miscellaneous revenue	585,229	1,923,548	18,333	680,572	3,207,682	4,188,247
Interest expense	(2,158,487)	(1,854,990)	(101)	(5,424,527)	(9,438,105)	—
Intergovernmental - Community Improvement District	—	—	—	4,813,612	4,813,612	—
Total nonoperating revenue (expenses)	(1,427,588)	74,893	27,459	79,838	(1,245,398)	4,202,495
Income (loss) before contributions and transfers	11,787,902	3,229,840	338,464	(3,385,099)	11,971,107	796,398
Capital contributions	1,905,706	165,315	1,941,161	—	4,012,182	—
Transfers out – utility payments in lieu of taxes	(12,404,416)	(2,135,230)	(1,671,734)	—	(16,211,380)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	—	—	—	—	—	(48,195)
Change in net assets	1,289,192	1,259,925	617,891	(3,385,099)	(218,091)	748,203
Total net assets (deficit):						
Beginning of the year	171,478,987	69,604,673	75,008,327	267,063		1,496,489
End of the year	$ 172,768,179	70,864,598	75,626,218	(3,118,036)		2,244,692

Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds	324,061
Change in net assets of business-type activities.	$ 105,970

See accompanying notes to financial statements.

Exhibit 7

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2011

	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Cash flows from operations:						
Receipts from customers and others	$ 126,606,463	23,837,990	17,343,538	10,764,812	178,552,803	25,568,614
Payments to suppliers	(86,433,854)	(7,753,889)	(8,187,302)	(6,452,433)	(108,827,478)	(25,090,111)
Payments to employees	(17,832,937)	(7,171,632)	(4,953,858)	—	(29,958,427)	(769,989)
Net cash provided by (used in) operating activities	22,339,672	8,912,469	4,202,378	4,312,379	39,766,898	(291,486)
Cash flows from noncapital financing activities:						
Transfers in	—	—	10,000	—	10,000	—
Transfers (out)	—	—	—	—	—	(48,195)
Transfers out – payments in lieu of taxes	(12,404,416)	(2,135,230)	(1,671,734)	—	(16,211,380)	—
Advances to(from) other funds	(5,492,623)	(54,982)	—	373,824	(5,173,781)	1,084,953
Net cash provided by (used in) noncapital financing activities	(17,897,039)	(2,190,212)	(1,661,734)	373,824	(21,375,161)	1,036,758
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(27,540,775)	(4,076,676)	(1,892,547)	(681,558)	(34,191,556)	—
Capital Lease Payable	(14,147)	(5,872)	(2,263)	—	(22,282)	
Interest paid on revenue bonds and equipment contracts	(2,663,538)	(1,771,962)	—	(5,314,069)	(9,749,569)	—
Debt expense paid on revenue bonds	(732,340)	—	—	—	(732,340)	—
Disposal costs from disposition of equipment	(676,210)	563	—	—	(675,647)	—
Proceeds from bond issue	34,502,788	—	—	—	34,502,788	—
Redemption of revenue bonds	(10,590,000)	(2,790,000)	—	(200,000)	(13,580,000)	—
Interest received on special assessment	—	—	24	—	24	—
Net cash provided by (used in) capital and related financing activities	(7,714,222)	(8,643,947)	(1,894,786)	(6,195,627)	(24,448,582)	—
Cash flows from investing activities:						
Purchases of investments	—	—	(7,055,524)	—	(7,055,524)	(5,997,594)
Proceeds from sales and maturities of investments	5,994,467	—	9,053,680	—	15,048,147	7,995,750
Interest on investments	147,935	6,335	10,718	10,181	175,169	15,763
Net cash provided by (used in) investing activities	6,142,402	6,335	2,008,874	10,181	8,167,792	2,013,919
Net increase (decrease) in cash and cash equivalents	2,870,813	(1,915,355)	2,654,732	(1,499,243)	2,110,947	2,759,191
Cash and cash equivalents at beginning of year	21,384,551	10,180,653	4,349,029	10,133,754	46,047,987	4,648,372
Pooled cash and investments	$ 24,255,364	8,265,298	7,003,761	8,634,511	48,158,934	7,407,563
Noncash capital and related financing activities:						
Contributed capital	$ 1,905,706	165,315	1,941,161	—	4,012,182	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	$ 6,082,156	1,763,234	6,616,050	443,538	14,904,978	7,407,563
Restricted assets	18,173,208	6,502,064	387,711	8,190,973	33,253,956	—
Total pooled cash and investments	$ 24,255,364	8,265,298	7,003,761	8,634,511	48,158,934	7,407,563
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 13,215,490	3,154,947	311,005	(3,464,937)	13,216,505	(3,406,097)
Adjustments not affecting cash:						
Depreciation and amortization	13,133,201	3,040,456	2,717,632	1,883,343	20,774,632	3,309
Nonoperating revenues	585,229	1,923,548	18,333	5,494,184	8,021,294	4,188,247
Change in assets and liabilities:						
Accounts receivable	(2,805,840)	(268,712)	145,538	(152,966)	(3,081,980)	(87,318)
Inventory	(2,633,403)	(22,633)	10,689	(42,560)	(2,687,907)	41,076
Prepaid items and other assets	(48,435)	—	—	(72,473)	(120,908)	(159,172)
Unbilled revenue	1,839,586	(23,301)	97,840	—	1,914,125	—
Due from other governments	427,359	—	—	(31,918)	395,441	—
Special assessments receivable	(195,697)	—	12,637	—	(183,060)	—
Other receivable	—	—	7,701	—	7,701	—
Accounts and contracts payable	(4,550,940)	194,978	164,345	65,987	(4,125,630)	(8,193)
Accrued and other liabilities	457,055	22,522	47,846	52,830	580,253	(963,813)
Other post-employment benefits	2,514,558	956,375	676,277	—	4,147,210	97,945
Self-insurance claims payable	—	—	—	—	—	(6,084)
Unearned revenue	—	—	—	580,889	580,889	—
Customer deposits	163,959	—	48,362	—	212,321	—
Compensated absences	237,550	(65,711)	(55,827)	—	116,012	8,614
Total adjustments	9,124,182	5,757,522	3,891,373	7,777,316	26,550,393	3,114,611
Net cash provided (used) by operating activities	$ 22,339,672	8,912,469	4,202,378	4,312,379	39,766,898	(291,486)

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

		Private-Purpose Trust Funds		Agency Funds
Assets:				
Pooled cash and investments	$	30,021		147,419
Accrued interest receivable		—		491
Total assets		30,021		147,910
Liabilities:				
Accounts and contracts payable		380		6,094
Funds held in escrow		1,833		63,789
Flexible benefit payable		—		78,027
Total liabilities		2,213	$	147,910
Net assets:				
Held in trust	$	27,808		

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, 2011

		Private-Purpose Trust Funds
Additions:		
Charges for services	$	19,597
Interest		48
Total additions		19,645
Deductions:		
Capital outlay		40,191
Total deductions		40,191
Change in net assets		(20,546)
Net assets, beginning		48,354
Net assets, ending	$	27,808

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2011

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2011

(Continued)

(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) which includes the Independence Events Center Management Corporation (Corporation) as a blended component unit. The Corporation performs management functions for the City's Events Center, a propriety fund. Financial statements for the Corporation may be obtained by writing to the City Clerk, City of Independence, P. O. Box 1019, Independence, MO 64051.

The Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission) is included as a discretely presented component unit in a separate column on the government-wide financial statements to emphasize that it is a separate entity from the City. The Commission is governed by an 11-member board, of which six members are appointed by the City Council. The remaining five members (two from the county, two from the local school district and one from other taxing jurisdictions) are appointed by the respective taxing districts' boards. Financial transactions of the Commission are processed by the Finance Department of the City on the Commission's behalf. No separate financial statements are issued by the Commission.

(b) Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Improvements Fund – This fund is used to account for major street improvement construction projects.

The City reports the following major enterprise funds:

Power and Light Fund – This fund accounts for the acquisition, operation, and maintenance of the City's power and light utility facilities and services.

Water Fund – This fund accounts for the acquisition, operation, and maintenance of the City's water utility facilities and services.

Sanitary Sewer Fund – This fund accounts for the acquisition, operation, and maintenance of the City's sanitary sewer utility facilities and services.

Events Center Fund – This fund accounts for the acquisition and maintenance of the City's events center facility. This fund also includes the operational activities which are managed by the Corporation.

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.

(Continued)

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

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

Internal Service Funds – These funds account for the costs of fleet maintenance, the Staywell Healthcare program, 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 no have operating accounts such as Revenues and Expenses so therefore a measurement focus does not apply to these funds.

(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. Inventory of the Events Center consists of merchandise available for sale, valued at cost.

(g) Prepaid Items

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

(h) Interfund Activity

The City has the following types of interfund activity:

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

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

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

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

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. For property acquired from another utility, the difference between the net cost of plant assets recorded by the selling entity and the purchase price is recorded as an acquisition adjustment. Contributions of capital assets received from federal, state, or local sources are recorded as assets and 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 $12,204,859. Of this amount, $2,766,754 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:

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

(Continued)

	Years
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
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
Improvements other than buildings	20
Machinery and equipment	4-20

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

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

(j) Bond Premiums, Discounts, and Issuance Costs

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

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

(k) Compensated Absences

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

As of June 30, 2011 the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement changed the fund balance classifications for the governmental funds. In the fund financial statements, governmental funds now report the following fund balance classifications:

> ***Non-Spendable*** – This consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
>
> ***Restricted*** – This consists of amounts where constraints are placed on the use of those resources which are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
>
> ***Committed*** – This consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.
>
> ***Assigned*** – This consists of amounts which are constrained by City management's intent for these to be used for a specific purpose but are neither formally restricted by external sources nor committed by City Council action. The City Manager has the authority to assign amounts for a specific purpose in this category. Likewise, the City Manager has the authority to take necessary actions to un-assign amounts in this category.
>
> ***Unassigned*** – This consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. A positive unassigned fund balance is only possible in the general fund.

The City has a fund balance policy that provides guidance for programs with multiple revenue sources. The policy is to use restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The City has a minimum Unassigned Fund Balance policy for the General Fund equal to 5% of annual revenues. If the fund balance falls below this target level of 5% then the City will strive to restore the Unassigned Fund Balance through revenue allocations or expenditure reductions back to the target level over a five (5) year period.

Detailed information on the City's governmental fund balance classifications may be found in Note 15 in the notes to 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.

(p) New Accounting Pronouncements

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer and other post-employment benefit plans. The City is currently evaluating the impact of adopting Statement No. 57. The City will implement GASB No. 57 beginning with the year ended June 30, 2012.

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The City is currently evaluating the impact of adopting Statement No. 60. The City will implement GASB No. 60 beginning with the year ended June 30, 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – and Amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. GASB Statements No. 14 and No. 34 have been amended to better meet user needs and address reporting entity issues that have arisen since the issuance of those Statements. The City is currently evaluating the impact of adopting Statement No. 61. The City will implement GASB No. 61 beginning with the year ended June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

The City is currently evaluating the impact of adopting Statement No. 62. The City will implement GASB No. 62 beginning with the year ended June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City is currently evaluating the impact of adopting Statement No. 63. The City will implement GASB No. 63 beginning with the year ended June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is currently evaluating the impact of adopting Statement No. 64. The City will implement GASB No. 64 beginning with the year ended June 30, 2012.

(2) Deposits and Investments

At June 30, 2011, the carrying values of deposits and investments are summarized as follows:

Investments:		
Short-term investments held in trust (bond reserves)	$	52,051,068
Investment pool:		
U.S. government securities		26,652
Total investments		52,077,720
Deposits and repurchase obligations		48,379,937
Petty cash		15,312
Total	$	100,472,969

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	$ 38,418,955	177,440	38,596,395	5,984,354	44,580,749
Restricted cash and investments	33,548,334	—	33,548,334	22,343,886	55,892,220
	$ 71,967,289	177,440	72,144,729	28,328,240	100,472,969

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.

(Continued)

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, 2011 the City had no investments subject to ratings by Moody's Investor Service.

Investment Type		Fair Value	Rating As of June 30, 2011
U.S. Treasury Bond	$	26,652	Exempt from rating requirement
Total	$	26,652	

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, 2011, 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, 2011.

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, 2011, 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, 2011, the City had a U.S. Treasury Bond investment of $26,652.

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2011 is as follows:

		General	Nonmajor Governmental Funds	Total
Real estate tax	$	7,434,769	24,305	7,459,074
Railroad utilities tax		31,864	—	31,864
Cigarette tax		468,859	—	468,859
Transient guest tax		—	1,077,506	1,077,506
Sales tax		15,836,443	18,647,507	34,483,950
Franchise tax		15,532,633	—	15,532,633
	$	39,304,568	19,749,318	59,053,886

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, 2010, on which the fiscal 2011 levy was based, was $1,298,840,974.

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, 2011 were $0.4954 for the General Fund, $0.2334 for Public Health and Recreation, and $0.5011 for the Independence Square Benefit District Fund.

(Continued)

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2011 consisted of the following:

	General Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total
Federal				
Department of Agriculture	$ —	—	36,494	36,494
Department of Housing & Urban Development				
Community Development Block Grant	—	—	796,017	796,017
Neighborhood Stabilization Program	—	—	2,326,017	2,326,017
Emergency Shelter Grant	—	—	76,007	76,007
Home Investment Partnership	—	—	1,008,572	1,008,572
Department of the Interior	—	—	15,000	15,000
Department of Justice	—	—	944,878	944,878
Department of Transportation	25,393	10,483,161	729,205	11,237,759
Department of Energy	—	—	594,236	594,236
Department of Health & Human Services	25,000	—	350,010	375,010
Corporation for National & Community Service	—	—	45,470	45,470
Executive Office of the President	—	—	153,995	153,995
Department of Homeland Security	—	—	1,661,344	1,661,344
Total Federal	50,393	10,483,161	8,737,245	19,270,799
State & Local				
Department of Health & Human Services	—	—	86,437	86,437
Department of Revenue				
Motor Vehicle Fuel Tax	3,167,830	—	—	3,167,830
Motor Vehicle Sales Tax	680,671	—	—	680,671
Motor Vehicle Fees	507,602	—	—	507,602
Financial Institutions Tax	28,410	—	—	28,410
Division of Tourism	—	—	144,655	144,655
Department of Public Safety	—	—	20,982	20,982
Missouri Highway and Transportation Commission	—	—	1,611	1,611
Missouri State Safety Center	—	—	9,754	9,754
Jackson County Anti Drug Tax	579,213	—	—	579,213
Jackson County DARE	178,791	—	—	178,791
Jackson County Urban Road System	—	7,747	—	7,747
Jackson County Independence Square Hotel	—	—	95,317	95,317
Healthcare Foundation of Greater Kansas City	—	—	2,717	2,717
Community Gardens Project	—	—	979	979
Recreational Boating & Fishing Foundation	—	—	222	222
General Mills	—	—	1,345	1,345
Total State & Local	5,142,517	7,747	364,019	5,514,283
Grand Total	$ 5,192,910	10,490,908	9,101,264	24,785,082

Amounts due from other governments at June 30, 2011 are as follows:

		Federal	State	Local	Total
General Fund:					
Department of Health & Human Services	$	2,084	—	—	2,084
Department of Transportation		25,393	—	—	25,393
Department of Revenue					
Motor Vehicle Fuel Tax		—	525,000	—	525,000
Motor Vehicle Sales Tax		—	55,000	—	55,000
Motor Vehicle License Fees		—	131,000	—	131,000
39th St Transportation Development District		—	—	1,072	1,072
Events Center Community Improvement District		7,520	—	—	7,520
		34,997	711,000	1,072	747,069
Street Improvements Fund:					
Department of Transportation		1,829,951	—	—	1,829,951
Jackson County Urban Road System		—	—	192,366	192,366
39th St Transportation Development District		—	—	7,224	7,224
		1,829,951	—	199,590	2,029,541
Nonmajor Governmental Funds:					
Department of Agriculture		2,642	—	—	2,642
Department of Interior		15,000	—	—	15,000
Department of Justice		250,736	—	—	250,736
Department of Transportation		50,709	—	—	50,709
Department of Energy		115,431	—	—	115,431
Department of Health & Human Services		76,502	—	—	76,502
Department of Homeland Security		259,785	—	—	259,785
Department of Housing & Urban Development		661,675	—	—	661,675
Executive Office of the President		18,434	—	—	18,434
Missouri State Safety Center		—	4,860	—	4,860
Missouri Department of Health		—	8,268	—	8,268
Missouri Division of Tourism		—	100,000	—	100,000
		1,450,914	113,128	—	1,564,042
Totals	$	3,315,862	824,128	200,662	4,340,652

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2011, consisted of the following:

		Due from Street Improvements	Due from Nonmajor Governmental	Due from Power and Light	Due from Events Center	Total
Due to:						
Governmental activities:						
General Fund	$	1,094,955	969,712	—	373,824	2,438,491
Nonmajor governmental		—	16,155	—	—	16,155
Total governmental activities		1,094,955	985,867	—	373,824	2,454,646
Business-type activities:						
Power and Light Fund		—	5,578,520	—	—	5,578,520
Water Fund		—	—	66,596	—	66,596
Total business-type activities		—	5,578,520	66,596	—	5,645,116
Total	$	1,094,955	6,564,387	66,596	373,824	8,099,762

Interfund payables and receivables represent loans between funds for operating purposes, short-term negative balances and pending reimbursements.

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2011 were as follows:

		Interfund Charges		Rent
Nonmajor governmental funds	$	64,519	$	16,900
Power and Light Fund		1,918,433		48,000
Sanitary Sewer Fund		776,448		14,700
Water Fund		984,475		23,700
	$	3,743,875	$	103,300

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

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2011 as follows:

Sanitary Sewer Fund	$	295,583
Power and Light Fund		1,543,588
	$	1,839,171

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2011 as follows:

Sanitary Sewer Fund	$	104,375
Water Fund		584,268
	$	688,643

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of $12,404,416, $2,135,230 and $1,671,734 in fiscal year 2011 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, 2011, consisted of the following:

		Transfer Out			
		General	**Nonmajor Governmental**	**Central Garage**	**Total**
Transfers In:					
General	$	—	—	48,195	48,195
Street Improvements		—	2,358,653	—	2,358,653
Sanitary Sewer Fund		10,000	—	—	10,000
Nonmajor governmental		10,000	82,913	—	92,913
Total Primary Government	$	20,000	2,441,566	48,195	2,509,761

Transfers are the result of reimbursements for capital projects and general operations.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 21,189,508	8,928,600	—	30,118,108
Construction work in progress	90,909,517	21,633,924	(26,674,562)	85,868,879
Total nondepreciable capital assets	112,099,025	30,562,524	(26,674,562)	115,986,987
Depreciable capital assets:				
Land improvements	6,971,855	471,505	—	7,443,360
Buildings	49,649,381	—	—	49,649,381
Building improvements	13,405,705	1,863,031	—	15,268,736
Improvements other than buildings	31,827,856	201,816	—	32,029,672
Office furniture and equipment	852,653	—	(333,006)	519,647
Computer equipment	1,523,429	436,966	(39,098)	1,921,297
Mobile equipment	22,780,561	1,239,586	(2,118,395)	21,901,752
Other equipment	5,026,980	1,260,662	(148,114)	6,139,528
Infrastructure	240,029,026	16,378,101	—	256,407,127
Total depreciable capital assets	372,067,446	21,851,667	(2,638,613)	391,280,500
Less accumulated depreciation for:				
Land improvements	(533,473)	(345,259)	—	(878,732)
Buildings	(9,373,510)	(1,232,427)	—	(10,605,937)
Building improvements	(4,034,069)	(676,360)	—	(4,710,429)
Improvements other than buildings	(6,824,786)	(1,568,293)	—	(8,393,079)
Office furniture and equipment	(778,562)	(17,908)	333,006	(463,464)
Computer equipment	(1,183,091)	(244,069)	39,098	(1,388,062)
Mobile equipment	(15,836,945)	(1,434,261)	1,983,087	(15,288,119)
Other equipment	(2,889,906)	(557,368)	130,497	(3,316,777)
Infrastructure	(121,609,375)	(7,000,831)	—	(128,610,206)
Total accumulated depreciation	(163,063,717)	(13,076,776)	2,485,688	(173,654,805)
Total depreciable capital assets, net	209,003,729	8,774,891	(152,925)	217,625,695
Governmental activities capital assets, net	$ 321,102,754	39,337,415	(26,827,487)	333,612,682

Depreciation expense was charged to functions as follows:

Administrative services	$	301,933
Public safety		2,565,802
Public works		6,412,798
Health and welfare		137,612
Culture and recreation		1,593,469
Community development		77,043
Storm water		1,051,828
General government		932,982
Total		13,073,467
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		3,309
Total depreciation expense	$	13,076,776

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

		Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Business-type activities:					
Power and Light Fund:					
Nondepreciable capital assets:					
Land	$	2,953,206	—	—	2,953,206
Construction in progress		25,604,390	30,300,202	(19,177,044)	36,727,548
Total nondepreciable capital assets		28,557,596	30,300,202	(19,177,044)	39,680,754
Depreciable capital assets:					
Infrastructure:					
Acquisition adjustment		2,755,568	—	—	2,755,568
Production plant		161,032,578	13,572,746	(4,925,826)	169,679,498
Transmission plant		27,768,502	59,147	—	27,827,649
Distribution plant		132,490,962	4,855,153	(499,096)	136,847,019
General plant		6,036,223	48,112	—	6,084,335
Total infrastructure		330,083,833	18,535,158	(5,424,922)	343,194,069
Machinery and equipment		14,387,200	641,888	(264,618)	14,764,470
Total depreciable capital assets		344,471,033	19,177,046	(5,689,540)	357,958,539
Less accumulated depreciation:					
Infrastructure		(185,257,073)	(12,917,185)	6,123,369	(192,050,889)
Machinery and equipment		(13,451,576)	(776,365)	264,618	(13,963,323)
Total accumulated depreciation		(198,708,649)	(13,693,550)	6,387,987	(206,014,212)
Total depreciable capital assets, net		145,762,384	5,483,496	698,447	151,944,327
Total power and light capital assets	$	174,319,980	35,783,698	(18,478,597)	191,625,081

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Water Fund:				
Nondepreciable capital assets:	$			
Land	2,164,725	—	—	2,164,725
Construction in progress	2,851,300	5,343,219	(5,679,651)	2,514,868
Total nondepreciable capital assets	5,016,025	5,343,219	(5,679,651)	4,679,593
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	12,547,766	—	—	12,547,766
Nonutility property	40,014	—	—	40,014
Source of supply	7,504,206	12,818	—	7,517,024
Pumping plant	14,690,225	409,618	(11,258)	15,088,585
Treatment plant	22,816,366	272,553	(42,179)	23,046,740
Transmission plant	72,724,916	4,981,608	(331,321)	77,375,203
General plant	1,910,503	983	(6,036)	1,905,450
Total infrastructure	132,233,996	5,677,580	(390,794)	137,520,782
Machinery and equipment	6,485,928	2,071	(28,122)	6,459,877
Total depreciable capital assets	138,719,924	5,679,651	(418,916)	143,980,659
Less accumulated depreciation:				
Intrastructure	(33,253,643)	(2,770,781)	392,124	(35,632,300)
Machinery and equipment	(2,846,264)	(418,573)	66,276	(3,198,561)
Total accumulated depreciation	(36,099,907)	(3,189,354)	458,400	(38,830,861)
Total depreciable capital assets, net	102,620,017	2,490,297	39,484	105,149,798
Total water capital assets	$ 107,636,042	7,833,516	(5,640,167)	109,829,391

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	$ 330,191	—	—	330,191
Construction in progress	3,489,335	1,791,608	(2,665,843)	2,615,100
Total nondepreciable capital assets	3,819,526	1,791,608	(2,665,843)	2,945,291
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	91,675,134	4,382,653	—	96,057,787
Pumping plant	5,081,306	243,845	—	5,325,151
Treatment plant	12,896,961	—	(4,600)	12,892,361
General plant	1,591,994	—	—	1,591,994
Total infrastructure	111,291,763	4,626,498	(4,600)	115,913,661
Machinery and equipment	6,228,407	81,031	(18,533)	6,290,905
Total depreciable capital assets	117,520,170	4,707,529	(23,133)	122,204,566
Less accumulated depreciation:				
Infrastructure	(47,317,739)	(2,201,479)	4,600	(49,514,618)
Machinery and equipment	(4,472,229)	(516,154)	18,847	(4,969,536)
Total accumulated depreciation	(51,789,968)	(2,717,633)	23,447	(54,484,154)
Total depreciable capital assets, net	65,730,202	1,989,896	314	67,720,412
Total sewer capital assets	69,549,728	3,781,504	(2,665,529)	70,665,703
Events Center:				
Nondepreciable capital assets:				
Land	5,796,315	—	—	5,796,315
Construction in progress	—	—	—	—
Total nondepreciable capital assets	5,796,315	—	—	5,796,315
Depreciable capital assets:				
Infrastructure	64,886,515	681,558	—	65,568,073
Machinery and equipment	3,546,046	—	—	3,546,046
Total depreciable capital assets	68,432,561	681,558	—	69,114,119
Less accumulated depreciation:				
Infrastructure	(1,081,441)	(1,632,958)	—	(2,714,399)
Machinery and equipment	(166,924)	(250,385)	—	(417,309)
Total accumulated depreciation	(1,248,365)	(1,883,343)	—	(3,131,708)
Total depreciable capital assets, net	67,184,196	(1,201,785)	—	65,982,411
Total events center capital assets	72,980,511	(1,201,785)	—	71,778,726
Total business-type activities capital assets	$ 424,486,261	46,196,933	(26,784,293)	443,898,901

Depreciation expense was charged to functions as follows:

Business-type activities:		
Power and light	$	13,133,201
Water		3,040,456
Sanitary sewer		2,717,633
Events center		1,883,343
Total business-type activities depreciation expense	$	20,774,633

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. As of June 30, 2011 the difference for Power and Light is $560,349 and the difference for Water is $148,898.

