NEW ISSUE **S&P Rating - "A-"**
(Book Entry Only) **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

$4,855,000
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri – Eastland Center Project)
Series 2014A

Dated: Date of Delivery **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 October 1, 2014.

The Bonds are not subject to redemption prior to maturity. See "THE BONDS-Redemption."

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

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien on the 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 THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT, EXCEPT AS OTHERWISE DESCRIBED HEREIN. THE BOARD HAS NO TAXING POWER.

The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed on for the City by its City Counselor, 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 May 22, 2014.

PiperJaffray®

The date of this Official Statement is May 6, 2014

MISSOURI DEVELOPMENT FINANCE BOARD

$4,855,000
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri – Eastland Center Project)
Series 2014A

Dated: Date of Delivery **Due: April 1 as shown below**

Maturity Schedule

Serial Bonds

Due April 1	Principal Amount	Interest Rate	Price
2015	$510,000	3.000%	101.920%
2016	500,000	3.000	103.559
2017	520,000	3.000	104.380
2018	535,000	3.000	104.186
2019	545,000	3.000	103.385
2020	565,000	3.000	102.542

Term Bonds

$1,680,000 Term Bonds due April 1, 2022, Interest Rate: 3.000%, Price 98.686%

REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

TABLE OF CONTENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

$4,855,000
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri – Eastland Center Project)
Series 2014A

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 Eastland Redevelopment Project more fully described herein (the "Eastland Redevelopment Project") through the refunding of certain bonds (the "Refunded Bonds" as further described herein) with a portion of the proceeds of the Bonds and certain other moneys.

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 will be loaned by the Board to the City pursuant to a Financing Agreement dated as of May 1, 2007, as previously supplemented and amended, and as further supplemented and amended by the Series 2014A Supplemental Financing Agreement dated as of May 1, 2014 (collectively, the "Financing Agreement") to, together with certain other moneys, refinance certain redevelopment costs relating to the Eastland Redevelopment Project previously approved by the City pursuant to the Tax Increment Financing Act (the "TIF Act") through the refunding of the Refunded Bonds, fund a debt service reserve account for the Bonds and pay the costs of issuance of the Bonds. A brief description of the Eastland Redevelopment Project is set forth under the caption **"THE REDEVELOPMENT PROJECT."** The proceeds of the Bonds will also be used to pay the costs of issuing the Bonds, all as more fully described herein under the caption **"SOURCES AND USES OF FUNDS."**

The Bonds

The Bonds are being issued pursuant to the Act and the Bond Trust Indenture dated as of May 1, 2007, as previously supplemented and amended, and as further supplemented and amended by the Series 2014A Supplemental Bond Trust Indenture dated as of May 1, 2014 (collectively, the "Indenture"), all 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 Bonds are being issued as Additional Bonds under the Indenture on a parity with the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2007A issued in the original principal amount of $19,390,000 (the "Series 2007A Bonds"), the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2008C (the "Series 2008C Bonds") issued in the original principal amount of $8,000,000, and the Board's Infrastructure Facilities Revenue Bonds (City of Independence Missouri – Eastland Center Project) Series 2012E (the "Series 2012E Bonds") issued in the original principal amount of $12,050,000, with respect to the security provided by the Financing Agreement.

The Bonds are being issued to refund the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2009B issued in the original principal amount of $3,220,000 and outstanding in the principal amount of $2,395,000 (the "Series 2009B Refunded Bonds"), and the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2009J issued in the original principal amount of $3,630,000 and outstanding in the principal amount of $2,550,000 (the "Series 2009J Refunded Bonds," together with the Series 2009B Refunded Bonds, the "Refunded Bonds).

The Series 2007A Bonds, the Series 2008C Bonds, the Series 2012E Bonds and the Bonds, together with future Additional Bonds (defined herein) that may be issued under the Indenture, are referred to herein as the "Eastland Bonds."

The Eastland Bonds are secured on a parity as to the pledge of Incremental Tax Revenues, but are not secured on a parity as to the Debt Service Reserve Fund established for the Eastland Bonds. Each series of Eastland Bonds that is secured in part by the Debt Service Reserve Fund established under the Indenture has a separate account in such fund dedicated solely to the associated series of Eastland Bonds.

The Indenture provides for the issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the Eastland Bonds and any other bonds then outstanding under such Indenture issued on a parity with 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.

The City expects to issue Additional Bonds to finance future portions of the Eastland Redevelopment Project. See the caption **"THE REDEVELOPMENT PROJECT"** herein.

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 (iii) certain other funds held by the Trustee under the Indenture, and not from any other fund or source of the Board. Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Bonds. Except as noted herein, all payments by the City under the Financing Agreement are subject to annual appropriation. Pursuant to the Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the Financing Agreement, including all Loan Payments and Additional Payments payable thereunder. As noted in the preceding paragraph the Eastland Bonds are secured on a parity as to the pledge of Incremental Tax Revenues, but are not secured on a parity as to the Debt Service Reserve Fund.

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 Eastland Redevelopment Project. **The Eastland 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 REDEVELOPMENT PROJECT - Administration of the Special Allocation Fund"** 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 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 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 11635 Rosewood Street, 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 J. Carmichael*** — Chair, term as a member expired September 14, 2012. Ms. Carmichael is owner of Affordable Homes Development in Springfield, Missouri.

- ***Reuben A. Shelton*** – Vice Chairman, term as a member expires September 14, 2014. Mr. Shelton serves as Senior Counsel-Litigation to Monsanto Company in St. Louis, Missouri

- ***Larry D. Neff*** — Secretary, term as a member expired September 14, 2010. Mr. Neff is President of Larry Neff Management and Development in Neosho, Missouri.

- ***John E. Mehner*** — Treasurer, term as a member expired September 14, 2011. Mr. Mehner is President and CEO of the Cape Girardeau Area Chamber of Commerce in Cape Girardeau, Missouri.

- ***Kelley M. Martin***— term as a member expired September 14, 2012. Mr. Martin is the owner of the Martin Financial Group, a financial services practice in Kansas City.

- ***Patrick J. Lamping*** – term as a member expired September 14, 2012. Mr. Lamping serves as County Executive for Jefferson County, Missouri, in Hillsboro, Missouri.

- ***Bradley G. Gregory*** – term as a member expires September 14, 2015. Mr. Gregory is President and CEO of Bank of Bolivar in Bolivar, Missouri.

- ***Matthew L. Dameron*** – term as a member expires September 14, 2015. Mr. Dameron is a partner with Williams Dirks Dameron LLC in Kansas City, Missouri

- ***Peter D. Kinder*** — ex-officio member. The Honorable Peter Kinder is the Lieutenant Governor of the State of Missouri.

- ***Mike Downing*** — ex-officio member. Mr. Downing is the Director of the Department of Economic Development.

- ***Richard Fordyce*** — ex-officio member. Mr. Fordyce is the Director of the Department of Agriculture.

- ***Sara 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**.

THE PROJECT

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

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

The Eastland Center Redevelopment Project. The Eastland Center Redevelopment Plan provides for the construction of both a Public Project and a Private Project (each as defined below) within the Eastland Center Redevelopment Area (the "Area") in order to cure the blighted conditions that exist in the Area. The Area consists of 212 acres located immediately east of Interstate Highway 470, immediately south of Interstate 70 and immediately north of U.S. Highway 40. The developer of the project is Ehrhart Development Company based in St. Louis, Missouri (the "Eastland Developer"). The Redevelopment Plan calls for the construction of 1,300,000 square feet of Class A office space and 550,000 square feet of retail, restaurant and shop space and at least two hotels. Redevelopment Project Costs are estimated to be $254,000,000 which includes $14,820,000 in City Improvements (the "Public Project") and $242,000,000 in Developer Improvements (the "Private Project"). Developer Improvements include $16,336,000 in Developer On-Site Reimbursable Project Costs and about $9,192,000 in Developer Off-Site Reimbursable Project Costs.

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

Status of the Eastland Center Redevelopment Project Improvements. The Eastland Center Public Project is substantially complete. The retail and hotel components of the Private Project have been completed, as has some smaller scale office development. One of the sites originally to be developed has since been developed by the City as a multipurpose Events Center, as described in **Appendix A**. Subsequent to the issuance of the Bonds, the City also expects to fund additional City improvements in the amount of $3,300,000, which may be funded with available cash on a pay as you go basis or through the issuance of bonds by the Board. If and when issued, the bonds issued to fund additional reimbursable amounts for the Developer and City will qualify as Additional Bonds and will be secured on a parity with the Eastland Bonds as to Incremental Tax Revenues from the Eastland Center Redevelopment Project.

Eastland Center Tax Increment Revenues. The City's audited financial statements for fiscal year 2012 and fiscal year 2013 indicate that the City has deposited Incremental Tax Revenues from the Eastland Center Redevelopment Project into the Special Allocation Fund in the amounts of $4,713,702 and $5,338,811, respectively. Net maximum annual debt service on the Eastland Bonds will be $3,509,044, which would have resulted in coverage of 1.34x in FY 2012 and 1.52x in FY 2013.

Projected Incremental Tax Revenues

In recent years sales tax revenues in the City have in some cases decreased and/or been lower than original estimates. The City will continue to evaluate revenues, including projected Incremental Tax Revenues generated in the Eastland Redevelopment Area and Eastland Redevelopment Area, as more information becomes available and in the structuring of Additional Bonds. There can be no assurance that Incremental Tax Revenues generated in the Redevelopment Areas will maintain past levels. See "**BONDOWNERS RISKS – Changes in Retail Sales Market Conditions**" and **"APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2014."**

Administration of the Special Allocation Fund

Moneys in the Special Allocation Fund are to be disbursed as described in **Appendix C** under the caption **"SUMMARY OF THE AUTHORIZING ORDINANCE - Administration of the Eastland Special Allocation Fund."**

PLAN OF FINANCE

The City will use the proceeds from the sale of the Bonds and certain other funds to refund the Refunded Bonds as described herein.

The Refunding

The Bonds are being issued to currently refund the Refunded Bonds.

To effect the refunding of the Refunded Bonds a portion of the proceeds of the Bonds together with other moneys from the funds and accounts of the Refunded Bonds will be deposited in an Escrow Fund created under an Escrow Letter of Instructions (the "Escrow Agreement") among the Board, the City and the Trustee, as Escrow Agent, and used to purchase certain securities and establish an initial cash balance. The moneys and securities deposited in the Escrow Fund will be sufficient, without consideration of reinvestment, to pay the applicable principal and interest due on the Refunded Bonds through the date of their redemption. The Escrow Agent will transfer sufficient moneys for the payment and redemption of the Refunded Bonds on the redemption date thereof to Commerce Bank, paying agent for the Refunded Bonds.

Set forth below is a description of the Refunded Bonds:

Series 2009B Refunded Bonds

Dated Date	**Maturity Date**	**Principal Amount**	**Interest Rate**	**CUSIP Number**	**Redemption Date**	**Redemption Price**
3/1/09	4/1/15	$225,000	4.000%	60636CQ28	6/23/14	100%
3/1/09	4/1/16	250,000	4.125	60636CQ36	6/23/14	100
3/1/09	4/1/17	230,000	4.250	60636CQ44	6/23/14	100
3/1/09	4/1/18	250,000	4.500	60636CQ51	6/23/14	100
3/1/09	4/1/19	285,000	4.750	60636CQ69	6/23/14	100
3/1/09	4/1/22	1,155,000	5.500	60636CQ77	6/23/14	100

Series 2009J Refunded Bonds

Dated Date	**Maturity Date**	**Principal Amount**	**Interest Rate**	**CUSIP Number**	**Redemption Date**	**Redemption Price**
10/1/09	4/1/15	$230,000	4.000%	60636CX95	6/23/14	100%
10/1/09	4/1/16	225,000	4.000	60636CY29	6/23/14	100
10/1/09	4/1/17	265,000	4.000	60636CY37	6/23/14	100
10/1/09	4/1/18	265,000	4.000	60636CY45	6/23/14	100
10/1/09	4/1/19	250,000	4.125	60636CY52	6/23/14	100
10/1/09	4/1/20	250,000	4.375	60636CY60	6/23/14	100
10/1/09	4/1/21	230,000	4.375	60636CY78	6/23/14	100
10/1/09	4/1/22	835,000	4.500	60636CY86	6/23/14	100

Estimated Sources and Uses of the Proceeds of the Bonds and Other Funds

The proceeds of the Eastland Bonds will be applied as follows:

Sources of Funds:

Principal amount of the Bonds	$4,855,000.00
Net Premium	83,493.45
Prior Reserve Fund	685,020.23
Total sources of funds	$5,623,513.68

Uses of Funds:

Escrow Fund	$4,996,406.60
Debt Service Reserve Fund	485,500.00
Costs of Issuance	141,607.08
Total uses of funds	$5,623,513.68

* Includes underwriters' discount.

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 Eastland 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. All or a portion of the moneys in the special allocation fund are used to pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The TIF Act

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

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

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

Tax Increment Financing Litigation

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

Assessment and Collection of Ad Valorem Taxes

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

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

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

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

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

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

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

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

Certain properties, such as those used for charitable, educational, and religious 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 Areas is restricted from appealing the determination of the assessed value of any such property. Any appeals, however, will be required to be conducted in the manner as summarized above under current law.

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

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

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

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

Collection of Economic Activity Tax Revenues

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

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

THE CITY'S GENERAL FUND

The following information describing the City's General Fund has been excerpted from the City's 2013-2014 Operating Budget approved by the City Council in June, 2013. The entire report is available on the City's website at: http://www.ci.independence.mo.us/Finance/Budget.aspx

Adherence to Policy

Resolution #4948 provides that the City will maintain an Unassigned 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." The slow development of The Falls at Crackerneck Creek redevelopment project continues to cause a severe reduction of anticipated tax revenue, resulting in the City having to pay a portion of the project's debt service from the Unassigned 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, 74 positions - representing slightly more than 10% of the total authorized positions - have been left unfunded. This budget does not call for employee layoffs and no furlough days for employees are included.

Budget Review

The budget accounts for all revenues received from the sale of utility services, property taxes, sales taxes (including general sales tax, park, street, police, fire and storm water sales taxes), service fees, grants, etc. The total operating and capital budget for the City, including utilities, is $291,725,300 which is a decrease of $46,187,915 (13.7%) from the 2012-13 budget. This decrease is due to a decrease in capital budget appropriations ($50,060,972) with all of that decrease being attributable to the Sanitary Sewer Fund capital budget. The operating portion of the total budget increased by $7,098,404 (2.7%).

General Fund

The General Fund is the tax and fee supported portion of the City's budget. At $72,584,249, it is 27% 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 and the Water Department, which are operated from enterprise funds, and the Tourism Program.

General Fund revenues are projected to be $256,451 less than was budgeted in fiscal year 2012-13. The following table provides a General Fund revenue comparison for the adopted 2012-13 budget to the revised 2012-13 budget and the 2013-14 budget.

General Fund Revenue Comparison

Source	Adopted Budget 2012-13	Revised Estimate 2012-13	Budget 2013-14
Property Taxes	$7,434,000	$7,478,285	$7,552,000
Sales & Use Taxes	16,967,564	16,987,564	17,235,264
Utility Franchise Fees	11,272,000	10,902,153	11,027,814
PILOTS	18,343,016	18,025,805	18,423,580
Licenses & Permits	3,303,594	3,264,010	3,259,145
Grants & Shared Revenues	5,193,957	5,130,134	5,209,832
Charges for Services	2,690,043	2,086,996	1,957,418
Fines & Court Costs	4,716,854	4,121,011	4,864,348
Interest Income	90,900	90,600	90,600
Interfund Charges	3,938,088	3,938,088	4,072,304
Other Revenue	467,425	519,100	465,685
Total Revenue	**$74,417,441**	**$72,543,746**	**$74,157,990**

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 slight increase of $248,000 or 1.5% compared to original projections for the current fiscal year.

General Fund Highlights

A. Unassigned Fund Balance. For fiscal year 2013-14, the fund balance is projected to be $3,707,900. City Policy (Resolution #4948) is to maintain an undesignated fund balance for the General Fund equivalent to 5% of revenues which is the current projected amount for the end of the 2013-14 fiscal year. This level of fund balance was achieved as a result of the debt refinancing of the Falls at Crackerneck Creek TIF debt. One of the conditions of the refinancing was the City would allocate up to half of the initial annual savings resulting from the refinancing into the General Fund Unassigned Fund Balance until that account became fully funded.

B. Public Safety. The budget for the Police Department is $26.4 million. The budget for the Fire Department is $16.4 million. Approximately 60% of the General Fund is designated for these two departments.

1. The budget includes an increase to the Police Department of approximately $810,042. The costs for salary and benefit increases for fiscal year 2013-14 are projected to increase $668,575 over the current fiscal year.

2. The budget also includes an increase to the Fire Department of approximately $470,472. Salary and benefit increases for fiscal year 2013-14 are projected to increase approximately $409,415.

C. Employee Benefits. Funding has been included for a 4% increase in health care insurance costs, effective January 1, 2014. 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. Funding has also been included for a 5% increase in dental insurance premiums, which will also increase January 1, 2014.

D. Technology Updates. Approximately $113,600 is included to fund scheduled replacement of electronic equipment such as file servers, microcomputers and printers.

Capital Outlay

The 2013-14 budget includes $374,848 for capital outlay from the General Fund. This is the same amount budgeted for the current fiscal year.

****

For a discussion of the current condition of the City's General Fund see **"APPENDIX C - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2014."**

THE BONDS

General Terms

The Bonds are being issued in the principal amounts shown on the cover page, are dated the date of delivery thereof, 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 beginning on October 1, 2014, 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 above concerning DTC and DTC's book-entry system has been obtained from sources that the Board and the City believe to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the Board, the City, the Trustee or the Underwriter. The Board, the City, the Trustee and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption and payment prior to maturity.

Mandatory Sinking Fund Redemption.

The Bonds maturing on April 1, 2022 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

April 1	Principal Amount
2021	$585,000
2022	1,095,000

*Final Maturity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer Outside Book-Entry Only System

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

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

Special, Limited Obligations

The Bonds and the interest thereon are special, limited obligations of the Board, payable solely from certain payments to be made by the City under the Financing Agreement and certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. 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 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

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

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 Eastland 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 REDEVELOPMENT PROJECT - Administration of the Special Allocation Fund."**

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.

Debt Service Reserve Fund

Pursuant to the Indenture an account in the Debt Service Reserve Fund is established for each series of the Eastland Bonds that is to be secured by a debt service reserve account. Each such account will be fully funded at the time of the issuance of the applicable Eastland Bonds from the proceeds thereof in an amount equal to the applicable "Debt Service Reserve Requirement." For the Bonds, the Debt Service Reserve Requirement is the amount of $485,500. Amounts in each account Debt Service Reserve Fund are to be used to pay principal of and interest only on the associated series of Eastland Bonds to the extent of any deficiency in the associated Debt Service Fund account and to retire the last Outstanding bonds of the applicable series of Eastland Bonds.