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, 2011:

		Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:						
Loans and notes payable:						
Loans payable	$	14,220,001	—	2,755,001	11,465,000	3,270,000
Capital lease obligations		431,454	—	139,391	292,063	116,693
Neighborhood Improvement District		737,000	—	69,000	668,000	69,000
Premium (discount), net		145,272	—	30,301	114,971	—
Total loans and notes payble		15,533,727	—	2,993,693	12,540,034	3,455,693
Other liabilities:						
Compensated absences		16,226,118	6,310,933	6,157,487	16,379,564	6,457,388
Other post-employment benefits		18,667,365	6,287,119	—	24,954,484	—
Net pension obligation		—	2,131,128	—	2,131,128	—
Component unit debt appropriated/paid by the City		—	7,709,611	3,566,752	4,142,859	4,142,859
Total Governmental Activities	$	50,427,210	22,438,791	12,717,932	60,148,069	14,055,940

The compensated absences, other post-employment benefits and pension obligation liabilities attributable to governmental activities will be liquidated primarily by the General Fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	$ 41,475,000	33,645,000	10,590,000	64,530,000	3,820,000
Premium on bonds payable	—	857,788	17,566	840,222	—
Less deferred amount on refunding	(880,294)	(665,994)	(748,002)	(798,286)	—
Total revenue bonds	40,594,706	33,836,794	9,859,564	64,571,936	3,820,000
Capital lease obligations	27,492	—	14,146	13,346	13,346
Compensated absences	4,733,984	2,229,337	2,042,226	4,921,095	1,529,391
Other post-employment benefits	4,843,138	1,726,224	—	6,569,362	—
Net pension obligation	—	788,334	—	788,334	—
Total Power and Light Fund	50,199,320	38,580,689	11,915,936	76,864,073	5,362,737
Water Fund:					
Revenue bonds	49,000,000	—	2,790,000	46,210,000	2,965,000
Premium on bonds payable	748,056	—	118,113	629,943	—
Less deferred amount on refunding	(411,899)	—	(65,036)	(346,863)	—
Total revenue bonds	49,336,157	—	2,843,077	46,493,080	2,965,000
Capital lease obligations	12,097	—	6,225	5,872	5,872
Compensated absences	1,745,730	613,148	678,859	1,680,019	488,487
Other long-term obligations	—	—	—	—	—
Other post-employment benefits	1,993,479	729,036	—	2,722,515	—
Net pension obligation	—	227,339	—	227,339	—
Total Water Fund	53,087,463	1,569,523	3,528,161	51,128,825	3,459,359
Sanitary Sewer Fund:					
Capital lease obligations	4,399	—	2,264	2,135	2,135
Compensated absences	1,091,085	454,297	510,123	1,035,259	323,702
Other post-employment benefits	1,568,775	527,448	—	2,096,223	—
Net pension obligation	—	148,829	—	148,829	—
Total Sanitary Sewer Fund	2,664,259	1,130,574	512,387	3,282,446	325,837
Events Center Fund:					
Revenue bonds	85,105,000	—	200,000	84,905,000	100,000
Total Events Center Fund	85,105,000	—	200,000	84,905,000	100,000
Total business-type activities	$ 191,056,042	41,280,786	16,156,484	216,180,344	9,247,933

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Discretely-presented component unit:					
TIF loans	$ 189,950,000	—	6,980,000	182,970,000	7,780,000
Premium (discount), net	(1,983,849)	—	(138,608)	(1,845,241)	—
Deferred amount on refunding	(736,697)	—	(62,528)	(674,169)	—
	187,229,454	—	6,778,864	180,450,590	7,780,000
Component unit debt appropriated/paid by the City	—	(7,709,611)	(3,566,752)	(4,142,859)	(4,142,859)
Developer obligations	26,193,814	260,129	1,284,225	25,169,718	1,200,000
	$ 213,423,268	(7,449,482)	4,496,337	201,477,449	4,837,141

(Continued)

Debt service requirements on long-term debt with schedules maturities at June 30, 2011 are as follows:

	Governmental Activities					
	Loans Payable		NID Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 3,270,000	479,534	69,000	34,467	3,339,000	514,001
2013	3,410,000	341,056	70,000	31,312	3,480,000	372,368
2014	1,390,000	204,344	75,000	27,774	1,465,000	232,118
2015	1,450,000	139,856	75,000	23,987	1,525,000	163,843
2016	460,000	69,694	80,000	20,212	540,000	89,906
2017 - 2021	1,485,000	96,159	272,000	39,340	1,757,000	135,499
2022 - 2024	—	—	27,000	3,466	27,000	3,466
	$ 11,465,000	1,330,643	668,000	180,558	12,133,000	1,511,201

	Business-type Activities							
	Power and Light		Water		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 3,820,000	3,320,400	2,965,000	2,987,283	200,000	5,279,588	6,985,000	11,587,271
2013	3,930,000	3,115,703	3,180,000	2,760,713	225,000	5,271,588	7,335,000	11,148,004
2014	4,690,000	2,901,823	3,395,000	2,508,448	250,000	5,262,088	8,335,000	10,672,359
2015	2,965,000	2,618,613	3,655,000	2,220,258	250,000	5,251,619	6,870,000	10,090,490
2016	3,080,000	2,503,675	3,955,000	1,904,623	250,000	5,240,759	7,285,000	9,649,057
2017 - 2021	15,610,000	10,345,113	9,610,000	6,317,864	2,925,000	25,922,831	28,145,000	42,585,808
2022 - 2026	11,055,000	6,969,750	8,745,000	4,247,763	6,775,000	24,739,194	26,575,000	35,956,707
2027 - 2031	8,680,000	4,408,231	10,705,000	1,415,631	17,320,000	21,784,741	36,705,000	27,608,603
2032 - 2036	10,700,000	1,583,825	—	—	32,810,000	14,082,284	43,510,000	15,666,109
2037 - 2038	—	—	—	—	23,900,000	2,377,244	23,900,000	2,377,244
	$ 64,530,000	37,767,133	46,210,000	24,362,583	84,905,000	115,211,936	195,645,000	177,341,652

	Discretely-Presented Component Unit		
	TIF Loans		Total Principal
	Principal	Interest	& Interest
2012	$ 7,780,000	9,506,928	17,286,928
2013	7,870,000	9,143,138	17,013,138
2014	8,420,000	8,778,919	17,198,919
2015	9,005,000	8,383,320	17,388,320
2016	9,635,000	7,953,005	17,588,005
2017 - 2021	60,415,000	31,877,978	92,292,978
2022 - 2026	63,010,000	15,572,543	78,582,543
2027 - 2028	16,835,000	1,263,569	18,098,569
	$ 182,970,000	92,479,400	275,449,400

(Continued)

(a) Governmental activities

(1) Loans Payable – Missouri Development Finance Board

Governmental activities loans payable at June 30, 2011 are comprised of the following:

$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%.	$	1,750,000
$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%.		3,760,000
$5,485,000 Series 2006 (Park Projects) annual installments of $1,010,000 to $1,190,000 through 2013; interest at 4.25%.		2,330,000
$4,020,000 Series 2009 (Streets Projects) annual installments of $395,000 to $515,000 through 2018; interest at 3.50% to 4.375%.		3,625,000
Total Governmental Activities Loans Payable	$	11,465,000

Restricted assets in the General Fund of $200,378 at June 30, 2011 consist of cash on deposit for municipal court bond deposits.

(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 monies in the Bond Reserve Fund and, to the extent required, from first available moneys in the City's general fund or other legally available fund. The full faith and credit of the City are irrevocably pledged for the prompt payment, when due, of the principal and interest on the Bonds; provided, however, the City is not obligated nor authorized to levy taxes for the purpose of paying principal of or interest on the Bonds and the taxing power of the City is not pledged to the payment of the Bonds.

Neighborhood Improvement District bonds payable at June 30, 2011 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%	$	585,000
$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%		83,000
Total Neighborhood Improvement District	$	668,000

(3) Capital Lease Obligations

Capital leases payable at June 30, 2011 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of $59,484 to $64,437 through 2013; interest at 4.19%	$	257,802
IBM Corporation (computer equipment) monthly installments of $1,969 to $2,232 through 2011; interest at 3.199%		2,232
Missouri Development Finance Board (phone system) monthly installments of $2,708 to $2,948 through 2012; interest at 3.00%		32,029
Total Capital Lease Obligations	$	292,063

The cumulative amount of assets acquired under the capital leases described above amounted to $517,459 as of June 30, 2011.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Year ending June 30:		
2012	$	127,983
2013		93,234
2014		93,233
		314,450
Less imputed interest		(22,387)
Present value of minimum lease payments	$	292,063

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2011 are comprised of the following individual issues:

Power and Light Fund:		
$5,975,000 Series 2003 annual installments of $435,000 to $660,000 through 2014; interest at 2.00% to 3.65%	$	1,865,000
$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
$33,645,000 Series 2010 B annual installments of $600,000 to $4,030,000 through 2035; interest at 2.00% to 5.250%		31,250,000
Less deferred amount on refunding		(798,286)
Total Power and Light fund		63,731,714
Water Fund:		
$14,785,000 Series 2004 annual installments of $490,000 to $1,105,000 through 2025; interest at 3.054% to 5.00%		11,590,000
$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
$19,310,000 Series 2009 E annual installments of $2,210,000 to $3,245,000 through 2016; interest at 3.00% to 4.00%		17,100,000
Less deferred amount on refunding		(346,863)
Total Water Fund		45,863,137
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%		11,995,000
$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
$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
$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
$2,950,000 Series 2010 A semi-annual installments of $70,000 to $485,000 through 2038; interest at 4.50% to 5.75%		2,950,000
Total Events Center Fund		84,905,000
Total revenue bonds	$	194,499,851

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:

	Enterprise Funds			
Account	Power and Light	Water	Sanitary Sewer	Events Center
Principal and interest	$ 5,923,693	—	—	117,670
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	10,547,984	5,534,070	—	8,073,303
Total revenue bond reserves	16,471,677	6,034,070	—	8,190,973
Customer deposits	1,566,051	432,241	358,944	—
Workers' compensation	135,480	35,753	28,767	—
Total	$ 18,173,208	6,502,064	387,711	8,190,973

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.

(a) Advance Refunding

On October 1, 2010, the City issued revenue bonds through the Missouri Development Finance Board of $33,645,000 with interest rates ranging from 2.00% to 5.25%, to provide funding for capital projects and to advance refund $7,625,000 of outstanding 1998 Power & Light revenue bonds with interest rates ranging from 4.60% to 4.80%. The acquisition of the new refunding bonds carried a premium of $857,788 and resulted in a deferred amount on refunding of $665,994. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $271,308 which resulted in an economic gain of $248,845.

(Continued)

(2) Events Center Bonds

The Events Center Bonds (Bonds) are secured by a pledge of certain community improvement district sales taxes (CID sales taxes) and related Tax Increment Financing (TIF) revenues generated within the Independence Events Center Community Improvement District (District) boundaries. In addition, the Bonds include an annual appropriation covenant pursuant to which the City agrees to budget and appropriate sufficient funds to meet the scheduled debt service requirements of the Bonds should the CID sales taxes and TIF revenues not be sufficient to do so. For the year ended June 30, 2011, District revenues paid to the City for debt service totaled $4,813,612. The remaining debt service amounts of $145,018 were funded from capitalized interest funds that were established at the time the Bonds were issued. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in payments during the next 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, and in certain instances an annual appropriation pledge from the City.

The City pledges and other taxing districts and governmental entities are required to provide certain incremental portions of future property tax and sales tax revenues to repay $275.5 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 has appropriated funds sufficient to make all payments required by the bonds for the next fiscal year. During this fiscal year, the City's general fund paid $3,566,752 in debt service payments for the Crackerneck Creek development. The City has appropriated $4,142,859 from the General Fund for the Crackerneck Creek development debt service payments due in fiscal year 2011-12. Accordingly, this amount has been recorded as a governmental activities obligation and a reduction of the related component unit TIF obligation in the financial statements.

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, 2011, total principal and interest remaining on the loans was $275.5 million and the outstanding developer obligations was $25.2 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 $18.5 million. Incremental revenues from the City included $2.8 million in sales taxes and $.8 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, City and developer contributions, cash reserves, and debt trust funds.

Missouri Development Finance Board Loans Payable

$8,715,000 Series 2003 (Hartman Heritage TIF) annual installements of $135,0000 to $2,675,000 through 2021; interest at 2.00% to 5.00%	$	7,120,000
$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of $50,000 to $85,0000 through 2020; interest at 3.00% to 4.50%		690,000
$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%		10,525,000
$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%		46,255,000
$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%		1,185,000
$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%		4,595,000
$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%		14,090,000
$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%		7,985,000
$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%		8,440,000
$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%		700,000
$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%		18,265,000

(Continued)

\$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,0000 through 2017; interest at 4.30% to 5.70%		4,335,000
\$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,0000 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 \$2,515,0000 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%		1,140,000
\$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%		12,225,000
\$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%		4,175,000
\$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%		2,935,000
\$3,630,000 Series 2009 J (Eastland Center TIF) annual installments of \$110,000 to \$835,000 through 2022; interest at 3.00% to 4.50%		3,275,000
\$4,130,000 Series 2009 H (Crackerneck Creek TIF) one installment of \$4,130,000 through 2026; interest at 7.250%		4,130,000
\$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of \$65,000 to \$525,000; interest at 3.00% to 5.00%		2,195,000
Total Discretely Presented Component Unit	\$	182,970,000

Restricted assets held by the Commission of \$22,343,886 consist of funds available for costs related to the redevelopment of the Crackerneck Creek, 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, 2011, \$11,895,000 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 January 2010, a 55,000 square foot Hobby Lobby opened and in late 2009 a 23,000 square foot Mardel opened. During early 2011, an 8,000 square foot Cheddar's Restaurant opened. The City and the developer remain in discussions regarding securing additional retail and hotel development for the project. However, no additional 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 February 2008.

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

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

Calendar Year		Amount
2011	$	1,000,000
2012		1,000,000
2013		1,000,000
2014		1,000,000
2015		1,000,000
2016 - 2020		5,000,000
2021 - 2025		5,000,000
2026		1,000,000
Total	$	16,000,000

(8) Advances for Construction

As new developments are constructed, the Power and Light (Enterprise) Fund requires a nonrefundable cash payment from a customer or developer to be paid toward the cost of extending the distribution system, installation of street lights, and other additions or modifications solely for the benefit of the customer or developer. The advances for construction at June 30, 2011, were $20,400.

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, 2011, were $131,542.

(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

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 9.3% (general), 10.5% (police), and 11.10% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 28, 2011, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was $220,918,979. The actuarial value of assets was $137,468,939, which results in an unfunded accrued liability (UAL) of $83,450,040 and a funded ratio of 62%. The covered payroll (annual payroll of active employees covered by the plan) was $68,136,107, which results in a ratio of the UAL to the covered payroll of 122%.

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 & Net Pension Obligation

The City's annual pension cost and net pension obligation as of June 30, 2011 are as follows:

Annual required contribution	$	10,047,652
Interest on net pension obligation		—
Adjustment to annual required contribution		—
Annual pension cost		10,047,652
Actual contributions		6,752,022
Increase (decrease) in net pension obligation		3,295,630
Beginning net pension obligation		—
Ending net pension obligation	$	3,295,630

For 2011, the City's annual pension cost of $10,047,652 was not equal to the required and actual contribution which resulted in a Net Pension Obligation of $3,295,630. The required contribution was determined as part of the February 28, 2009 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 7.25% per year, compounded annually;

(b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy Table, set back 0 years for men and women; and

(e) post-retirement mortality based on the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009 was 30 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2011, 2010, and 2009.

(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 percentages that are comparable to 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, 2009, which is the effective date of the current 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	1,089
Retirees & covered spouses of retirees	955
Total Participants	2,044

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) which represents an amount that is actuarially determined in accordance with the requirements of GASB Statement 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	$	14,971,790
Interest on net OPEB obligation		1,218,274
Adjustment to annual required contribution		(1,254,291)
Annual OPEB cost (expense)		14,935,773
Less: Expected net employer contributions		(5,665,946)
Increase in net OPEB obligation		9,269,827
Net OPEB obligation – July 1, 2010		27,072,757
Net OPEB obligation – June 30, 2011	$	36,342,584

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, 2011 is as follows:

		Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
Fiscal year ending:						
June 30, 2009	$	13,264,139	%	33.63	$	17,902,417
June 30, 2010		14,947,974		38.65		27,072,757
June 30, 2011		14,935,773		37.94		36,342,584

Funded Status and Funding Progress

As of January 1, 2009, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $198.8 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 $61.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 324 percent.

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

Actuarial Methods and Assumptions

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

The entry age normal (level percent of pay) cost method is used in the January 1, 2009 actuarial valuation. At this 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.

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, automobile liability, and medical malpractice 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 $3,000,000 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 and retirees a contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of $250,000 and aggregate claims in excess of $24,597,000 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately $15,403,570. 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. Incurred but not reported medical, vision, and prescription claims are accrued as a liability in the Internal Service Fund.

(Continued)

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	
		2010	2011	2010	2011
Beginning of year	$	3,045,422	2,908,592	1,850,425	3,256,076
Increases		1,794,230	1,544,048	18,445,032	20,518,089
Decreases		(1,931,060)	(1,550,132)	(17,039,381)	(21,488,489)
End of year	$	2,908,592	2,902,508	3,256,076	2,285,676

(12) Commitments

Construction Commitments

At June 30, 2011, the City had commitments of approximately $25.5 million to complete construction contracts. Of this amount, $10.3 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. 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 $16,500,000 for 357,114 megawatt-hours of delivered energy during fiscal year 2011.

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. The future minimum payments (City's portion of the debt service) are $179,500,000 through the year 2049. During fiscal year 2011, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately $16,300,000 for 372,027 megawatt-hours of wholesale energy. For fiscal year 2012, the projected costs under the agreement are estimated to be approximately $17,500,000.

As part of this participation power agreement, the City also entered into a Transmission Facilities Cost Agreement with OPPD. Under this agreement, the cost of new and upgraded transmission facilities needed for the interconnection of the Nebraska City Unit 2 and the delivery of power to the City are included in the amount of tax-exempt bonds issued by OPPD. The agreement provides that the allocated amount to the City $4,339,061 for OPPD transmission system improvements would be credited to the City on the transmission service billings from OPPD for delivery of the energy from the Nebraska City Unit 2. As of June 30, 2011, the remaining credit amount was $2,152,926.

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 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 began producing energy on July 20, 2010 and began full commercial operations on December 31, 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. The future minimum payments (City's portion of the debt service) are approximately $264,600,000 through the year 2039. During fiscal year 2011, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately $9,600,000 for 278,791 megawatt-hours of wholesale energy. For fiscal year 2012, the projected costs under the agreement are estimated to be approximately $20,100,000.

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 2011, the cost of the energy purchases including transmission costs was approximately $2,900,000 for 58,687 megawatt-hours of wholesale energy.

Events Center Management Agreement

The City entered into an agreement (the Agreement) with Global Entertainment Corporation (the Manager) in connection with the City's Events Center. Under the Agreement, the Manager's responsibilities include opening, managing, promoting and marketing, selling tickets and operating the Events Center on behalf of the City. Key elements of the Agreement included: compensation to the Manager in the amount of $17,000 per month and that the Manager shall be responsible for all costs for the operations and maintenance of the Event Center in excess of revenues (Operation and Maintenance Subsidy or also known as the Operational Break-Even Protection as defined in the Agreement).

The City and Manager entered into a Management Transition Agreement as the City exercised their option to terminate the Agreement effective October 10, 2010 (the transition date). Under the Management Transition Agreement, the City assumed certain liabilities and was assigned certain assets of the Manager. At the transition date, certain operating losses of the Events Center since inception were assumed by the

City as the liabilities assumed ($1,307,310) were in excess of assets assigned ($713,107) by approximately $594,203. The difference between these assets and liabilities is in part related to deferred revenue accounts which were from advance sales of advertising and suites in the Events Center. In addition, the City provided Global Entertainment Corporation with a payment of $405,000 to release any past or future claims against the City, including a claim related to the construction of the Events Center. Accordingly, these amounts totaling $999,203 has been included with other expenses of the Events Center enterprise fund.

The City created the Independence Events Center, LLC to provide for the operations of the Events Center after the transition date. The Events Center, LLC was in effect from October 10, 2010 through June 9, 2011. Effective June 10, 2011 the LLC was merged into the Independence Events Center Management Corporation, a Missouri non-profit organization. The Independence Events Center Management Corporation is included in the financial statements as a blended component unit.

Litigation

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation proceedings, and suits contesting the legality of certain taxes. While 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 $346,812 in the Street Improvements Fund, $5,006,608 in the Parks Sales Tax Fund, $308 in the Buildings and Other Improvements Fund, $16,155 in the Storm Drainage Fund, $1,236,791 in the Workers' Compensation Fund and $3,118,036 in the Events Center Fund, will be eliminated by future revenues or transfers.

(14) Subsequent Events

The City evaluated subsequent events through November 10, 2011, the date the financial statements were available to be issued.

Subsequent to year end, the City approved the issuance of the following bonds and loans payable through the Missouri Development Finance Board.

$11,350,000 Series 2011 A advance refunding bonds for the Events Center Project.

$6,1565,000 Series 2011 B refunding loan payable for the Hartman Heritage TIF Project.

$430,000 Series 2011 C loan payable for the Centerpoint TIF Project.

(15) Fund Equity

Fund balances at year-end are as follows:

	Governmental Funds			
	General	Street Improvements	Nonmajor	Total
Fund balances:				
Restricted for:	$			
Protested revenues	24,351	—	—	24,351
Police equipment	418,205	—	—	418,205
Tourism	—	—	1,343,440	1,343,440
Independence square benefit district	—	—	28,030	28,030
Grants	—	—	1,330	1,330
License surcharge	—	—	2,677,728	2,677,728
Street sales tax	—	—	2,491,735	2,491,735
Storm water sales tax	—	—	7,257,027	7,257,027
Police sales tax	—	—	1,967,871	1,967,871
Fire sales tax	—	—	810,193	810,193
Debt service fund	—	—	81,975	81,975
Total fund balances restricted	442,556	—	16,659,329	17,101,885
Committed for:				
Domestic violence	15,795	—	—	15,795
Capital projects	120,851	—	437,150	558,001
Strategic goals	243,646	—	—	243,646
Vandalism reward	3,000	—	—	3,000
TIF obligations	900,000	—	—	900,000
Economic development	130,000	—	—	130,000
Total fund balances committed	1,413,292	—	437,150	1,850,442
Assigned for:				
General government	274,525	—	—	274,525
Public safety	161,096	—	—	161,096
Public works	231,444	—	—	231,444
Total fund balances assigned	667,065	—	—	667,065
Unassigned	2,302,039	(346,812)	(5,023,071)	(3,067,844)
Total fund equity	$ 4,824,952	(346,812)	12,073,408	16,551,548

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Totals above include encumbrances as follows: General Fund $749,414, Street Improvements Fund $12,052,803 and Non-major Funds $6,812,656.

Required Supplementary Information

(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 2010-2011 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.