The Indenture

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

Additional Bonds

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

The sole economic test for the issuance of Additional Bonds on a parity with the then-outstanding Eastland 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 outstanding Eastland Bonds even if the Incremental Tax Revenues related to the Eastland Bonds are not sufficient to provide for the Loan Payments on the Eastland 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 Financing Agreement.**

The City expects to fund approximately $3,300,000 of other redevelopment project costs relating to the Eastland Redevelopment Project. Such costs may be funded with available cash or on a pay as you go basis. If Additional Bonds are issued, they will be secured on a parity with the Eastland Bonds and therefore will share an equal claim on the Incremental Tax Revenues derived by the City with respect to the Eastland Redevelopment Project, all as more fully described herein.

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 Capacity. 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, 2014, approximately 83% of the General Fund ($59,547,000) is expected to be spent for personnel costs – salaries, wages and benefits. Appropriations from the General Fund to pay debt service on the Eastland 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 all Eastland Bonds by continuing its annual appropriation pledge.

Of the 83.2% of the General Fund expended on salaries, wages and benefits in the fiscal year ending June 30, 2013, approximately 6.7% ($4,629,322) was expended for contributions to a defined benefit pension plan known as LAGERS and 5.2% ($3,601,977) was expended on a "pay-as-you-go" basis for expenses described as "Other Post-Employment Benefits" (OPEB). Audited numbers for Fiscal Year 2013 are included in notes 9 and 10 to the City's financial statements contained in **Appendix B**. In addition, **Appendix B** presents multi-year trend information as of June 30, 2013, showing 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 I.** The most recent actuarial report received by the City relating to the projected OPEB is attached hereto as **Appendix J**. 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 2014, the City appropriated $710,679 from the General Fund to pay debt service on bonds issued for the Crackerneck Creek project. In all, to date, the City has expended $12,991,496 from its General Fund and $1,242,977 from utility funds to cover the debt service shortfalls on the for the Crackerneck Creek Project bonds.

As of March 31, 2014, the City's projections for sales tax revenues are at the original estimates formulated for the Fiscal Year 2014 budget based on nine months of operating results. Overall General Fund revenues are projected to be higher than original estimates. See **"APPENDIX C - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2014."** The trends identified by the City are consistent with other certain recent economic indicators, including declining retail sales and a resulting decline in local sales tax revenues, and studies indicating a decline in economic conditions has occurred. The City will continue to monitor retail sales to determine the impact of the general economic decline on revenues available to pay debt service on the Project Bonds.

In 2012 the Missouri Supreme Court rendered a decision stating that local sales taxes cannot be levied on motor vehicle purchases made in another state, or when one individual sells a motor vehicle to another individual. Such sales would only be taxed if a local jurisdiction has a use tax. The City does not have a use tax and historically the various City sales taxes had been levied on such purchases. The City is evaluating the potential impact of this decision on its sales tax revenues, including those in the general fund. Because the amount of sales tax on such purchases has not been separately tracked, it is not possible to estimate the impact of the decision, although the City has determined that the potential negative impact could be significant.

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.

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 Eastland Redevelopment Project.

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.

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

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

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

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Eastland 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.

Proposed Additional Bonds. The sole economic test for the issuance of Additional Bonds on a parity with 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 affect 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. See **"Appendix B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2014."**

The City continually monitors the amount of sales tax generated in the City, including the Economic Activity Taxes in the Eastland 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 Eastland 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"** 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 City Counselor.

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 and is not 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 McGraw Hill Financial, 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, 2013 excerpted from the City's Comprehensive Annual Financial Report are included in **Appendix B** hereto and an unaudited Financial and Operating Report for the period ended March 31, 2014 is included in **Appendix C** hereto. The financial statements for the fiscal year ended June 30, 2013 have been audited by McGladrey LLP, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto. McGladrey LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey LLP, also has not performed any procedures relating to this Official Statement.

The unaudited Financial and Operating report in **Appendix C** has been prepared by the City.

CONTINUING DISCLOSURE

The City will execute a Continuing Disclosure Agreement with respect to ongoing disclosure which will constitute the written understanding for the benefit of the owners of the Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Continuing Disclosure Agreement will require the filing of certain operating data and audited financial statements of the City, and the filing of notice of certain listed events, including bond redemptions, defeasances and rating changes, among others. A summary of the Continuing Disclosure Agreement is included in **Appendix C**.

The City has previously engaged in undertakings similar to the Continuing Disclosure Agreement related to most of the outstanding bonds listed in **Appendix A** under the heading "**FINANCIAL INFORMATION CONCERNING THE CITY – Obligations of the City –** *General Obligation Debt*" and "– *Revenue Debt*." The City filed its annual operating data and audited financial statements for fiscal year 2010 with EMMA. However, for the Series 2010B Bonds (described in **Appendix A** hereto) this information was not cross referenced on EMMA by CUSIP number. Similarly, for fiscal year 2013 the City has filed its annual operating data and audited financial statements with EMMA. However, for the Series 2013C, 2013D and 2013E Bonds (described in Appendix A hereto) the information was not cross referenced on EMMA by CUSIP number. On April 30, 2014, information has been filed with EMMA to cross reference the relevant operating data and audited financial information by entering the CUSIP numbers for the Series 2010B, 2013C, 2013D and 2013E Bonds. In addition, the City may not have filed event notices relating to bond redemptions, defeasances or rating changes for one of more series of prior bond issues for which it was the "obligated person" in full compliance with its prior continuing disclosure undertakings. The City believes, however, that any prior deficiency with respect to those event notices is not material, as the information was disseminated or available through other sources.

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 $4,865,668.45 (which represents the principal amount of the Bonds less an underwriter's discount of $72,825.00 and plus a net premium of $83,493.45). 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.

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co sells.

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

TABLE OF CONTENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

THE CITY

General Information

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

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

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

Council Members	Occupation	District	Expiration of Term
Don B. Reimal, Mayor	Retired	n/a	2014
Marcie Gragg	Church Leader	District 1	2016
Curt Dougherty	Electrician	District 2	2016
Roxann Thorley	Real Estate Agent	District 3	2016
Eileen N. Weir	Public Relations	District 4	2016
Jim Schultz	Insurance Agent	At-Large	2014
Chris Whiting	Communications	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 Brian Watson, appointed in February 2014. 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 in 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 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 by the Missouri General Assembly in 1967 and is governed by Missouri State Statute, Sections 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.

According to its website, (www.molagers.org) LAGERS covers more than 650 employers, and has over 33,000 active members, pays benefits to almost 16,000 retirees, and has about $5 billion in assets.

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 11.3% (general), 12.5% (police), and 13.1% (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, 2013, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was $215,306,565. The actuarial value of assets was $125,786,458, which results in an unfunded accrued liability (UAL) of $90,520,107 and a funded ratio of 58%. The covered payroll (annual payroll of active employees covered by the plan) was $66,004,494, which results in a ratio of the UAL to the covered payroll of 137%.

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 –						
February 28, 2011	$137,468,939	$220,918,979	$83,450,040	62%	$68,136,107	122%
February 29, 2012	125,863,329	210,700,773	84,837,444	60	65,208,725	130
February 28, 2013	124,786,458	215,306,565	90,520,107	58	66,004,494	137

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 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.

The number of retirees and beneficiaries receiving LAGERS benefits, as of February 28, 2013, which is the effective date of the current LAGERS actuarial valuation, is 881. There have been no significant changes in the number of covered participants since that date.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation as of June 30, 2013 are as follows:

Annual required contribution	$9,817,115
Interest on net pension obligation	371,466
Adjustment to annual required contribution	(282,671)
Annual pension cost	9,905,910
Actual contributions	7,961,680
Increase in net pension obligation	1,944,230
Beginning net pension obligation	5,123,666
Ending net pension obligation	$7,067,896

The City's annual pension cost (APC), the percentage of APD contributed to the plan, and the net pension obligation for the fiscal year ending June 30, 2013 is as follows:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fiscal year ending:			
June 30, 2011	$10,047,652	67.2%	$3,295,630
June 30, 2012	9,092,429	79.9	5,123,666
June 30, 2013	9,905,910	80.4	7,067,896

For 2013, the City's annual pension cost of $9,905,910 was not equal to the required and actual contribution which resulted in an increase to the Net Pension Obligation of $1,944,230 resulting in an ending Net Pension Obligation balance of $7,067,896. The required contribution was determined as part of the February 28, 2011 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, 2011 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. 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, 2011, 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	1,067
Retirees & covered spouses of retirees	988
Total Participants	2,055

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	$19,459,020
Interest on net OPEB obligation	1,962,212
Adjustment to annual required contribution	(2,136,630)
Annual OPEB cost (expense)	19,284,602
Less: Employer contributions	(6,613,000)
Increase in net OPEB obligation	12,671,602
Net OPEB obligation - July 1, 2012	49,055,349
Net OPEB obligation - June 30, 2013	$61,726,951

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 years set forth below is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$14,935,773	37.94%	$36,342,584
June 30, 2012	19,325,765	34.22	49,055,349
June 30, 2013	19,284,602	34.29	61,426,951

Funded Status and Funding Progress

As of January 1, 2011, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $246.3 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 $65.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 377 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

Actuarial 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
January 1, 2007	$0	$156,700,731	$156,700,731	0%	$54,887,375	285%
January 1, 2009	0	198,767,219	198,767,219	0	61,350,244	324
January 1, 2011	0	246,341,296	246,341,296	0	65,353,754	377

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, 2011 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 4.0 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 4.0 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 8.5 percent for the first year and then declining by one half of one percent (0.5%) per year until 5.25 percent is reached. The 5.25 percent growth is used on a go-forward basis. The actuarial assumptions include a 3.25 percentage rate for general inflation. 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 $25,754,953 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately $16,043,379. 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**	
	2012	**2013**	**2012**	**2013**
Beginning of year	$2,902,508	$2,681,196	$2,285,676	$2,257,468
Current year claims and changes in estimates	1,070,329	3,128,458	21,197,983	24,976,934
Claims payments	(1,291,641)	(1,643,847)	(21,226,191)	(24,884,473)
End of year	$2,681,196	$4,165,807	$2,257,468	$2,349,929

Payment Record

The City has never defaulted on any financial obligations.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

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	1,137
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

Sources: Independence Council for Economic Development and Mid-America Regional Council

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2010	2013*
City of Independence	111,797	112,301	113,288	121,212	117,270
Jackson County	629,266	633,232	654,880	671,057	678,692
State of Missouri	4,916,686	5,117,073	5,595,211	5,965,573	6,034,014

Sources: City's Community Development Department, Claritas, Inc. and Mid-America Regional Council
*Estimated

Population Distribution by Age

Age	City of Independence	Jackson County	State of Missouri
Age 0-4	6.92%	7.17%	6.61%
Age 5-9	6.45	6.85	6.43
Age 10-14	6.19	6.63	6.50
Age 15-20	7.13	7.73	8.43
Age 21-24	4.82	5.31	5.62
Age 25-34	13.05	14.23	12.70
Age 35-44	11.85	12.85	12.21
Age 45-54	13.79	13.84	13.98
Age 55-64	13.10	12.19	12.67
Age 65-74	8.67	7.27	8.29
Age 75-84	5.50	4.08	4.55
Age 85 and older	2.53	1.85	2.01
Median Age	39.6	36.6	38.0
Average Age	39.9	37.7	38.7

Source: Claritas, Inc.

The following table sets forth unemployment figures for the last five years for the Missouri Part of the Kansas City MSA, Jackson County and the State of Missouri. These data are considered provisional and may be subject to change.

	2009	2010	2011	2012	2013
Kansas City MSA					
Total Labor Force	616,981	608,881	606,130	604,936	600,931
Unemployed	59,891	60,294	53,794	43,595	41,888
Unemployment Rate	9.7%	9.9%	8.9%	7.2%	7.0%
Jackson County					
Total Labor Force	346,005	337,446	334,179	332,986	330,287
Unemployed	35,743	36,125	31,697	25,572	24,749
Unemployment Rate	10.3%	10.7%	9.5%	7.7%	7.5%
State of Missouri					
Total Labor Force	3,067,659	3,039,169	3,021,597	2,992,858	3,018,056
Unemployed	288,988	283,223	254,554	207,391	197,309
Unemployment Rate	9.4%	9.3%	8.4%	6.9%	6.5%

Source: MERIC MO Economic Research and Information Center

Income Statistics

The following table sets forth estimated income statistics for 2013:

	Per Capita	Average Household
City of Independence	$22,040	$52,800
Jackson County	24,042	59,356
State of Missouri	23,756	60,079

Source: Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2013:

Year Round Units	Number of Units	Percentage of Units
Single Detached	37,902	70.21%
Single Attached	2,858	5.29
Double	1,796	3.33
3 to 19 Units	7,157	13.26
20 to 49 Units	1,318	2.44
50 + Units	1,656	3.07
Mobile Home	1,290	2.39
All Other	5	0.01
Total Units	53,982	100.00%

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was estimated for 2013, as follows:

	Owner Occupied Median Value
City	$108,736
Jackson County	126,853
State of Missouri	132,346

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.

	2009	2010	2011	2012	2013
Residential					
Number of Permits	222	199	223	193	181
Estimated Cost	$13,119,817	$11,386,607	$23,387,011	$11,952,062	$15,361,748
Non-Residential					
Number of Permits	103	172	209	155	181
Estimated Cost	$99,875,472	$49,569,537	$57,576,453	$17,197,248	$50,869,887

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, 2013 was performed by McGladrey LLP 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
2012*	72,826,807	7,327,399	35,226	454,745	1,219,340	35,545,207	10,914,940	17,329,950
2013*	73,571,048	7,423,146	37,904	499,152	1,356,593	35,818,353	10,414,823	18,021,077

* 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 January 1, 2012:

	Assessed Valuation*	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	$779,674,017	19%	$4,103,547,458
Commercial	235,695,566	32%	736,548,644
Agricultural	1,128,605	12%	9,405,042
Railroad and Utilities	8,429,788	32%	26,343,088
Real Estate Sub-Total	$1,024,927,976		$4,875,844,231
Personal Property	254,225,408	33.3%	763,439,664
Total	$1,279,153,384		$5,639,283,894

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
2013	$1,279,153,384	-0.6%
2012	1,287,157,541	-0.9
2011	1,298,840,974	-0.4
2010	1,303,875,996	-7.7
2009	1,411,932,554	0.8
2008	1,400,611,015	6.1
2007	1,319,902,510	2.0
2006	1,294,345,907	2.3

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, 2012:

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
Simon Property Group LP	Retail Center	$22,094,332	1.73%
Cole EDD Mt Independence LLC	Retail Center	8,963,343	0.70
Sprint	Communications	8,867,595	0.69
Space Center of Kansas City	Underground Storage	6,738,787	0.53
Southern Union Company	Railroad	5,708,511	0.45
Unilever Bestfoods NA	Food Manufacturer	5,685,895	0.44
Comcast Cablevision	Utility	5,488,069	0.43
Centerpoint Medical Center	Health Care	4,656,394	0.36
AT&T	Communications	4,430,015	0.35
Mansion Apartments	Residential Housing	4,032,764	0.32
Total		$76,665,705	6.00%

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 March 31, 2014. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

(i) $69,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of $111,000, and

(ii) $385,000 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 March 31, 2014:

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$33,645,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2010B	$24,705,000
55,185,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2012A	54,565,000
52,525,000	MDFB	Infrastructure Facilities Leasehold Improvement and Refunding Revenue Bonds*	2012F	52,385,000

Water Fund – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$36,240,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds**	2013D	$36,240,000
1,980,000	MDFB	Taxable Infrastructure Facilities Refunding Revenue Bonds**	2013E	1,980,000

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	$11,445,000
11,815,000	MDFB	Infrastructure Facilities Revenue Bonds	2011A	11,575,000
68,945,000	MDFB	Infrastructure Facilities Revenue Bonds	2012C	68,840,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$10,330,000	MDFB	Infrastructure Facilities Revenue Bonds	2007B	$6,570,000
6,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2011B	5,970,000

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	$490,000
1,590,000	MDFB	Infrastructure Facilities Revenue Bonds	2006	865,000
995,000	MDFB	Infrastructure Facilities Revenue Bonds	2007D	550,000
1,230,000	MDFB	Infrastructure Facilities Revenue Bonds	2008E	1,050,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$34,340,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006A	23,595,000
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	1,205,000
7,920,000	MDFB	Infrastructure Facilities Revenue Bonds	2008B	7,920,000
14,005,000	MDFB	Taxable Infrastructure Facilities Ref. Revenue Bonds	2013A	14,005,000
10,835,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2013B	10,835,000

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	$4,285,000
19,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2007E	17,215,000
2,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2009I	2,045,000
490,000	MDFB	Infrastructure Facilities Revenue Bonds	2011C	325,000
12,050,000	MDFB	Infrastructure Facilities Revenue Bonds	2012D	11,475,000

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	$11,905,000
8,000,000	MDFB	Infrastructure Facilities Revenue Bonds	2008C	7,035,000
3,220,000	MDFB	Infrastructure Facilities Revenue Bonds	2009B	2,590,000
3,630,000	MDFB	Infrastructure Facilities Revenue Bonds	2009J	2,795,000
3,965,000	MDFB	Infrastructure Facilities Revenue Bonds	2012E	3,655,000

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	$7,515,000

Other Bonds Secured by the City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$8,225,000	MDFB	Infrastructure Facilities Revenue Bonds	2005A	$1,010,000
4,020,000	MDFB	Infrastructure Facilities Revenue Bonds	2009G	2,385,000
37,035,000	MDFB	Infrastructure Facilities Revenue Bonds***	2012B	36,290,000
43,800,000	MDFB	Infrastructure Facilities Revenue Bonds***	2013C	43,800,000

* limited to annual appropriation of net electric system revenues
** limited to annual appropriation of net water system revenues
*** limited to annual appropriation of net sewer system revenues

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 $7,515,000 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 audited financial statements, PILOTS and EATS generated in the Santa Fe Redevelopment Area in Fiscal Year 2013 were $17,550. 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 $109,886 in FY 2013. 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 the shortfalls in debt service payments on the Series 2007C Bonds. The Developer's voluntary reimbursements to the City are current through December, 2011. The shortfall for the April, 2012 and October, 2012 debt service payments on the Series 2007C Bonds was approximately $825,000, of which the Developer has paid $238,105. In addition to the $586,895 deficiency in reimbursements from calendar year 2012, an additional $713,105.33 debt service payment on the Series 2007C Bonds was due in April, 2013 and $225,007.25 was paid October 1, 2013 for which no reimbursement has yet been received. Based on oral representations from the Developer, the City believes the Developer will continue to fund these shortfalls. However, 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. Debt service payments made by the City on the Series 2007C Bonds has been made and accounted for on an interim basis through pooled cash resources in anticipation of the Developer's reimbursement payments and the City anticipates that this practice would continue to the extent that Developer reimbursements are not received. 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 and Eastland Projects

The Centerpoint and Eastland Redevelopment Projects are both in the vicinity of I-70 and 470 interchange in the City. The Centerpoint project involved the construction of a 221 bed hospital and related public and private improvements, and Eastland involved the construction of commercial uses and related public and private improvements. The City expects that approximately $400,000 in project costs for the Centerpoint project and approximately $3,300,000 in project costs for the Eastland project will be funded with the proceeds of future series of bonds, with such bonds anticipated to be payable from tax increment financing revenues for the respective projects, and if not paid from such revenues, from the City's general fund, subject to annual appropriation. Concurrently with the issuance of the Bonds, the Board is issuing its Series 2014B Bonds for the purpose of refunding the Series 2009I Bonds issued for the Centerpoint project and described above.