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Taxes	$ 35,804,987	35,804,987	39,304,568	3,499,581
Licenses and permits	3,349,340	3,349,340	3,191,249	(158,091)
Grants – federal and state	25,393	25,393	25,393	—
State and county shared revenue	5,614,820	5,614,820	5,167,517	(447,303)
Charges for current services	1,767,412	1,906,988	2,266,545	359,557
Interfund charges for support services	3,421,877	3,421,877	3,743,875	321,998
Fines and forfeitures	4,614,534	4,614,534	4,398,111	(216,423)
Other revenue	398,845	433,149	673,448	240,299
Total revenues	54,997,208	55,171,088	58,770,706	3,599,618
Other financing sources:				
Payments in lieu of taxes	16,545,408	16,545,408	16,211,380	(334,028)
Operating transfers in	48,195	—	48,195	48,195
Total other financing sources	16,593,603	16,545,408	16,259,575	(285,833)
Total revenues and other financing sources	71,590,811	71,716,496	75,030,281	3,313,785
Expenditures:				
City Council	410,135	430,734	429,242	1,492
City Clerk	384,342	384,342	357,035	27,307
City Manager	1,044,054	1,044,054	1,039,220	4,834
National Frontier Trails Center	385,541	385,541	382,528	3,013
Technology services	1,717,198	1,717,198	1,683,058	34,140
Municipal court	803,174	803,174	776,786	26,388
Law	769,021	817,121	781,876	35,245
Finance	1,979,745	1,979,745	1,963,393	16,352
Human resources	445,706	445,706	436,614	9,092
Community development	2,615,783	2,673,105	2,670,431	2,674
Police	24,321,451	25,326,792	25,239,490	87,302
Fire	15,994,813	16,625,578	16,620,726	4,852
Health	2,733,967	2,752,614	2,553,599	199,015
Public works	6,369,565	6,369,565	6,180,748	188,817
Water pollution control	296,347	296,347	296,347	—
Parks and recreation	2,160,477	2,166,949	2,128,174	38,775
General government	8,386,292	7,730,410	7,708,608	21,802
City Council strategic goals	250,000	447,596	249,569	198,027
Debt service component unit	—	3,566,752	3,566,752	—
Capital outlay	513,200	513,200	437,794	75,406
Total expenditures	71,580,811	76,476,523	75,501,990	974,533
Other financing uses– transfers out	10,000	20,000	20,000	—
Total expenditures and other financing uses	71,590,811	76,496,523	75,521,990	974,533
Excess of revenue and other financing sources over (under) expenditures and other financing uses	$ —	(4,780,027)	(491,709)	4,288,318
Unassigned fund balance at beginning of year			2,012,374	
Cancellation of prior year encumbrances			74,250	
Change in other fund balance components during the year			707,124	
Unassigned fund balance at end of year			$ 2,302,039	

Exhibit 10.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2011

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	$	75,030,281
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	75,030,281
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	75,501,990
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget		(623,116)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		495,554
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	$	75,374,428

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, 2009	$	132,825,715	$	163,788,001	$	30,962,286	81%	$	63,652,470	49%
February 28, 2010		135,669,752		204,912,339		69,242,587	66%		65,625,583	106%
February 28, 2011		137,468,939		220,918,979		83,450,040	62%		68,136,107	122%

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%
January 1, 2009		—		198,767,219		198,767,219	0%		61,350,244	324%

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

Debt Service Fund

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

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	$ 14,640,690	319,505	—	14,960,195
Receivables:				
Taxes	3,255,956	—	—	3,255,956
Accounts	6,516	—	—	6,516
Special assessment principal and accrued interest	—	—	871,066	871,066
Due from other funds	16,155	—	—	16,155
Due from other governments	1,441,118	122,924	—	1,564,042
Restricted assets	—	—	94,000	94,000
Total assets	$ 19,360,435	442,429	965,066	20,767,930
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	$ 919,491	5,587	—	925,078
Due to other funds	6,536,207	16,155	12,025	6,564,387
Accrued items	135,630	—	—	135,630
Other current liabilities	14,600	—	—	14,600
Deferred revenue	183,761	—	871,066	1,054,827
Total liabilities	7,789,689	21,742	883,091	8,694,522
Fund balances:				
Restricted	16,577,354	—	81,975	16,659,329
Committed	—	437,150	—	437,150
Unassigned (deficit)	(5,006,608)	(16,463)	—	(5,023,071)
Total fund balances	11,570,746	420,687	81,975	12,073,408
Total liabilities and fund balances	$ 19,360,435	442,429	965,066	20,767,930

Exhibit 13

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 19,749,318	—	—	19,749,318
Licenses and permits	235,610	—	—	235,610
Intergovernmental	8,463,023	638,241	—	9,101,264
Charges for services	633,296	—	104,185	737,481
Investment income	19,571	409	131	20,111
Reimbursements from component unit	204,591	6,841		211,432
Other	765,062	—	—	765,062
Total revenues	30,070,471	645,491	104,316	30,820,278
Expenditures:				
Current:				
Administrative services	29,981	—	—	29,981
Public safety	6,312,603	—	—	6,312,603
Health and welfare	728,223	—	—	728,223
Culture and recreation	3,873,179	—	—	3,873,179
Community development	4,034,773	—	—	4,034,773
Storm water	1,476,040	—	—	1,476,040
General government	665,456	—	1,026	666,482
Capital outlay	8,145,895	731,805	—	8,877,700
Debt service:				
Principal	2,755,000	—	69,000	2,824,000
Interest and fiscal agent fees	546,631	—	38,071	584,702
Total expenditures	28,567,781	731,805	108,097	29,407,683
Excess (deficiency) of revenues over expenditures	1,502,690	(86,314)	(3,781)	1,412,595
Other financing sources (uses):				
Transfers in	10,000	82,913	—	92,913
Transfers out	(2,441,566)	—	—	(2,441,566)
Total other financing sources (uses)	(2,431,566)	82,913	—	(2,348,653)
Net change in fund balances	(928,876)	(3,401)	(3,781)	(936,058)
Fund balances, beginning	12,499,622	424,088	85,756	13,009,466
Fund balances, ending	$ 11,570,746	420,687	81,975	12,073,408

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2011

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	$ 1,252,720	24,936	—	45	10,685,261	2,677,728	—	14,640,690
Receivables:								
Taxes	100,000	3,094	—	—	3,130,974	—	21,888	3,255,956
Accounts	—	—	850	—	4,419	—	1,247	6,516
Due from other funds	—	—	—	—	16,155	—	—	16,155
Due from other governments	100,000	—	25,726	409,606	—	—	905,786	1,441,118
Total assets	$ 1,452,720	28,030	26,576	409,651	13,836,809	2,677,728	928,921	19,360,435
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	$ 94,586	—	2,989	—	661,484	—	160,432	919,491
Due to other funds	—	—	14,112	391,386	5,578,520	—	552,189	6,536,207
Accrued items	14,694	—	8,152	3,958	75,944	—	32,882	135,630
Other current liabilities	—	—	—	14,300	300	—	—	14,600
Deferred revenue	—	—	—	—	343	—	183,418	183,761
Total liabilities	109,280	—	25,253	409,644	6,316,591	—	928,921	7,789,689
Fund balances:								
Restricted	1,343,440	28,030	1,323	7	12,526,826	2,677,728	—	16,577,354
Unassigned (deficit)	—	—	—	—	(5,006,608)	—	—	(5,006,608)
Total fund balances	1,343,440	28,030	1,323	7	7,520,218	2,677,728	—	11,570,746
Total liabilities and fund balances	$ 1,452,720	28,030	26,576	409,651	13,836,809	2,677,728	928,921	19,360,435

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2011

		Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:									
Taxes	$	1,077,506	24,305	—	—	18,647,507	—	—	19,749,318
Licenses and permits		—	—	—	—	—	235,610	—	235,610
Intergovernmental		144,655	—	796,017	1,008,572	—	—	6,513,779	8,463,023
Charges for services		—	—	—	—	524,635	—	108,661	633,296
Investment income		1,607	292	—	—	13,903	3,602	167	19,571
Reimbursements from component unit		—	—	—	—	204,591	—	—	204,591
Other		3,700	—	—	—	744,576	556	16,230	765,062
Total revenues		1,227,468	24,597	796,017	1,008,572	20,135,212	239,768	6,638,837	30,070,471
Expenditures:									
Current:									
Administrative services		—	—	—	—	—	—	29,981	29,981
Public safety		—	—	—	—	3,467,427	—	2,845,176	6,312,603
Health and welfare		—	—	—	—	—	—	728,223	728,223
Culture and recreation		1,433,012	—	—	—	2,439,945	—	222	3,873,179
Community development		—	—	640,642	1,008,572	—	—	2,385,559	4,034,773
Storm water		—	—	—	—	1,476,040	—	—	1,476,040
General government		—	—	—	—	15,780	—	649,676	665,456
Capital outlay		—	389	—	—	8,145,506	—	—	8,145,895
Debt service:								—	
Principal		—	—	—	—	2,755,000	—	—	2,755,000
Interest and fiscal agent fees		—	—	—	—	546,631	—	—	546,631
Total expenditures		1,433,012	389	640,642	1,008,572	18,846,329	—	6,638,837	28,567,781
Excess (deficiency) of revenues over expenditures		(205,544)	24,208	155,375	—	1,288,883	239,768	—	1,502,690
Other financing sources (uses):									
Transfers in		—	—	—	—	10,000	—	—	10,000
Transfers out		—	—	(155,375)	—	(1,840,723)	(445,468)	—	(2,441,566)
Total other financing sources (uses)		—	—	(155,375)	—	(1,830,723)	(445,468)	—	(2,431,566)
Net change in fund balances		(205,544)	24,208	—	—	(541,840)	(205,700)	—	(928,876)
Fund balances, beginning		1,548,984	3,822	1,323	7	8,062,058	2,883,428	—	12,499,622
Fund balances, ending	$	1,343,440	28,030	1,323	7	7,520,218	2,677,728	—	11,570,746

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2011

		Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
		Original	Final		
Revenues:					
Transient guest taxes	$	988,000	988,000	1,077,506	89,506
Interest		—	2,100	1,607	(493)
Grants – federal, state, and local		—	158,426	144,655	(13,771)
Other revenue		18,400	16,300	3,700	(12,600)
Total revenues		1,006,400	1,164,826	1,227,468	62,642
Expenditures:					
Tourism		1,028,661	1,413,605	1,413,604	1
Total expenditures		1,028,661	1,413,605	1,413,604	1
Excess of revenues over (under) expenditures	$	(22,261)	(248,779)	(186,136)	62,643
Restricted fund balance at beginning of year				1,548,984	
Cancellation of prior year encumbrances				1,542	
Increase (Decrease) in Prior Year Encumbrances				(20,950)	
Restricted fund balance at end of year				$ 1,343,440	

Exhibit 16.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2011

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,227,468
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,227,468
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,413,604
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(38,535)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		57,943
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,433,012

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

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year ended June 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Federal grant - CDBG	$ 818,019	1,238,598	796,017	(442,581)
Total revenues	818,019	1,238,598	796,017	(442,581)
Expenditures:				
CDBG administration	151,579	176,663	164,164	12,499
CDBG expenditures	666,440	665,994	410,001	255,993
Commercial facade program	—	230,916	158,990	71,926
Total expenditures	818,019	1,073,573	733,155	340,418
Other financing uses:				
Transfers out	—	165,025	155,375	9,650
Total other financing uses	—	165,025	155,375	9,650
Total expenditures and other uses	818,019	1,238,598	888,530	350,068
Excess of revenues over (under) expenditures and other financing uses	$ —	—	(92,513)	(92,513)
Restricted fund balance (deficit) at beginning of year			1,323	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			92,513	
Restricted fund balance (deficit) at end of year			$ 1,323	

(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, 2011

		Community Development Block Grant
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	796,017
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	796,017
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	733,155
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(92,513)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	640,642

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

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Rental Rehabilitation
Year Ended June 30, 2011

		Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
		Original	Final		
Revenues:					
HOME program grant	$	487,038	1,138,014	1,008,572	(129,442)
Total revenues		487,038	1,138,014	1,008,572	(129,442)
Expenditures:					
HOME administration		48,704	25,541	29,603	(4,062)
Multi family housing		154,927	672,858	691,579	(18,721)
First Time Home Buyers		186,000	169,428	192,930	(23,502)
Community housing development		97,407	270,187	270,187	—
Total expenditures		487,038	1,138,014	1,184,299	(46,285)
Excess of revenues over (under) expenditures	$	—	—	(175,727)	(175,727)
Restricted fund balance (deficit) at beginning of year				7	
Cancellation of prior year encumbrances				—	
Increase (Decrease) in Prior Year Encumbrances				175,727	
Restricted fund balance (deficit) at end of year				$ 7	

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

Exhibit 18.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2011

		Rental Rehabilitation
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,008,572
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,008,572
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,184,299
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(175,727)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,008,572

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

Exhibit 19

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Street Improvements Sales Tax Fund
Year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:				
Sales taxes	$ 7,655,564	7,655,564	7,406,892	(248,672)
Interest	1,400	1,400	1,172	(228)
Other revenue	—	—	107,857	107,857
Total revenues	7,656,964	7,656,964	7,515,921	(141,043)
Expenditures:				
General Government	7,000	10,520	10,520	—
Capital outlay	1,326,000	5,447,880	3,636,243	1,811,637
Debt service	546,444	546,444	72,016	474,428
Total expenditures	1,879,444	6,004,844	3,718,779	2,286,065
Other financing uses:				
- Transfers out	—	2,808,003	1,840,723	967,280
Total other financing uses	—	2,808,003	1,840,723	967,280
Total expenditures and other financing uses	1,879,444	8,812,847	5,559,502	3,253,345
Excess of revenues and other financing sources over (under) expenditures	$ 5,777,520	(1,155,883)	1,956,419	3,112,302
Restricted fund balance (deficit) at beginning of year			535,316	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			—	
Restricted fund balance (deficit) at end of year			$ 2,491,735	

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

Exhibit 19.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2011

	Streets Improvements Sales Tax
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$ 7,515,921
Basis differences – budget to GAAP:	
None	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 7,515,921
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$ 3,718,779
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 3,718,779

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

Exhibit 20

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Park Improvements Sales Tax Fund
Year ended June 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Sales taxes	$ 3,827,782	3,827,782	3,703,969	(123,813)
Public health and recreation	110,020	110,020	62,660	(47,360)
Adventure Oasis Water Park	497,000	507,070	442,987	(64,083)
Other revenue	—	750	634,654	633,904
Total revenues	4,434,802	4,445,622	4,844,270	398,648
Other financing sources:				
Transfers in	—	10,000	10,000	—
Total other financing sources	—	10,000	10,000	—
Total revenues and other financing sources	4,434,802	4,455,622	4,854,270	398,648
Expenditures:				
Culture and recreation	2,424,482	2,500,369	2,504,369	(4,000)
General government	4,000	4,000	5,260	(1,260)
Capital outlay	50,000	600,120	503,626	96,494
Debt service	2,168,389	2,168,389	2,167,589	800
Total expenditures	4,646,871	5,272,878	5,180,844	92,034
Other financing uses:				
Excess of revenues and other financing sources over (under) expenditures	$ (212,069)	(817,256)	(326,574)	490,682
Restricted fund balance (deficit) at beginning of year			(4,744,458)	
Cancellation of prior year encumbrances			15,287	
Increase (Decrease) in Prior Year Encumbrances			49,137	
Restricted fund balance (deficit) at end of year			$ (5,006,608)	

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

Exhibit 20.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2011

		Park Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,844,270
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,844,270
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	5,180,844
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(167,015)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		102,591
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	5,116,420

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

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Storm Water Sales Tax Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:				
Sales taxes	$ 2,232,872	2,232,872	3,703,882	1,471,010
Interest	20,000	20,000	9,896	(10,104)
Other revenue	—	—	84,765	84,765
Total revenues	2,252,872	2,252,872	3,798,543	1,545,671
Expenditures:				
Storm water				
Administration	302,086	184,086	101,223	82,863
Maintenance	1,151,686	1,269,686	1,058,775	210,911
Permit completion	349,175	349,175	342,075	7,100
Capital outlay	505,000	8,589,027	4,004,467	4,584,560
Total expenditures	2,307,947	10,391,974	5,506,540	4,885,434
Excess of revenues over (under) expenditures	$ (55,075)	(8,139,102)	(1,707,997)	6,431,105
Restricted fund balance at beginning of year			8,938,991	
Cancellation of prior year encumbrances			2,570	
Increase (Decrease) in Prior Year Encumbrances			23,463	
Restricted fund balance at end of year			$ 7,257,027	

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

Exhibit 21.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2011

		Storm Water Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	3,798,543
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	3,798,543
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	5,506,540
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(134,095)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		108,062
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	5,480,507

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

Exhibit 22

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Police Public Safety Sales Tax Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Sales taxes	$ 2,039,686	2,039,686	1,979,695	(59,991)
Investment income	3,100	3,100	105,404	102,304
Other revenue	—	—	1,706	1,706
Total revenues	2,042,786	2,042,786	2,086,805	44,019
Expenditures:				
Public safety				
Communications	273,320	1,120,560	158,537	962,023
Facilities	965,904	88,964	77,841	11,123
Equipment	1,020,920	1,050,620	936,716	113,904
Debt service	515,113	515,113	513,039	2,074
Total expenditures	2,775,257	2,775,257	1,686,133	1,089,124
Excess of revenues over (under) expenditures and other financing uses	$ (732,471)	(732,471)	400,672	1,133,143
Restricted fund balance at beginning of year			1,900,086	
Cancellation of prior year encumbrances			64,144	
Increase (Decrease) in Prior Year Encumbrances			(397,031)	
Restricted Fund Balance at end of year			$ 1,967,871	

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

Exhibit 22.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2011

		Police Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,086,805
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,086,805
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,686,133
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(77,731)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		410,618
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,019,020

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

Exhibit 23

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Fire Public Safety Sales Tax Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	$ 1,913,891	1,913,891	1,853,069	(60,822)
Investment income	7,400	7,400	1,129	(6,271)
Other revenue	—	—	35,475	35,475
Total revenues	1,921,291	1,921,291	1,889,673	(31,618)
Expenditures:				
Public safety	1,557,800	2,257,800	1,910,872	346,928
Capital outlay	—	1,170	1,170	—
Debt service	553,713	553,713	550,313	3,400
Total expenditures	2,111,513	2,812,683	2,462,355	350,328
Excess of revenues over (under) expenditures and other financing uses	$ (190,222)	(891,392)	(572,682)	318,710
Restricted fund balance at beginning of year			1,432,123	
Cancellation of prior year encumbrances			43,477	
Increase (Decrease) in Prior Year Encumbrances			(92,725)	
Restricted fund balance at end of year			$ 810,193	

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

Exhibit 23.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2011

		Fire Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,889,673
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,889,673
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,462,355
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(42,323)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		91,571
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,511,603

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

Exhibit 24

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and other shared revenue	$ 900,087	13,270,812	6,513,779	(6,757,033)
Charges for current services	—	105,049	108,661	3,612
Interest income and other revenue	—	—	16,397	16,397
Total revenues	900,087	13,375,861	6,638,837	(6,737,024)
Expenditures:				
Law department	26,407	40,907	29,981	10,926
Police department	512,317	3,375,188	2,035,541	1,339,647
Fire department	47,921	978,945	908,630	70,315
Health department	313,442	1,245,935	763,692	482,243
Community development	—	7,572,345	5,548,412	2,023,933
Culture and recreation	—	17,500	222	(17,278)
General Government	—	145,041	145,041	—
Total expenditures	900,087	13,375,861	9,431,519	3,909,786
Excess of revenues over (under) expenditures	$ —	—	(2,792,682)	(2,792,682)
Restricted fund balance (deficit) at beginning of year			—	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			2,792,682	
Restricted fund balance (deficit) at end of year			$ —	

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

Exhibit 24.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2011

		Grants
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	6,638,837
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	6,638,837
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	9,431,519
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(2,792,682)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	6,638,837

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

Exhibit 25

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2011

Assets		**Street Sales Tax**	**Parks Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total (Exhibit 14)**
Pooled cash and investments	$	1,586,301	—	6,844,731	1,644,691	609,538	10,685,261
Receivables:							
Taxes		1,247,645	623,862	623,880	323,577	312,010	3,130,974
Accounts		—	4,419	—	—	—	4,419
Due from other funds		—	—	16,155	—	—	16,155
Total assets	$	2,833,946	628,281	7,484,766	1,968,268	921,548	13,836,809
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	342,211	2,261	205,260	397	111,355	661,484
Due to other funds		—	5,578,520	—	—	—	5,578,520
Accrued items		—	53,465	22,479	—	—	75,944
Other current liabilities		—	300	—	—	—	300
Deferred revenue		—	343	—	—	—	343
Total liabilities		342,211	5,634,889	227,739	397	111,355	6,316,591
Fund balances:							
Restricted		2,491,735	—	7,257,027	1,967,871	810,193	12,526,826
Unassigned (deficit)		—	(5,006,608)	—	—	—	(5,006,608)
Total fund balances		2,491,735	(5,006,608)	7,257,027	1,967,871	810,193	7,520,218
Total liabilities and fund balances	$	2,833,946	628,281	7,484,766	1,968,268	921,548	13,836,809

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2011

		Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:							
Taxes	$	7,406,892	3,703,969	3,703,882	1,979,695	1,853,069	18,647,507
Charges for services		18,987	505,648	—	—	—	524,635
Investment income		1,172	—	9,896	1,706	1,129	13,903
Reimbursements from component unit		—	204,591	—	—	—	204,591
Other		88,870	430,062	84,765	105,404	35,475	744,576
Total revenues		7,515,921	4,844,270	3,798,543	2,086,805	1,889,673	20,135,212
Expenditures:							
Current:							
Public safety		—	—	—	1,507,307	1,960,120	3,467,427
Culture and recreation		—	2,439,945	—	—	—	2,439,945
Storm water		—	—	1,476,040	—	—	1,476,040
General government		10,520	5,260	—	—	—	15,780
Capital outlay		3,636,243	503,626	4,004,467	—	1,170	8,145,506
Debt service:							
Principal		—	1,925,000	—	400,000	430,000	2,755,000
Interest and fiscal agent fees		72,016	242,589	—	111,713	120,313	546,631
Total expenditures		3,718,779	5,116,420	5,480,507	2,019,020	2,511,603	18,846,329
Excess (deficiency) of revenues over expenditures		3,797,142	(272,150)	(1,681,964)	67,785	(621,930)	1,288,883
Other financing sources (uses):							
Transfers in		—	10,000	—	—	—	10,000
Transfers out		(1,840,723)	—	—	—	—	(1,840,723)
Total other financing sources (uses)		(1,840,723)	10,000	—	—	—	(1,830,723)
Net change in fund balances		1,956,419	(262,150)	(1,681,964)	67,785	(621,930)	(541,840)
Fund balances (deficit), beginning		535,316	(4,744,458)	8,938,991	1,900,086	1,432,123	8,062,058
Fund balances (deficit), ending	$	2,491,735	(5,006,608)	7,257,027	1,967,871	810,193	7,520,218

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2011

Assets		Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	$	19,750	5,279	—	294,476	319,505
Receivables:						
Due from other governments		—	—	—	122,924	122,924
Total assets	$	19,750	5,279	—	417,400	442,429

Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	—	5,587	—	—	5,587
Due to other funds		—	—	16,155	—	16,155
Total liabilities		—	5,587	16,155	—	21,742
Fund balances (deficit):						
Committed		19,750	—	—	417,400	437,150
Unassigned (deficit)		—	(308)	(16,155)	—	(16,463)
Total fund balances (deficit)		19,750	(308)	(16,155)	417,400	420,687
Total liabilities and fund balances	$	19,750	5,279	—	417,400	442,429

Exhibit 28

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2010

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:					
Intergovernmental	$ —	95,317	—	542,924	638,241
Investment income	21	—	—	388	409
Reimbursements from component unit	—	—	—	6,841	6,841
Total revenues	21	95,317	—	550,153	645,491
Expenditures:					
Capital outlay	—	178,755	—	553,050	731,805
Total expenditures	—	178,755	—	553,050	731,805
Excess (deficiency) of revenues over expenditures	21	(83,438)	—	(2,897)	(86,314)
Other financing sources (uses):					
Transfers in	—	82,913	—	—	82,913
Total other financing sources (uses)	—	82,913	—	—	82,913
Net change in fund balances	21	(525)	—	(2,897)	(3,401)
Fund balances (deficit), beginning	19,729	217	(16,155)	420,297	424,088
Fund balances (deficit), ending	$ 19,750	(308)	(16,155)	417,400	420,687

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.