Water Utility

The City expects to fund approximately $2,500,000 of improvements to the City's water utility, which will be funded either through bonds or available revenues of the utility. If issued, the bonds are anticipated to be secured by loan payments to be made by the City from net revenues of the City's water utility, subject to annual appropriation.

Water Pollution Control

Under the terms of a consent decree 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.

Pursuant to two cost of service studies commissioned by the City, the City Council has approved two sets of rate increases for the wastewater utility, one in 2010 and one in 2013. The rate increases will be phased in through 2017. The City anticipates the issuance of bonds by the Board to fund approximately $85 million in improvements. The first series of such bonds (Series 2012B) were issued in 2012 in the amount of $37,035,000, and the second series (Series 2013B) were issued in 2013 in the amount of $43,800,000. Additional bonds are currently anticipated to be issued in 2014 in the aggregate amount of approximately $11,045,000. Such bonds, similar to the Series 2012B Bonds and Series 2013B Bonds, are anticipated to be payable from net revenues of the wastewater utility, subject to annual appropriation.

Electric Utility

The City expects the future issuance of bonds in 2014 by the Board in the amount of approximately $28,580,000 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, subject to annual appropriation.

Other Projects

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

Falls at Crackerneck Creek Redevelopment Project

General Description of the Falls at 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 was 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 to fund project costs (together with certain subsequent refunding bonds described below, 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. For Fiscal Years 2011 through 2013, has appropriated $12,300,817 from its General Fund and $221,272 from utility funds. 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**.**

In April, 2013, the Board, at the request of the City, issued the 2013A Bonds and 2013B Bonds to refund certain of the Crackerneck Creek Bonds previously issued to fund project costs. The purpose of the refunding was to reduce the amount of debt service on the bonds issued for the Crackerneck Creek Project during Fiscal Years 2014, 2015 and 2016 of the City. The projected reductions are approximately

$3,100,000,000 in each of 2014 and 2015 and $2,300,000 in 2015. The refunding did not produce present value savings for the City, but instead achieved short term relief for the three designated years through lower interest rates and extending the maturities of the bonds to be refunded. This will reduce the amounts the City would otherwise have to pay from its General Fund to cover shortfalls from project revenues to pay debt service on the Crackerneck Creek Project Bonds during those years.

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. Currently under construction in the Project are a Stoney Creek Inn that is expected to comprise approximately 167 guest rooms and 19,000 square feet of meeting space and a Pizza Ranch restaurant which is expected to be approximately 5,900 square feet. No other lease or binding commitment has been executed as of the date hereof for the Project, 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." Historically Bass Pro has not exceeded the $1,000,000 Minimum Percentage Rent.

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.

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 ran without any progress by Bass Pro toward the construction of the Hotel, the City took control of the Hotel site. Currently a Stoney Creek Inn is under construction on the hotel site. This hotel is expected to have approximately 167 guest rooms and 19,000 square feet of meeting space.

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 original retail sales projections that were too optimistic, 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, Incremental Tax Revenues, when combined with the Bass Pro Lease Payments, have been, and are expected to continue to be, materially short of the amount needed to fund debt service payments on the Project Bonds. The City believes that even with significant additional development it is highly unlikely that the Project will ever be able to generate sufficient revenues to pay debt service on the Project Bonds. Consequently, even if significant additional development occurs, additional revenue sources will need to be allocated to the payment of debt service on the Project Bonds.

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 Crackerneck Creek Project 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, and subsequently issued $80,760,000 to refund a portion of such bonds. 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.

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 and Comets completed their regular season schedules at the Events Center in March and February, 2014, respectively. The Events Center also has various other events scheduled over the coming months.

The City took over management of the Events Center in October 2010 from Global Entertainment Corporation, and 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 that 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. The City currently intends to pay operational shortfalls but has no legal obligation to do so. The anticipated source for funding any shortfalls that may occur is the City's General Fund.

For the period June 10, 2011, through June 30, 2012, total revenue at the Events Center was $5,210,859 and total expenses were $5,197,177, resulting in a net profit of $13,682. These numbers reflect the funding of $110,632 in a capital reserve fund for the Events Center that is to be used for future capital maintenance expenses of the facility.

For July 1, 2012, through June 30, 2013, total revenue at the Events Center was $5,182,677 and total expenses were $5,387,892, resulting in a net loss of $205,215. These numbers reflect the funding of $112,190 in the capital reserve fund for the Events Center mentioned in the prior paragraph. The operating shortfall for 2013 was funded by the IECMC from available cash.

The IECMC will continue to closely monitor the operations of the Events Center. The Board of the IECMC is currently evaluating ways in which the amount of events at the Events Center can be increased, including the possibility of hiring a third party management company for the facility.

Capital Leases

Capital leases payable at June 30, 2013 are comprised of the following:

Sun Trust Leasing, interest at 4.19% annual installments through July 2013. A lease to purchase a fire truck.	$89,484
Missouri Development Finance Board, interest at 2.04% monthly installments through 2016. A lease to purchase a IBM computer.	91,076
Motorola Solutions, interest at 3.4593% semi-annual installments through 2022. A lease to purchase radio equipment.	1,226,787
TOTAL	$1,407,347

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, 2013, and the percent attributable (on the basis of assessed valuation figures) to the City.

Jurisdiction	General Obligation Bond Issues Outstanding*	Percentage Applicable to City of Independence	Amount Applicable to City of Independence
Blue Springs R-4 School District	$140,150,000	3.4%	$4,765,100
Independence School District	136,425,000	93.81	127,980,293
Raytown School District**	69,464,999	6.00	4,167,900
Fort Osage R-1 School District	43,145,000	12.50	5,393,125
Subtotal, overlapping debt			$142,306,417
City direct debt			173,307,744
Total direct and overlapping debt			$315,614,161

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 are provided by each governmental entity, and is based on the City's percentage of assessed valuation within the school district.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX B

ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2013; UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2014

(THIS PAGE LEFT BLANK INTENTIONALLY)

ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2013

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF INDEPENDENCE, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Mayor
Don B. Reimal

City Council

Marcie Gragg	District #1
Curt Dougherty	District #2
Myron Paris	District #3
Eileen N. Weir	District #4
Jim Schultz	At-large
Chris Whiting	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

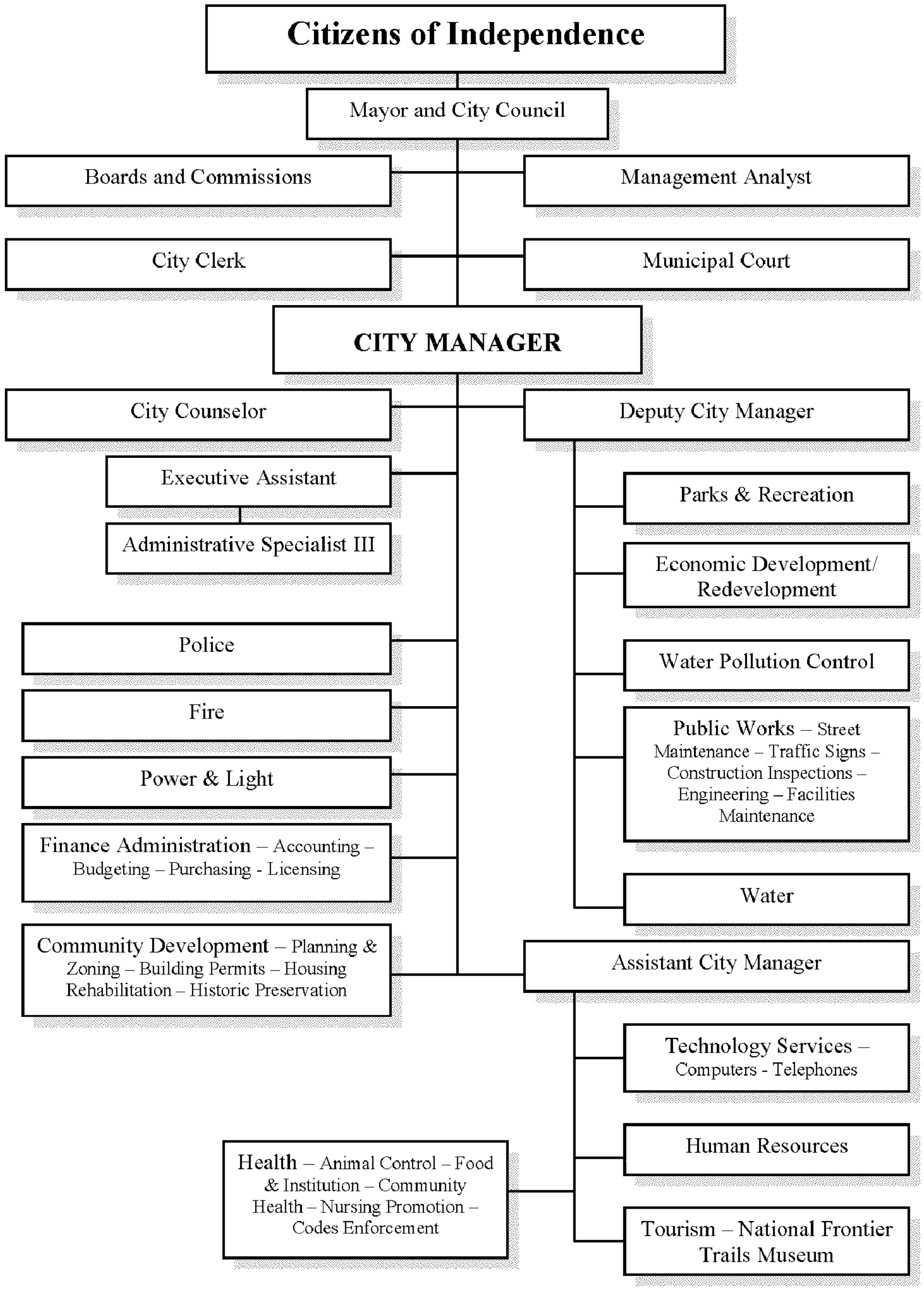
Table of Contents

CITY OF INDEPENDENCE, MISSOURI

Table of Contents

THE CITY OF INDEPENDENCE

MISSOURI


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
Water Pollution Control
Police
Fire
Power & Light
Public Works – Street Maintenance – Traffic Signs – Construction Inspections – Engineering – Facilities Maintenance
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

THE CITY OF INDEPENDENCE

MISSOURI

City of Independence

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

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

October 21, 2013

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, 2013. 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 McGladrey LLP. 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, 2013 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 unmodified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2013, 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 117,213.

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. Independence was also named "Best Day Tour from Kansas City" for the second year in a row by the readers of AAA Midwest Traveler magazine.

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-49, 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, Independence Events Center Management Corporation (IECMC), Events Center Community Improvement District (CID) and the Crackerneck Creek Transportation Development District's (TDD) activities in its financial statements as blended component units.

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, 2013, 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. 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 a fast growing commercial area. This area is home to the Independence Events Center which includes an arena with 5,800 seats for sports 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 Missouri Mavericks have a signed contract that expires in 2020 and the Comets contract expires March 2016. 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	City of Independence Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2013*	7.2%	7.8%	7.0%
2012	7.1%	7.7%	6.9%
2011	8.7%	9.5%	8.4%
2010	10.0%	10.7%	9.4%
2009	9.7%	10.3%	9.4%

Source: MERICO MO Economic Research and Information Center/MO Dept. of Economic Development
* Average Estimated through July 2013

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 projects for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The budget for fiscal year 2013-2014 includes projects totaling an estimated $21.3 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, 2013 was .8% of the General Fund revenues. This is a decrease from 2.5% 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 now complete. This roadway links four major highways and covers 32 square miles with plans to add an additional 20,000 residents and 5,000 new jobs by 2020.

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, 2012. 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, 2012. 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 McGladrey LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,

James C. Harlow
Director of Finance and Administration

Government Finance Officers Association

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, 2012

Executive Director/CEO

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Independence Events Center Management Corporation (IECMC), which is a blended component unit presented within the Events Center Fund, a major enterprise fund of the City. This activity represents 2 percent and 49 percent, respectively, of the total assets and total revenues of the major enterprise fund and 0.2 percent and 3 percent, respectively, of the total assets and total revenues of the business-type activities. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the IECMC is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As explained in Note 16 to the basic financial statements, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which restated beginning net position for items previously reported as assets.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, the Budgetary Comparison Schedules on pages 81 and 82, and the Schedules of Funding Progress on page 83 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Independence, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory, statistical sections and other schedules, as listed in the table of contents, 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 them.

McGladrey LLP

Kansas City, Missouri
October 18, 2013

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, 2013. 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 position decreased $12.6 million. The City's 'governmental-type activities' had a decrease of $8.1 million and the 'business-type activities' had a decrease of $4.4 million.

Sales tax revenue increased by $853,039. 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 continues to develop within the trade area of the City. Blue Springs and Lee's Summit continue to expand their retail shopping opportunities.

The economy has continued to impact development in the 39th Street and I-70 commercial area of the City. This lack of growth has significantly impacted the Falls at Crackerneck tax increment financing project. Since retail shopping has not occurred as originally expected the General Fund has had to fund the debt service gap on the bonds issued to for public improvements in this project. Several of the debt issues for the Falls at Crackerneck project were restricted to reduce the General Fund coverage in future years.

Revenues of the General Fund were also significantly impacted by the combined impact of extremely low cost of natural gas and weather. As a result of the low cost of fuel and a very mild winter revenues from the franchise tax on natural gas sales within the City were $982,000 less than originally projected. Weather has also impacted revenues from sales of electricity and water.

Rate studies have recently occurred for each of the three utilities: electric, water, and sanitary sewer. The City has continued the authorization of 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 allowed for 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). During 2011 the City established the Independence Events Center Management Corporation and assumed the operation of the events center. The Management Corporation is operating the events center with staff from a prior operator.

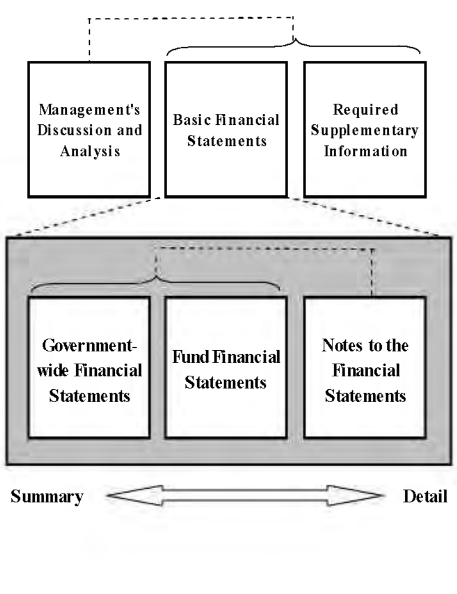
Overview of the Financial Statements

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.

Figure MD-1

Required Components of City of Independence's Annual Financial Report



- 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 position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position *Statement of cash flows	* Statement of fiduciary net position *Statement of changes in fiduciary net position
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 position includes all of the government's assets , liabilities, and deferred inflows/outflows of resources. 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 position and how they have changed. The term "net position" refers to the difference between the City's assets, liabilities, and deferred inflows/outflows of resources and is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position 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 position and a statement of changes in fiduciary net position. 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 Position

The following Table (MD-1) reflects the condensed Statement of Net Position:

Table MD-1
City of Independence's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 55,467,642	59,720,129	160,883,829	113,892,843	216,351,471	173,612,972
Capital assets	342,315,286	343,170,328	496,267,164	492,432,749	838,582,450	835,603,077
Total assets	397,782,928	402,890,457	657,150,993	606,325,592	1,054,933,921	1,009,216,049
Total deferred outflows of resources	3,283,623	839,321	10,133,821	2,779,157	13,417,444	3,618,478
Long-term obligations	264,694,691	260,961,889	337,327,232	270,928,647	602,021,923	531,890,536
Other liabilities	14,360,438	12,615,839	17,792,875	14,316,921	32,153,313	26,932,760
Total liabilities	279,055,129	273,577,728	355,120,107	285,245,568	634,175,236	558,823,296
Net position						
Net investment in capital assets	336,357,164	334,320,197	251,523,417	262,631,937	587,880,581	596,952,134
Restricted	16,853,297	17,087,358	15,545,776	14,629,418	32,399,073	31,716,776
Unrestricted (deficit)	(231,199,039)	(221,255,505)	45,095,514	39,325,081	(186,103,525)	(181,930,424)
Total net position	$ 122,011,422	130,152,050	312,164,707	316,586,436	434,176,129	446,738,486

The amounts from 2012 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

The City's combined net position decreased 2.8% to $434.2 million from $446.7 million. Net position of the City's governmental activities decreased 6.3% to $122.0 million. Governmental assets decreased $5.1 million and liabilities increased $5.5 million. Long-term obligations for Governmental activities increased $3.7 million and Business-type activities increased $66.4 million. The increase in long term obligations for Business-type activities is primarily the result of issuing obligations for sanitary sewer system improvements. Other factors include an increase in the amount reported for other post employment benefits, and the net pension obligation for the LAGERS retirement program.

Total unrestricted net position (deficit) was ($186.1) million with the Business-type activities being $45.1 million. The City's unrestricted net position (deficit) for Governmental activities was ($231.2) million.

Unrestricted net position for Business-type activities was $45.1 million and increased $5.8 million from the previous year. Net investment in capital assets were $251.5 million and decreased $11.1 million from the previous year.

Change In Net Position

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

Table MD-2
City of Independence's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	$ 14,976,665	15,574,641	188,969,047	187,612,122	203,945,712	203,186,763
Operating grants & contributions	9,462,570	12,487,041	—	5,000	9,462,570	12,492,041
Capital grants & contributions	3,590,902	14,465,335	763,127	1,122,019	4,354,029	15,587,354
General revenues						
Property taxes	7,618,559	8,652,704	—	—	7,618,559	8,652,704
Sales taxes	40,689,725	39,836,686	5,291,682	3,506,061	45,981,407	43,342,747
Intergovernmental activity taxes	9,635,263	9,534,652	—	—	9,635,263	9,534,652
Other taxes	10,430,048	10,936,586	—	—	10,430,048	10,936,586
Interest	302,467	228,812	66,215	28,936	368,682	257,748
Other	1,049,065	397,567	557,965	2,212,916	1,607,030	2,610,483
Total revenues	97,755,264	112,114,024	195,648,036	194,487,054	293,403,300	306,601,078
Expenses						
Administrative services	9,225,738	8,344,371	—	—	9,225,738	8,344,371
Public works	17,428,294	15,562,839	—	—	17,428,294	15,562,839
Public safety	55,139,731	53,836,564	—	—	55,139,731	53,836,564
Culture & recreation	7,275,087	8,476,301	—	—	7,275,087	8,476,301
Community development	5,318,490	5,128,323	—	—	5,318,490	5,128,323
Health & welfare	3,810,863	3,575,162	—	—	3,810,863	3,575,162
Electric	—	—	127,959,254	127,676,243	127,959,254	127,676,243
Water	—	—	21,886,576	21,661,876	21,886,576	21,661,876
Sanitary sewer	—	—	18,900,129	16,157,412	18,900,129	16,157,412
Events center	—	—	13,091,457	15,901,116	13,091,457	15,901,116
Storm water	2,862,544	2,765,629	—	—	2,862,544	2,765,629
General government	8,405,914	9,293,399	—	—	8,405,914	9,293,399
Tax increment financing	14,281,820	4,588,181	—	—	14,281,820	4,588,181
Interest	379,760	10,259,011	—	—	379,760	10,259,011
Total expenses	124,128,241	121,829,780	181,837,416	181,396,647	305,965,657	303,226,427
Excess (deficiency) of revenues over expenses before transfers	(26,372,977)	(9,715,756)	13,810,620	13,090,407	(12,562,357)	3,374,651
Transfers - In (Out)	18,232,349	17,329,950	(18,232,349)	(17,329,950)	—	—
Change in net position	(8,140,628)	7,614,194	(4,421,729)	(4,239,543)	(12,562,357)	3,374,651
Net position, beginning of year, as restated	130,152,050	122,537,856	316,586,436	320,825,979	446,738,486	443,363,835
Net position, end of year	$ 122,011,422	130,152,050	312,164,707	316,586,436	434,176,129	446,738,486

The amounts from 2012 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

Total revenues decreased 4.3% or $13.2 million, Business-type activities increased 0.6% or $1.2 million, and Governmental revenues decreased 12.8% or $14.4 million. The reduction in Operating grants and contributions is the result of fewer reimbursements in areas, such as, Neighborhood Stabilization and Energy Efficiency and Conservation. The reduction in Capital grants and contributions is primarily from fewer reimbursements for transportation 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 weather conditions.

Total expenses increased 0.9% or $2.7 million, Governmental expenses increased 1.9% or $2.3 million and Business-type expenses increased 0.2% or $440,769.

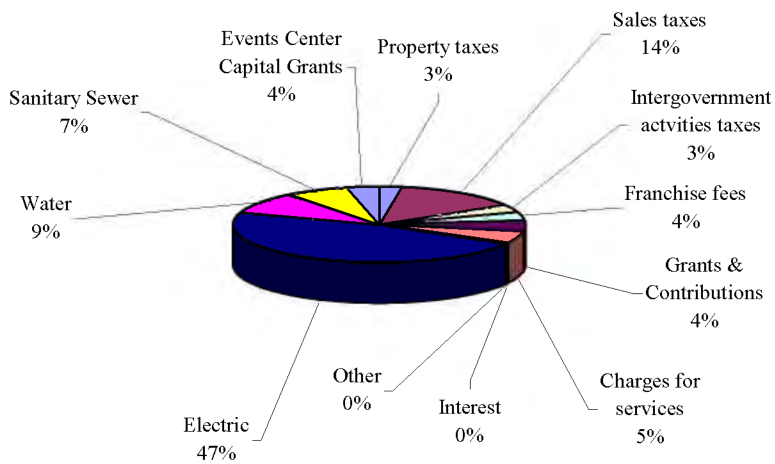
Included with the Governmental expenses are costs associated with debt service payments for the blended component units. Revenues in the Falls at Crackerneck TIF special allocation fund were insufficient to pay all the debt service on the outstanding obligations and the developer indicated they were not able to fund the deficit. The City has appropriated and set aside $4.8 million during FY 2013-14 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. The transfers out of the Business Type Activities and in to the Governmental Activities represents the payment in-lieu of taxes that would be paid and received if they operated as private utilities.

Revenues

For the fiscal year ending June 30, 2013 revenues totaled $293.4 million. Of this amount charges for services (Governmental and Business-type) was $203.9 million or 69.5% of the total. Revenue from Business-type activities represents $195.6 million or 66.7% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenue for FY 2013

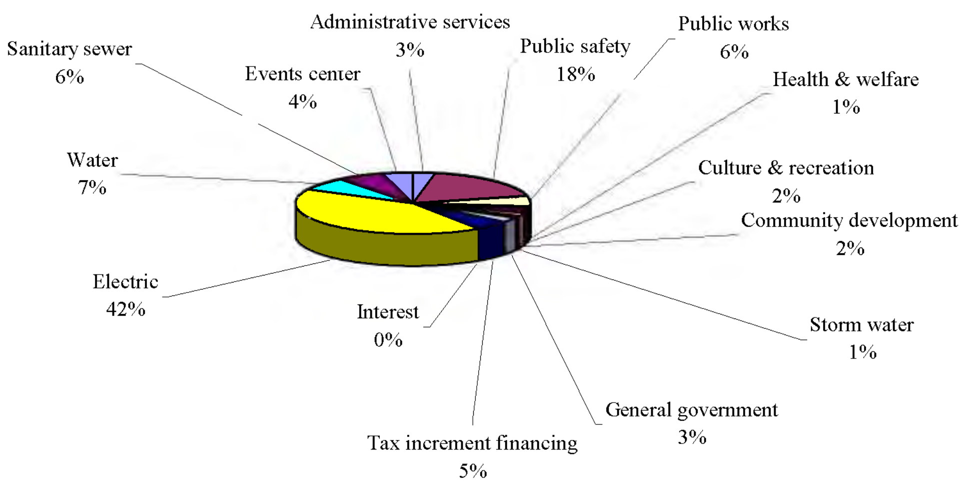


Revenues from Governmental activities were $97.8 million. Sales taxes, the largest Governmental category, were $40.7 million or 41.6%. All taxes represent $68.4 million or 69.9% of Governmental revenue. Operating and capital grants were $13.1 million or 13.4% of Governmental revenues. Charges for services at $15.0 million were 15.3% of the total.

Expenses

For the fiscal year ending June 30, 2013 expenses totaled $306.0 million. Of this amount the electric utility was $128.0 million or 41.8% of the total. Business-type expenses represent $181.8 million or 59.4% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2013



Expenses from Governmental activities were $124.1 million. Public safety expenses, the largest Governmental category, were $55.1 million or 44.4% of the total. Public Works is the next largest category at $17.4 million, which is 14.0% of the total.

Governmental Activities

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

	Total Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Administrative services	$ 9,225,738	8,344,371	2,583,907	625,477
Public works	17,428,294	15,562,839	10,869,478	(1,369,468)
Public safety	55,139,731	53,836,564	47,973,435	44,235,383
Culture & Recreation	7,275,087	8,476,301	5,008,612	7,412,102
Community development	5,318,490	5,128,323	2,738,989	1,212,549
Health & Welfare	3,810,863	3,575,162	2,358,748	2,125,947
Storm water	2,862,544	2,765,629	2,846,107	2,765,629
General government and interest on long-term debt	8,785,674	19,552,410	8,712,619	17,706,963
Tax increment financing	14,281,820	4,588,181	13,006,209	4,588,181
Total	$ 124,128,241	121,829,780	96,098,104	79,302,763

The amounts from 2012 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

As noted in Table MD-3 expenses from Governmental activities for fiscal year 2013 were $124.1 million. However, the net costs of these services were $96.1 million. The difference represents direct revenues received from charges for services of $15.0 million, operating grants and contributions of $9.5 million, and capital grants and contributions of $3.6 million. Taxes and other revenues of $69.7 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's Business-type activities increased $1.2 million or 0.6% and expenses increased $440,769. This change in revenues is primarily the result of scheduled rate increases and less weather conditions for the electric utility and more favorable weather for the water utility. Fluctuations in weather for the electric and water utilities impact both the revenues and expenses of these utilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its Governmental funds reported a combined fund balance of $39.4 million. The fund balance of the General Fund decreased $1.6 million during fiscal year 2013. The unassigned portion of the General Fund's fund balance decreased $1.2 million. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as the following:

Position vacancies continued to be managed with the intent of controlling termination and recruitment costs.

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 and the cost of fuel impacted natural gas and electric franchise taxes and payments in-lieu of taxes.

General Fund Budgetary Highlights

Resources available for appropriation did not change from the original estimate. Actual revenues at the end of the year were less than projected by $2.9 million. The largest variance was in the area of taxes and payments in lieu of taxes, accounting for $1.2 million of the revenue variance. A large variance also occurred in the area of revenues from fines and forfeitures, accounting for $0.7 million.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $566,280 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.

Actual expenditures, including encumbrances, were $1.2 million less than the amount appropriated, representing operating savings of 1.7%. 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 2013, the City had invested $838.6 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased $3.0 million or 0.4% during the period.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Land & land imp	$ 37,424,070	37,430,767	11,353,398	11,353,346	48,777,468	48,784,113	-0.01%
Buildings & Improvements	67,049,147	70,149,970	—	—	67,049,147	70,149,970	-4.42%
Office furniture & equipment	39,604	59,404	—	—	39,604	59,404	-33.33%
Computer equipment	1,449,829	542,845	—	—	1,449,829	542,845	167.08%
Mobile equipment	5,642,876	5,788,152	—	—	5,642,876	5,788,152	-2.51%
Other equipment	3,875,854	3,328,387	11,484,512	11,527,639	15,360,366	14,856,026	3.39%
Infrastructure	212,514,774	185,469,790	438,626,147	446,020,403	651,140,921	631,490,193	3.11%
Construction in progress	14,319,132	40,401,013	34,803,107	23,531,361	49,122,239	63,932,374	-23.17%
Total	$ 342,315,286	343,170,328	496,267,164	492,432,749	838,582,450	835,603,077	0.36%

The budget for fiscal year 2014 projects the City will spend an additional $21.3 million for capital projects. The largest category at $7.1 million is improvements to the City's street and bridge system.

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
	2013	2012	2013	2012	2013	2012	2012-2013
Loans and bonds payable	$ 4,838,746	8,280,302	296,937,015	243,037,399	301,775,761	251,317,701	20.08%
TIF loans payable	166,533,228	172,511,731	—	—	166,533,228	172,511,731	-3.47%
Capital lease obligations	1,407,347	1,642,764	—	—	1,407,347	1,642,764	-14.33%
Neighborhood Improvemt District	528,423	598,369	—	—	528,423	598,369	-11.69%
Total	$ 173,307,744	183,033,166	296,937,015	243,037,399	470,244,759	426,070,565	10.37%

The City at the end of fiscal year 2013 had a total of $470.2 million of outstanding obligations. This was an increase of $44.2 million or 10.4% from the previous fiscal year. None of these amounts relate to general obligations of the City and $297.0 million or 63.1% are obligations of the Business-type activities.

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

Economic Factors

In the last five years the City, as a community, lost 1,772 jobs, with current total employment at 54,450 jobs. Unemployment by mid-2013 was 7.2%; this is lower than Jackson County at 7.8% and higher than the State at 7.0%. Average household income for 2013 is estimated to be $52,800, compared to $60,079 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.

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

June 30, 2013

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets:			
Current assets:			
Pooled cash and investments	$ 18,966,083	49,831,133	68,797,216
Receivables:			
Taxes	8,087,134	836,032	8,923,166
Accounts	678,807	14,599,014	15,277,821
Unbilled revenue	—	13,358,609	13,358,609
Special assessment principal	1,844,191	172,485	2,016,676
Internal balances	1,839,250	(1,839,250)	—
Due from other governments	2,653,120	374,571	3,027,691
Sales tax bond	—	1,570	1,570
Inventory	180,781	13,283,216	13,463,997
Prepaid items	480,253	278,513	758,766
Restricted cash and investments	—	3,023,898	3,023,898
Total current assets	34,729,619	93,919,791	128,649,410
Noncurrent assets:			
Capital assets:			
Nondepreciable	44,820,104	46,156,505	90,976,609
Depreciable, net	297,495,182	450,110,659	747,605,841
Goodwill	—	999,203	999,203
Other assets	—	133,192	133,192
Restricted cash and investments	20,738,023	65,831,643	86,569,666
Total noncurrent assets	363,053,309	563,231,202	926,284,511
Total assets	397,782,928	657,150,993	1,054,933,921
Deferred outflows of resources:			
Deferred charge on refunding	3,283,623	10,133,821	13,417,444
Total deferred outflows of resources	3,283,623	10,133,821	13,417,444
Total assets & deferred outflows of resources	$ 401,066,551	667,284,814	1,068,351,365
Liabilities and Net Position			
Current liabilities:			
Accounts and contracts payable	$ 1,253,449	9,534,366	10,787,815
Accrued items	5,350,497	2,433,868	7,784,365
Other current liabilities	402,290	305,137	707,427
Unearned revenue	638,300	337,662	975,962
Current portion of long-term obligations	14,129,537	12,428,963	26,558,500
Self-insurance claims payable	4,144,463	—	4,144,463
Liabilities payable from restricted assets	200,166	5,073,068	5,273,234
Total current liabilities	26,118,702	30,113,064	56,231,766
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	204,009,360	302,659,216	506,668,576
Self-insurance claims payable	2,371,273	—	2,371,273
Other post-employment benefits	42,078,920	19,648,031	61,726,951
Net pension obligation	4,476,874	2,591,022	7,067,896
Advances for construction	—	108,774	108,774
Total noncurrent liabilities	252,936,427	325,007,043	577,943,470
Total liabilities	279,055,129	355,120,107	634,175,236
Net position:			
Net investment in capital assets	336,357,164	251,523,417	587,880,581
Restricted for:			
Public safety	4,606,968	—	4,606,968
Public works	4,464,471	—	4,464,471
Culture and recreation	40,461	—	40,461
Storm water	7,317,240	—	7,317,240
General government	15,059	—	15,059
Debt service	209,098	13,638,374	13,847,472
Worker's compensation escrow	200,000	—	200,000
Dogwood SPP escrow	—	61,500	61,500
Community improvement district	—	1,845,902	1,845,902
Unrestricted (deficit)	(231,199,039)	45,095,514	(186,103,525)
Total net position	122,011,422	312,164,707	434,176,129
Total liabilities and net position	$ 401,066,551	667,284,814	1,068,351,365

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2013

Functions/Programs		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:						
Governmental activities:						
Administrative services	$	9,225,738	6,611,432	30,399	—	(2,583,907)
Public safety		55,139,731	4,567,625	2,508,640	90,031	(47,973,435)
Public works		17,428,294	362,732	4,161,914	2,034,170	(10,869,478)
Health and welfare		3,810,863	735,708	710,677	5,730	(2,358,748)
Culture and recreation		7,275,087	727,220	104,721	1,434,534	(5,008,612)
Community development		5,318,490	934,442	1,635,059	10,000	(2,738,989)
Storm water		2,862,544	—	—	16,437	(2,846,107)
General government		8,405,914	—	73,055	—	(8,332,859)
Tax increment financing		14,281,820	1,037,506	238,105	—	(13,006,209)
Interest on long-term debt		379,760	—	—	—	(379,760)
Total governmental activities		124,128,241	14,976,665	9,462,570	3,590,902	(96,098,104)
Business-type activities:						
Power and light		127,959,254	137,749,295	—	585,916	10,375,957
Water		21,886,576	26,642,646	—	145,178	4,901,248
Sewer		18,900,129	20,231,637	—	32,033	1,363,541
Events center		13,091,457	4,345,469	—	—	(8,745,988)
Total business-type activities		181,837,416	188,969,047	—	763,127	7,894,758
Total primary government	$	305,965,657	203,945,712	9,462,570	4,354,029	(88,203,346)

		Governmental Activities	Business-Type Activities	Total
Changes in net position:				
Net (expense) revenue	$	(96,098,104)	7,894,758	(88,203,346)
General revenues:				
Taxes				
Property taxes		7,618,559	—	7,618,559
Sales and use taxes		40,689,725	5,291,682	45,981,407
Intergovernmental activity taxes		9,635,263	—	9,635,263
Franchise taxes		10,414,823	—	10,414,823
Financial institutions tax		15,225	—	15,225
Investment earnings		302,467	66,215	368,682
Miscellaneous		1,049,065	557,965	1,607,030
Transfers in (out)		18,232,349	(18,232,349)	—
Total general revenues and transfers		87,957,476	(12,316,487)	75,640,989
Change in net position		(8,140,628)	(4,421,729)	(12,562,357)
Net position (deficit), beginning as restated		130,152,050	316,586,436	446,738,486
Net position (deficit), ending	$	122,011,422	312,164,707	434,176,129

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2013

Assets		General	TIF Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	$	539,433	5,957,382	6,714,455	13,211,270
Receivables:					
Taxes		4,053,896	554,185	3,479,053	8,087,134
Accounts, net		175,559	73,840	31,216	280,615
Special assessment principal		712,137	—	1,132,054	1,844,191
Due from other funds		472,806	1,406,003	7,556,842	9,435,651
Due from other governments		708,657	438,701	1,505,762	2,653,120
Prepaid items		—	—	480,253	480,253
Restricted assets		200,166	19,841,391	496,466	20,538,023
Total assets	$	6,862,654	28,271,502	21,396,101	56,530,257
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	274,128	17,387	916,784	1,208,299
Due to other funds		—	1,406,717	7,600,228	9,006,945
Accrued items		2,925,516	—	150,947	3,076,463
Other current liabilities		381,247	—	21,043	402,290
Unearned revenue		2,000	—	636,300	638,300
Liabilities payable from restricted assets:					
Deposits and court bonds		200,166	—	—	200,166
Total liabilities		3,783,057	1,424,104	9,325,302	14,532,463
Deferred inflows of resources:					
Unavailable revenue - special assessments		712,137	—	1,143,764	1,855,901
Unavailable revenue - real estate taxes		493,405	281,263	—	774,668
Total deferred inflows of resources		1,205,542	281,263	1,143,764	2,630,569
Fund balances:					
Nonspendable		—	—	480,253	480,253
Restricted		417,361	26,882,465	16,631,259	43,931,085
Committed		391,399	—	451,142	842,541
Assigned		464,633	—	—	464,633
Unassigned		600,662	(316,330)	(6,635,619)	(6,351,287)
Total fund balance		1,874,055	26,566,135	10,927,035	39,367,225
Total liabilities, deferred inflows of resources and fund balance	$	6,862,654	28,271,502	21,396,101	56,530,257

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 Position

June 30, 2013

Fund balances – total governmental funds	$	39,367,225
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		548,524,065
Less accumulated depreciation		(206,332,909)
		342,191,156
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid		(2,248,678)
Adjustment of deferred inflows of resources		2,630,569
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 position		821,594
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		(176,239,000)
Capital lease obligations		(1,407,347)
Compensated absences		(15,297,735)
Discounts (premiums)		1,054,980
Deferred charge on refunding		3,283,623
Other post-employment benefits		(41,574,985)
Net pension obligation		(4,427,596)
Unreimbursed certified costs - TIF		(26,142,384)
		(260,750,444)
Net position of governmental activities (Exhibit 1)	$	122,011,422