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

Exhibit 29

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2011

		Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:					
Current assets:					
Pooled cash and investments	$	384,013	5,522,759	1,500,791	7,407,563
Accounts receivable		9,004	156,524	70,700	236,228
Inventory		43,365	—	—	43,365
Prepaid items		—	—	159,172	159,172
Total current assets		436,382	5,679,283	1,730,663	7,846,328
Noncurrent assets:					
Capital assets:					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		181,049	—	—	181,049
Less accumulated depreciation		(151,204)	—	—	(151,204)
Total noncurrent assets		123,824	—	—	123,824
Total assets	$	560,206	5,679,283	1,730,663	7,970,152
Liabilities:					
Current liabilities:					
Accounts and contracts payable	$	35,220	—	—	35,220
Accrued liabilities		28,463	—	3,230	31,693
Compensated absences – current		39,655	—	13,418	53,073
Self-insurance claims payable		—	2,285,676	986,409	3,272,085
Total current liabilities		103,338	2,285,676	1,003,057	3,392,071
Noncurrent liabilities:					
Compensated absences – long-term		71,140	—	30,495	101,635
Other post employment benefits		279,065	—	12,985	292,050
Net pension obligation		18,787	—	4,818	23,605
Self-insurance claims payable		—	—	1,916,099	1,916,099
Total noncurrent liabilities		368,992	—	1,964,397	2,333,389
Total liabilities		472,330	2,285,676	2,967,454	5,725,460
Net assets:					
Invested in capital assets		123,824	—	—	123,824
Unrestricted (deficit)		(35,948)	3,393,607	(1,236,791)	2,120,868
Total net assets (deficit)		87,876	3,393,607	(1,236,791)	2,244,692
Total liabilities and net assets	$	560,206	5,679,283	1,730,663	7,970,152

Exhibit 30

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2011

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:				
Charges for services	$ 2,214,207	19,253,478	—	21,467,685
Total operating revenues	2,214,207	19,253,478	—	21,467,685
Operating expenses:				
Personal services	731,663	—	150,508	882,171
Other services	398,742	20,518,089	1,885,966	22,802,797
Supplies	1,173,013	—	5,492	1,178,505
Capital outlay	—	—	7,000	7,000
Depreciation and amortization	3,309	—	—	3,309
Total operating expenses	2,306,727	20,518,089	2,048,966	24,873,782
Operating income (loss)	(92,520)	(1,264,611)	(2,048,966)	(3,406,097)
Nonoperating revenues:				
Interest revenue	421	11,123	2,704	14,248
Miscellaneous revenue	50,959	1,956,888	2,180,400	4,188,247
Total nonoperating revenue	51,380	1,968,011	2,183,104	4,202,495
Income (loss) before transfers	(41,140)	703,400	134,138	796,398
Transfers out	(48,195)	—	—	(48,195)
Change in net assets	(89,335)	703,400	134,138	748,203
Total net assets:				
Beginning of the year (deficit)	177,211	2,690,207	(1,370,929)	1,496,489
End of the year (deficit)	$ 87,876	3,393,607	(1,236,791)	2,244,692

Exhibit 31

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2011

	Internal Service Funds			
	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 7)
Cash flows from operations:				
Receipts from customers	$ 2,261,506	21,137,408	2,169,700	25,568,614
Payments to suppliers	(1,537,549)	(21,488,489)	(2,064,073)	(25,090,111)
Payments to employees	(631,182)	—	(138,807)	(769,989)
Net cash provided (used) by operating activities	92,775	(351,081)	(33,180)	(291,486)
Cash flows from noncapital financing activities:				
Transfers (out)	(48,195)	—	—	(48,195)
Advances to/from other funds	—	(145,000)	1,229,953	1,084,953
Net cash provided (used) by noncapital financing activities	(48,195)	(145,000)	1,229,953	1,036,758
Cash flows from capital and related financing activities				
Purchases of investments	—	(5,997,594)	—	(5,997,594)
Proceeds from sales and maturities of investments	—	7,995,750	—	7,995,750
Interest on investments	421	12,638	2,704	15,763
Net cash provided by investing activities	421	2,010,794	2,704	2,013,919
Net increase (decrease) in cash and cash equivalents	45,001	1,514,713	1,199,477	2,759,191
Cash and cash equivalents at beginning of year	339,012	4,008,046	301,314	4,648,372
Cash and cash equivalents at end of year	384,013	5,522,759	1,500,791	7,407,563
Pooled cash and investments	$ 384,013	5,522,759	1,500,791	7,407,563
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (92,520)	(1,264,611)	(2,048,966)	(3,406,097)
Adjustments not affecting cash:				
Depreciation and amortization	3,309	—	—	3,309
Nonoperating Revenues	50,959	1,956,888	2,180,400	4,188,247
Change in assets and liabilities:				
Accounts receivable	(3,660)	(72,958)	(10,700)	(87,318)
Inventory	41,076	—	—	41,076
Prepaid items	—	—	(159,172)	(159,172)
Accounts and contracts payable	(6,870)	—	(1,323)	(8,193)
Accrued liabilities	5,623	(970,400)	964	(963,813)
Other post-employment benefits	86,635	—	11,310	97,945
Self-insurance claims payable	—	—	(6,084)	(6,084)
Compensated absences	8,223	—	391	8,614
Total adjustments	185,295	913,530	2,015,786	3,114,611
Net cash provided (used) by operating activities	$ 92,775	(351,081)	(33,180)	(291,486)

Exhibit 32

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2011

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011 (Exhibit 8)
Flexible Benefit Plan:					
Assets:					
Pooled cash and investments	$	56,950	105,802	90,097	72,655
Impress bank accounts		5,372	—	—	5,372
	$	62,322	105,802	90,097	78,027
Liabilities:					
Flexible benefit payable	$	62,322	623,993	608,288	78,027
Susie Block Trust:					
Assets:					
Pooled cash and investments	$	31,465	1,331	1,001	31,795
Accrued interest receivable		492	1,324	1,325	491
	$	31,957	2,655	2,326	32,286
Liabilities:					
Funds held in escrow	$	31,957	1,330	1,001	32,286
Seniors Travel Programs:					
Assets:					
Pooled cash and investments	$	24,494	46,903	40,596	30,801
Liabilities:					
Accounts and contracts payable	$	—	43,561	37,467	6,094
Funds held in escrow		31,290	47,554	47,341	31,503
	$	31,290	91,115	84,808	37,597
All Agency Funds:					
Assets:					
Pooled cash and investments	$	119,705	154,036	131,694	142,047
Impress bank accounts		5,372	—	—	5,372
Accrued interest receivable		492	1,324	1,325	491
	$	125,569	155,360	133,019	147,910
Liabilities:					
Flexible benefit payable	$	62,322	623,993	608,288	78,027
Accounts and contracts payable		—	43,561	37,467	6,094
Funds held in escrow		63,247	48,884	48,342	63,789
	$	125,569	716,438	694,097	147,910

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Component Unit - Tax Increment Financing

June 30, 2011

Assets		Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center
Pooled cash and investments	$	76,489	37,495	—	93,422	632,832	787,957	2,394,453
Receivables:								
Taxes		72,078	—	836	3,717	222,433	43,772	146,887
Accounts		—	—	—	—	—	—	3,682
Due from other funds		—	—	—	—	—	—	626,501
Due from other governments		—	10,152	4,560	—	34,117	1,216	244,877
Restricted assets		—	—	953,835	—	1,905,180	—	5,655,875
Total assets	$	148,567	47,647	959,231	97,139	2,794,562	832,945	9,072,275
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	$	—	—	—	—	—	—	—
Due to other funds		—	—	626,501	—	—	—	—
Due to primary government		—	—	—	—	—	—	66,066
Other current liabilities		—	—	—	—	—	—	—
Total liabilities		—	—	626,501	—	—	—	66,066
Fund balances:								
Restricted		148,567	47,647	332,730	97,139	2,794,562	832,945	9,006,209
Total fund balances		148,567	47,647	332,730	97,139	2,794,562	832,945	9,006,209
Total liabilities and fund balances	$	148,567	47,647	959,231	97,139	2,794,562	832,945	9,072,275

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
4,649	30,309	118,599	89	754,827	4,813	122,874	14,402	907,396	3,748	5,984,354
4,373	5,871	20,000	—	32,300	147,579	—	6,000	2,400	—	708,246
—	—	—	—	52,732	—	—	—	—	—	56,414
—	—	—	—	—	—	—	—	—	—	626,501
1,407	57	31,013	—	141,950	1,838	—	4,756	2,088	—	478,031
—	—	—	—	9,812,787	—	—	—	4,016,209	—	22,343,886
10,429	36,237	169,612	89	10,794,596	154,230	122,874	25,158	4,928,093	3,748	30,197,432
—	—	—	—	—	—	—	—	—	238	238
—	—	—	—	—	—	—	—	—	—	626,501
—	—	—	—	—	—	—	—	39,383	—	105,449
—	—	—	—	6,000	—	—	—	—	—	6,000
—	—	—	—	6,000	—	—	—	39,383	238	738,188
10,429	36,237	169,612	89	10,788,596	154,230	122,874	25,158	4,888,710	3,510	29,459,244
10,429	36,237	169,612	89	10,788,596	154,230	122,874	25,158	4,888,710	3,510	29,459,244
10,429	36,237	169,612	89	10,794,596	154,230	122,874	25,158	4,928,093	3,748	

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	(25,169,718)
Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due	(2,786,414)
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	(180,450,590)
Debt service provided by primary government	4,142,859
Unamortized issuance costs on TIF loans payable	1,593,447
Net assets (deficit) of component unit	$ (173,211,172)

CITY OF INDEPENDENCE, MISSOURI

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

Component Unit - Tax Increment Financing

Year ended June 30, 2011

		Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Independence
Revenues:									
Taxes	$	44,539	106,881	109,666	31,615	1,516,281	528,865	4,675,945	64,485
Intergovernmental		—	—	—	—	—	—	—	—
Investment income		95	372	1,253	1,017	3,582	2,498	59,207	7
Developer contributions		—	—	222,101	—	—	—	—	—
Lease payments		—	—	—	—	—	—	—	—
Contributions from primary government		—	—	—	—	—	—	—	—
Total revenues		44,634	107,253	333,020	32,632	1,519,863	531,363	4,735,152	64,492
Expenditures:									
Capital outlay		161	1,604	6,355	557	97,295	18,725	1,304,674	1,240
Debt service:									
Principal		15,875	—	425,000	—	940,000	260,000	1,975,000	—
Interest and fiscal agent fees		—	163,600	523,838	—	749,400	177,735	1,600,238	46,000
Total expenditures		16,036	165,204	955,193	557	1,786,695	456,460	4,879,912	47,240
Excess (deficiency) of revenues over expenditures		28,598	(57,951)	(622,173)	32,075	(266,832)	74,903	(144,760)	17,252
Other financing sources:									
Net change in fund balances		28,598	(57,951)	(622,173)	32,075	(266,832)	74,903	(144,760)	17,252
Fund balances, beginning		119,969	105,598	954,903	65,064	3,061,394	758,042	9,150,969	(6,823)
Fund balances, ending	$	148,567	47,647	332,730	97,139	2,794,562	832,945	9,006,209	10,429

Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
7,306	580,448	15,484	1,018,966	188,499	367,801	241,097	3,812,844	—	13,310,722
—	—	—	258,263	—	—	—	—	—	258,263
1,006	122	2	10,202	12,518	88	37	6,111	6	98,123
—	—	—	—	—	—	—	—	—	222,101
—	—	—	1,006,100	—	—	—	—	—	1,006,100
—	—	—	3,566,752	—	—	—	—	—	3,566,752
8,312	580,570	15,486	5,860,283	201,017	367,889	241,134	3,818,955	6	18,462,061
156	12,110	308	83,355	3,414	7,356	16,556	714,280	3,587	2,271,733
—	644,516	4,811	2,275,000	—	217,435	206,857	1,105,000	—	8,069,494
—	88,499	9,689	4,891,412	213,000	13,085	50,013	1,888,281	—	10,414,790
156	745,125	14,808	7,249,767	216,414	237,876	273,426	3,707,561	3,587	20,756,017
8,156	(164,555)	678	(1,389,484)	(15,397)	130,013	(32,292)	111,394	(3,581)	(2,293,956)
8,156	(164,555)	678	(1,389,484)	(15,397)	130,013	(32,292)	111,394	(3,581)	(2,293,956)
28,081	334,167	(589)	12,178,080	169,627	(7,139)	57,450	4,777,316	7,091	31,753,200
36,237	169,612	89	10,788,596	154,230	122,874	25,158	4,888,710	3,510	29,459,244

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

Change in fund balances	$	(2,293,956)
Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level		(65,398)
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.		
Principal payments and reductions		8,069,494
Amortizations of discounts & premiums		(138,608)
Amortizations of issuance costs		(127,547)
Amortizations of deferred refunding costs		(62,528)
Debt service to be provided by primary government		4,142,859
		11,883,670
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		90,989
Change in net assets of Tax Increment Financing funds	$	9,615,305

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses– Power and Light Fund

Years ended June 30, 2011 and 2010

	2011			2010		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			$ 4,864,787			6,159,965
Gas			1,316,695			312,371
Oil			234,959			322,821
Total production fuel			6,416,441			6,795,157
Purchased power:						
Purchased energy			23,125,594			25,427,930
Purchased capacity (net)			19,791,592			15,024,800
Border customers			73,370			62,424
Control and dispatching			1,549,486			1,291,254
Total purchased power			44,540,042			41,806,408
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 660,148	646,916	1,307,064	655,255	697,973	1,353,228
Steam	821,069	5,247,658	6,068,727	865,274	3,970,020	4,835,294
Electric	781,655	794,320	1,575,975	855,949	501,760	1,357,709
Structures and improvements	—	382,399	382,399	—	172,456	172,456
Allowance	5,835	—	5,835	2,909	—	2,909
Miscellaneous	1,376,992	534,365	1,911,357	1,673,639	559,705	2,233,344
	3,645,699	7,605,659	11,251,358	4,053,026	5,901,915	9,954,941
Missouri City Station:						
Supervision and engineering	136,893	32,076	168,969	121,704	1,314	123,018
Steam	386,238	883,164	1,269,402	344,637	1,301,980	1,646,617
Electric	398,284	247,837	646,121	347,106	243,399	590,505
Structures and improvements	—	334,938	334,938	—	122,941	122,941
Miscellaneous	438,170	262,192	700,361	462,125	344,554	806,679
	1,359,584	1,760,206	3,119,791	1,275,571	2,014,188	3,289,759
Combustion Turbine Station:						
Supervision and engineering	—	3,983	3,983	—	1,359	1,359
Generation expenses	48	199,677	199,725	92	274,160	274,252
Structures and improvements	—	35,938	35,938	—	45,567	45,567
Miscellaneous	55,758	31,986	87,744	44,001	46,061	90,062
	55,805	271,585	327,390	44,093	367,148	411,240
Total production (other)	$ 5,061,089	9,637,450	14,698,538	5,372,689	8,283,251	13,655,940
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 292,489	18,346	310,836	326,665	19,585	346,250
Overhead expenses	104,440	4,879	109,319	54,726	16,137	70,863
Station expenses	18,149	352,370	370,519	18,595	299,050	317,644
Wheeling charges	3,442,488	—	3,442,488	3,013,716	—	3,013,716
Underground line expense	480	6,657	7,137	1,317	2,695	4,011
Total transmission	3,858,047	382,254	4,240,300	3,415,019	337,466	3,752,485

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2011 and 2010

	2011			2010		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	$ 146,946	55,040	201,986	159,995	58,763	218,758
Overhead lines	1,243,898	3,518,578	4,762,477	912,076	3,146,740	4,058,816
Station expenses	5,882	646,693	652,575	23,947	595,243	619,190
Street lights and traffic signals	248,447	672,653	921,100	288,877	703,311	992,188
Meters	226,070	590,547	816,616	237,232	665,080	902,313
Customer installations	97	—	97	181	—	181
Underground lines	1,396,348	531,309	1,927,656	913,737	603,399	1,517,136
Dispatching communication	820,839	—	820,839	809,334	—	809,334
Line transformers	—	115,738	115,738	—	134,975	134,975
Miscellaneous	548,117	494,000	1,042,117	577,549	456,232	1,033,782
Total distribution	4,636,644	6,624,558	11,261,202	3,922,929	6,363,743	10,286,672
Total transmission and distribution	$ 8,494,690	7,006,812	15,501,502	7,337,948	6,701,209	14,039,157
Customer service:						
Supervision			$ 250,969			216,808
Meter reading			677,256			612,699
Customer records and collections			1,755,383			1,765,972
Provisions for doubtful accounts			808,186			603,126
Miscellaneous			226,564			51,759
Total customer service			3,718,358			3,250,364
General and administrative:						
Salaries			1,297,678			1,026,933
Office supplies			717,451			576,183
Insurance			1,052,201			1,099,083
Injuries and damage			792,144			786,982
Employee benefits			7,093,147			6,088,342
Outside services			2,198,081			1,990,696
Miscellaneous			1,367,339			1,210,719
Administrative expenses – transfers			(66,465)			(64,485)
Total general and administrative			14,451,574			12,714,454
Depreciation and amortization			13,133,201			11,661,807
Payroll taxes			1,080,679			1,045,352
Total operating expenses			$ 113,540,336			104,968,638

Exhibit 36

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics– Power and Light Fund

Year ended June 30, 2011

	Number of customers: Beginning of year	Number of customers: End of year	Revenue	KWH
Sale of electric energy:				
Metered:				
Residential	51,386	51,204	$ 66,390,448	558,116,693
Small general services	3,007	2,995	3,702,263	25,014,397
General services – space heating	1	3	1,640	25,211
Large general services	1,658	1,698	36,730,522	353,196,871
Large general services – prime voltage	2	6	1,079,112	11,620,248
Large general services – space heating	7	2	11,923	112,984
Total electric general services	100	103	5,247,453	64,067,419
Schools, churches, and hospitals	279	285	4,493,940	41,278,147
Schools, churches, and hospitals, all electric	11	11	435,902	5,098,160
Large power services	3	3	1,797,771	21,982,800
Combined interruptible services	1	1	1,353,880	19,409,700
Sewer pumping	6	6	190,778	1,509,651
City traffic signals	64	64	69,787	112,929
Wholesale (border customers)	2	2	192,326	4,256,959
Wholesale (interchange)	—	—	2,884,311	99,210,000
	56,527	56,383	124,582,057	1,205,012,169
Unmetered:				
Private security lighting	1,660	1,661	352,546	1,504,494
City public street lighting	11,762	11,962	1,486,317	10,185,301
	13,422	13,623	1,838,863	11,689,795
Change in unbilled revenue			(1,839,586)	(22,686,118)
Other operating revenue			2,134,243	—
EVTC			40,249	—
Total operating revenue and total energy sales			$ 126,755,826	1,194,015,846
Net generation				120,588,136
Wholesale power purchased				1,131,195,282
Unintentional interchange				(14,000)
Net generation and power purchased				1,251,769,418
Wholesale (border customers) sales				4,256,959
Power and light usage (building and substations)				1,343,826
Net disposition				5,600,785
Transmission and distribution operating losses				$ 1,246,168,633

Exhibit 37

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2011 and 2010

		2011			2010	
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	$ 24,845	—	24,845	24,383	49	24,432
Labor and expenses	324,149	—	324,149	299,770	—	299,770
Structures and improvements	—	40,582	40,582	—	32,350	32,350
Miscellaneous	—	240,034	240,034	—	186,408	186,408
Total source of supply	348,994	280,616	629,610	324,153	218,807	542,960
Power and pumping:						
Supervision and engineering	37,177	24,773	61,950	36,732	85,081	121,813
Fuel/power purchased	1,607,254	—	1,607,254	1,517,817	—	1,517,817
Labor and expenses	219,634	—	219,634	231,364	—	231,364
Structures and improvements	—	12,176	12,176	—	8,132	8,132
Miscellaneous	—	4,739	4,739	—	16,767	16,767
Total power and pumping	1,864,065	41,688	1,905,753	1,785,913	109,980	1,895,893
Water treatment:						
Supervision and engineering	43,626	18,987	62,613	42,281	18,472	60,753
Chemicals	1,236,913	—	1,236,913	1,276,435	—	1,276,435
Labor and expenses	563,774	—	563,774	652,367	—	652,367
Structures and improvements	—	58,069	58,069	—	54,505	54,505
Miscellaneous	—	286,216	286,216	—	305,317	305,317
Total water treatment	1,844,313	363,272	2,207,585	1,971,083	378,294	2,349,377
Total production	$ 4,057,372	685,576	4,742,948	4,081,149	707,081	4,788,230
Transmission and distribution:						
Supervision and engineering	$ 90,251	71,114	161,365	95,042	69,842	164,884
Storage facilities	19,290	46,914	66,204	19,745	51,863	71,608
Transmission and distribution lines	638,458	850,609	1,489,067	687,546	734,999	1,422,545
Meters	423,514	106,823	530,337	429,990	158,408	588,398
Customer installations	79,867	—	79,867	84,279	—	84,279
Services	—	109,234	109,234	—	120,635	120,635
Hydrants	—	86,550	86,550	—	51,626	51,626
Miscellaneous	756,326	196,628	952,954	807,091	214,385	1,021,476
Total transmission and distribution	$ 2,007,706	1,467,872	3,475,578	2,123,693	1,401,758	3,525,451
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 171,732			208,160
Meter reading			610,289			623,882
Customer records			(61,995)			137,121
Provision for uncollectible amounts			110,710			93,279
Total customer accounting paid and collecting			830,736			1,062,442
Sales promotion:						
Expenses			27,025			30,058
Total customer service			857,761			1,092,500
General and administrative:						
Salaries			568,415			557,608
Office supplies and expense			290,076			335,659
Injuries and damages			498,834			458,928
Employee benefits			2,021,288			1,764,026
Outside services			1,048,522			949,497
Miscellaneous			232,243			246,039
Total general and administrative			4,659,378			4,311,757
Depreciation and amortization			3,040,456			3,050,251
Payroll taxes			354,530			363,519
Other			77,211			58,639
Total operating expenses			17,207,862			17,190,347
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			1,840,449			1,754,249
			$ 19,048,311			18,944,596

Exhibit 38

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2011

	Number of customers: Beginning of year	Number of customers: End of year	Revenue	MGS*
Sale of water:				
Residential	44,619	44,518	$ 10,726,567	2,974,215
Commercial	3,102	3,098	2,835,271	850,343
Industrial	6	6	450,156	202,310
Public authority	72	72	263,137	78,734
Resale	13	13	6,659,302	4,935,360
Private fire protection	381	382	103,321	—
Public fire protection	—	—	789,199	—
	48,193	48,089	21,826,953	9,040,962
Change in unbilled revenue			23,301	
Other operating revenue			353,004	
Total operating revenue			$ 22,203,258	
Thousands of gallons pumped:				
Courtney Bend Plant				10,442,543
Less total sales				9,040,962
Unaccounted for water				1,401,581

* Thousand gallons sold.

Exhibit 39

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2011

	Number of customers			
	Beginning of year	End of year	Revenue	CCF*
Sale of sanitary sewer services:				
Residential	40,676	40,579	$ 9,873,906	2,729,472
Commercial:				
Base	3,494	3,483	3,906,065	1,567,310
Surcharge	—	—	935,481	—
Contract waste treatment	15	16	289,644	—
Regulatory Compliance			1,452,555	
Intermunicipal agreements:				
Sugar Creek	—	—	498,711	—
Kansas City	—	—	68,106	—
	44,185	44,078	17,024,468	4,296,782
Other operating revenue			134,859	
Change in unbilled revenue			(97,838)	
Total operating revenue			$ 17,061,489	

* Hundred cubic feet.

STATISTICAL DATA

The statistical data "relates to the physical, economic, social, and political characteristics of the City." Its design is to provide "a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedule presentation in the Financial Section."

STATISTICAL SECTION

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

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 I

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

		Fiscal Year									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	305,569,028	321,072,648
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	16,889,552	16,275,115
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)	(23,784,298)	(41,705,135)
Total governmental activities net assets	$	32,831,148	40,950,826	50,151,360	122,409,342	186,567,169	220,283,552	254,210,777	294,016,493	298,674,282	295,642,628
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	281,280,070	279,970,114	272,062,890
Restricted		500,000	500,000	500,000	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885	6,423,693
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	32,197,583	37,479,969
Total business-type activities net assets	$	281,777,319	288,934,472	298,783,514	306,552,132	316,883,322	328,072,197	322,459,952	314,901,386	315,860,582	315,966,552
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	570,308,089	585,539,142	593,135,538
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	20,582,437	22,698,808
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	8,413,285	(4,225,166)
Total primary government net assets	$	314,608,467	329,885,298	348,934,874	428,961,474	503,450,491	548,355,749	576,670,729	608,917,879	614,534,864	611,609,180

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 Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	9,172,736	9,305,826
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	49,861,503	53,067,764
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	13,687,890	13,647,390
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	3,607,469	3,732,795
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	7,604,501	7,947,692
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	4,386,689	7,032,272
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	2,569,381	2,876,073
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	9,421,062	9,366,479
Debt service component unit	—	—	—	—	—	—	—	—	—	7,709,611
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	640,902	625,778
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	100,952,133	115,311,680
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	101,097,606	105,486,932	113,956,212
Water	14,581,301	15,297,405	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054	20,250,295	20,324,005	20,239,748
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	15,268,389	16,304,874
Events center	—	—	—	—	—	—	179,032	1,888,027	4,862,017	13,764,087
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	138,469,055	145,941,343	164,264,921
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	235,307,423	246,893,476	279,576,601
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	6,276,153	6,453,890
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	4,867,364	4,943,734
Public works	640,648	649,768	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172	462,490	437,032
Health and welfare	99,427	321,312	487,956	482,601	435,775	723,574	791,825	776,194	819,659	732,116
Culture and recreation	325,980	153,669	252,814	619,630	975,889	845,560	925,880	842,523	771,890	796,820
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	1,242,376	1,167,853
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	9,182,959	13,517,593
Capital grants and contributions	2,020,559	1,221,356	957,411	7,242,924	26,417,977	23,963,312	27,772,386	41,557,506	11,912,031	12,598,018
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	35,534,922	40,647,056
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	114,744,814	126,755,826
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	20,134,421	22,203,258
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	15,263,586	17,061,489
Events center	—	—	—	—	—	—	—	—	—	4,874,623
Operating grants and contributions	12,345	256	—	—	—	—	—	—	—	4,813,612
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	7,760,380	4,012,182
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	157,903,201	179,720,990
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	193,438,123	220,368,046

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	(65,417,211)	(74,664,624)
Business-type activities	15,518,360	14,142,017	16,920,353	15,217,488	20,021,346	21,788,124	9,953,421	3,948,484	11,961,858	15,456,069
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)	(29,188,363)	(53,455,353)	(59,208,555)
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	7,276,215	7,458,788
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	36,021,505	36,030,316
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	11,823,113	10,696,214
Financial institutions tax	31,592	32,412	29,000	37,149	22,181	34,802	31,960	44,195	15,669	28,410
Investment earnings	782,241	404,173	583,364	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476	138,471
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149	589,469	348,143	438,354	466,775	1,079,391
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	14,274,247	16,201,380
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	70,075,000	71,632,970
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	69,869	171,413
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132	47,953	37,982	1,405,433	609,962	679,868
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)	(14,274,247)	(16,201,380)
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)	(13,594,416)	(15,350,099)
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	56,480,584	56,282,871
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	4,657,789	(3,031,654)
Business-type activities	10,694,523	7,157,153	9,849,042	7,768,618	9,739,171	11,188,875	(2,339,093)	(7,558,566)	(1,632,558)	105,970
Total primary government	$ 11,036,859	15,276,831	19,049,576	29,243,542	49,762,883	44,024,008	33,924,980	32,247,150	3,025,231	(2,925,684)

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							
		2002	2003	2004	2005	2006	2007	2008	2009
General Fund									
Reserved	$	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		4,312,262	2,924,267	3,515,412	3,196,765	6,029,006	4,534,005	8,062,100	5,739,682
Total General Fund	$	7,094,206	4,959,305	5,166,504	4,847,655	7,785,045	6,734,698	9,327,817	7,058,768
All other governmental funds									
Reserved	$	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		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		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		12,966	13,160	13,274	13,616	14,220	9,670	—	—
Total all other governmental funds	$	20,194,284	21,938,395	26,859,477	31,839,823	24,450,195	26,781,029	24,566,068	14,321,826

		2010	2011
General Fund			
Nonspendable	$	—	—
Restricted		236,365	442,556
Committed		2,277,479	1,413,292
Assigned		662,881	667,065
Unassigned		2,012,374	2,302,039
	$	5,189,099	4,824,952
All other governmental funds			
Nonspendable	$	—	—
Restricted		17,329,836	16,659,329
Committed		440,243	437,150
Assigned		—	—
Unassigned		(5,118,794)	(5,369,883)
	$	12,651,285	11,726,596

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

Note: In 2011 GASB 54 was implemented which changes the Fund Balance classifications. 2010 has been restated for the new categories as well.