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, 2013

		General	TIF Debt Service	Nonmajor Funds	Total Funds
Revenues:					
Taxes	$	34,745,992	13,249,133	20,803,979	68,799,104
Licenses and permits		3,166,795	—	89,082	3,255,877
Intergovernmental		5,059,993	—	7,664,293	12,724,286
Charges for services		2,129,761	10,000	827,182	2,966,943
Interfund charges for support services		3,835,972	—	—	3,835,972
Fines, forfeitures, and court costs		4,061,879	—	—	4,061,879
Investment income		98,149	177,198	12,339	287,686
Developer contributions		—	238,105	—	238,105
Other		429,136	1,137,645	999,606	2,566,387
Total revenues		53,527,677	14,812,081	30,396,481	98,736,239
Expenditures:					
Current:					
Administrative services		6,967,637	—	29,900	6,997,537
Public safety		41,889,112	—	4,280,679	46,169,791
Public works		5,335,107	—	310,363	5,645,470
Health and welfare		2,648,298	—	714,408	3,362,706
Culture and recreation		1,569,394	—	4,125,068	5,694,462
Community development		3,038,130	—	1,991,740	5,029,870
Storm water		—	—	1,532,184	1,532,184
General government		7,367,457	—	94,120	7,461,577
Tax increment financing		—	2,578,489	—	2,578,489
Capital outlay		204,868	—	15,270,483	15,475,351
Debt service:					
Principal		172,878	8,508,375	3,542,539	12,223,792
Interest and fiscal agent fees		43,946	9,121,671	391,739	9,557,356
Debt issuance costs		—	1,007,529	—	1,007,529
Total expenditures		69,236,827	21,216,064	32,283,223	122,736,114
Excess (deficiency) of revenues over expenditures		(15,709,150)	(6,403,983)	(1,886,742)	(23,999,875)
Other financing sources (uses):					
Debt issuance		—	40,855,000	—	40,855,000
Reoffering premium/original issue discount		—	(14,334)	—	(14,334)
Payment to refunded loans escrow agent		—	(38,713,690)	—	(38,713,690)
Transfers in – utility payments in lieu of taxes		18,021,077	—	—	18,021,077
Transfers in		680,165	4,792,478	4,299,203	9,771,846
Transfers out		(4,581,206)	(680,313)	(4,299,054)	(9,560,573)
Total other financing sources		14,120,036	6,239,141	149	20,359,326
Net change in fund balances		(1,589,114)	(164,842)	(1,886,593)	(3,640,549)
Fund balances, beginning		3,463,169	26,730,977	12,813,628	43,007,774
Fund balances, ending	$	1,874,055	26,566,135	10,927,035	39,367,225

See accompanying notes to financial statements.

Exhibit 4.1

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 2013

Net change in fund balances – total governmental funds	$	(3,640,549)
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		17,271,377
Depreciation expense		(17,910,057)
Donated assets		16,437
		(622,243)
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 position 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		(228,899)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(796,850)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Proceeds from debt issuance		(40,855,000)
Reoffering premium/original issue discount		14,334
Payment to refunded loans escrow agent		38,713,690
Principal payments		12,223,792
Debt premiums, discounts & deferred refunding amortizations		(224,327)
		9,872,489
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		388,752
Accrued interest		587,117
Other post-employment benefits		(8,441,174)
LAGERS net pension obligation		(1,186,288)
Unreimbursed certified costs - TIF		(1,849,494)
		(10,501,087)
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:		(2,223,489)
Change in net position of governmental activities (Exhibit 2)	$	(8,140,628)

See accompanying notes to financial statements.

Exhibit 5

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

Proprietary Funds

June 30, 2013

Assets	Enterprise funds: Power and Light	Enterprise funds: Water	Enterprise funds: Sanitary Sewer	Enterprise funds: Events Center	Enterprise funds: Total	Internal Service Funds
Current assets:						
Pooled cash and investments	$ 35,236,170	6,367,858	6,638,198	1,588,907	49,831,133	5,754,813
Receivables:						
Taxes	—	—	—	836,032	836,032	—
Accounts (net of allowance of $1,203,863)	10,707,724	2,163,436	1,681,360	46,494	14,599,014	398,192
Unbilled revenue	11,013,037	1,311,809	1,033,763	—	13,358,609	—
Special assessment principal	171,572	—	913	—	172,485	—
Due from other governments	374,571	—	—	—	374,571	—
Sales tax bond	—	—	—	1,570	1,570	—
Inventory	12,505,713	674,475	57,238	45,790	13,283,216	180,781
Prepaid items	234,783	—	—	43,730	278,513	—
Restricted cash and investments	1,984,291	567,933	471,674	—	3,023,898	—
Total current assets	72,227,861	11,085,511	9,883,146	2,562,523	95,759,041	6,333,786
Noncurrent assets:						
Capital assets:						
Nondepreciable	17,323,257	2,734,090	20,302,843	5,796,315	46,156,505	93,979
Depreciable, net	215,339,196	106,688,822	65,858,183	62,224,458	450,110,659	30,151
Goodwill	—	—	—	999,203	999,203	—
Other assets	—	133,192	—	—	133,192	—
Restricted cash and investments	26,864,620	4,265,733	27,423,862	7,277,428	65,831,643	200,000
Total noncurrent assets	259,527,073	113,821,837	113,584,888	76,297,404	563,231,202	324,130
Total assets	331,754,934	124,907,348	123,468,034	78,859,927	658,990,243	6,657,916
Deferred outflows of resources:						
Deferred charge on refunding	2,518,327	216,789	—	7,398,705	10,133,821	—
Total deferred outflows of resources	2,518,327	216,789	—	7,398,705	10,133,821	—
Total assets & deferred outflows of resources	$ 334,273,261	125,124,137	123,468,034	86,258,632	669,124,064	6,657,916
Liabilities and Net Position						
Current liabilities:						
Accounts and contracts payable	$ 5,277,800	424,892	3,742,908	88,766	9,534,366	45,150
Due to other funds	—	—	—	428,706	428,706	—
Accrued items	1,499,047	389,818	497,910	47,093	2,433,868	25,356
Other current liabilities	228,168	29,644	32,380	14,945	305,137	—
Unearned revenue	—	—	—	337,662	337,662	—
Current portion of long-term obligations	6,833,742	3,836,787	1,048,434	710,000	12,428,963	39,854
Self-insurance claims payable	—	—	—	—	—	4,144,463
Liabilities payable from restricted assets	2,410,566	892,876	728,262	1,041,364	5,073,068	—
Total current liabilities	16,249,323	5,574,017	6,049,894	2,668,536	30,541,770	4,254,823
Noncurrent liabilities:						
Revenue bonds payable	131,708,787	37,063,714	37,280,483	91,152,852	297,205,836	—
Compensated absences – long-term	3,808,514	1,015,555	629,311	—	5,453,380	67,557
Other post employment benefits	11,325,836	4,645,647	3,676,548	—	19,648,031	503,935
Net pension obligation	1,818,631	459,144	313,247	—	2,591,022	49,278
Self-insurance claims payable	—	—	—	—	—	2,371,273
Advances for construction	10,452	98,322	—	—	108,774	—
Total noncurrent liabilities	148,672,220	43,282,382	41,899,589	91,152,852	325,007,043	2,992,043
Total liabilities	164,921,543	48,856,399	47,949,483	93,821,388	355,548,813	7,246,866
Net position:						
Net investment in capital assets	112,478,950	72,946,720	75,559,405	(9,461,658)	251,523,417	124,130
Restricted for:						
Debt service/capital outlay	12,842,663	500,000	—	295,711	13,638,374	—
Workers compensation escrow	—	—	—	—	—	200,000
Dogwood SPP escrow	61,500	—	—	—	61,500	—
Community improvement district	—	—	—	1,845,902	1,845,902	—
Unrestricted	43,968,605	2,821,018	(40,854)	(242,711)	46,506,058	(913,080)
Total net position (deficit)	169,351,718	76,267,738	75,518,551	(7,562,756)	313,575,251	(588,950)
Total liabilities and net position	$ 334,273,261	125,124,137	123,468,034	86,258,632		6,657,916
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(1,410,544)	
Net position of business-type activities					$ 312,164,707	

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year ended June 30, 2013

	Enterprise funds: Power and Light	Enterprise funds: Water	Enterprise funds: Sanitary Sewer	Enterprise funds: Events Center	Enterprise funds: Total	Internal Service Funds
Operating revenues:						
Charges for services	$ 135,455,737	26,272,134	20,016,456	4,345,469	186,089,796	24,621,049
Sales tax	—	—	—	5,291,682	5,291,682	—
Miscellaneous	2,293,558	370,512	215,181	—	2,879,251	—
Total operating revenues	137,749,295	26,642,646	20,231,637	9,637,151	194,260,729	24,621,049
Operating expenses:						
Personal services	23,987,082	7,434,513	5,513,624	—	36,935,219	852,796
Other services	21,918,918	4,768,009	7,817,993	—	34,504,920	28,592,810
Supplies	50,143,233	1,845,027	839,220	—	52,827,480	1,264,008
Capital outlay	—	71,478	—	—	71,478	—
Other expenses	7,533,292	3,215,754	59,426	5,502,428	16,310,900	—
Depreciation and amortization	17,989,424	3,205,490	2,760,580	1,891,143	25,846,637	3,900
Total operating expenses	121,571,949	20,540,271	16,990,843	7,393,571	166,496,634	30,713,514
Operating income (loss)	16,177,346	6,102,375	3,240,794	2,243,580	27,764,095	(6,092,465)
Nonoperating revenues (expenses):						
Interest revenue	40,306	6,453	8,378	11,078	66,215	14,781
Miscellaneous revenue	772,031	1,516,384	9,960	837,210	3,135,585	2,013,245
Interest and amortization expense	(6,343,837)	(1,942,401)	(2,093,328)	(5,697,886)	(16,077,452)	—
Total nonoperating revenue (expenses)	(5,531,500)	(419,564)	(2,074,990)	(4,849,598)	(12,875,652)	2,028,026
Income (loss) before contributions and transfers	10,645,846	5,682,811	1,165,804	(2,606,018)	14,888,443	(4,064,439)
Capital contributions	585,916	145,178	32,033	—	763,127	—
Transfers out – utility payments in lieu of taxes	(13,392,682)	(2,593,715)	(2,034,680)	—	(18,021,077)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	(74,586)	(64,641)	(82,045)	—	(221,272)	—
Change in net position	(2,235,506)	3,169,633	(908,888)	(2,606,018)	(2,580,779)	(4,064,439)
Total net position (deficit):						
Beginning of the year, as restated	171,587,224	73,098,105	76,427,439	(4,956,738)		3,475,489
End of the year	$ 169,351,718	76,267,738	75,518,551	(7,562,756)		(588,950)

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,840,950)
Change in net position of business-type activities.	$ (4,421,729)

See accompanying notes to financial statements.

Exhibit 7

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2013

	Enterprise funds					Internal
	Power and Light	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Service Funds**
Cash flows from operations:						
Receipts from customers and others	$ 139,507,141	28,514,007	19,079,364	9,826,872	196,927,384	26,582,258
Payments to suppliers	(78,547,052)	(9,722,380)	(6,037,041)	(5,673,187)	(99,979,660)	(28,190,263)
Payments to employees	(20,333,690)	(6,329,818)	(4,476,488)	—	(31,139,996)	(790,243)
Payments to other funds	—	—	—	29,361	29,361	—
Net cash provided by (used in) operating activities	40,626,399	12,461,809	8,565,835	4,183,046	65,837,089	(2,398,248)
Cash flows from noncapital financing activities:						
Transfers out – payments in lieu of taxes	(13,392,682)	(2,658,356)	(2,034,680)	—	(18,085,718)	—
Advances to(from) other funds	(74,586)	—	—	—	(74,586)	—
Net cash (used in) noncapital financing activities	(13,467,268)	(2,658,356)	(2,024,680)	—	(18,150,304)	—
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(12,438,129)	(1,340,479)	(14,312,758)	—	(28,091,366)	—
Capital Lease Payable	—	—	37,280,483	—	37,280,483	
Interest paid on revenue bonds and equipment contracts	(8,416,052)	(1,929,170)	—	(5,352,565)	(15,697,787)	—
Debt expense paid on revenue bonds	(1,022,543)	—	—	—	(1,022,543)	—
Disposal costs from disposition of equipment	(420,579)	—	—	—	(420,579)	—
Proceeds from bond issue	55,966,877	—	—	(60,277,362)	(4,310,485)	—
Redemption of revenue bonds	(35,495,000)	(3,180,000)	—	61,012,549	22,337,549	—
Interest on special assessment	—	—	(6)	—	(6)	—
Net cash provided by (used in) capital and related financing activities	(1,825,426)	(6,449,649)	22,967,719	(4,617,378)	10,075,266	—
Cash flows from investing activities:						
Interest on investments	36,980	6,453	8,384	11,078	62,895	14,781
Net cash provided by investing activities	36,980	6,453	8,384	11,078	62,895	14,781
Net increase (decrease) in cash and cash equivalents	25,370,685	3,360,257	29,517,258	(423,254)	57,824,946	(2,383,467)
Cash and cash equivalents at beginning of year	38,714,395	7,841,267	7,003,761	9,289,589	62,849,012	8,338,280
Cash and cash equivalents at end of year	$ 64,085,080	11,201,524	36,521,019	8,866,335	120,673,958	5,954,813
Noncash capital and related financing activities:						
Contributed capital	$ 585,916	145,178	32,033	5,000	768,127	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	$ 35,236,169	6,367,858	6,638,198	1,588,907	49,831,132	5,754,813
Restricted assets	28,848,911	4,833,666	471,674	7,277,428	41,431,679	200,000
Total pooled cash and investments	$ 64,085,080	11,201,524	7,109,872	8,866,335	91,262,811	5,954,813
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 16,177,346	6,102,375	3,240,794	2,243,580	27,764,095	(6,092,465)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	17,989,424	3,205,490	2,760,580	1,891,143	25,846,637	3,900
Miscellaneous revenue	772,031	1,516,384	(990,040)	525,421	1,823,796	2,013,245
Change in assets and liabilities:						
Accounts receivable	(244,508)	3,718	(283,579)	(300,527)	(824,896)	(52,036)
Inventory	253,337	7,529	(2,017)	(10,433)	248,416	(160,596)
Prepaid items and other assets	47,152	—	—	94,100	141,252	236,219
Unbilled revenue	1,535,478	349,258	(591)	—	1,884,145	—
Due from other governments	(318,412)	—	120,789	—	(197,623)	—
Special assessments receivable	13,257	—	1,148	—	14,405	—
Accounts and contracts payable	955,471	269,130	2,324,210	(13,910)	3,534,901	13,680
Internal balances	—	—	—	29,361	29,361	—
Accrued and other liabilities	70,246	(96,770)	67,802	5,259	46,537	82,410
Other post-employment benefits & net pension obligation	2,917,137	1,079,134	1,102,545	—	5,098,816	118,718
Self-insurance claims payable	—	—	—	—	—	1,484,611
Deferred revenue	—	—	—	(35,173)	(35,173)	—
Customer deposits	121,819	—	303,243	(245,775)	179,287	—
Compensated absences	336,621	25,561	(79,049)	—	283,133	(45,934)
Total adjustments	24,449,053	6,359,434	5,325,041	1,939,466	38,072,994	3,694,217
Net cash provided (used) by operating activities	$ 40,626,399	12,461,809	8,565,835	4,183,046	65,837,089	(2,398,248)

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

		Private-Purpose Trust Funds		Agency Funds
Assets:				
Pooled cash and investments	$	25,773		146,807
Accrued interest receivable		—		491
Total assets		25,773		147,298
Liabilities:				
Accounts and contracts payable		—		5,767
Funds held in escrow		839		45,267
Flexible benefit payable		—		96,264
Total liabilities		839	$	147,298
Net position:				
Held in trust	$	24,934		

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended June 30, 2013

		Private-Purpose Trust Funds
Additions:		
Charges for services	$	15,312
Interest		22
Total additions		15,334
Deductions:		
Preservation and maintenance expense		15,469
Total deductions		15,469
Change in net position		(135)
Net position, beginning		25,069
Net position, ending	$	24,934

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2013

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2013

(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 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 Events Center Community Improvement District (CID) and Crackerneck Creek Transportation Development District (TDD) are included in the financial statements of the City as blended component units. The TDD and CID account for the taxes that are collected within these districts, and they provide services exclusively for the City as the taxes collected by these districts are utilized to repay outstanding debt. The TDD is governed by a 5-member board, appointed by property owners within the district. The City as a property owner appoints three members which are City employees. The CID is governed by a 5-member board, of which three are City employees appointed by the City Council. The CID is reported as a blended component unit in the Events Center fund and the TDD is reported as a blended component unit in the TIF Debt Service fund. Financial statements for the TDD and CID 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 a blended component unit under the Debt Service Fund category of the City because the outstanding debt of the TIF commission is expected to be repaid from payments in lieu of taxes and economic activity taxes collected by 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 position 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. However, interfund activity between governmental and enterprise funds has not been eliminated. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 function 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 non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange 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.
>
> ***Tax Increment Financing Debt Service Fund*** – This fund is used to account for the financing of finance redevelopment project expenses through payments in lieu of taxes and economic activity taxes.

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 and the activity of the Events Center CID.

The City reports the following fund types of non-major funds:

Special Revenue Funds – These funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds – These funds account for the expenditures and 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 Private-Purpose Trust Fund Financial Statements. The government-wide, proprietary and private-purpose trust 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. Non-exchange 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 asset 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. Accounts receivable are expressed net of allowances for doubtful accounts. Allowances for doubtful accounts are based on historical collection trends for the related receivables.

(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, based on quoted market prices.

(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. The payments in lieu of taxes that the enterprise funds pay to the general fund are handled as transfers out for the enterprise funds and transfers in for the general fund.

(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 $17,528,872. Of this amount, $1,452,423 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

	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

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 are deferred and amortized over the life of the bonds using the straight-line method, a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 and any related premiums or discounts are reported as other financing sources/uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category, unavailable revenue. The governmental funds report unavailable revenues from two sources: real estate taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(l) 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.

(m) Fund Balances

In the fund financial statements, governmental funds report the following fund balance classifications:

> ***Non-Spendable*** – 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*** – consists of amounts where constraints are placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
>
> ***Committed*** – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council, which is the highest level of

decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified amounts by use of the same formal action that it employed to previously commit the funds.

Assigned – 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 Fund Balance Policy authorizes the City Manager 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. Encumbrances shall be considered as assigned, unless they specifically meet the requirements to be committed or restricted.

Unassigned – consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balances.

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.