Table 4

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 45,709,622	47,109,855	49,123,780	47,360,251	52,295,777	52,890,913	58,474,761	55,131,682	55,953,427	59,053,886
Licenses, fees and permits	3,957,533	4,315,628	4,951,856	4,670,617	5,073,944	5,472,192	4,642,719	3,695,971	3,483,767	3,426,859
Intergovernmental	16,012,619	9,902,274	10,091,764	13,013,181	21,762,714	16,534,433	10,862,317	19,131,915	16,921,164	24,785,082
Charges for services	1,494,189	1,519,823	1,569,283	2,023,297	2,926,800	2,587,783	2,784,144	2,774,284	2,759,317	3,015,294
Interfund charges for support services	2,791,637	2,704,534	2,767,631	2,700,215	2,949,682	3,105,514	3,222,406	3,389,629	3,580,384	3,743,875
Fines, forfeitures, and court costs	3,199,906	3,502,074	3,219,276	3,521,377	4,023,981	3,900,967	3,724,608	4,009,673	4,510,754	4,398,111
Investment earnings	757,872	381,436	571,402	901,209	1,309,569	1,588,358	1,197,790	495,337	165,939	124,223
Reimbursements from component unit	—	—	—	—	—	3,502,961	11,413,444	12,274,171	3,792,466	581,524
Other	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580	740,435	924,092	816,818	1,115,938
Total revenues	75,260,480	70,085,237	73,914,987	75,450,260	90,835,594	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792
Expenditures										
Administrative services	6,477,775	6,542,594	6,593,368	6,618,488	6,897,346	7,592,963	7,460,421	7,728,128	7,867,425	7,862,603
Public safety	31,290,454	32,088,292	32,271,567	35,462,979	38,976,460	39,693,647	40,950,718	40,956,235	45,150,437	48,037,112
Public works	6,227,171	6,251,537	6,035,389	5,930,041	6,586,771	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868
Health and welfare	2,193,035	2,300,201	2,395,294	2,419,833	2,614,557	2,835,949	2,875,392	3,150,172	3,226,705	3,277,614
Culture and recreation	2,973,715	3,552,903	3,752,185	4,048,187	4,628,228	5,098,826	5,800,784	5,942,029	6,160,686	5,995,558
Community development	3,515,626	3,242,153	3,446,574	3,278,951	3,712,454	4,182,354	4,090,318	3,657,531	4,119,818	6,730,888
Storm water	815,654	990,671	820,703	1,180,789	1,141,595	1,538,857	1,388,856	1,542,289	1,668,148	1,772,387
General government	10,794,758	6,147,462	6,964,846	7,148,583	6,678,208	7,582,224	7,612,540	7,486,977	8,541,586	8,507,142
Capital outlay	29,255,681	17,123,501	20,481,873	21,040,394	33,296,700	31,736,638	28,561,029	42,442,528	26,346,981	22,527,627
Debt Service										
Principal	1,740,531	2,164,932	3,554,106	1,019,196	3,230,099	3,256,394	3,378,132	7,277,755	3,465,682	2,963,391
Debt service component unit	—	—	—	—	—	—	—	—	—	3,566,752
Interest	2,736,107	2,933,752	3,153,530	246,458	996,600	1,001,306	1,114,072	977,116	814,620	600,864
Total expenditures	98,020,507	83,337,998	89,469,435	88,393,899	108,759,018	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806
Excess of revenues over (under) expenditures	(22,760,027)	(13,252,761)	(15,554,448)	(12,943,639)	(17,923,424)	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)	(17,757,014)
Other Financing Sources (Uses)										
Transfers in	1,686,134	1,817,327	651,553	222,429	1,724,648	2,102,299	1,266,294	3,897,938	3,069,619	2,499,761
Transfers out	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)	(2,461,566)
Issuance of debt	13,437,830	3,516,885	11,096,464	20,748,448	—	8,477,809	100,695	101,734	4,020,000	—
Premiums/Discounts on debt issued	—	—	—	—	—	—	—	—	18,402	—
Transfers in - utility payments in lieu of taxes	8,811,819	9,386,705	9,712,812	10,179,317	12,624,861	13,039,463	13,702,586	13,503,735	14,225,247	16,211,380
Sale of capital assets	168,381	11,109	31,537	56,379	303,255	50,834	23,581	40,269	38,572	218,603
Total other financing sources (uses)	22,267,945	12,861,971	20,682,729	30,843,652	13,471,185	21,708,698	13,721,505	13,540,381	18,351,221	16,468,178
Net change in fund balances	$ (492,082)	(390,790)	5,128,281	17,900,013	(4,452,239)	399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)
Debt service as a percentage of non capital expenditures	5.37%	7.18%	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%	7.67%

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

Note: For 2011 the Debt service as a percentage of non capital expenditures includes the debt service payment for the component unit

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

Sales by Retail Category:		Calendar Year 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel stores	$	107,694	108,155	104,131	115,283	122,165	126,307	132,957	125,832	124,168	103,406
General merchandise		287,122	384,132	396,792	411,327	420,186	436,832	430,331	434,782	408,200	388,061
Food stores		152,713	152,718	151,936	166,671	171,641	173,595	170,099	178,747	179,031	166,018
Eating and drinking establishments		114,590	140,552	149,307	170,143	179,418	190,478	194,970	201,085	211,739	207,363
Home furnishings and appliances		83,947	84,984	79,079	85,821	87,789	84,366	80,420	72,902	67,124	54,274
Building materials and farm tools		16,910	20,127	19,595	20,842	23,345	25,578	22,720	19,998	17,213	16,937
Construction/Remodeling		4,524	5,837	5,131	5,432	5,869	2,040	4,724	3,415	3,596	3,317
Auto dealers and supplies		30,253	31,686	31,085	32,284	32,593	33,865	35,314	38,260	36,967	41,703
Service stations		34,599	40,667	43,001	55,475	60,533	61,586	62,430	65,741	68,633	70,891
Other retail stores		200,209	208,466	212,256	186,594	229,869	227,864	222,237	245,406	233,860	219,787
All other outlets		85,430	96,634	105,946	109,023	116,068	121,081	119,236	113,711	119,813	118,046
Total	$	1,117,991	1,273,958	1,298,259	1,358,895	1,449,476	1,483,592	1,475,438	1,499,879	1,470,344	1,389,803

Note: Amounts for 2011 are not provided due to only receiving partial year figures.

Source: Missouri Department of Revenue

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

Direct Sales Tax Rate City of Independence	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Calendar Year									
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	0.500	0.500	0.500
Park Improvements	0.125	0.125	0.125	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.250	0.250	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	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.250	0.250	0.250	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.750	1.875	1.875	2.000	2.375	2.375	2.375	2.375	2.375	2.375

Total Local Option Sales Tax Rate	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Calendar Year									
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	0.750	0.750	0.750	0.750	1.125	1.125	1.125	1.125	1.125
City of Independence	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	6.850	6.850	6.850	6.975	7.350	7.725	7.725	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				
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	774,152,986	1,020,696	255,474,757	3,793,786	1,034,442,225	268,317,482	1,114,259	1,303,873,966	0.7030	5,702,449,660	22.87%
2010	770,979,192	1,083,868	257,788,756	4,145,717	1,033,997,533	263,606,423	1,237,018	1,298,840,974	0.7280	5,680,839,244	22.86%
2011	781,239,728	1,126,981	235,721,480	4,951,250	1,023,039,439	262,875,610	1,242,492	1,287,157,541	0.7240	5,666,580,865	22.71%

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)

	City Direct Rates (1)				Overlapping Rates (2 & 3)			
Fiscal Year	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
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
2010	0.495	0.233	—	0.728	0.227	5.280	1.060	0.030
2011	0.493	0.231	—	0.724	0.227	5.280	1.060	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	0.154
Road & Bridge Fund	0.141
Park Fund	0.092
Mid-Continent Public Library	0.320
Handicap	0.075
Mental Health	0.122
Total County	1.060

(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	5.381
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

	2011			2002		
Taxpayer	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	$ 22,131,786	1	1.72%	$ 16,468,551	1	1.53%
Sprint	11,203,388	2	0.87%			
AT&T	9,076,885	3	0.71%			
Cole EDD Mt Independence LLC	8,963,343	4	0.70%			
Space Center of Kansas City	8,529,447	5	0.66%	8,290,435	3	0.77%
Comcast Cablevision	6,767,792	6	0.53%			
Southern Union Company	5,335,323	7	0.41%	4,856,878	4	0.45%
Unilever Bestfoods NA	5,253,260	8	0.41%			
Centerpoint Medical Center	4,215,065	9	0.33%			0.00%
Mansion Apartment	4,032,764	10	0.31%			
Community Center Two, LLC				8,821,175	2	0.82%
Bradley Operating LTD PTP				3,840,000	5	0.36%
Independence Apartments Association				3,675,082	6	0.34%
Independence Regional Hospital				2,464,000	7	0.23%
Butler Real Estate				2,293,891	8	0.21%
Wal Mart				2,240,000	9	0.21%
Noland Fashion Square Partners				1,683,230	10	0.16%
Total	$ 85,509,053		6.64%	$ 54,633,242		5.07%

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
2002	$ 5,973,560	$ 5,253,285	87.94%	$ 717,626	$ 5,970,911	99.96%
2003	6,048,256	5,684,526	93.99%	361,404	6,045,930	99.96%
2004	6,330,247	5,729,077	90.50%	598,211	6,327,288	99.95%
2005	6,444,741	6,084,821	94.42%	357,637	6,442,458	99.96%
2006	6,818,619	6,164,479	90.41%	650,942	6,815,421	99.95%
2007	6,905,547	6,557,341	94.96%	341,969	6,899,310	99.91%
2008	7,103,810	6,645,387	93.55%	452,474	7,097,862	99.92%
2009	7,287,258	6,807,203	93.41%	472,202	7,279,405	99.89%
2010	7,232,424	6,883,318	95.17%	185,945	7,069,263	97.74%
2011	7,493,616	7,145,073	95.35%	—	7,145,073	95.35%

Source: City of Independence

Table 11

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

Sales by Category:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Power and Light:										
Residential	$ 37,562,000	40,254,000	42,431,000	41,375,000	50,668,000	53,326,000	55,218,000	52,555,000	56,500,000	64,723,000
Commercial	30,760,000	32,429,000	34,242,000	36,011,000	40,881,000	43,673,000	44,708,000	45,171,000	48,273,000	52,003,000
Industrial	2,214,000	2,019,000	2,139,000	2,504,000	2,649,000	2,891,000	2,999,000	2,904,000	3,085,000	3,292,000
Sold to Other Utilities	131,000	809,000	689,000	779,000	1,839,000	796,000	2,081,000	1,765,000	4,039,000	3,077,000
Other	824,000	881,000	941,000	1,008,000	1,128,000	1,214,000	1,328,000	1,434,000	1,621,000	1,551,000
Water:										
Residential	7,543,113	8,046,353	8,141,479	7,789,773	8,488,894	8,657,593	8,994,600	9,037,744	9,403,985	10,726,567
Commercial	2,025,449	2,185,099	2,152,295	2,053,011	2,245,526	2,347,234	2,458,013	2,450,246	2,404,953	2,835,271
Industrial	256,478	324,228	336,707	331,251	362,537	367,863	308,642	300,577	407,313	450,156
Public Authority	131,219	169,383	174,092	189,489	231,257	228,957	267,428	281,615	297,218	263,137
Sold to Other Utilities	4,378,138	4,302,002	4,950,287	5,670,010	5,858,904	5,232,779	5,023,444	4,930,608	6,302,495	6,659,302
Other	856,918	856,811	934,326	960,563	968,733	1,060,453	1,081,606	1,344,666	1,217,907	1,245,524
Sanitary Sewer:										
Residential	8,037,051	8,144,267	8,570,232	8,834,127	9,196,013	9,584,113	9,854,124	9,841,314	9,733,214	9,873,906
Commercial	3,872,212	3,941,123	3,964,736	4,322,804	4,364,268	4,585,890	4,559,524	4,560,728	4,569,721	4,841,546
Industrial	—	—	—	—	—	—	—	—	—	—
Other	728,334	643,687	707,755	797,791	774,222	854,930	881,836	906,142	897,895	2,443,875
Total	$ 99,319,912	105,004,953	110,373,909	112,625,819	129,655,354	134,819,812	139,763,217	137,482,640	148,752,701	163,985,284

Source: City of Independence

Table 12

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

Rates by Category:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Power and Light (per Kwh): $										
Residential	0.08	0.08	0.08	0.08	0.09	0.10	0.10	0.10	0.11	0.12
Commercial	0.07	0.07	0.07	0.07	0.08	0.09	0.09	0.09	0.10	0.10
Industrial	0.05	0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.07	0.08
Sold to Other Utilities	0.02	0.03	0.03	0.03	0.04	0.04	0.05	0.03	0.03	0.03
Other	0.09	0.10	0.10	0.11	0.12	0.13	0.14	0.15	0.16	0.15
Water (per 1,000 gallons):										
Residential	2.37	2.35	2.37	2.49	2.54	2.63	2.80	3.06	3.35	3.61
Commercial	2.17	2.16	2.18	2.27	2.34	2.41	2.52	2.78	3.08	3.33
Industrial	1.09	1.10	1.12	1.14	1.31	1.34	1.44	1.73	1.97	2.23
Public Authority	1.97	1.94	2.02	2.28	2.34	2.42	2.58	2.86	3.11	3.34
Sold to Other Utilities	0.94	1.01	1.02	1.17	1.21	1.10	1.03	1.10	1.23	1.35
Sanitary Sewer (per 100 cubic feet):										
Residential	2.75	2.75	2.77	2.97	3.13	3.18	3.35	3.50	3.40	3.62
Commercial	2.15	2.26	2.34	2.32	2.46	2.64	2.68	2.69	3.08	3.09
Total $	13.74	13.89	14.17	14.98	15.72	16.13	16.84	18.16	19.70	21.05

Source: City of Independence

Table 13

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

Utility Customer - Power and Light	2011 Total Sales	2011 Rank	2011 Percentage of Total Sales	2002 Total Sales	2002 Rank	2002 Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 1,632,785	1	1.31%	$ 900,817	2	1.26%
Centerpoint Medical Center	1,582,892	2	1.27%			
Burd and Fletcher (Combined Accounts)	1,539,652	3	1.24%	591,535	4	0.83%
Simon Property Group LP	1,169,366	4	0.94%	946,861	1	1.32%
Commercial Distributions Center	1,034,879	5	0.83%	810,446	3	1.13%
The Boyer Company	533,497	6	0.43%			
Costco Wholesales Inc.	520,355	7	0.42%			
Price Chopper (23rd Street)	513,749	8	0.41%	333,125	7	0.47%
City's Rock Creek Sanitary Sewer Plant	481,934	9	0.39%	328,094	8	0.46%
Price Chopper (Noland Road)	431,077	10	0.35%	368,908	5	0.52%
Independence Regional Health Center				364,208	6	0.51%
Medical Center of Independence				273,072	10	0.38%
Community of Christ Auditorium				276,022	9	
Total	$ 9,440,186		7.57%	$ 5,193,088		6.88%

Source: City of Independence

Table 14

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

Utility Customer - Water	2011 Total Sales	2011 Rank	2011 Percentage of Total Sales	2002 Total Sales	2002 Rank	2002 Percentage of Total Sales
Lee's Summit	$ 3,841,421	1	17.32%	$ 2,105,438	1	13.86%
Blue Springs	1,033,424	2	4.66%	995,604	2	6.55%
District #2, Jackson County	465,369	3	2.10%	258,870	3	1.70%
District #1, Lafayette County	320,110	4	1.44%	244,836	4	1.61%
Oak Grove	318,359	5	1.44%	235,840	5	1.55%
Grain Valley	221,005	6	1.00%	182,379	6	1.20%
Lafarge Corporation	188,134	7	0.85%	74,923	10	0.49%
District #15, Jackson County	170,277	8	0.77%	117,056	7	0.77%
Unilever (Thomas J. Lipton Co)	151,640	9	0.68%	113,666	8	0.75%
Buckner	133,158	10	0.60%	95,812	9	0.63%
Total	$ 6,842,897		30.85%	$ 4,424,424		29.12%

Source: City of Independence

Table 15

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

Utility Customer - Sewer	2011 Total Sales	2011 Rank	2011 Percentage of Total Sales	2002 Total Sales	2002 Rank	2002 Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 687,932	1	4.01%	$ 542,744	1	4.29%
AMOCO	262,272	2	1.53%	221,343	2	1.75%
City of Independence, Power & Light	124,251	3	0.72%	135,675	3	1.07%
Centerpoint Medical Center	54,472	4	0.32%			
Simon Property Group LP	41,144	5	0.24%	47,669	5	0.38%
Price Chopper (23rd Street)	18,203	6	0.11%			
Commercial Distributions Center	18,024	7	0.11%	12,828	6	0.10%
The Boyer Company	11,288	8	0.07%			
Bass Pro	10,245	9	0.06%			
Independence Events Center	7,136	10	0.04%			
Independence Regional Health Center				49,275	4	0.39%
Total	$ 1,234,967		7.20%	$ 1,009,534		7.99%

Note: Amounts for customers 7 through 10 are not available for 2002.

Source: City of Independence

Table 16

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

	Governmental Activities				
Fiscal Year		Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation
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	—
2010		14,366,011	736,261	431,454	—
2011		11,580,656	667,315	292,063	—

	Business-Type Activities						
Fiscal Year	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2002	$ 57,276,614	$ 575,000	$ —	$ —	$ 57,851,614	2.28%	$ 507.71
2003	53,826,179	—	—	—	105,896,772	4.22%	926.12
2004	65,887,893	—	—	—	119,276,166	4.84%	1,039.49
2005	62,969,608	—	—	—	124,001,479	4.86%	1,076.91
2006	59,361,323	—	—	—	82,915,297	3.15%	715.08
2007	55,548,038	—	—	—	75,857,475	2.86%	651.93
2008	63,829,753	—	—	—	89,335,864	3.62%	818.40
2009	178,411,467	—	65,954	—	200,674,001	7.76%	1,758.32
2010	175,035,863	—	43,988	—	190,069,933	6.75%	1,568.08
2011	195,970,016	—	21,353	—	211,525,095	8.02%	1,810.54

Notes: (1) See Table 21 for personal income and population data. The 2010 ratios are calculated using personal income and population data from table 21 which is an estimate.

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

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

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service	Total	Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
2002	$ —	$ —	$ —	0.00%	$ —
2003	—	—	—	0.00%	—
2004	—	—	—	0.00%	—
2005	—	—	—	0.00%	—
2006	—	—	—	0.00%	—
2007	—	—	—	0.00%	—
2008	—	—	—	0.00%	—
2009	—	—	—	0.00%	—
2010	—	—	—	0.00%	—
2011	—	—	—	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, 2011

Governmental Unit		Debt Outstanding	Estimated Percentage Applicable		Estimated Share of Overlapping Debt
Debt repaid with property taxes					
Blue Springs Reorganized #4 School District	$	137,945,000	2.00%	$	2,758,900
Independence School District		148,775,000	93.76%		139,491,440
Raytown School District		110,774,999	6.00%		6,646,500
Fort Osage Reorganized #1 School District		48,945,000	12.50%		6,118,125
Subtotal, overlapping debt					155,014,965
City direct debt					12,540,034
Total direct and overlapping debt				$	167,554,999

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit (1)	$ 215,035,648	234,498,374	239,548,507	258,869,181	263,980,502	280,122,203	282,386,511	282,386,511	259,768,195	257,431,508
Total net debt applicable to limit	—	—	—	948,722	896,700	840,870	790,240	790,240	650,505	585,340
Legal Debt Margin	$ 215,035,648	234,498,374	239,548,507	257,920,459	263,083,802	279,281,333	281,596,271	281,596,271	259,117,690	256,846,168
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%	0.227%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	$	1,287,157,541
Debt Limit (20% of assessed value)		257,431,508
General obligation:		
City-Wide		—
Neighborhood Improvement Districts		667,315
Revenue Bonds		195,970,016
Total Bonded Debt		196,637,331
Less:		
Water Utility Bonds		46,493,080
Electric Utility Bonds		64,571,936
Events Center Bonds		84,905,000
Debt Service Fund Balance		81,975
Total net debt applicable to limit		585,340
Legal debt margin	$	256,846,168

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 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(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 Principal	Debt Service Interest (2)	Coverage
Power & Light (2)						
2002	$ 73,930,488	$ 52,142,313	$ 21,788,175	$ 1,675,000	$ 1,243,860	$ 7.46
2003	77,932,974	56,701,449	21,231,525	1,740,000	1,164,512	7.31
2004	82,265,717	61,851,943	20,413,774	1,745,000	983,448	7.48
2005	84,020,908	64,452,736	19,568,172	1,855,000	921,038	7.05
2006	100,254,630	75,369,477	24,885,153	1,925,000	855,273	8.95
2007	105,313,797	80,423,304	24,890,493	1,995,000	784,823	8.95
2008	109,358,222	90,141,975	19,216,247	2,065,000	708,218	6.93
2009	106,810,460	88,778,796	18,031,664	2,155,000	1,157,423	5.44
2010	115,265,625	91,580,614	23,685,011	2,245,000	2,149,388	5.39
2011	127,486,725	98,684,455	28,802,270	2,965,000	2,645,010	5.13
Water (2)						
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
2010	20,224,820	13,386,180	6,838,640	2,525,000	2,413,924	1.38
2011	22,292,691	13,133,820	9,158,871	2,790,000	2,210,141	1.83
Sanitary Sewer						
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	—	—	—
2010	15,310,352	13,001,081	2,309,271	—	—	—
2011	17,099,048	13,451,850	3,647,198	—	—	—

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) 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

Calendar Year (3)	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (1)
2002	113,947	2,535,092,856	22,248	37.68	15,987	5.50%
2003	114,345	2,509,987,095	21,951	38.34	16,334	6.00%
2004	114,745	2,465,640,560	21,488	38.55	18,215	6.50%
2005	115,146	2,552,786,820	22,170	38.57	16,278	6.00%
2006	115,953	2,632,249,053	22,701	38.91	14,829	5.30%
2007	116,359	2,651,123,456	22,784	39.22	14,113	5.40%
2008	109,159	2,471,141,442	22,638	39.28	13,550	6.40%
2009	114,128	2,585,569,840	22,655	39.56	16,065	9.80%
2010	121,212	2,817,572,940	23,245	39.81	20,755	10.35%
2011	116,830	2,636,035,290	22,563	38.79	19,505	10.20%

Note: The information for 2010 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	2011 Employees	2011 Rank	2011 Percentage of Total City Employment	2002 Employees	2002 Rank	2002 Percentage of Total City Employment
Alliant Tech Systems	2,600	1	4.82%	1,286	2	2.22%
Independence School District	2,043	2	3.79%			
Centerpoint Medical Center	1,600	3	2.97%			
City of Independence	1,300	4	2.41%			
Government Employee Hospital	650	5	1.21%	650	3	1.12%
Rosewood Health Center at the Groves	400	6	0.74%	400	5	0.69%
Burd & Fletcher	350	7	0.65%	350	6	0.61%
Jackson County Circuit Court	274	8	0.51%			
Mid-Continent Library	248	9	0.46%			
Unilever	220	10	0.41%			
Health Midwest				1,503	1	2.60%
Southwestern Bell Telephone				600	4	1.04%
Thomas J. Lipton				290	7	0.50%
Comprehensive Mental Health				100	10	0.17%
IBS Industries				180	9	0.31%
Community of Christ				250	8	0.43%
Total	9,685		17.96%	5,609		9.70%

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City council office	11.00	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	7.00	7.00	6.50	6.50	6.00	6.00	6.00	6.00	6.00	6.00
City manager	10.00	10.00	8.50	7.00	7.50	10.50	10.50	10.50	9.50	9.50
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	20.00	20.00	20.00	20.00	20.00	21.00	21.00	21.00	21.00	21.00
Municipal court	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00
Law - General fund	6.00	6.00	5.50	5.50	5.75	6.75	6.51	6.50	6.50	6.00
Law - Grant fund	—	—	—	0.50	0.50	0.50	0.37	0.25	0.25	0.25
Finance	25.00	25.00	24.00	24.00	25.00	26.00	25.00	24.15	24.15	24.15
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	6.50
Public Safety										
Police - General fund	274.00	275.00	275.00	277.00	281.50	281.50	283.00	290.40	290.40	292.90
Police - Grant fund	—	—	—	15.00	12.00	10.00	14.00	15.00	15.00	13.00
Fire - General fund	174.00	174.00	174.00	173.25	173.25	173.25	173.25	173.25	173.25	173.25
Fire - Grant fund	—	—	—	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Public Works	88.90	87.90	82.00	81.00	82.00	83.00	82.00	82.00	82.00	83.00
Health and Welfare										
General fund	38.13	39.69	39.47	33.50	34.25	34.25	35.25	35.25	35.25	36.00
Grant fund	—	—	—	5.50	6.00	7.70	6.25	7.10	5.35	4.95
Culture and Recreation										
General fund	41.70	43.79	42.14	41.70	36.70	35.53	32.65	32.65	33.46	31.71
Tourism fund	3.41	3.41	3.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41
Park Improvement Sales Tax fund	5.00	5.00	8.61	11.59	12.59	17.12	25.29	25.29	23.98	22.48
Community Development										
General fund	23.00	23.00	22.00	22.00	26.00	25.75	26.64	26.05	27.55	27.05
Community Dev Block Grant fund	3.00	3.00	3.00	3.00	3.00	2.50	2.11	2.70	2.00	2.00
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	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	217.00	218.00	222.00
Water										
City Manager - General fund	1.50	1.50	1.50	—	—	—	—	—	—	—
Finance - General fund	—	—	—	1.00	1.00	0.17	0.15	0.85	0.85	0.85
Water	97.48	97.48	97.48	97.48	98.48	97.48	98.50	101.65	101.65	101.65
Sewer										
Public Works - General fund	—	—	—	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	72.00	72.00	69.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
Central Garage fund	10.00	10.00	9.00	9.00	9.00	9.00	10.00	10.00	9.75	9.75
Worker' Compensation Fund	—	—	—	—	—	—	1.75	1.75	1.75	1.75
Total	1,173.62	1,175.27	1,162.61	1,182.18	1,188.18	1,195.66	1,208.88	1,218.00	1,216.30	1,216.90

Source: City of Independence Budget

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	16,199	14,963	19,763	17,183	15,986	14,621	15,095	14,900	16,691	15,126
Public Safety										
Police										
Police Incident Calls	125,219	120,668	123,329	128,891	130,242	126,301	122,667	125,899	126,087	100,096
Traffic Unit Citations Issued	23,227	17,796	30,840	31,323	20,257	30,984	31,241	31,969	38,465	19,082
Fire										
Total Alarms	13,141	12,294	13,424	12,895	13,166	13,354	13,130	15,374	16,081	16,931
Public Education Audience	13,828	12,619	14,747	18,363	18,818	18,502	18,830	10,291	38,133	35,243
Public Works										
Street Overlay (lane miles)	122	110	104	88	66	26	—	53	63	16
Street Patching Jobs	1,524	744	575	542	474	3,897	6,822	3,168	6,163	7,181
Health and Welfare										
Food Handlers Trained	4,741	5,186	11,638	9,680	7,696	8,663	10,112	8,850		7,036
Flu Shots Given	450	539	600	431	680	1,118	764	789	7,369	661
Animal Control Service Calls	9,336	9,230	7,354	6,446	7,294	8,415	6,641	9,314	9,489	6,957
Culture and Recreation										
Park Shelter Reservations	671	675	210	214	462	457	646	872	715	730
Number of Sermon Center Memberships	1,275	1,032	1,056	948	930	1,095	1,500	1,323	1,574	1,577
Community Development										
Permits Issued	3,984	4,693	5,809	5,281	4,792	4,048	4,100	3,782	3,246	4,538
Tourism										
Site Attendance	432,268	334,853	306,407	290,499	295,381	260,342	244,524	230,483	222,104	287,466
Leisure Visitor Inquiries	42,608	44,659	23,172	34,512	44,943	34,116	35,446	33,392	39,925	38,828
Power and Light										
Average number of monthly customers	53,982	54,356	55,195	55,921	56,402	56,562	56,790	56,656	56,585	56,458
Water										
Number of customers	46,394	46,873	47,324	47,461	47,769	48,358	48,350	48,318	47,822	48,089
Water main breaks	180	292	239	182	241	271	179	171	202	267
Sewer										
Number of customers	42,856	42,394	43,434	43,909	44,290	44,351	44,210	44,279	44,232	44,078
Wastewater Treated (Million Gallons)	3,830	2,939	3,032	3,207	2,935	2,348	2,701	3,080	3,249	2,515

Table 25

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Police stations	3	3	3	3	3	4	4	4	5	4
Vehicles	151	124	162	90	177	203	206	201	215	166
K - 9 Facility	—	—	—	1	1	1	1	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Fire Training Facilities	—	—	—	—	—	—	—	1	1	1
Vehicles	40	40	42	41	44	45	42	45	48	47
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	532	535	535	535	580	550	564	547	557	565
Culture and Recreation										
Park acreage	721	721	724	724	757	826	728	728	781	730
Parks	40	40	40	42	43	44	42	42	45	43
Community Centers	1	2	3	3	3	3	3	3	3	3
Fitness Centers	1	1	2	2	2	2	2	2	2	2
Ball Fields	53	53	53	53	53	53	54	54	57	54
Power and Light										
Power stations	5	5	5	5	5	5	5	5	5	5
Transmission/Distribution Circuits (miles)	789	794	802	809	817	829	835	840	844	847
Maximum daily use (Mwh)	5,395	5,401	5,838	5,320	5,464	5,865	5,579	5,472	4,909	5,456
Water										
Water mains (miles)	694	697	711	711	729	736	741	742	746	750
Fire hydrants	3,996	4,061	4,186	4,186	4,401	4,520	4,635	4,679	4,728	4,787
Maximum daily pumpage (millions of gallons)	39	42	42	41	44	44	39	38	35	42
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	565	565	582	576	578	590	578	596	597	596
Maximum daily capacity of treatment (MGD)	18	18	18	19	19	18	16	18	18	18

City of Independence

111 East Maple St., P.O. Box 1019, Independence, Missouri 64051-0519 (816) 325-7000

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.

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

"Additional Bonds" means any additional parity Bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2007B Bonds and the Series 2011B Bonds.

"Additional Payments" means the Additional Payments described in the Financing Agreement.

"Authorizing Ordinance" means the Ordinances of the City authorizing the execution of the Financing Agreement and certain other documents relating to the Series 2007B Bonds and the Series 2011B Bonds.

"Board" means the Missouri Development Finance Board, a body corporate and politic organized and existing under the laws of the State of Missouri.

"Bond" or **"Bonds"** means the Series 2007B Bonds and the Series 2011B 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.

"City" means the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement related to the Bonds, as from time to time amended in accordance with the provisions thereof.

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2007B Bonds, an amount equal to $1,033,000, (ii) with respect to the Series 2011B Bonds, the amount of $0, and (iii) with respect to any Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

"Default" means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both would constitute, an event of default.

"Defeasance Obligations" means:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, or

(3) Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer.

"Escrow Trust Agreement" means the Escrow Trust Agreement dated as of May 1, 2007 between the City, the Board and Commerce Bank as Escrow Agent related to use of a portion of the proceeds of the Series 2007B Bonds and (ii) the Escrow Trust Agreement dated as of November 15, 2011, between the City, the Board and Commerce Bank as Escrow Agent related to use of a portion of the proceeds of the Series 2011B Bonds and the refunding of the Series 2003 Bonds.

"Environmental Regulations" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule defining and governing dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials, or substances.

"Event of Default" means any event of default as defined in the Master Indenture.

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

"Financing Agreement" means the Master Financing Agreement, as amended and supplemented by the Series 2007B Supplemental Financing Agreement and the Series 2011B Supplemental Financing Agreement, all between the Board and the City as from time to time amended by Supplemental Financing Agreements in accordance with the provisions of the Master Financing Agreement.

"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.

"Indenture" means the Master Indenture as amended and supplemented by the Series 2011B Supplemental Indenture, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of the Master Indenture.

"Loan" means the loan of the proceeds of the Bonds made by the Board to the City pursuant to the Financing Agreement.

"Loan Payment Date" means on or before the Business Day preceding the date any payment is due on the Bonds.

"Net Proceeds," when used with respect to any damage, destruction, condemnation or loss of title, means the gross proceeds from any insurance relating to damage or destruction of any portion of the Project, or condemnation award with respect to condemned property remaining after the payment of all fees, costs and expenses (including attorneys' fees and any expenses of the Board or the Trustee) incurred in the collection of such gross proceeds.

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

"Original Financing Agreement" or **"Master Financing Agreement"** means the Financing Agreement dated as of June 1, 1999, between the Board and the City.

"Original Indenture" or **"Master Indenture"** means the Bond Trust Indenture dated as of June 1, 1999, between the Board and the Trustee.

"Outstanding" means when used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Series 2011B Supplemental Indenture, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Master 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 Master Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Series 2011B Supplemental 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 Series 2011B Supplemental Indenture; and

(4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Master 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 Series 2011B Supplemental Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

"Permitted Investments" means, if and to the extent the same are at the time legal for investment of funds held under the Series 2011B Supplemental 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 the Treasury of the United States of America;

(3) Senior debt obligations of other Government Sponsored Agencies;

(4) 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;

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

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
- Obligations of the Resolution Funding Corporation (REFCORP),
- Senior debt obligations of the Federal Home Loan Bank System, and
- Senior debt obligations of other Government Sponsored Agencies;

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

(7) 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 calendar days after the date of purchase;

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

(9) 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 specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (B) may not be used as Permitted Investments without the prior written approval of Standard & Poor's;

(10) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's;

(11) Investment agreements (supported by appropriate opinions of counsel) with notice to Standard & Poor's; and

(12) Other forms of investments (including repurchase agreements) with notice to Standard & Poor's.

The value ("Value") of the above investments, which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(a) As to securities:

(1) the closing bid price quoted by Interactive Data Systems, Inc.; or

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and Standard & Poor's and must be market makers in the securities being valued.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest; and

(c) As to any investment not specified above: the value thereof established by prior agreement between the City and the Trustee.

"Person" means any natural person, firm, association, corporation, partnership, limited liability company, joint stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

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

"Refunded Bonds" means the Series 2003 Bonds.

"Series 2007B Bonds" means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri **-** Hartman Heritage Center Project), Series 2007B, aggregating the principal amount of $10,330,000, authorized pursuant to **Section 202** of the Original Indenture and issued pursuant to **Section 201** of the Series 2007B Supplemental Indenture.

"Series 2007B Debt Service Reserve Fund" means the Missouri Development Finance Board-City of Independence, Missouri -Infrastructure Facilities Series 2007B Debt Service Reserve Fund.

“Series 2007B Supplemental Financing Agreement” means the Series 2007B Supplemental Financing Agreement dated as of May 1, 2007, supplementing and amending the Master Financing Agreement.

“Series 2007B Supplemental Indenture” means the Series 2007B Supplemental Bond Trust Indenture executed by the Board and the Trustee in connection with the issuance of the Series 2007B Bonds.

“Series 2011B Bonds” means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Centre Project), Series 2011B, aggregating the principal amount of $6,165,000, authorized pursuant to **Section 202** of the Master Indenture and issued pursuant to **Section 201** of this Series 2011B Supplemental Indenture.

“Series 2011B Supplemental Financing Agreement” means the Series 2011B Supplemental Financing Agreement dated as of November 15, 2011, supplementing and amending the Master Financing Agreement.

“Series 2011B Supplemental Indenture” means this Series 2011B Supplemental Bond Trust Indenture executed by the Board and the Trustee in connection with the issuance of the Series 2011B Bonds.

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

“Tax Compliance Agreement” means the Tax Compliance Agreement dated as of May 1, 2007, and the Tax Compliance Agreement dated as of November 15, 2011, all among the Board, the City and the Trustee.

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

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

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions contained in the Master Indenture, as amended and supplemented by the Series 2011B Supplemental Indenture (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 tin the Series 2011B Supplemental Indenture), 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 Series 2011B Supplemental Indenture (excluding any moneys and securities held for the benefit of any other series of bonds not secured on a parity with the Bonds); 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 Series 2011B Supplemental Indenture by the Board or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Series 2011B Supplemental 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 2007B Bonds, the Series 2011B 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. Such conditions include, but are not limited to the following: (a) the deposit of an amount equal to the Debt Service Reserve Fund Requirement, if any, for such Additional Bonds.

Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2007B Bonds, the Series 2011B Bonds and any other Additional Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of the Series 2007B Debt Service Reserve Fund.

Creation of Funds and Accounts

There are created and ordered to be established in the custody of the Trustee the following special trust accounts in the name of the Board to be designated as follows:

(a) Within the "Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Costs of Issuance Fund" (the "Costs of Issuance Fund"), established pursuant to the Master Indenture, the "Series 2011B Costs of Issuance Account."

(b) Within the "Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Debt Service Fund" (the "Debt Service Fund") established pursuant to the Master Indenture, the "Series 2011B Debt Service Account."

(c) Within the "Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Rebate Fund" (the "Rebate Fund"), established pursuant to the Master Indenture, the "Series 2011B Rebate Account."

The Trustee is authorized to establish separate accounts within such funds or otherwise segregate moneys within such funds, on a book-entry basis or in such other manner as the Trustee may deem necessary or convenient, or as the Trustee shall be instructed by the Board.

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.

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 Master 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.

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.

Pursuant to the Tax Compliance Agreement, the Trustee shall remit all required rebate installments and a final rebate payment to the United States. Neither the Trustee nor the Board shall have any obligation to pay any amounts required to be rebated pursuant to the Indenture and the Tax Compliance Agreement, other than from moneys held in the Rebate Fund created under the Indenture as provided in the Indenture or from other moneys provided to it by the City. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid jointly to the City.

The obligation to pay arbitrage rebate to the United States and to comply with all other requirements of this Section and the Tax Compliance Agreement shall survive the defeasance or payment in full of the Bonds until all rebatable arbitrage shall have been paid.

Events of Default

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

(a) default in the payment of any interest on any Bond when such interest becomes due and payable; or

(b) default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or

(c) default in the performance, or breach, of any covenant or agreement of the Board in the Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of **60** days after there has been given to the Board, the City by the Trustee or to the Board, the City and the Trustee by the owners of at least **10%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60-**day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Board shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

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

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

Acceleration of Maturity; Rescission and Annulment

If an event of default occurs and is continuing, the Trustee 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 Series 2011B Supplemental Indenture, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Board, the City and the Trustee, rescind and annul such declaration and its consequences if

(a) the Board has deposited with the Trustee a sum sufficient to pay

(1) all overdue installments of interest on all Bonds,

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate prescribed therefor in the Bonds,

(3) interest upon overdue installments of interest at the rate prescribed therefor in the Bonds, and

(4) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and

(b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

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

Exercise of Remedies by the Trustee

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

(a) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Board as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee shall deem most expedient in the interests of the bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondowners under the Indenture, the Trustee shall, be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Board, the City is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the bondowners.

(e) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions of the Indenture, be for the equal and ratable benefit of the owners of the Bonds in respect of which such judgment has been recovered.

(f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in every case the Board, the City, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

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

(a) such owner has previously given written notice to the Trustee of a continuing event of default;

(b) the owners of not less than **25%** in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;

(c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

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

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

Control of Proceedings by Bondowners

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

(a) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, or otherwise; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that

(1) such direction shall not be in conflict with any rule of law or the Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

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

Application of Moneys Collected

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

(a) **First:** To the payment of all unpaid amounts due the Trustee under the Indenture;

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

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

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

Resignation and Removal of Trustee

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

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

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

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

Appointment of Successor Trustee

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

Supplemental Indentures without Consent of Bondowners

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

(a) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, additional conditions, limitations and restrictions thereafter to be observed; or

(c) to authorize the Issuance of any series of Additional Bonds and, make such other provisions as provided in the Indenture; or

(d) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture; or

(e) to add to the covenants of the Board or to the rights, powers and remedies of the Trustee for the benefit of the owners of all Bonds or to surrender any right or power conferred upon the Board under the Indenture; or

(f) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the owners of the Bonds; or

(g) to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States.

Supplemental Indentures with Consent of Bondowners

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

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

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Indenture, or the consent of whose owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Financing Agreement and their consequences; or

(c) modify the obligation of the Board to make payment on or provide funds for the payment of any Bond; or

(d) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(e) modify any of the provisions of the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

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

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

Payment, Discharge and Defeasance of Bonds

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

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

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

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

Satisfaction and Discharge of Indenture

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

(a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;

(b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;

(c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and

(d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Indenture have been complied with.

(e) if such Bonds are to be redeemed or final payment is to occur on a date which is more than 90 days from the date of the deposit under this Section, the Board and the City shall have received (1) the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations; and (2) the escrow deposit agreement

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

SUMMARY OF THE 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 of the Financing Agreement, the City shall pay the following amounts to the Trustee, all as "Loan Payments" under the Financing Agreement:

(a) *Debt Service Fund -- Interest:* On or before 10:00 A.M. on or before the Business Day preceding each 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 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.

(c) *Debt Service Fund - Redemption:* On or before 10:00 A.M. on or before the Business Day preceding the date required by the Financing Agreement or the Indenture, the amount of any Net Proceeds or other moneys received which is intended or required to redeem Bonds then Outstanding if the City exercises its right to redeem Bonds under any provision of the Indenture or if any Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Indenture.

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

Additional Payments

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

(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 hereunder that the City do 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, amounts to be paid pursuant to the Tax Compliance Agreement; and

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

Annual Appropriations

Except as provided in the following paragraph, the City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the 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 15^{th} day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

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

Annual Budget Request

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

Loan Payments to Constitute Current Expenses of the City

Except as provided in the following paragraph, the Board and the City acknowledge and agree that the Loan Payments and Additional Payments hereunder shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the 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.

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

Security for the Loan

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

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

Information Provided to the Board and the Trustee

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

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

Events of Default

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

(a) Failure by the City to make timely payment of any Loan Payment.

(b) Failure by the City to make any Additional Payment when due and, after notice of such failure, the City shall have failed to make such payment within 10 days following the due date.

(c) Failure by the City to observe and perform any covenant, condition or agreement on the part of the City under the Financing Agreement or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b) of this Section, for a period of 30 days after written notice of such default has been given to the City by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.

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

Remedies on Default

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

(a) By written notice to the City declare the outstanding principal of the Loan due in such Fiscal Year to be immediately due and payable, together with interest on overdue payments of principal and redemption premium, if any, and, to the extent permitted by law, interest, at the rate or rates of interest specified in the respective Bonds or the Indenture, without presentment, demand or protest, all of which are expressly waived.

(b) Take whatever other action at law or in equity is necessary and appropriate to exercise or to cause the exercise of the rights and powers set forth in the Financing Agreement or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to the Financing Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the City under the Financing Agreement or the Indenture.

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

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

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

The provisions of this Section are subject to the limitation that the annulment of a declaration that the Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in the 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 in the Financing Agreement conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the 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. In order to entitle the Trustee to exercise any remedy reserved to it in the Financing Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Financing Agreement.

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

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

(a) to subject to the 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 and make such other provisions as provided in the Financing Agreement; or

(d) to evidence the succession of another entity to the City and the assumption by any such successor of the covenants of the City contained in the Financing Agreement; or

(e) to add to the covenants of the City or to the rights, powers and remedies of the Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power conferred upon the City in the Financing Agreement; or

(f) to cure any ambiguity, to correct or supplement any provision in the Financing Agreement which may be inconsistent with any other provision in the Financing Agreement or to make any other provisions, with respect to matters or questions arising under the 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 and the City may enter into Supplemental Financing Agreements, in form satisfactory to the Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the 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 hereunder and their consequences; or

(c) modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of the 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 hereunder. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds under the Financing Agreement 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.

Security for the Loan

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

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

As additional security for the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest by (i) a pledge of the Payments in Lieu of Taxes deposited in the PILOTS Account of the Special Allocation Fund, and (ii) subject to annual appropriation by the City Council as provided in the Authorizing Ordinance, the Economic Activity Tax Revenues deposited in the Economic Activity Tax Account of the Special Allocation Fund. 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.

Pledge of Certain Funds

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund are pledged to the repayment of the Loan; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described in the Authorizing Ordinance.

Annual Appropriation of Economic Activity Taxes

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund to the repayment of the Loan. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate the Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) the Trustee, (iii) each nationally recognized municipal securities information repository, (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds, and (v) the original purchaser of the Bonds.

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.

Creation of Accounts Within Special Allocation Fund

The Authorizing Ordinance creates within the Hartman Heritage Centre Project Special Allocation Fund two accounts: (i) the PILOTS Account, and (ii) the Economic Activity Tax Account.

Administration of Special Allocation Fund

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

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

(a) Not later than the last business day of each March and September, commencing with the last Business Day in March of 2012, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Financing Agreement.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement.

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

(i) for the purpose of paying any Redevelopment Costs; or

(ii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Financing Agreement; or

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

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

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

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

Investments

Moneys in the Special Allocation Fund shall be continuously and adequately invested and secured as provided by the laws of the State.

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.

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means Commerce Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures operated by the MSRB, which can be accessed at www.emma.msrb.org.

"Material Events" means any of the events listed in the Continuing Disclosure Agreement.

"**MSRB"** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Pursuant to the Continuing Disclosure Agreement, the City undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than **180** days after the end of each of its fiscal years, commencing with the fiscal year ending June 30, 2011, the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes (1) the audited financial statements of the City for the prior fiscal year, and (2) a description of all Incremental Tax Revenues deposited into the Special Allocation Fund, to the MSRB, via EMMA, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided no later than **180** days after the end of each of its fiscal years and the audited financial statements shall be delivered to the MSRB, via EMMA, if and when they become available.

Pursuant to the Continuing Disclosure Agreement, the City also will undertake, for the benefit of the holders and Beneficial Owners of the Bonds, to provide to the MSRB, via EMMA, and to the Trustee, in a timely manner, notice of any of the following eleven events with respect to the Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(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; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of bondholders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the County;
(13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

The City shall also provide to the MSRB, via EMMA, as promptly as practicable notice of any failure of the City to provide the MSRB, via EMMA, the Annual Report or financial statements required above on or before the date specified.

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 of the Continuing Disclosure Agreement, 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.

Annual Financial Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent in a timely manner by the City to the MSRB, via EMMA.

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 such party under the Continuing Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages hereunder 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 thereunder as though such provisions applied under the Continuing Disclosure Agreement. Failure of any party 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.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Missouri Development Finance Board
Jefferson City, Missouri

City of Independence, Missouri
Independence, Missouri

Piper Jaffray & Co.
Leawood, Kansas

Commerce Bank, as Trustee
Kansas City, Missouri

Re: $6,720,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Hartman Heritage Project) Series 2011B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the "Board"), of the above-referenced bonds (the "Bonds"). The Bonds have been authorized and issued under and pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the "Act"), and the Bond Trust Indenture dated as of June 1, 1999, as amended by a Series 2000A Supplemental Bond Trust Indenture dated as of April 1, 2000, a Series 2003 Supplemental Bond Trust Indenture dated as of September 1, 2003, a Series 2007B Supplemental Bond Trust Indenture dated as of May 1, 2007 and a Series 2011B Supplemental Bond Trust Indenture dated as of November 15, 2011 (as supplemented and amended, the "Indenture") between the Board and Commerce Bank, 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 June 1, 1999, as amended by a Series 2000A Supplemental Financing Agreement dated as of April 1, 2000, a Series 2003 Supplemental Financing Agreement dated as of September 1, 2003, a Series 2007B Supplemental Financing Agreement dated as of May 1, 2007 and a Series 2011B Supplemental Financing Agreement dated as of November 15, 2011 (as amended and supplemented, 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 Dayla Bishop Schwartz, 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) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Board and the City have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri 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.

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,

APPENDIX E

ACTUARIAL REPORT OF
GABRIEL ROEDER SMITH & COMPANY
DATED FEBRUARY 28, 2011

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SUMMARY OF THE RESULTS OF THE FORTY-THIRD ANNUAL ACTUARIAL VALUATION

FEBRUARY 28, 2011

COVERING THE PARTICIPATION OF THE CITY OF INDEPENDENCE

IN THE MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

OUTLINE OF CONTENTS

Summary of the Annual Actuarial Valuation Covering

The City of Independence

GRS

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June 26, 2011

The City of Independence
Independence, Missouri

Ladies and Gentlemen:

Submitted in this report is a summary of the results of the ***Forty-Third Annual Actuarial Valuation,*** which determines the employer contribution rate(s) required to support, for your employees, the benefits provided by the ***Missouri Local Government Employees Retirement System ("LAGERS").*** The purpose of the valuation is to measure funding progress in relation to the actuarial cost method, to determine the employer contribution rate and to determine actuarial information for Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The results of the valuation may not be applicable for other purposes.