(n) Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets – 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. Net investment in capital assets excludes unspent debt proceeds of $14,021,957 for Power and Light, $3,765,733 for Water, $27,423,862 for Sewer and $6,981,716 for the Events Center.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consists of $1,342,882 for the License Surcharge; $2,787,040 for the Street Sales Tax; $7,317,240 for Storm Water Sales Tax; $4,606,968 for Public Safety Sales Tax; and $13,847,473 for debt service.

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

(o) Statement of Cash Flows

For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, are considered cash equivalents.

(p) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) New Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an Amendment of Statements No. 10 and No. 62.* This statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City will implement GASB No. 66 beginning with the year ended June 30, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – and Amendment of GASB Statement No. 27.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The City will implement GASB No. 68 beginning with the year ended June 30, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations which can include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City will implement GASB No. 69 beginning with the year ended June 30, 2015.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The City will implement GASB No. 70 beginning with the year ended June 30, 2014.

(2) Deposits and Investments

At June 30, 2013, the carrying values of deposits and investments are summarized as follows:

Investments:		
Short-term investments held in trust (bond reserves):		
Federal Home Loan Mortgage Corporation	$	29,166,723
Federal National Mortgage Association		8,954,484
Money Market		46,252,336
U.S. Treasury Bill		200,000
Investment pool:		
U.S. Treasury Bond		26,652
Total investments		84,600,195
Deposits and repurchase obligations		73,953,808
Petty cash		9,357
Total	$	158,563,360

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

		Government-Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Primary Government Total
Pooled cash and investments	$	68,797,216	172,580	68,969,796
Restricted cash and investments		89,593,564	—	89,593,564
	$	158,390,780	172,580	158,563,360

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. Government 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.

Credit Risk/Concentration of 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. The City's investment policy does not specify maximum or minimum investment concentrations by investment type. The credit rating and concentration of the City's investment in debt securities are as follows:

Issuer	Moody's Credit Rating	Percent of Total Investments
Federal Home Loan Mortgage Corporation	AAA	34.56%
Federal National Mortgage Association	AAA	10.61%

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, 2013, 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, 2013.

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, 2013, 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.

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2013 is as follows:

		General	TIF Debt Service	Nonmajor Governmental Funds	Total
Real estate tax	$	7,398,222	7,497,946	24,924	14,921,092
Railroad utilities tax		37,904	—	—	37,904
Cigarette tax		499,152	—	—	499,152
Transient guest tax		—	—	1,356,593	1,356,593
Sales tax		16,395,891	5,751,187	19,422,462	41,569,540
Franchise tax		10,414,823	—	—	10,414,823
	$	34,745,992	13,249,133	20,803,979	68,799,104

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, 2012, on which the fiscal 2013 levy was based, was $1,279,153,384.

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, 2013 were $0.4950 for the General Fund, $0.2331 for Public Health and Recreation, and $0.5596 for the Independence Square Benefit District Fund.

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2013 consisted of the following:

		General Fund	Nonmajor Governmental Funds	Total
Federal				
Department of Agriculture	$	—	338	338
Department of Housing & Urban Development				
Community Development Block Grant		—	463,850	463,850
Neighborhood Stabilization Program		—	814,729	814,729
Home Investment Partnership		—	126,877	126,877
Lead Hazard Control Funds		—	8,850	8,850
Department of the Interior		—	2,000	2,000
Department of Defense			10,000	10,000
Department of Justice		—	766,776	766,776
Department of Transportation		(25,393)	2,525,097	2,499,704
Department of Energy		—	76,323	76,323
Department of Health & Human Services		25,000	412,806	437,806
Corporation for National and Community Service		—	234,497	234,497
Executive Office of the President		—	220,239	220,239
Department of Homeland Security		—	1,829,505	1,829,505
Total Federal		(393)	7,491,887	7,491,494
State & Local				
Department of Agriculture		—	2,000	2,000
Department of Health & Human Services		—	49,774	49,774
Department of Public Safety		—	40,501	40,501
Department of Revenue				
Motor Vehicle Fuel Tax		2,940,951	—	2,940,951
Motor Vehicle License		490,014	—	490,014
Motor Vehicle Sales Tax		730,948	—	730,948
Financial Institutions Tax		15,225	—	15,225
Division of Tourism		—	73,160	73,160
Jackson County Anti Drug Tax		674,019	—	674,019
Jackson County DARE		209,229	—	209,229
American Society for the Prevention of Cruelty to Animals		—	6,515	6,515
MARC Health promotion grant		—	456	456
Total State & Local		5,060,386	172,406	5,232,792
Grand Total	$	5,059,993	7,664,293	12,724,286

Amounts due from other governments at June 30, 2013 are as follows:

	Federal	State	Local	Total
General Fund :				
Department of Health & Human Services	$ 4,167	—	—	4,167
Department of Revenue				
Motor Vehicle Fuel Tax	—	513,773	—	513,773
Motor Vehicle Sales Tax	—	50,318	—	50,318
Motor Vehicle License Fees	—	111,466	—	111,466
Events Center Community Improvement District	—	—	2,045	2,045
39th St Transportation Development District	—	—	427	427
Jackson County	—	—	26,461	26,461
	4,167	675,557	28,933	708,657
TIF Debt Service Fund				
State Sales Tax	—	100,000	—	100,000
County Sales Tax	—	—	259,921	259,921
Kansas City Zoo Tax	—	—	40,434	40,434
39th St Transportation Development District	—	—	38,346	38,346
	—	100,000	338,701	438,701
Nonmajor Governmental Funds				
Department of Housing & Urban Development	120,374	—	—	120,374
Department of the Interior	2,000	—	—	2,000
Department of Justice	286,464	—	—	286,464
Department of Transportation	873,185	—	—	873,185
Department of Health & Human Services	97,393	—	—	97,393
Department of Homeland Security	31,366	—	—	31,366
Executive Office of the President	57,680	—	—	57,680
Missouri Department of Health	—	10,869	—	10,869
Missouri Division of Tourism	—	26,431	—	26,431
	1,468,462	37,300	—	1,505,762
Totals	$ 1,472,629	812,857	367,634	2,653,120

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2013, consisted of the following:

	Due From TIF Debt Service	Due from Nonmajor Governmental	Due from Events Center	Total
Due to:				
Governmental activities:				
General Fund	$ 714	65,629	406,463	472,806
TIF Debt Service	1,406,003	—	—	1,406,003
Nonmajor governmental	—	7,534,599	22,243	7,556,842
Total governmental activities	1,406,717	7,600,228	428,706	9,435,651
Total	$ 1,406,717	7,600,228	428,706	9,435,651

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 2013 were as follows:

	Interfund Charges	Rent
Nonmajor governmental funds	$ 149,177	$ 17,037
Power and Light Fund	1,755,357	58,523
Sanitary Sewer Fund	841,847	26,010
Water Fund	1,089,591	42,150
	$ 3,835,972	$ 143,720

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 2013, and are included in non-operating miscellaneous revenue as follows:

Sanitary Sewer Fund	$ 222,396
Power and Light Fund	1,186,382
	$ 1,408,778

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2013, and are included in non-operating miscellaneous revenue as follows:

Sanitary Sewer Fund	$	195,008
Water Fund		973,834
	$	1,168,842

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of $13,392,682, $2,593,715 and $2,034,680 in fiscal year 2013 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, 2013, consisted of the following:

	Transfer Out						
	General	Tax Increment Financing	Nonmajor Governmental	Power and Light	Water	Sanitary Sewer	Total
Transfers In:							
General	$ —	680,165	—	—	—	—	680,165
Tax Increment Financing	4,571,206	—	—	74,586	64,641	82,045	4,792,478
Sanitary Sewer Fund	10,000	—	—	—	—	—	10,000
Nonmajor governmental	—	148	4,299,054	—	—	—	4,299,202
Total Primary Government	$ 4,581,206	680,313	4,299,054	74,586	64,641	82,045	9,781,845

Transfers are the result of reimbursements for capital projects, general operations and debt service payments.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 30,214,184	286,788	—	30,500,972
Construction work in progress	40,401,013	14,515,428	(40,597,309)	14,319,132
Total nondepreciable capital assets	70,615,197	14,802,216	(40,597,309)	44,820,104
Depreciable capital assets:				
Land improvements	8,462,676	120,433	—	8,583,109
Buildings	49,825,622	—	—	49,825,622
Building improvements	15,432,281	382,546	—	15,814,827
Improvements other than buildings	32,182,662	92,656	—	32,275,318
Office furniture and equipment	537,807	—	(7,168)	530,639
Computer equipment	2,160,274	1,301,949	—	3,462,223
Mobile equipment	21,871,061	1,290,944	(570,525)	22,591,480
Other equipment	7,135,850	1,175,895	—	8,311,745
Infrastructure	323,873,533	38,718,484	—	362,592,017
Total depreciable capital assets	461,481,766	43,082,907	(577,693)	503,986,980
Less accumulated depreciation for:				
Land improvements	(1,246,093)	(413,918)	—	(1,660,011)
Buildings	(11,845,564)	(1,236,821)	—	(13,082,385)
Building improvements	(5,475,649)	(769,681)	—	(6,245,330)
Improvements other than buildings	(9,969,382)	(1,569,523)	—	(11,538,905)
Office furniture and equipment	(478,403)	(19,800)	7,168	(491,035)
Computer equipment	(1,617,429)	(394,965)	—	(2,012,394)
Mobile equipment	(16,082,909)	(1,207,321)	341,626	(16,948,604)
Other equipment	(3,807,463)	(628,428)	—	(4,435,891)
Infrastructure	(138,403,743)	(11,673,500)	—	(150,077,243)
Total accumulated depreciation	(188,926,635)	(17,913,957)	348,794	(206,491,798)
Total depreciable capital assets, net	272,555,131	25,168,950	(228,899)	297,495,182
Governmental activities capital assets, net	$ 343,170,328	39,971,166	(40,826,208)	342,315,286

Depreciation expense was charged to functions as follows:

Administrative services	$	98,857
Public safety		2,568,399
Public works		10,806,161
Health and welfare		102,522
Culture and recreation		1,669,399
Community development		67,197
Storm water		1,282,787
General government		1,314,735
Total		17,910,057
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		3,900
Total depreciation expense	$	17,913,957

		Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Business-type activities:					
Power and Light Fund:					
Nondepreciable capital assets:					
Land	$	3,062,115	—	—	3,062,115
Construction in progress		13,801,704	14,576,677	(14,117,239)	14,261,142
Total nondepreciable capital assets		16,863,819	14,576,677	(14,117,239)	17,323,257
Depreciable capital assets:					
Infrastructure:					
Production plant		227,346,835	6,566,566	(1,364,946)	232,548,455
Transmission plant		37,219,070	1,795,377	(96,459)	38,917,988
Distribution plant		143,902,744	3,943,687	(530,713)	147,315,718
General plant		6,097,982	305,949	(96,468)	6,307,463
Other		2,755,568	—	—	2,755,568
Total infrastructure		417,322,199	12,611,579	(2,088,586)	427,845,192
Machinery and equipment		19,428,912	1,505,659	(342,095)	20,592,476
Total depreciable capital assets		436,751,111	14,117,238	(2,430,681)	448,437,668
Less accumulated depreciation:					
Infrastructure		(202,859,588)	(17,481,649)	2,518,833	(217,822,404)
Machinery and equipment		(14,521,779)	(1,086,716)	332,427	(15,276,068)
* Total accumulated depreciation		(217,381,367)	(18,568,365)	2,851,260	(233,098,472)
Total depreciable capital assets, net		219,369,744	(4,451,127)	420,579	215,339,196
Total power and light capital assets	$	236,233,563	10,125,550	(13,696,660)	232,662,453

* See page 55 note regarding depreciation.

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Water Fund:				
Nondepreciable capital assets:	$			
Land	2,164,725	52	—	2,164,777
Construction in progress	258,590	2,063,554	(1,752,831)	569,313
Total nondepreciable capital assets	2,423,315	2,063,606	(1,752,831)	2,734,090
Depreciable capital assets:				
Infrastructure:				
Nonutility property	40,014	—	—	40,014
Source of supply	7,835,521	45,990	—	7,881,511
Pumping plant	15,276,311	58,243	(8,355)	15,326,199
Treatment plant	23,135,663	36,543	(19,678)	23,152,528
Transmission plant	82,902,382	1,504,886	(79,002)	84,328,266
General plant	1,913,099	25,376	(2,508)	1,935,967
Other	12,547,766	—	—	12,547,766
Total infrastructure	143,650,756	1,671,038	(109,543)	145,212,251
Machinery and equipment	6,339,680	79,154	(60,036)	6,358,798
Total depreciable capital assets	149,990,436	1,750,192	(169,579)	151,571,049
Less accumulated depreciation:				
Intrastructure	(38,334,728)	(2,903,746)	111,473	(41,127,001)
Machinery and equipment	(3,464,031)	(353,739)	62,544	(3,755,226)
* Total accumulated depreciation	(41,798,759)	(3,257,485)	174,017	(44,882,227)
Total depreciable capital assets, net	108,191,677	(1,507,293)	4,438	106,688,822
Total water capital assets	$ 110,614,992	556,313	(1,748,393)	109,422,912

* See page 55 note regarding depreciation.

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	$ 330,191	—	—	330,191
Construction in progress	9,471,067	13,098,558	(2,596,973)	19,972,652
Total nondepreciable capital assets	9,801,258	13,098,558	(2,596,973)	20,302,843
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	96,890,026	525,046	—	97,415,072
Pumping plant	5,325,151	—	—	5,325,151
Treatment plant	12,892,361	1,817,417	(147,243)	14,562,535
General plant	1,591,994	—	—	1,591,994
Total infrastructure	116,745,900	2,342,463	(147,243)	118,941,120
Machinery and equipment	6,342,055	432,681	(274,769)	6,499,967
Total depreciable capital assets	123,087,955	2,775,144	(422,012)	125,441,087
Less accumulated depreciation:				
Infrastructure	(51,731,909)	(2,426,582)	147,243	(54,011,248)
Machinery and equipment	(5,485,026)	(361,399)	274,769	(5,571,656)
Total accumulated depreciation	(57,216,935)	(2,787,981)	422,012	(59,582,904)
Total depreciable capital assets, net	65,871,020	(12,837)	—	65,858,183
Total sewer capital assets	75,672,278	13,085,721	(2,596,973)	86,161,026

* See page 55 note regarding depreciation.

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
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	65,581,451	—	—	65,581,451
Machinery and equipment	3,555,930	—	—	3,555,930
Total depreciable capital assets	69,137,381	—	—	69,137,381
Less accumulated depreciation:				
Infrastructure	(4,353,678)	(1,639,536)	—	(5,993,214)
Machinery and equipment	(668,102)	(251,607)	—	(919,709)
Total accumulated depreciation	(5,021,780)	(1,891,143)	—	(6,912,923)
Total depreciable capital assets, net	64,115,601	(1,891,143)	—	62,224,458
Total events center capital assets	69,911,916	(1,891,143)	—	68,020,773
Total business-type activities capital assets	$ 492,432,749	21,876,441	(18,042,026)	496,267,164

Depreciation expense was charged to functions as follows:

Business-type activities:		
Power and light	$	17,989,424
Water		3,205,490
Sanitary sewer		2,760,580
Events center		1,891,143
Total business-type activities depreciation expense	$	25,846,637

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, 2013 the difference for Power and Light is $578,941 and the difference for Water is $51,995.

Depreciation charged to Sanitary Sewer is different due to an addition of a fully depreciated asset. As of June 30, 2013 the difference for Sanitary Sewer is $27,401.

Under accounting practices promulgated in the utility industry by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC), 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, 2013:

		Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:						
Loans and notes payable:						
Loans payable	$	8,195,000	—	3,410,000	4,785,000	1,390,000
TIF loans		175,200,000	40,855,000	45,130,000	170,925,000	5,780,000
Capital lease obligations		1,642,764	—	235,417	1,407,347	237,760
Neighborhood Improvement District (NID)		599,000	—	70,000	529,000	75,000
Premium (discount), net		(1,764,277)	(14,334)	(723,631)	(1,054,980)	—
Deferred charge on refunding		(839,321)	(2,601,337)	(157,035)	(3,283,623)	—
Total loans and notes payable		183,033,166	38,239,329	47,964,751	173,307,744	7,482,760
Other liabilities:						
Compensated absences		15,839,832	5,594,612	6,029,298	15,405,146	6,208,067
Other post-employment benefits		33,531,945	8,546,975	—	42,078,920	—
Net pension obligation		3,277,669	1,199,205	—	4,476,874	—
TIF developer obligations		24,439,956	1,849,494	147,066	26,142,384	438,710
Total other liabilities		77,089,402	17,190,286	6,176,364	88,103,324	6,646,777
Total Governmental Activities	$	260,122,568	55,429,615	54,141,115	261,411,068	14,129,537

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	$ 114,625,000	52,525,000	35,495,000	131,655,000	5,015,000
Premium on bonds payable	1,779,727	3,441,877	152,817	5,068,787	—
Less deferred charge on refunding	(531,153)	(2,316,015)	(328,841)	(2,518,327)	—
Total revenue bonds	115,873,574	53,650,862	35,318,976	134,205,460	5,015,000
Compensated absences	5,290,635	2,447,637	2,111,016	5,627,256	1,818,742
Other post-employment benefits	8,950,900	2,374,936	—	11,325,836	—
Net pension obligation	1,276,430	542,201	—	1,818,631	—
Total Power and Light Fund	131,391,539	59,015,636	37,429,992	152,977,183	6,833,742
Water Fund:					
Revenue bonds	43,245,000	—	3,180,000	40,065,000	3,395,000
Premium on bonds payable	511,829	—	118,115	393,714	—
Less deferred charge on refunding	(281,827)	—	(65,038)	(216,789)	—
Total revenue bonds	43,475,002	—	3,233,077	40,241,925	3,395,000
Compensated absences	1,412,067	556,890	511,615	1,457,342	441,787
Other post-employment benefits	3,685,254	960,393	—	4,645,647	—
Net pension obligation	340,403	118,741	—	459,144	—
Total Water Fund	48,912,726	1,636,024	3,744,692	46,804,058	3,836,787
Sanitary Sewer Fund:					
Revenue Bonds	—	37,035,000	—	37,035,000	745,000
Premium on bonds payable	—	1,021,701	31,218	990,483	—
Total revenue bonds	—	38,056,701	31,218	38,025,483	745,000
Compensated absences	1,039,988	349,120	456,363	932,745	303,434
Other post-employment benefits	2,887,250	789,298	—	3,676,548	—
Net pension obligation	229,164	84,083	—	313,247	—
Total Sanitary Sewer Fund	4,156,402	39,279,202	487,581	42,948,023	1,048,434
Events Center Fund:					
Revenue bonds	85,655,000	68,945,000	62,615,000	91,985,000	710,000
Premium on bonds payable	—	169,123	4,436	164,687	—
Discount on bonds payable	(299,417)	—	(12,582)	(286,835)	—
Less deferred charge on refunding	(1,966,177)	(5,657,272)	(224,744)	(7,398,705)	—
Total Events Center Fund	83,389,406	63,456,851	62,382,110	84,464,147	710,000
Total business-type activities	$ 267,850,073	163,387,713	104,044,375	327,193,411	12,428,963