Your participation in LAGERS was effective November 1, 1968. ***The LAGERS provisions*** reflected in the actuarial valuation are:

	This Year	Last Year
Benefit Program	L-6	L-6
Final Average Salary	3 years	3 years
Rule of 80 Adopted?	No	No
Member Contribution Rate	4%	4%
Contribution Refund Adopted?	No	No

The date of the valuation was February 28, 2011. The valuation was based on data furnished by your LAGERS administrative staff. Data was checked for year-to-year consistency and completeness but was not otherwise audited by us.

The new employer contribution rates are shown on page 12 and are applicable for the fiscal year beginning July 1, 2012.

The financial assumptions and methods used to determine contributions are adopted system wide by the LAGERS Board of Trustees, and are described in the system's Comprehensive Annual Financial Report. In our opinion, they produce results that are reasonable.

The fundamental financial objective of LAGERS is to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Missouri citizens. To test how well the fundamental objective is being achieved, annual actuarial valuations are made, which adjust employer contributions, up or down as the case may be, for differences in the past year between assumed financial experiences and actual financial experiences.

The actuaries submitting this report are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

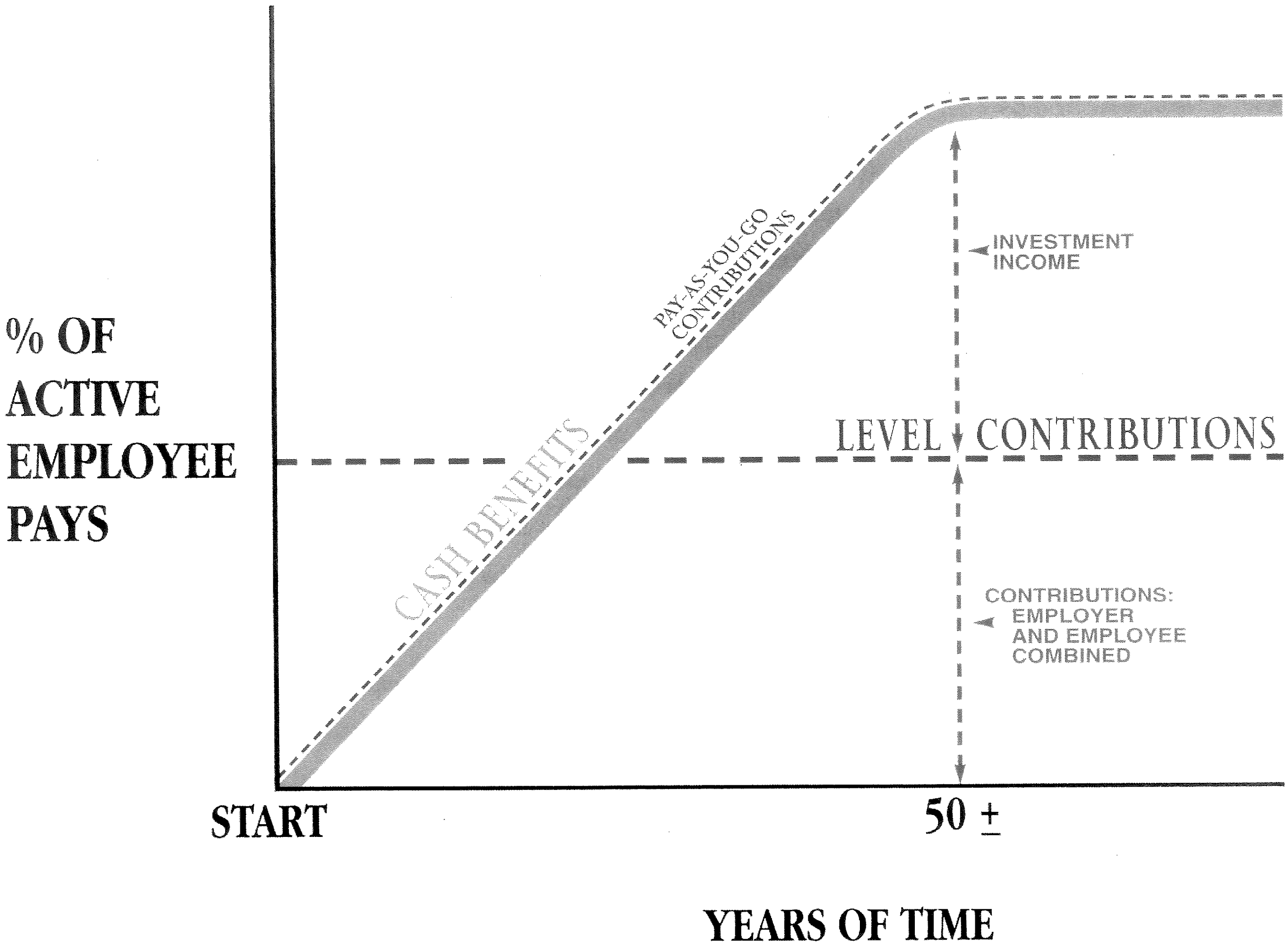
Gabriel, Roeder, Smith and Company

Mita Drazilov

Mita D. Drazilov, ASA, MAAA

Judith A. Kermans

Judith A. Kermans, EA, MAAA



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- Economic Risk Areas
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size
- Non-Economic Risk Areas
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability

The Annual Actuarial Valuation Process For LAGERS

The financing diagram on the preceding page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the federal Social Security program) which is thus an increasing contribution method; and the ***level contribution method*** which equalizes contributions between the generations. Missouri law requires the level contribution method.

The ***actuarial valuation*** is the mathematical process by which liabilities and the level contribution rates are determined, and the flow of activity constituting the valuation may be summarized as follows:

A. ***Covered Person Data***, furnished by plan administrator, including:
- Retired lives now receiving benefits
- Former employees with vested benefits not yet payable
- Active employees

B. + ***Asset data*** (cash and investments), furnished by plan administrator

C. + ***Assumptions concerning future financial experiences in various risk areas***, which assumptions are established by the Board of Trustees after consulting with the actuary.

D. + ***The funding method*** for employer contributions (the long-term, planned pattern for employer contributions).

E. + ***Mathematically combining the assumptions, funding method, and the data.***

F. = Determination of:

Employer's financial position in LAGERS
and
New Employer Contribution Rates.

Brief Summary of LAGERS
Benefits and Conditions Evaluated and/or Considered
Through February 28, 2011

(Section references are to RSMo)

Voluntary Retirement. Sections 70.645 & 70.600. A member may retire with an age & service allowance after both (i) completing 5 years of credited service, and (ii) attaining the minimum service retirement age.

The minimum service retirement age is age 60 for a general employee and age 55 for a police or fire employee. Optionally, employers may also elect to provide for unreduced benefits for employees whose combination of years of age and years of service equals 80 or more.

Final Average Salary. Section 70.600. The average of a member's monthly compensation during the period of 60 consecutive months (or optionally, 36 consecutive months) of credited service producing the highest monthly average, which period is contained within the 120 consecutive months of credited service immediately preceding retirement.

Age & Service Allowance. Section 70.655. The allowance, payable monthly for life, equals a specified percent of a member's final average salary multiplied by the number of years of credited service. Each employer elects the percent applicable to its members, from the following programs:

L-1 Benefit Program: 1.00% for life

L-3 Benefit Program: 1.25% for life

L-7 Benefit Program: 1.50% for life

LT-4 Benefit Program: 1.00% for life, plus 1.00% to age 62

LT-5 Benefit Program: 1.25% for life, plus 0.75% to age 62

LT-8 Benefit Program: 1.50% for life, plus 0.50% to age 62

LT-4(65) Benefit Program: 1.00% for life, plus 1.00% to age 65

LT-5(65) Benefit Program: 1.25% for life, plus 0.75% to age 65

LT-8(65) Benefit Program: 1.50% for life, plus 0.50% to age 65

L-9 Benefit Program: 1.60% for life

LT-10(65) Benefit Program: 1.60% for life, plus 0.40% to age 65

L-12 Benefit Program: 1.75% for life

LT-14(65) Benefit Program: 1.75% for life, plus 0.25% to age 65

L-6 Benefit Program: 2.00% for life

The only LT benefit programs available for adoption after August 1, 1994 are the LT(65) programs.

Benefit programs L-9 and LT-10(65) are not available for adoption after August 1, 2005.

Benefit program L-11, available only to groups not covered by social security, provides for 2.5% for life.

Subsequent to joining the System, the governing body can elect to change benefit programs for the employees, but not more often than once every 2 years.

Early Allowance. Section 70.670. A member may retire with an early allowance after both (i) completing 5 years of credited service, and (ii) attaining age 55 if a general employee or age 50 if a police or fire employee.

The early allowance amount, payable monthly for life, is computed in the same manner as an age & service allowance, based upon the service and earnings record to time of early retirement, but reduced to reflect the fact that the age when payments begin is younger than the minimum service retirement age. The amount of the reduction is 1/2% of 1% (.005) for each month the age at retirement is younger than the minimum service retirement age.

Deferred Allowance. Section 70.675. If a member leaves LAGERS-covered employment (i) before attaining the early retirement age, and (ii) after completing 5 years of credited service, the member becomes eligible for a deferred allowance; provided the former member lives to the minimum service retirement age and does not withdraw the accumulated contributions.

The deferred allowance amount, payable monthly for life from the minimum service retirement age, is computed in the same manner as an age & service allowance, based upon the service and earnings record to time of leaving LAGERS coverage.

Deferred allowances are also payable any time after reaching the early retirement age, with the reduction for early retirement noted above.

Non-Duty Disability Allowance. Section 70.680. A member with 5 or more years of credited service who becomes totally and permanently disabled from other than duty-connected causes becomes eligible to receive a non-duty disability allowance computed in the same manner as an age & service allowance, based upon the service & earnings record to time of disability.

Duty Disability Allowance. Section 70.680. A member regardless of credited service who becomes totally and permanently disabled from duty-connected causes becomes eligible to receive a duty disability allowance computed in the same manner as an age & service allowance, based upon the earnings record to time of disability but based upon the years of credited service the member would have completed had the member continued in LAGERS-covered employment to age 60.

Death-in-Service. Section 70.661. Upon the death of a member who had completed 5 years of credited service, the eligible surviving dependents receive the following benefits:

(a) The surviving spouse receives an allowance equal to the Option A allowance (joint and 75% survivor benefit) computed based upon the deceased members' service & earnings record to time of death.

(b) When no spouse benefit is payable, the dependent children under age 18 (age 23 if they are full-time students) each receive an equal share of 60% of an age & service allowance computed based upon the deceased member's service & earnings record to time of death.

(c) If the death is determined to be duty related, the 5 year service requirement is waived and the benefit is based on years of credited service the member would have completed had the member continued in LAGERS-covered employment to age 60.

Benefit Changes After Retirement. Section 70.655. There is an annual redetermination of the monthly benefit amount, beginning the October first following 12 months of retirement. As of each October first the amount of each eligible benefit is redetermined as follows:

(a) Subject to the maximum in (b), the redetermined amount is the current amount increased by a percentage determined by the LAGERS Board of Trustees. The aggregate increase to all retirees is limited to 4% annually.

(b) The redetermined amount may not exceed the amount otherwise payable multiplied by the ratio of the Consumer Price Index for the immediately preceding month of June to the Consumer Price Index for the month of June immediately preceding retirement.

Member Contributions. Sections 70.690 & 70.700. Each member contributes 4% of compensation beginning after completion of sufficient employment for 6 months of credited service.

If a member leaves LAGERS-covered employment before an allowance is payable, the accumulated contributions may be refunded to the member. If the member dies, his accumulated contributions may be refunded to a designated beneficiary.

The law governing LAGERS also has a provision for the adoption of a non-contributory plan in which the full cost of LAGERS participation is paid by the employer. Adoption of the non-contributory provisions may be done at the time of membership or a later date; however, a change from contributory to non-contributory or vice-versa may not be made more frequently than every 2 years. Under the non-contributory provisions there is no individual account maintained for each employee and no refund of contributions if an employee terminates before being eligible for a benefit.

Employer Contributions. Section 70.730. Each employer contributes the remainder amounts necessary to finance the employees' participation in LAGERS. Contributions to LAGERS are determined based upon level-percent-of-payroll principles, so that contribution rates do not have to increase over decades of time.

There were 776 retirees and beneficiaries with total annual benefits of $12,611,435 reported as of February 28, 2011.

The City of Independence

Retirees and Beneficiaries Added To and Removed From Rolls Comparative Schedule

Valuation Date	Added to Rolls *		Removed from Rolls		Year End	
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits #
2/28/2006	33	$651,728	13	$223,104	633	$8,502,594
2/28/2007	32	799,179	26	401,472	639	8,900,301
2/29/2008	64	1,337,853	20	366,981	683	9,871,173
2/28/2009	65	1,616,876	25	381,445	723	11,106,603
2/28/2010	49	1,022,503	23	487,900	749	11,641,206
2/28/2011	54	1,406,387	27	436,158	776	12,611,435

* Includes post-retirement adjustments.

Dollar amounts will not always add up, due to rounding.

Benefits to retirees and beneficiaries are paid out of the Benefit Reserve Fund, which is a pooled fund over all employers. When a member retires, employer and member assets are transferred to the pooled Benefit Reserve Fund in order to pay the lifetime benefits to the retiring member. Therefore, the assets and liabilities associated with the above retirees and beneficiaries are not included in this report.

The City of Independence

Retirees and Beneficiaries on Rolls as of February 28, 2011
By Disbursing Fund and Type of Benefit Being Paid

Type of Benefit	Number	Annual Benefits #
Service Early & Deferred		
Life Option	228	$3,729,258
Option A	177	3,285,370
Option B	177	3,414,362
Option C	32	424,094
Beneficiary Receiving	73	609,660
Totals	687	11,462,744
Duty Disability		
Life Option	19	384,362
Option A	8	147,990
Option B	3	61,791
Option C	1	21,879
Totals	31	616,023
Non-Duty Disability		
Life Option	11	116,616
Option A	6	65,707
Option B	5	65,214
Option C		
Totals	22	247,537
Beneficiary receiving	8	85,539
Total Disability	61	949,098
Death-In-Service		
Spouse Receiving	28	199,593
Children Receiving		
Totals	28	199,593
Totals	**776**	**$12,611,435**

Dollar amounts will not always add up, due to rounding.

The City of Independence

Active and Vested Former Members as of February 28, 2011

	Active Members					Number of Vested Former Members
			Averages *			
Division	**Number**	**Annual Payroll**	**Annual Pay**	**Age**	**Service**	
General	727	$44,180,140	$60,770	48.0 yrs.	14.3 yrs.	150
Police	203	13,367,864	65,852	40.7	13.7	24
Fire	160	10,588,103	66,176	42.8	14.8	9

* These items are included for their general interest, but are not used in the valuation.

A vested former member is a person who terminated employment after 5 or more years of LAGERS service, with rights to a deferred benefit commencing at age 60 (age 55 for police and fire members). Former members who terminated with this employer and now work for another LAGERS-covered employer are also included in the above right-most column.

Meaning of Actuarial Accrued Liabilities

"Actuarial Accrued Liabilities" are the present value $ of plan promises to pay benefits in the future allocated to service already rendered --- a liability has been established ("accrued") because the service has been rendered, but the resulting monthly cash benefit may not be payable until years in the future. Accrued liability $ are the result of complex mathematical calculations, which are made by the plan's actuary (which is the name given to the specialist who makes such calculations).

"Unfunded Accrued Liabilities" are the difference between the accrued liabilities and the assets on hand. The assets credited to your account in the Employer Accumulation Fund and the Members Deposit Fund were reported to the actuary on a cost basis. For actuarial valuation purposes, the actuary adjusted the reported cost basis assets to a market related value ("actuarial value of assets"). Unfunded accrued liabilities were amortized over a period of future years.

The City of Independence

Employer Accumulation Fund (EAF) and Members Deposit Fund (MDF)
Actuarial Accrued Liabilities and Actuarial Value of Assets as of February 28, 2011

Division	Accrued Liabilities (1)	Reported Assets (Cost Basis) EAF (2)	MDF (3)	Total (4)=(2)+(3)	Actuarial Value of Assets (5)	Unfunded Accrued Liabilities (6)=(1)-(5)
General	$139,418,448	$73,871,267	$2,127,260	$75,998,527	$87,717,500	$51,700,948
Police	45,161,960	22,111,246	647,125	22,758,371	26,267,712	18,894,248
Fire	36,338,571	19,841,677	504,647	20,346,324	23,483,727	12,854,844

The City of Independence

Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2012

	Employer Contributions Expressed as %'s of Active Member Payroll			
	Current Cost		Prior	
Division	Service Retirement	Disability Retirement	Service Cost	Total Employer Contribution Rate
General	7.1%	0.3%	3.9%	11.3%
Police	6.7	0.3	5.5	12.5
Fire	10.1	0.3	2.7	13.1

The current cost for service retirements was determined by financing each member's retirement benefits over the period from the member's date of hire until the member's projected date of retirement (entry age actuarial cost method). The current cost for service retirements is credited to the employer's account in the Employer Accumulation Fund.

The current cost for disability retirements represents the value of disability benefits in excess of members' accrued service retirement benefits, and was determined system-wide using a modified terminal funding method. The current cost for disability retirements is credited to the system-wide pooled Casualty Reserve Fund.

The prior service cost is computed by financing the unfunded accrued liabilities over a period or periods of future years. If the prior service cost is negative, it is used to partially offset the current cost. The prior service cost is credited to the employer's account in the Employer Accumulation Fund.

Under Section 70.730 of the Revised Statutes of Missouri, the computed employer contribution rate shall not exceed the contribution rate for the immediately preceding fiscal year by more than one percent (not including the effects of any benefit changes). The contribution rates shown above reflect the one percent maximum increase, if applicable. The uncapped employer contribution rate for the General division was computed to be 15.3%. The uncapped employer contribution rate for the Police division was computed to be 17.3%. The uncapped employer contribution rate for the Fire division was computed to be 18.9%.

The City of Independence
General Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members: Number	Annual Payroll	Averages *: Annual Pay	Age	Service	Vested Former Members	Employer Contribution Rate
2/28/2006	696	$36,313,285	$52,174	47.1 yrs.	14.5 yrs.	152	7.1%
2/28/2007	722	37,861,304	52,439	47.3	14.3	157	6.4
2/29/2008	716	39,667,860	55,402	47.6	14.4	162	6.3
2/28/2009	734	41,898,085	57,082	47.5	14.1	157	7.3
2/28/2010	741	42,788,003	57,744	47.9	14.2	150	10.3
2/28/2011	727	44,180,140	60,770	48.0	14.3	150	11.3

* These items are included for their general interest, but are not used in the valuation.

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities: Dollar Amount	Unfunded Accrued Liabilities: Percent of Annual Payroll
2/28/2006	$89,164,384	$91,156,234	102.2%	($1,991,850)	-
2/28/2007	93,778,569	99,742,139	106.4	(5,963,570)	-
2/29/2008	99,645,970	106,870,805	107.3	(7,224,835)	-
2/28/2009	102,675,773	84,308,660	82.1	18,367,113	43.8
2/28/2010	129,466,448	86,543,737	66.8	42,922,711	100.3
2/28/2011	139,418,448	87,717,500	62.9	51,700,948	117.0

Amortization of Unfunded Accrued Liabilities as of February 28, 2011

Amortization Period #	Remaining Unamortized Liability
15	$11,261,668
20	14,303,078
28	26,136,202

\# The minimum amortization period is 15 years, except for liabilities arising due to adoption of the Non-Contributory Refund provision. The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Police Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members		Averages *			Vested Former Members	Employer Contribution Rate
	Number	Annual Payroll	Annual Pay	Age	Service		
2/28/2006	193	$10,433,333	$54,059	40.3 yrs.	13.6 yrs.	17	8.1%
2/28/2007	191	10,709,713	56,072	41.0	14.1	20	7.4
2/29/2008	194	11,374,428	58,631	40.2	13.4	19	8.2
2/28/2009	201	11,846,795	58,939	39.6	12.9	20	9.2
2/28/2010	201	12,649,929	62,935	40.2	13.2	24	11.5
2/28/2011	203	13,367,864	65,852	40.7	13.7	24	12.5

* These items are included for their general interest, but are not used in the valuation.

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/28/2006	$27,505,774	$27,036,191	98.3%	$469,583	4.5%
2/28/2007	29,782,046	30,264,756	101.6	(482,710)	-
2/29/2008	30,425,137	29,780,988	97.9	644,149	5.7
2/28/2009	31,860,963	23,108,872	72.5	8,752,091	73.9
2/28/2010	39,734,300	23,681,246	59.6	16,053,054	126.9
2/28/2011	45,161,960	26,267,712	58.2	18,894,248	141.3

Amortization of Unfunded Accrued Liabilities as of February 28, 2011

Amortization Period #	Remaining Unamortized Liability
15	$7,899,115
20	4,255,288
28	6,739,845

The minimum amortization period is 15 years, except for liabilities arising due to adoption of the Non-Contributory Refund provision. The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Fire Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members: Number	Annual Payroll	Averages *: Annual Pay	Age	Service	Vested Former Members	Employer Contribution Rate
2/28/2006	163	$8,648,273	$53,057	42.6 yrs.	14.5 yrs.	13	9.9%
2/28/2007	168	8,933,078	53,173	42.6	14.6	12	8.5
2/29/2008	164	9,448,032	57,610	43.1	15.2	12	8.5
2/28/2009	163	9,907,590	60,783	43.5	15.4	11	9.5
2/28/2010	162	10,187,651	62,887	43.2	15.4	10	12.1
2/28/2011	160	10,588,103	66,176	42.8	14.8	9	13.1

* These items are included for their general interest, but are not used in the valuation.

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities: Dollar Amount	Percent of Annual Payroll
2/28/2006	$24,188,974	$25,772,954	106.5%	($1,583,980)	-
2/28/2007	25,331,727	28,396,343	112.1	(3,064,616)	-
2/29/2008	27,745,280	31,033,900	111.9	(3,288,620)	-
2/28/2009	29,251,265	25,408,183	86.9	3,843,082	38.8
2/28/2010	35,711,591	25,444,769	71.3	10,266,822	100.8
2/28/2011	36,338,571	23,483,727	64.6	12,854,844	121.4

Amortization of Unfunded Accrued Liabilities as of February 28, 2011

Amortization Period #	Remaining Unamortized Liability
15	$3,942,163
20	3,216,677
28	5,696,004

\# The minimum amortization period is 15 years, except for liabilities arising due to adoption of the Non-Contributory Refund provision. The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Governmental Accounting Standards Board (GASB)
Statement Numbers 25 and 27 Reporting Information

A. GASB Accounting Contribution

The LAGERS required contribution for the fiscal year beginning July 1, 2012 is shown on page 12 of this report. For accounting reporting purposes, a GASB contribution is computed. (Based upon specific GASB accounting requirements, in some instances this contribution may differ from the LAGERS required contribution.) Presented below is the GASB accounting contribution as a % of active member payroll:

Valuation Date	For the Fiscal Year Beginning	GASB Accounting Contribution		
		General	Police	Fire
02/28/2009	07/01/2010	11.1%	12.6%	14.4%
02/28/2010	07/01/2011	12.8	13.5	16.1
02/28/2011	07/01/2012	13.9	14.8	17.1

B. Schedule of Funding Progress

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2009	$132,825,715	$163,788,001	$30,962,286	81%	$63,652,470	49%
02/28/2010	135,669,752	204,912,339	69,242,587	66	65,625,583	106
02/28/2011	137,468,939	220,918,979	83,450,040	62	68,136,107	122

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

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APPENDIX F

ACTUARIAL REPORT OF
LEWIS & ELLIS INC.

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CITY OF INDEPENDENCE

GASB 45 INFORMATION

FOR

FISCAL YEAR ENDING
JUNE 30, 2010

BASED ON A
VALUATION DATE OF JANUARY 1, 2009

AUGUST 2010

L&E
Actuaries&
Consultants

LEWIS & ELLIS, INC.
OVERLAND PARK, KS

August 11, 2010

Mr. James C. Harlow
Director of Finance & Administration
City of Independence
111 East Maple
Independence, MO 64051

Dear Mr. Harlow:

This report presents actuarial information in accordance with Governmental Accounting Standards Board Statement No. 45 for the health insurance benefits available to retirees of the City of Independence (the City). The purpose of this report is to:

- Present information that provides a basis for disclosure on the financial statements for the fiscal year ending June 30, 2010; and

- Determine the Annual OPEB Cost for the fiscal year beginning July 1, 2009.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. Employee data and plan descriptions were furnished by the City and its vendors. The data provided has been reviewed for reasonableness, but no attempt has been made to audit such information. The valuation is based on the provisions of the plan as of the time of the completion of this valuation study. Each actuarial assumption used in this valuation is reasonably related to past experience of the covered group and represents reasonable expectations of future experience. Due to the uncertainty of future regulations, the impact, if any, of various provisions included in recent healthcare reform legislation is not specifically reflected in the valuation.

The undersigned is a member of the American Academy of Actuaries and meets the qualification standards of the Academy to render the actuarial information contained herein.