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2013

Debt service requirements on long-term debt with schedules maturities at June 30, 2013 are as follows:

	Governmental Activities							
	Loans Payable		NID Payable		TIF Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 1,390,000	204,344	75,000	27,774	5,780,000	8,180,373	7,245,000	8,412,491
2015	1,450,000	139,856	75,000	23,987	6,050,000	8,124,320	7,575,000	8,288,163
2016	460,000	69,694	80,000	20,212	7,240,000	7,882,623	7,780,000	7,972,529
2017	475,000	52,153	81,000	15,999	9,830,000	7,565,447	10,386,000	7,633,599
2018	495,000	32,741	86,000	11,732	10,045,000	7,101,421	10,626,000	7,145,894
2019 - 2023	515,000	11,266	120,000	14,370	59,895,000	26,942,408	60,530,000	26,968,044
2024 - 2028	—	—	12,000	705	61,250,000	11,855,740	61,262,000	11,856,445
2029	—	—	—	—	10,835,000	446,944	10,835,000	446,944
	$ 4,785,000	510,054	529,000	114,779	170,925,000	78,099,276	176,239,000	78,724,109

	Business-type Activities									
	Power and Light		Water		Sewer		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 5,015,000	5,853,307	3,395,000	2,014,353	745,000	1,532,081	710,000	4,162,956	9,865,000	13,562,697
2015	3,265,000	5,670,557	3,655,000	1,759,913	765,000	1,513,156	720,000	4,143,288	8,405,000	13,086,914
2016	3,395,000	5,539,957	3,955,000	1,479,528	785,000	1,489,906	730,000	4,119,116	8,865,000	12,628,507
2017	3,530,000	5,404,157	4,005,000	1,142,013	810,000	1,465,981	830,000	4,094,094	9,175,000	12,106,245
2018	3,685,000	5,246,707	1,305,000	941,763	835,000	1,441,306	965,000	4,063,931	6,790,000	11,693,707
2019 - 2023	21,445,000	23,570,133	7,530,000	4,335,738	4,580,000	6,805,759	6,880,000	19,582,844	40,435,000	54,294,473
2024 - 2028	24,700,000	18,861,220	9,725,000	3,160,969	5,430,000	5,948,481	11,380,000	17,819,016	51,235,000	45,789,686
2029- 2033	30,475,000	12,963,020	6,495,000	428,519	6,580,000	4,805,250	26,225,000	14,128,147	69,775,000	32,324,936
2034- 2038	36,145,000	4,787,112	—	—	8,250,000	3,136,250	43,545,000	6,908,844	87,940,000	14,832,206
2039 - 2042	—	—	—	—	8,255,000	851,375	—	—	8,255,000	851,375
	$ 131,655,000	87,896,170	40,065,000	15,262,796	37,035,000	28,989,545	91,985,000	79,022,236	300,740,000	211,170,746

(a) Governmental activities

(1) Loans Payable – Missouri Development Finance Board

Governmental activities loans payable at June 30, 2013 are comprised of the following:

$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%.	$	1,975,000
$4,020,000 Series 2009 (Streets Projects) annual installments of $395,000 to $515,000 through 2018; interest at 3.50% to 4.375%.		2,810,000
Total Governmental Activities Loans Payable	$	4,785,000

(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, 2013 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%	$	455,000
$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%		74,000
Total Neighborhood Improvement District	$	529,000

(3) Capital Lease Obligations

Capital leases payable at June 30, 2013 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of $64,437 to $89,484 through 2013; interest at 4.19%	$	89,484
Missouri Development Finance Board (IBM computer) monthly installments of $2,868 to $3,111 through 2016; interest at 2.04%		91,076
Motorola Solutions (radio equipment) semi-annual installments of $56,700 to $78,539 through 2022; interest at 3.4593%		1,226,787
Total Capital Lease Obligations	$	1,407,347

The net book value of assets acquired under the capital leases described above amounted to $1,658,132 as of June 30, 2013.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year ending June 30:		
2014	$	290,426
2015		197,193
2016		178,493
2017		159,794
2018		159,794
2019 - 2022		639,177
		1,624,877
Less imputed interest		(217,530)
Present value of minimum lease payments	$	1,407,347

(4) Blended Component Unit

(a) 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 and other taxing districts and governmental entities have pledged a portion of future property tax and sales tax revenues to repay $249 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 $4,571,206 in debt service payments for the Crackerneck Creek development. The City has appropriated $4,571,206 from the General Fund, $74,586 from the Power & Light Fund, $64,641 from the Water Fund, and $82,045 from the Sewer Fund for the Crackerneck Creek development debt service payments due in fiscal year 2013-14.

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, 2013, total principal and interest remaining on the loans was $249 million and the outstanding developer obligations was $26.1 million. The loans are scheduled to mature at varying amounts through 2029 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 $20.2 million. Incremental revenues from the City included $2.9 million in sales taxes and $.7 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, City and developer contributions, cash reserves, and debt trust funds.

Missouri Development Finance Board Loans Payable

$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of $50,000 to $90,0000 through 2020; interest at 3.00% to 4.50%	$ 560,000
$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%	37,625,000
$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%	975,000
$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%	4,285,000
$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%	11,905,000
$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%	6,570,000
$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%	7,515,000
$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%	550,000
$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%	17,215,000
$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%	1,205,000
$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%	7,035,000
$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%	1,080,000

$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%		2,590,000
$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%		2,795,000
$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of $65,000 to $525,000 through 2027; interest at 3.00% to 5.00%		2,045,000
$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of $365,000 to $1,815,000 through 2021; interest at 2.000% to 4.125%		5,970,000
$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of $50,000 to $165,000 through 2017; interest at 2.000% to 3.000%		325,000
$12,050,000 Series 2012 D (HCA - Centerpoint TIF) annual installments of $575,000 to $1,865,000 through 2027; interest at 3.00% to 4.00%		11,475,000
$3,965,000 Series 2012 E (Eastland Center TIF) annual installments of $310,000 to $805,000 through 2022; interest at 2.00% to 3.00%		3,655,000
$14,005,000 Series 2013 A (Crackerneck Creek TIF) annual installments of $50,000 to $5,200,000 through 2028; interest at 4.693% to 4.993%		14,005,000
$10,835,000 Series 2013 B (Crackerneck Creek TIF) one installment of $10,835,000 through 2029; interest at 4.125%		10,835,000
Total TIF Loans Payable	$	170,925,000

Restricted assets held by the Commission of $19,841,391 consist of funds available for costs related to the redevelopment of the Santa Fe, Hartman Heritage, Eastland Center, Crackerneck Creek and HCA areas.

(1) Tax Increment Financing Refunding

On October 30, 2012, the City entered into a loan payable through the Missouri Development Finance Board of $12,050,000 with interest rates ranging from 3.00% to 4.00%, to refund $11,750,000 of the outstanding 2008 Centerpoint Project TIF loan payable, with interest rates ranging from 4.00% to 6.00%. The acquisition of the new refunding loan carried a premium of $268,911 and resulted in a deferred charge on refunding of $552,595. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $1,777,174 which resulted in an economic gain of $1,405,385.

On October 30, 2012, the City entered into a loan payable through the Missouri Development Finance Board of $3,965,000 with interest rates ranging from 2.00% to 3.00%, to refund $3,905,000 of the outstanding 2008 Eastland Center Project TIF loan payable, with interest rates ranging from 4.00% to 5.25%. The acquisition of the new refunding loan carried a premium of $54,807 and resulted in a deferred charge on refunding of $201,591. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $381,756 which resulted in an economic gain of $325,901.

(2) Tax Increment Financing Advance Refunding

On April 25, 2013, the City entered into a loan payable through the Missouri Development Finance Board of $14,005,000 with interest rates ranging from 4.693% to 4.993%, to advance refund the following: $4,130,000 of the outstanding 2009 Crackerneck Creek Project TIF loan payable, with an interest rate of 7.25%; $5,680,000 of the outstanding 2006 Crackerneck Creek TIF loan payable, with interest rates of 5.30% to 6.00%; and $1,650,000 of the outstanding 2008 Crackerneck Creek TIF loan payable, with interest rates of 4.30% to 5.70%. The acquisition of the new refunding loan resulted in a deferred charge on refunding of $1,270,102 which will be amortized over the life of the bonds. This advance refunding was undertaken to restructure the debt by reducing the debt service costs on the current obligations during the fiscal years 2013-14; 2014-15 and 2015-16. A lower interest rate was achieved, but by restructuring the term to add three years to the end of the term it caused an increase in debt service payments of $5,764,265 and an economic loss of $1,194,946.

On April 25, 2013, the City entered into a loan payable through the Missouri Development Finance Board of $10,835,000 with an interest rates of 4.125%, to advance refund $9,800,000 of the outstanding 2005 Crackerneck Creek Project TIF loan payable, with an interest rates of 4.00% to 5.25% The acquisition of the new refunding loan carried a discount of $338,052 and resulted in a deferred charge on refunding of $577,049 which will be amortized over the life of the bonds. This advance refunding was undertaken to restructure the debt by reducing the debt service costs on the current obligations during the fiscal years 2013-14; 2014-15 and 2015-16. A lower interest rate was achieved, but by restructuring the term to add three years to the end of the term it caused an increase in debt service payments of $4,162,024 and an economic loss of $359,002.

(b) 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 was obligated to make $25,000,000 available to Bass Pro. This amount was funded from the proceeds of the Series 2006A Bonds. 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.

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

Calendar Year		Amount
2013		1,000,000
2014		1,000,000
2015		1,000,000
2016		1,000,000
2017		1,000,000
2018 - 2022		5,000,000
2023 - 2026		4,000,000
Total	$	14,000,000

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 determined by an appraisal.

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.

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2013 are comprised of the following individual issues:

Power and Light Fund:	
$33,645,000 Series 2010 B annual installments of $600,000 to $4,030,000 through 2035; interest at 2.00% to 5.250%	$ 24,705,000
$55,185,000 Series 2012 A annual installments of $150,000 to $11,900,000 through 2037; interest at 2.00% to 5.00%	54,565,000
$52,525,000 Series 2012 F annual installments of $140,000 to $3,630,000 through 2037; interest at 3.00% to 4.00%	52,385,000
Less deferred charge on refunding	(2,518,327)
Total Power and Light fund	129,136,673
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%	10,365,000
$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%	12,180,000
Less deferred charge on refunding	(216,789)
Total Water Fund	39,848,211
Sanitary Sewer Fund:	
$37,035,000 Series 2012 B annual installments of $745,000 to $2,220,000 through 2041; interest at 2.00% to 5.00%	37,035,000
Total Sanitary Sewer fund	37,035,000
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%	11,570,000
$11,815,000 Series 2011 A annual installments of $70,000 to $1,585,000 through 2038; interest at 2.00% to 5.50%	11,575,000
$68,945,000 Series 2012 C annual installments of $105,000 to $12,540,000 through 2038; interest at 2.00% to 4.00%	68,840,000
Less deferred charge on refunding	(7,398,705)
Total Events Center Fund	84,586,295
Total revenue bonds	$ 290,606,179

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 position as restricted assets as follows:

	Enterprise Funds			
Account	Power and Light	Water	Sanitary Sewer	Events Center
Principal and interest	$ 12,842,663	—	—	295,712
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	14,021,957	3,765,733	27,423,862	6,981,716
Total revenue bond reserves	26,864,620	4,265,733	27,423,862	7,277,428
Customer deposits	1,922,791	567,933	471,674	—
Purchase of Dogwood Plant	61,500	—	—	—
Total	$ 28,848,911	4,833,666	27,895,536	7,277,428

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 December 13, 2012, the City issued revenue bonds through the Missouri Development Finance Board of $52,525,000 with interest rates ranging from 3.00% to 4.00%, of this amount $31,520,000 was used to advance refund $31,415,000 of the outstanding 2009 Power & Light revenue bonds, with interest rates ranging from 3.75% to 5.75%. The acquisition of the new refunding bonds carried a premium of $3,441,877 and resulted in a deferred charge on refunding of $2,316,015. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $5,852,781 which resulted in an economic gain of $3,808,700.

On October 30, 2012, the City issued revenue bonds through the Missouri Development Finance Board of $68,945,000 with interest rates ranging from 2.00% to 4.00%, to provide funding to advance refund $15,190,000 and $44,045,000 of outstanding 2009 Events Center Project revenue bonds with interest rates ranging from 5.00% to 6.75% and to advance refund $2,950,000 of outstanding 2010 Events Center Project revenue bonds with interest rates ranging from 4.50% to 5.75%. The acquisition of the new refunding bonds carried a premium of $169,123 and resulted in a deferred charge on refunding of $5,657,272 and will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $16,113,392 which resulted in an economic gain of $10,074,295.

(b) Pledged Revenues

The Power and Light and Water Bonds are secured by a pledge of revenues, net of specified operating expenses to repay revenue bonds issued. The pledged revenue information for June 30, 2013 is as follows:

Date Issued	Description	Purpose of Debt	Revenue Pledged	Term of Commitment		Principal & Interest Remaining	Principal & Interest 2012-2013	Net Available Revenues 2012-2013
11/2010	Power and Light Leasehold Revenue Bonds	Electric System Projects	Appropriated Revenues	through 2035		37,165,514	4,591,387	
03/2012	Power and Light Revenue Bonds	Electric System - Dogwood	Appropriated Revenues	through 2037		104,430,705	3,693,337	
12/2012	Power and Light Leasehold Revenue Bonds - Refunding	Electric System Projects	Appropriated Revenues	through 2037		77,954,951	1,091,300	
					$	219,551,170	9,376,024	37,888,784
06/2004	Water Revenue Bonds	Water System Improvements	Appropriated Revenues	through 2025	$	11,942,956	1,382,105	
03/2009	Water Revenue Bonds	Water System Improvements	Appropriated Revenues	through 2030		30,194,439	951,862	
10/2009	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2017		13,190,401	3,080,525	
					$	55,327,796	5,414,492	11,909,836
08/2012	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2041		66,024,545	1,030,631	
					$	66,024,545	1,030,631	5,966,028

(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, 2013, District revenues paid to the City for debt service totaled $5,166,994. The remaining debt service amounts of $34,457 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.

(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, 2013, were $10,452.

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, 2013, were $98,322.

(9) Employee Retirement System

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

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 11.3% (General), 12.5% (Police), and 13.1% (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, 2013, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was $215,306,565. The actuarial value of assets was $124,786,458 which results in an unfunded accrued liability (UAL) of $90,520,107 and a funded ratio of 58%. The covered payroll (annual payroll of active employees covered by the plan) was $66,004,494 which results in a ratio of the UAL to the covered payroll of 137%.

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.

The number of retirees and beneficiaries receiving LAGERS benefits, as of February 28, 2013, which is the effective date of the current LAGERS actuarial valuation, is 881. There have been no significant changes in the number of covered participants since that date.

Annual Pension Cost & Net Pension Obligation

The City's annual pension cost and net pension obligation as of June 30, 2013 are as follows:

Annual required contribution	$	9,817,115
Interest on net pension obligation		371,466
Adjustment to annual required contribution		(282,671)
Annual pension cost		9,905,910
Actual contributions		7,961,680
Increase in net pension obligation		1,944,230
Beginning net pension obligation		5,123,666
Ending net pension obligation	$	7,067,896

The City's annual pension cost (APC), the percentage of APC contributed to the plan, and the net pension obligation for the fiscal year ending June 30, 2013 is as follows:

		Annual Pension Cost (APC)		Percentage of APC Contributed		Net Pension Obligation
Fiscal year ending:						
June 30, 2011	$	10,047,652	%	67.2	$	3,295,630
June 30, 2012		9,092,429		79.9		5,123,666
June 30, 2013		9,905,910		80.4		7,067,896

For 2013, the City's annual pension cost of $9,905,910 was not equal to the required and actual contribution which resulted in an increase to the Net Pension Obligation of $1,944,230 resulting in an ending Net Pension Obligation balance of $7,067,896. The required contribution was determined as part of the February 28, 2011 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, 2011 was 30 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2013, 2012, and 2011.

(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. 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, 2011, 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	1,067
Retirees & covered spouses of retirees	988
Total Participants	2,055

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 retirees 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	$	19,459,020
Interest on net OPEB obligation		1,962,212
Adjustment to annual required contribution		(2,136,630)
Annual OPEB cost (expense)		19,284,602
Less: Employer contributions		(6,613,000)
Increase in net OPEB obligation		12,671,602
Net OPEB obligation – July 1, 2012		49,055,349
Net OPEB obligation – June 30, 2013	$	61,726,951

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, 2013 is as follows:

		Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
Fiscal year ending:						
June 30, 2011	$	14,935,773	%	37.94	$	36,342,584
June 30, 2012		19,325,765		34.22		49,055,349
June 30, 2013		19,284,602		34.29		61,726,951

Funded Status and Funding Progress

As of January 1, 2011, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $246.3 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 $65.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 377 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, 2011 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 4.0 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 4.0 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 8.5 percent for the first year and then declining by one half of one percent (0.5%) per year until 5.25 percent is reached. The 5.25 percent growth is used on a go-forward basis. The actuarial assumptions include a 3.25 percent rate for general inflation. 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 $25,754,953 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately $16,043,379. 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	
	2012	2013	2012	2013
Beginning of year	$ 2,902,508	2,681,196	2,285,676	2,257,468
Current year claims and changes in estimates	1,070,329	3,128,458	21,197,983	24,976,934
Claims payments	(1,291,641)	(1,643,847)	(21,226,191)	(24,884,473)
End of year	$ 2,681,196	4,165,807	2,257,468	2,349,929

(12) Commitments

Construction Commitments

At June 30, 2013, the City had commitments of approximately $68.3 million to complete construction contracts. Of this amount, $64.0 million relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

The City purchases a portion of its power supply needs under three long-term purchase agreements – a participation power agreement with Omaha Public Power District (OPPD), a participation power agreement with Missouri Joint Municipal Electric Utility Commission (MJMEUC), and a renewable energy purchase agreement with Smoky Hills Wind Project II, LLC (Smoky Hills).

In January 2004, the City entered into a participation power agreement with OPPD. Under this agreement, the City purchases an 8.33% share (approximately 57 megawatts) of a 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 is the owner/operator of the unit and OPPD sells the City's share of the output on a cost-based approach. OPPD issued tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its proportionate 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 approximately $167,000,000 through the year 2049. During fiscal year 2013, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately $16,100,000 for 359,867 megawatt-hours of wholesale energy. For fiscal year 2014, the projected costs under the agreement are estimated to be approximately $18,400,000.

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. The final credit amount was applied in June 2013 leaving a $0 balance as of June 30, 2013.