Respectfully submitted,

LEWIS & ELLIS, INC.

Patrick Glenn

Patrick Glenn, ASA, ACAS, MAAA, CPA (inactive)

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SUMMARY

BACKGROUND

The valuation procedures noted below and information presented in this report are based on provisions underlying Government Accounting Standards Board (GASB) Statement 45. GASB stipulates retiree benefits be based on age-adjusted costs. The excess of expected costs by age less retiree contributions equals the employer benefit that forms the basis for the valuation. The amount of annual expense accrual under GASB is equal to the Annual OPEB Cost. The offsetting liability, called the Net OPEB Obligation, is reduced by the amount of employer benefits provided during the year.

VALUATION PROCEDURES

The financial information for fiscal year 2009/2010 is based upon an actuarial valuation performed as of January 1, 2009 using the participant census as of January 1, 2009. The previous full valuation was performed as of January 1, 2007, using the participant census as of January 1, 2007.

SUBSTANTIVE PLAN

The City of Independence sponsors post retirement medical and prescription drug coverage. The benefit plan options offered by the City collectively operate as a single-employer defined benefit healthcare plan. Two medical plan options (HMO and a PPO) with separate drug plans are available. Coverage is available for each of the lifetimes of retirees and their spouses upon payment of required retiree contribution premiums. All plan options are self-insured with stop-loss coverage for medical claims.

FUNDING OF BENEFITS

Costs under the self-funded program are paid from pooled investments. This arrangement does not qualify as an "OPEB Plan" under GASB requirements and thus any assets of the account(s) may not be reported as an offset to GASB liabilities.

GASB 45 requires a valuation interest rate (or discount rate) be used to calculate the present value of expected future benefits. The valuation interest rate should equal the estimated long-term investment yield on assets used to provide for the payment of benefits. Based on an analysis of long-term experience of comparable asset classes anticipated to be held by the City, an expected long-term return of 4.5% is assumed for valuation.

RESULTS

The Annual OPEB Cost is a charge of $14.9 million for fiscal year 2009. The Actuarial Accrued Liability (AAL) is $199 million.

Annual OPEB Cost consists of the Annual Required Contribution (ARC) and the Interest and ARC Adjustments. The ARC equals the Normal Cost plus amortization of the Actuarial Accrued Liability (AAL). The Normal Cost is the amount of Actuarial Present Value of Benefits allocated to the current year as determined under the applicable actuarial cost method. The amount of AAL is the portion of the Actuarial Present Value of benefits allocated to all prior years. The actuarial cost method is a procedure to allocate present value costs to different time periods. The entry age normal (level percent-of-pay) actuarial cost method has been utilized for allocation.

We have used a 30 year amortization of the AAL (based on level percent-of-pay) to produce the 2009 expense. Thirty years is the maximum allowable number of years for amortizing the AAL. While only a portion of the AAL is currently recognized, the full amount of AAL must be disclosed. The Actuarial Present Value of Benefits is shown for informational / instructional purposes only; it is not required to be disclosed or recognized.

The projected 2009 AAL based on the prior (2007) valuation parameters is about $174 million. The actual 2009 AAL based on the 2009 valuation parameters is $199 million. Thus, the AAL is about 14% more than expected. The actual AAL may differ from expected due to plan changes, assumption changes and experience gains and/or losses.

The major changes and items of impact relative to the last valuation are shown below:

- The assumed Medical / Rx trend rates were changed from 10%, 9%, 8%, 7%, 6%, 5% (Ultimate) to 9%, 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5%, 5% (Ultimate). The trend on Administrative costs was isolated and is assumed to be a flat 5%.
- Participants electing coverage due to Disability retirement are assumed to cost 1.25 times greater than Non-Disabled retirees.
- The turnover rates and retirement age assumptions were updated in some cases to reflect the latest statistics available from LAGERS.
- The assumed proportion of future retirees with a covered spouse was lowered from 70% to 60%. This change was made based on an analysis of current spousal elections.
- Post 65 expected costs increased greater than assumed.
- Retiree contribution rates increased less than assumed in some cases and greater than assumed in others.
- The retiree contribution rates are increased from 14% to 17% of the composite costs for those retiring November 1, 2009 and after.
- Eligibility is changed from 5 to 20 years for employees hired after December 31, 2008. The current valuation is not impacted by this change.

FUTURE REPORTING

The next updated valuation is required to cover fiscal years 2011/2012 and 2012/2013 and should be based on a valuation date of January 1, 2011. The Annual Required Contribution for interim year 2010/2011 will remain at $14,971,790 but the Annual OPEB Cost will change. After the implementation year, the Annual Required Contribution (ARC) and Annual OPEB Cost do not equal due to two adjustments. These are the interest cost and the ARC adjustments. The Net OPEB Obligation at any point in time equals the accumulated Annual OPEB Cost minus accumulated net employer contributions since implementation of GASB 45. The Net Employer Contributions should equal claims and administrative costs paid on behalf of retirees less premiums received from retirees.

ANNUAL OPEB COST

		Year Ending	
		June 30, 2009	June 30, 2010
A.	Actuarial Present Value of Benefits		
	Current Retirees	62,999,983	94,905,533
	Future Retirees	157,930,697	160,061,710
		220,930,680	254,937,243
B.	Actuarial Accrued Liability		
	Current Retirees	62,999,983	94,905,533
	Future Retirees	102,171,708	103,861,686
		165,171,691	198,767,209
C.	OPEB Plan Assets	-0-	-0-
D.	Unfunded Actuarial Accrued Liability (B – C)	165,171,691	198,767,219
E.	Amortization Factor (Based on 30 Year Open – Level percent-of-pay)	21.58412	21.58412
F.	Amortization of Unfunded (D / E)	7,652,464	9,208,956
G.	Normal Cost	5,623,780	5,762,834
H.	Annual Required Contribution (ARC) (F + G)	13,276,244	14,971,790
I.	Net OPEB Obligation at Beginning of Year	9,098,644	17,902,417
J.	Interest on Net OPEB Obligation to end of year (I x .045)	409,439	805,609
K.	Adjustment to the ARC (I / E)	421,544	829,425
L.	**Annual OPEB Cost (H + J – K)**	**13,264,139**	**14,947,974**
M.	Valuation Interest Rate	4.50%	4.50%
N.	Aggregate Payroll Growth	2.00%	2.00%
O.	Measurement Date	January 1, 2008	January 1, 2009

DISCLOSURE INFORMATION AS OF JUNE 30, 2010

1. Annual OPEB Cost for 2009/2010

A. Normal Cost	5,762,834
B. Amortization of Unfunded Actuarial Accrued Liability	9,208,956
C. Annual Required Contribution (ARC)	14,971,790
D. Interest on Net OPEB Obligation	805,609
E. Adjustment to the ARC	829,425
F. Annual OPEB Cost (C + D – E)	14,947,974

2. Expected Employer Contributions for 2009/2010 *

A. Expected Retiree Costs	6,417,000
B. Expected Retiree Contribution Premiums	747,000
C. Expected Employer Contributions (A - B)	5,670,000

* Estimate based on current and projected future retirees.

3. Schedule of Employer Contributions

For Fiscal Year Ended June 30

Year	Annual OPEB Cost	Expected Employer Contributions	Expected Percentage Contributed	Net OPEB Obligation
2008	13,210,480	4,111,836	31.1%	9,098,644
2009	13,264,139	4,460,366	33.6%	17,902,417
2010	14,947,974	5,670,000	37.9%	27,180,391

4. Net OPEB Obligation at 6/30/10

A. Balance at 6/30/2009	17,902,417
B. Annual OPEB Cost for 2009/2010	14,947,974
C. Expected Employer Contributions for 2009/2010	5,670,000
D. Balance at 6/30/2010 (A + B - C)	27,180,391

5. Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent Of Covered Payroll ((b-a)/c)
1/1/2007	0	156,700,731	156,700,731	0%	54,887,375	285.5%
1/1/2008 (a)	0	165,171,691	165,171,691	0%	56,533,996	292.2%
1/1/2009	0	198,767,219	198,767,219	0%	61,350,244 (b)	324.0%

(a) Interim Year – Projected Valuation
(b) 2008 Calendar Year Pay

RESULTS BY ACCOUNTING FUND

Census

Fund	Number of Employees	Number of Retirees / Spouses
General	688	621
Tourism	4	0
Community Dev Block Grant	2	0
Home Program	1	0
Parks Improv Sales Tax	16	0
Storm Water Sales Tax	6	0
Grants	10	1
Power and Light	199	215
Sanitary Sewer	59	39
Water	95	72
Central Garage	8	7
Worker's Compensation	1	0
Total	1,089	955

Financial Results

Fund	Normal Cost	Actuarial Accrued Liability	Annual OPEB Cost for 2009/2010	Expected Employer Contributions	Net OPEB Obligation at 6/30/10
General	3,703,284	128,978,711	9,663,231	3,748,492	17,702,902
Tourism	23,909	507,423	47,324	10,633	107,371
Community Dev Block	5,492	113,803	10,713	13	49,776
Home Program	9,127	126,317	14,944	518	40,692
Parks Improv Sales Tax	95,158	513,969	118,789	306	254,422
Storm Water Sales Tax	28,364	239,650	39,358	171	121,321
Grants	65,598	628,441	94,501	7,798	247,138
Power and Light	1,071,096	40,766,059	2,955,631	1,229,413	4,861,992
Sanitary Sewer	333,901	9,283,388	762,610	235,167	1,575,073
Water	370,190	16,177,913	1,118,026	388,986	2,001,127
Central Garage	54,910	1,330,033	116,339	48,491	212,084
Worker's Compensation	1,805	101,512	6,508	15	6,493
Total	5,762,834	198,767,219	14,947,974	5,670,000	27,180,391

PARTICIPANT DATA

Data on Plan Participants was provided by the City of Independence. A summary of Participants is shown below for the current and prior valuations. (Active employees waiving coverage were not valued.)

Participant Summary	January 1, 2007	January 1, 2009
1. Active Employees – HMO (Family Coverage)	226	244
2. Active Employees – HMO (Single Coverage)	99	95
3. Active Employees – PPO (Family Coverage)	529	527
4. Active Employees – PPO (Single Coverage)	198	223
5. Retirees/Disableds/Surviving Spouses – HMO	79	90
6. Retirees/Disableds/Surviving Spouses – PPO	461	514
7. Spouses of Retirees – HMO	46	51
8. Spouses of Retirees – PPO	279	300

Actives

Average Service – All Other (2009 = 716 employees)	14.2 years	14.3 years
Average Age – All Other	46.7 years	47.4 years
Average Expected Service to Retirement – All Other	12.5 years	12.4 years
Average Service – Police & Fire (2009 = 373 employees)	14.8 years	13.9 years
Average Age – Police & Fire	41.8 years	41.0 years
Average Expected Service to Retirement – Police & Fire	13.4 years	13.9 years

Retirees

Average Age (based on Items 5 and 6 above)	68.7 years	69.3 years

SUMMARY OF PLAN PROVISIONS

The City of Independence, Missouri (the City) provides for continuing medical and prescription insurance coverage to its retirees and their dependents. Below is a summary of the provisions of the healthcare program utilized in completing this valuation study.

BENEFIT ELIGIBILITY

Employees Hired Before January 2, 2009

	Retirement	Disability Retirement
General Employees	55 & 5	5 years of service
Public Safety	50 & 5	5 years of service

Employees Hired After January 1, 2009

	Retirement	Disability Retirement
General Employees	55 & 20	20 years of service *
Public Safety	50 & 20	20 years of service *

* Drops to 15 years of service if the employee goes on Duty Disability

BENEFITS

Medical and Prescription drug benefits available to retirees are provided through self-insured arrangement options via PPO and HMO structures. Effective January 1, 2010 the HMO medical coverage was changed from a fully insured to a self insured funding basis. Two separate Rx plans exist as part of the program. The medical plan election determines the Rx plan that applies.

The plan parameters are the same as those that apply to active employees. For retirees and spouses over age 65, the City coverage is secondary to Medicare and retirees must enroll in Medicare Parts A and B. Surviving spouses must be receiving "Surviving Spouse" benefits from LAGERS to continue coverage.

Retirees can change plan elections annually during open enrollment. Upon payment of required contributions, retirees and their spouses have benefits available for each of their own lifetimes. All plan benefits renew annually on a calendar year basis.

RETIREE CONTRIBUTIONS

Retired Prior to November 1, 2009

Participants must contribute 14% of the composite cost to receive benefits. Composite cost means the expected cost that is determined to some degree based on the combined pool of actives and retirees. The contribution amounts for the 2010 plan year are shown below. These contribution levels projected to the valuation date serve as a starting point for the valuation and are assumed to increase at the same rate of health care costs in the future.

Coverage	Single Rate	Spouse Rate
Stay Well - HMO		
Pre 65	$744	$744
Post 65 (No Part D)	$632	$631
Stay Well - PPO		
Pre 65	$758	$1,077
Post 65 (No Part D)	$717	$717

Retired on or after November 1, 2009

Participants must contribute 17% of the composite cost to receive benefits. The annual amounts for the 2010 plan year are shown below.

Coverage	Single Rate	Spouse Rate
Stay Well - HMO		
Pre 65	$903	$903
Post 65 (No Part D)	$767	$767
Stay Well - PPO		
Pre 65	$921	$1,307
Post 65 (No Part D)	$870	$870

EXPECTED COST BY AGE

The benefit that is valued under GASB 45 equals the age-adjusted cost (sample ages shown below) less the retiree contribution premiums. Age-adjusted costs are the estimated costs that would result if a credible-size group of like-age participants was measured.

A benefit to retirees may exist even when retirees must pay 100% of the "full" premium. This is because the retiree premium rates are based to some degree on expected claims of the entire covered group (actives and retirees), and not on the retirees as a separate group, which includes younger members that drive the composite average down. Unless retirees are charged the full age-based cost, the employer is providing a benefit that must be valued under GASB 45.

We studied claims experience for Medical and Prescription Drug from January 2007 to March 2009. The experience was analyzed separately for Actives, Pre 65 Retirees and Post 65 Retirees. The active and retiree experience was evaluated individually and on a combined basis.

Historical average per member costs were adjusted to the 2010 plan design basis and trended to the appropriate average expected exposure point. Industry age-based cost relativities were then applied to expected per member costs to derive expected costs by age. Cost relativities were calculated by fitting cost factors to the age distribution of the current covered group of the City. Expected administrative costs were determined by an analysis of vendor contract rates for the 2010 plan renewal.

Age-adjusted expected costs during 2009 (on a 2010 plan design basis) per member per month (PMPM) are shown below at sample ages. These cost levels serve as a starting point for the valuation.

EXPECTED RETIREE COST LEVELS DURING 2009 (PMPM

Stay Well – HMO Plan Option

Age	Medical	Rx	Admin	Total
55	4,180	2,098	400	6,678
58	4,730	2,374	400	7,504
62	5,500	2,760	400	8,660
64	5,830	2,926	400	9,156
65	990	1,733	400	3,123
70	1,200	2,100	400	3,700
75	1,410	2,468	400	4,278
80	1,590	2,783	400	4,773

EXPECTED RETIREE COST LEVELS DURING 2009 (PMPM ***(CONTINUED)***

Stay Well – PPO Plan Option

Age	Medical	Rx	Admin	Total
55	4,697	2,234	485	7,416
58	5,315	2,528	485	8,328
62	6,180	2,940	485	9,605
64	6,551	3,116	485	10,152
65	1,337	1,732	485	3,554
70	1,620	2,100	485	4,205
75	1,904	2,467	485	4,856
80	2,147	2,782	485	5,414

The difference between the above expected costs that apply by age less the retiree contribution premium is the "benefit" that is valued for GASB 45 cost recognition.

The change in expected cost levels relative to the last valuation is shown below.

Plan	Category	Increase Per Year
HMO	Pre 65	(1%)
	Post 65	15%
PPO	Pre 65	8%
	Post 65	18%

ACTUARIAL ASSUMPTIONS

A. Valuation Interest Rate — 4.5%

B. Measurement Date — January 1, 2009

C. Medical/Rx Claim Cost

Year From Measurement Date	Increase Over Prior Year
1	9.0%
2	8.5%
3	8.0%
4	7.5%
5	7.0%
6	6.5%
7	6.0%
8	5.5%
9 (Ultimate)	5.0%

D. Trend on Fixed Costs of Self-Insurance Program — 5.0%

E. Age-Adjusted Costs

The estimated cost by age during 2009 at sample ages is shown on pages 10 and 11. Disabled participants are assumed to cost 1.25 times greater than Non-Disabled participants.

F. Healthy Life Mortality

Assumed mortality is based on the RP-2000 Combined Mortality Table. Illustrations of assumed annual rates of mortality are shown in the table below for selected ages:

Age	Male	Females
30	.04%	.03%
40	.11%	.07%
50	.21%	.17%
60	.67%	.51%
70	2.22%	1.67%
80	6.44%	4.59%
90	18.34%	13.17%

G. Disabled Life Mortality

Assumed mortality for disabled members is based on the RP-2000 Disabled Life Mortality. Illustrations of the assumed annual rates of mortality are shown in the table below for selected ages:

Age	Males	Females
30	2.26%	.75%
40	2.26%	.75%
50	2.90%	1.15%
60	4.20%	2.18%
70	6.26%	3.76%
80	10.94%	7.23%
90	18.34%	14.00%

H. Retirement Due to Disability

Assumed disability rates are based on rates used for the LAGERS pension actuarial valuation. Illustrations of annual rates of disability are shown below at sample ages:

			General	
Age	Police	Fire	Male	Female
30	0.0010	0.0007	0.0019	0.0002
40	0.0020	0.0023	0.0032	0.0006
45	0.0031	0.0037	0.0042	0.0012
50	0.0052	0.0057	0.0054	0.0025
55	NA	NA	0.0071	0.0047

I. Retirement Age

Assumed rates are based on those used for the LAGERS pension actuarial valuation. Retirement rates project the annual probability of retiring for eligible employees.

No Rule of 80

			General	
Age(s)	Police	Fire	Male	Female
50 to 54	0.03	0.03	N/A	N/A
55	0.10	0.20	0.02	0.03
56	0.10	0.20	0.02	0.03
57	0.10	0.10	0.02	0.03
58	0.10	0.10	0.02	0.03
59	0.10	0.15	0.02	0.03
60	0.10	0.20	0.10	0.10
61	0.10	0.15	0.10	0.10
62	0.30	0.30	0.25	0.20
63	0.15	0.25	0.25	0.20
64	0.20	0.30	0.20	0.15
65	1.00	1.00	0.25	0.20
66	1.00	1.00	0.25	0.20
67	1.00	1.00	0.25	0.20
68	1.00	1.00	0.20	0.20
69	1.00	1.00	0.20	0.15
70	1.00	1.00	1.00	1.00

J. Turnover Incidence (Other than Retirement)

Assumed turnover rates are based on rates used for the LAGERS pension actuarial valuation. Turnover rates are not applied when retirement eligibility is achieved. Illustrations of annual rates of turnover are shown below at sample ages and levels of service:

Police

	Years of Service				
Age	0-1	1-2	2-3	3-4	4-5
All Ages	.185	.165	.145	.125	.110

	Years of Service > 5
Age	Rate
25	.107
30	.090
35	.069
40	.055
50	.035

Fire

	Years of Service				
Age	0-1	1-2	2-3	3-4	4-5
All Ages	.08	.07	.06	.06	.05

	Years of Service > 5
Age	Rate
25	.044
30	.038
35	.031
40	.025
50	.010

General

		Years of Service				
Gender	Age	0-1	1-2	2-3	3-4	4-5
Male	All Ages	.190	.160	.120	.100	.080
Female	All Ages	.210	.190	.150	.120	.110

	Years of Service > 5	
Age	Male	Female
25	.077	.110
30	.068	.096
35	.054	.079
40	.042	.066
50	.030	.043

K. Retiree Participation	One hundred percent (100%) of future eligible retirees are assumed to participate in the City's plan.
L. Covered Spouses	Sixty percent (60%) of future participating retirees are assumed to have a covered spouse. Actual spouse elections were valued for spouses of current retirees.
M. Spousal Age Difference	Males are assumed to be 3 years older than their female spouses for current and future retirees.
N. Non-Spouse Dependents	Not Valued
O. Plan Election	Future eligible retirees and current retirees are assumed to elect the same coverage (PPO or HMO) in the future as elected today.
P. Timing of Claim Payments	Mid-year
Q. *Medicare Eligibility Age*	Age 65
R. *Medicare Part D Enrollment*	None
S. Salary Scale (per employee)	3.0% per year
T. Aggregate City Payroll Growth	2.0% per year
U. Duration of Coverage	Retirees and spouses are assumed to continue coverage for each of their own lifetimes.

ACTUARIAL METHODS

A. POPULATION VALUED

The valuation is based on a closed group. Covered retirees and employees as of the valuation date are considered; no provision is made for future hires. Active employees waiving coverage were not valued.

B. ACTUARIAL COST METHOD – ENTRY AGE NORMAL (LEVEL PERCENT-OF-PAY)

The actuarial calculations were performed in accordance with the Entry Age Normal (Level percent-of-pay) Actuarial Cost Method as allowed under Governmental Accounting Standard No. 45 (GASB 45).

- The actuarial present value of each member's projected benefits is allocated on a level basis over the member's compensation between the entry age of the member and the assumed exit ages.
- The portion of the actuarial present value allocated to the valuation year is called the normal cost.
- The actuarial present value of benefits allocated to prior years of service is called the actuarial liability.
- The unfunded actuarial liability represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date.
- The unfunded actuarial liability is calculated each year and reflects experience gains/losses.

C. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability is amortized over 30 years as a level percent-of-pay on an open-period basis.

D. ANNUAL REQUIRED CONTRIBUTION (ARC)

The sum of the Normal Cost and the amortization of the Unfunded Actuarial Accrued Liability comprise the ARC.

E. ANNUAL OPEB COST

The Annual OPEB Cost equals the Annual Required Contribution when reporting for the GASB 45 implementation year. After the implementation year, the Annual OPEB Cost consists of the following components:

- (i) Annual Required Contribution (ARC)
- (ii) Interest on the Net OPEB Obligation
- (iii) Adjustment to the ARC

F. ACTUARIAL VALUE OF ASSETS

As of the date of this valuation, it is our understanding there are no plan assets as recognized under GASB rules. Healthcare costs of retirees are paid as they come due from pooled investments of the City.

G. CALCULATION OF PRESENT VALUES

Using the actuarial assumptions, the number of retired participants is projected each year in the future. Costs are projected for each future year at each age using the trend and aging assumptions. The projected costs less projected retiree contributions are multiplied by the expected number of retirees in each future year to produce expected benefits payments. These payments are then discounted using the valuation interest rate to determine the present value of the projected liabilities.

These actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

These actuarial calculations are based on the substantive plan and pertinent law as they exist at the time of the preparation of this valuation study. The substantive plan is the plan that operates in practice. Due to the uncertainty of future regulations, the impact, if any, of various provisions included in recent healthcare reform legislation is not specifically reflected in the valuation.

GLOSSARY

Actuarial Accrued Liability (AAL). That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits which is allocated to periods prior to the valuation date.

Actuarial Cost Method. A procedure for allocating the Actuarial Present Value of plan benefits to time periods, usually in the form of a Normal Cost and Actuarial Accrued Liability.

Actuarial Present Value. The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions, and plan provisions. Actuarial Present Value takes into account the probability of payment as well as the time value of money.

Adjustment to the ARC. An adjustment made to Annual OPEB Cost to avoid double counting of the Amortization of the AAL when full funding of the ARC does not occur.

Amortization Payment. That portion of the Annual Required Contribution that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost. The amount of expense an employer must recognize in accordance with a Defined Benefit OPEB Plan, calculated in accordance with the parameters.

Annual Required Contribution (ARC). The portion of expense an employer must recognize in accordance with a Defined Benefit OPEB Plan equal to the Amortization Payment plus the Normal Cost, calculated in accordance with the assumptions and plan provisions.

Defined Benefit OPEB Plan. An OPEB plan having terms that specify the amount of benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age and years of service.

Healthcare Cost Trend Rate. The rate of change in per capita health claims cost over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GASB 45 between Annual OPEB Cost and the employer's contributions in relation to the Annual Required Contribution (ARC). An employer has made a contribution in relation to the ARC if the employer has (1) made payments of benefits directly to or on behalf of a retiree or beneficiary, (2) made premium payments to an insurer, or (3) irrevocably transferred assets to a qualifying trust.

Normal Cost. That portion of the Actuarial Present Value of OPEB plan benefits that is allocated to a valuation year by the Actuarial Cost Method.

Other Postemployment Benefits (OPEB). Postemployment benefits other than pension benefits. OPEB includes Postemployment Healthcare Benefits, regardless of the type of plan that provides them, and all post employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Postemployment Healthcare Benefits. Medical, dental, vision and other health-related benefits provided to retired employees and their dependents and beneficiaries.

Substantive Plan. The terms of the OPEB plan as understood by the employer and plan members.

Unfunded Actuarial Accrued Liability. The excess, if any, of the Actuarial Accrued Liability over the assets of the plan.

Valuation Interest Rate (or Discount Rate). The expected long-term rate of return on the source of assets used to pay retiree insurance benefits.