In June 2006, the City entered into a unit power purchase agreement with the MJMEUC. Under this agreement, the City purchases a 50% share (approximately 50 megawatts) of MJMEUC's 100 MW ownership share of the nominal 850 megawatt Iatan 2 coal-fired generating unit located at Kansas City Power & Light Company's (KCPL) existing power station site in Weston, Missouri. The agreement provides that MJMEUC sells the City's share of the output on a cost-based approach. MJMEUC issued tax-exempt bonds to pay for its share of the construction of the unit and the City is obligated to pay its share of the debt service on the bonds, 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 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 $246,000,000 through the year 2039. During fiscal year 2013, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately $15,800,000 for 296,139 megawatt-hours of wholesale energy. For fiscal year 2014, the projected costs under the agreement are estimated to be approximately $20,000,000.

In August 2008, the City entered into a renewable energy purchase agreement with 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 2013, the cost of the energy purchases including transmission costs was approximately $2,500,000 for 50,405 megawatt-hours of wholesale energy.

Dogwood Energy Facility

On April 5, 2012, pursuant to an Asset Purchase Agreement with Dogwood Energy, LLC, the City purchased a 12.3% undivided interest (approximately 75 MW) in the Dogwood Energy Facility – a nominal 610 megawatt natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri. The Facility was originally developed as a joint venture between Aquila, Inc. and Calpine Corporation. The facility (originally named Aries) was placed into commercial operation in two phases: first as a peaking facility during the summer of 2001 and then as a combined cycle plant on February 27, 2002. In addition to the City, Kansas Power Pool (KPP), Missouri Joint Municipal Electric Utility Commission (MJMEUC) and the Unified Government of Wyandotte County (KCBPU) also purchased 7.0%, 8.2% and 17.0% shares respectively of the Dogwood Energy Facility in 2012. Dogwood Energy, LLC maintains the remaining ownership share (55.5%) in the facility.

Each of the owners has entered into certain project agreements that provide for the joint ownership and operation of the Dogwood Facility. Under the project agreements, each of the owners are responsible for their respective share of the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the facility. In addition, the owners share in any revenues from sales of unused capacity and energy in the facility.

The plant had a value of $53,785,771 with $6,049,771 accumulated depreciation, making the net purchase price $47,736,000. An operating reserve account was established in the amount of $430,500 for working capital and $61,500 for SPP credit. Prepaid operating expenses as of June 30, 2013 were $85,233 and depreciation expense for fiscal year end June 30, 2013 was $1,414,548.

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 $237,334 in the Street Improvements Fund, $6,382,130 in the Parks Sales Tax Fund, $16,155 in the Storm Drainage Fund, $1,707,206 in the Workers' Compensation Fund, $7,562,756 in the Events Center Fund, $247,891 in the Santa Fe TIF project; $197 in the Cinema East TIF project, $20,113 in the 23rd & Noland TIF project 1, $9,168 in the 23rd & Noland TIF Project 2, $16,261 in the Independence Square TIF project and $22,700 in the Little Blue Parkway 1 TIF project will be eliminated by future revenues or transfers.

(14) Subsequent Events

The City evaluated subsequent events through October 18, 2013, 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.

$43,800,000 Series 2013 C revenue bonds for the Sanitary Sewer System Project.

(15) Fund Equity

Fund balances at year-end are as follows:

		Governmental Funds		
	General	TIF Debt Service	Nonmajor	Total
Fund balances:				
Nonspendable for:				
Prepaid items	$ —	—	480,253	480,253
Total fund balances nonspendable	—	—	480,253	480,253
Restricted for:				
Protested revenues	5,608	—	—	5,608
Police equipment	411,753	—	—	411,753
Tourism	—	—	794,799	794,799
Independence square benefit district	—	—	7,121	7,121
Grants	—	—	1,330	1,330
License surcharge	—	—	1,342,882	1,342,882
Street sales tax	—	—	2,365,945	2,365,945
Storm water sales tax	—	—	7,405,051	7,405,051
Police sales tax	—	—	2,317,625	2,317,625
Fire sales tax	—	—	2,323,101	2,323,101
Debt service fund	—	—	73,405	73,405
TIF debt service	—	26,882,465	—	26,882,465
Total fund balances restricted	417,361	26,882,465	16,631,259	43,931,085
Committed for:				
Domestic violence	14,154	—	—	14,154
Capital projects	48,581	—	451,142	499,723
Strategic goals	218,337	—	—	218,337
Vandalism reward	3,000	—	—	3,000
Economic development	107,327	—	—	107,327
Total fund balances committed	391,399	—	451,142	842,541
Assigned for:				
General government	170,574	—	—	170,574
Public safety	131,919	—	—	131,919
Public works	150,970	—	—	150,970
Health and welfare	7,077	—	—	7,077
Culture and recreation	4,093	—	—	4,093
Total fund balances assigned	464,633	—	—	464,633
Unassigned	600,662	(316,330)	(6,635,619)	(6,351,287)
Total fund equity	$ 1,874,055	26,566,135	10,927,035	39,367,225

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 $569,779 and Non-major Funds $6,882,238.

(16) Prior Period Adjustment

In fiscal year 2013, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in a change in the reporting for the debt issuance costs of the City, where debt issuance costs are no longer capitalized and amortized over the life of the debt, but reflected as interest expense.

For the year ended June 30, 2013, management determined that the following adjustments were to be made to the opening net position balances:

	Governmental Activities (Ex. 2)	Business-Type Activities (Ex. 2)	Enterprise Funds (Ex. 6)		
			Power and Light	Water	Events Center
Beginning net position (deficit), as originally reported	$ 131,881,262	323,859,181	174,729,767	74,196,479	(1,924,911)
Restatement due to implementation of GASB 65	(1,729,212)	(7,272,745)	(3,142,543)	(1,098,374)	(3,031,827)
Beginning net position, as restated	$ 130,152,050	316,586,436	171,587,224	73,098,105	(4,956,738)

Required Supplementary Information

THE CITY OF INDEPENDENCE

MISSOURI

(1) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the accompanying government-wide financial statements:

- Prior to May 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to June 27, the City Council adopts the budget. If the City Council fails to adopt the budget on or before that date, the budget, as submitted or amended, goes into effect.
- The City Manager is authorized to transfer budgeted amounts between divisions of a department within any fund; however, any revisions that alter the total appropriations within any fund, or that transfer appropriations between departments, must be approved by the City Council. The 2008-2009 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for most funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Improvements Sales Tax , Storm Water Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax, and Grant Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

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

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Taxes	$ 35,673,564	35,673,564	34,745,992	(927,572)
Licenses and permits	3,303,594	3,303,594	3,166,795	(136,799)
State and county shared revenue	5,193,957	5,193,957	5,059,993	(133,964)
Charges for current services	2,690,043	2,692,366	2,129,762	(562,604)
Interfund charges for support services	3,938,088	3,938,088	3,835,972	(102,116)
Fines and forfeitures	4,716,854	4,716,854	4,061,879	(654,975)
Other revenue	558,325	612,474	527,284	(85,190)
Total revenues	56,074,425	56,130,897	53,527,677	(2,603,220)
Other financing sources:				
Payments in lieu of taxes	18,343,016	18,343,016	18,021,077	(321,939)
Operating transfers in	—	—	680,165	680,165
Total other financing sources	18,343,016	18,343,016	18,701,242	358,226
Total revenues and other financing sources	74,417,441	74,473,913	72,228,919	(2,244,994)
Expenditures:				
City Council	418,635	418,635	392,093	26,542
City Clerk	371,496	387,756	385,511	2,245
City Manager	845,129	845,129	833,576	11,553
National Frontier Trails Center	315,871	315,871	301,139	14,732
Technology services	1,571,787	1,571,787	1,542,233	29,554
Municipal court	763,901	763,901	748,027	15,874
Law	661,334	661,334	613,562	47,772
Finance	1,835,729	1,819,469	1,778,961	40,508
Human resources	373,417	402,914	402,913	1
Community development	2,858,751	3,017,891	3,017,887	4
Police	25,612,039	25,839,496	25,839,421	75
Fire	15,970,178	15,972,902	15,911,151	61,751
Health	3,083,584	3,097,600	2,617,796	479,804
Public works	5,487,732	5,488,232	5,398,741	89,491
Parks and recreation	1,593,860	1,629,310	1,570,832	58,478
General government	7,447,944	7,334,239	7,172,577	161,662
City Council strategic goals	250,000	461,201	282,204	178,997
Capital outlay	374,848	374,848	267,479	107,369
Total expenditures	69,836,235	70,402,515	69,076,103	1,326,412
Other financing uses:				
Payments to component unit	4,571,206	4,571,206	4,571,206	—
Transfers out	10,000	10,000	10,000	—
Total expenditures and other financing uses	74,417,441	74,983,721	73,657,309	1,326,412
Excess of revenue and other financing sources over (under) expenditures and other financing uses	$ —	(509,808)	(1,428,390)	(918,582)
Unassigned fund balance at beginning of year			1,831,406	
Cancellation of prior year encumbrances			193,119	
Change in other fund balance components during the year			4,527	
Unassigned fund balance at end of year			$ 600,662	

Exhibit 10.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2013

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	$	72,228,919
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	72,228,919
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	69,076,103
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget		(477,105)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		637,829
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	$	69,236,827

CITY OF INDEPENDENCE, MISSOURI

Schedule of Funding Progress

Retirement Plan and Other Post Employment Benefit 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, 2011	137,468,939	220,918,979	83,450,040	62%	68,136,107	122%
February 29, 2012	125,863,329	210,700,773	84,837,444	60%	65,208,725	130%
February 28, 2013	124,786,458	215,306,565	90,520,107	58%	66,004,494	137%

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 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%
January 1, 2011	—	246,341,296	246,341,296	0%	65,353,754	377%

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.

Street Improvements Fund – This fund is used to account for major street improvement construction projects. Revenues received by this fund come primarily from a sales tax allocation for capital improvements and from federal and state grants and other contributions.

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, 2013

Assets		**Special Revenue (Exhibit 14)**	**Capital Projects (Exhibit 27)**	**Debt Service Fund**	**Total Nonmajor Governmental Funds**
Pooled cash and investments	$	6,654,221	60,234	—	6,714,455
Receivables:					
Taxes		3,479,053	—	—	3,479,053
Accounts		31,216	—	—	31,216
Special assessment principal and accrued interest		—	470,390	661,664	1,132,054
Due from other funds		7,556,842	—	—	7,556,842
Due from other governments		726,399	779,363	—	1,505,762
Prepaid items		480,253	—	—	480,253
Restricted assets		—	402,466	94,000	496,466
Total assets	$	18,927,984	1,712,453	755,664	21,396,101
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	436,112	480,672	—	916,784
Due to other funds		7,027,605	563,738	8,885	7,600,228
Accrued items		150,947	—	—	150,947
Other current liabilities		21,043	—	—	21,043
Unearned revenue		636,300	—	—	636,300
Total liabilities		8,272,007	1,044,410	8,885	9,325,302
Deferred inflows of resources:					
Unavailable revenue - special assessments		—	470,390	673,374	1,143,764
Total deferred inflows of resources		—	470,390	673,374	1,143,764
Fund balances:					
Nonspendable		480,253	—	—	480,253
Restricted		16,557,854	—	73,405	16,631,259
Committed		—	451,142	—	451,142
Unassigned		(6,382,130)	(253,489)	—	(6,635,619)
Total fund balances		10,655,977	197,653	73,405	10,927,035
Total liabilities, deferred inflows of resources and fund balances	$	18,927,984	1,712,453	755,664	21,396,101

Exhibit 13

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 20,803,979	—	—	20,803,979
Licenses and permits	89,082	—	—	89,082
Intergovernmental	4,403,031	3,261,262	—	7,664,293
Charges for services	725,220	9,371	92,591	827,182
Investment income	11,198	295	846	12,339
Other	918,395	81,211	—	999,606
Total revenues	26,950,905	3,352,139	93,437	30,396,481
Expenditures:				
Current:				
Administrative services	29,900	—	—	29,900
Public safety	4,280,679	—	—	4,280,679
Public works	310,363	—	—	310,363
Health and welfare	714,408	—	—	714,408
Culture and recreation	4,125,068	—	—	4,125,068
Community development	1,991,740	—	—	1,991,740
Storm water	1,532,184	—	—	1,532,184
General government	93,086	—	1,034	94,120
Capital outlay	6,856,760	8,413,723	—	15,270,483
Debt service:				
Principal	3,472,539	—	70,000	3,542,539
Interest and fiscal agent fees	360,140	—	31,599	391,739
Total expenditures	23,766,867	8,413,723	102,633	32,283,223
Excess (deficiency) of revenues over expenditures	3,184,038	(5,061,584)	(9,196)	(1,886,742)
Other financing sources (uses):				
Transfers in	—	4,299,203	—	4,299,203
Transfers out	(4,299,054)	—	—	(4,299,054)
Total other financing sources (uses)	(4,299,054)	4,299,203	—	149
Net change in fund balances	(1,115,016)	(762,381)	(9,196)	(1,886,593)
Fund balances, beginning	11,770,993	960,034	82,601	12,813,628
Fund balances, ending	$ 10,655,977	197,653	73,405	10,927,035

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2013

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	$	—	3,589	—	—	5,224,164	1,342,882	83,586	6,654,221
Receivables:									
Taxes		155,000	3,532	—	—	3,320,521	—	—	3,479,053
Accounts		1,525	—	—	—	—	—	29,691	31,216
Due from other funds		689,279	—	—	—	6,867,563	—	—	7,556,842
Due from other governments		26,431	—	50,232	34,099	—	—	615,637	726,399
Prepaid items		—	—	—	—	480,253	—	—	480,253
Total assets	$	872,235	7,121	50,232	34,099	15,892,501	1,342,882	728,914	18,927,984
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	$	61,897	—	8,941	—	294,884	—	70,390	436,112
Due to other funds		—	—	30,790	14,396	6,982,419	—	—	7,027,605
Accrued items		15,539	—	9,178	—	104,006	—	22,224	150,947
Other current liabilities		—	—	—	19,696	1,347	—	—	21,043
Unearned revenue		—	—	—	—	—	—	636,300	636,300
Total liabilities		77,436	—	48,909	34,092	7,382,656	—	728,914	8,272,007
Fund balances:									
Nonspendable		—	—	—	—	480,253	—	—	480,253
Restricted		794,799	7,121	1,323	7	14,411,722	1,342,882	—	16,557,854
Unassigned		—	—	—	—	(6,382,130)	—	—	(6,382,130)
Total fund balances		794,799	7,121	1,323	7	8,509,845	1,342,882	—	10,655,977
Total liabilities, deferred outflows of resources and fund balances	$	872,235	7,121	50,232	34,099	15,892,501	1,342,882	728,914	18,927,984

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2013

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 1,356,592	24,924	—	—	19,422,463	—	—	20,803,979
Licenses and permits	—	—	—	—	—	89,082	—	89,082
Intergovernmental	73,160	—	463,850	126,877	—	—	3,739,144	4,403,031
Charges for services	12	—	—	—	494,230	—	230,978	725,220
Investment income	626	224	—	—	9,286	1,062	—	11,198
Other	10,798	—	—	—	370,625	—	536,972	918,395
Total revenues	1,441,188	25,148	463,850	126,877	20,296,604	90,144	4,507,094	26,950,905
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	29,900	29,900
Public safety	—	—	—	—	2,443,479	—	1,837,200	4,280,679
Public Works	—	—	—	—	192,166	—	118,197	310,363
Health and welfare	—	—	—	—	—	—	714,408	714,408
Culture and recreation	1,448,631	—	—	—	2,386,023	—	290,414	4,125,068
Community development	—	—	420,943	126,877	—	—	1,443,920	1,991,740
Storm water	—	—	—	—	1,532,184	—	—	1,532,184
General government	—	—	—	—	20,031	—	73,055	93,086
Capital outlay	—	45,081	—	—	6,811,679	—	—	6,856,760
Debt service:								
Principal	—	—	—	—	3,472,539	—	—	3,472,539
Interest and fiscal agent fees	—	—	—	—	360,140	—	—	360,140
Total expenditures	1,448,631	45,081	420,943	126,877	17,218,241	—	4,507,094	23,766,867
Excess (deficiency) of revenues over expenditures	(7,443)	(19,933)	42,907	—	3,078,363	90,144	—	3,184,038
Other financing sources (uses):								
Transfers out	(107,563)	—	(42,907)	—	(3,919,263)	(229,321)	—	(4,299,054)
Net change in fund balances	(115,006)	(19,933)	—	—	(840,900)	(139,177)	—	(1,115,016)
Fund balances, beginning	909,805	27,054	1,323	7	9,350,745	1,482,059	—	11,770,993
Fund balances, ending	$ 794,799	7,121	1,323	7	8,509,845	1,342,882	—	10,655,977

THE CITY OF INDEPENDENCE

MISSOURI

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2013

		Budgeted Amounts		Actual Amounts	Variance with Final
		Original	Final	(Budget Basis)	Budget
Revenues:					
Transient guest taxes	$	1,200,000	1,200,000	1,356,592	156,592
Interest		200	200	626	426
Grants – federal, state, and local		—	68,078	73,160	5,082
Other revenue		4,000	4,000	10,810	6,810
Total revenues		1,204,200	1,272,278	1,441,188	168,910
Expenditures:					
Tourism		1,413,113	1,602,984	1,551,913	51,071
Total expenditures		1,413,113	1,602,984	1,551,913	51,071
Other financing uses – transfers out		—	351,657	107,563	244,094
Total other financing uses		—	351,657	107,563	244,094
Total expenditures and other uses		1,413,113	1,954,641	1,659,476	295,165
Excess of revenues over (under) expenditures	$	(208,913)	(682,363)	(218,288)	(126,255)
Restricted fund balance at beginning of year				909,805	
Cancellation of prior year encumbrances				1,935	
Increase (Decrease) in Prior Year Encumbrances				101,347	
Restricted fund balance at end of year				$ 794,799	

Exhibit 16.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2013

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,441,188
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,441,188
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,551,913
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(137,562)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		34,280
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,448,631

(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, 2013

		Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
		Original	**Final**		
Revenues:					
Federal grant - CDBG	$	740,796	740,796	463,850	(276,946)
Total revenues		740,796	740,796	463,850	(276,946)
Expenditures:					
CDBG administration		153,902	148,089	15,535	132,554
CDBG expenditures		586,894	804,580	439,280	365,300
Commercial facade program		—	75,165	—	75,165
Total expenditures		740,796	1,027,834	454,815	573,019
Other financing uses:					
Transfers out		—	—	42,907	(42,907)
Total other financing uses		—	—	42,907	(42,907)
Total expenditures and other uses		740,796	1,027,834	497,722	530,112
Excess of revenues over (under) expenditures and other financing uses	$	—	(287,038)	(33,872)	253,166
Restricted fund balance at beginning of year				1,323	
Cancellation of prior year encumbrances				—	
Increase (Decrease) in Prior Year Encumbrances				33,872	
Restricted fund balance 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, 2013

		Community Development Block Grant
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	463,850
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	463,850
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	454,815
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(33,872)
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	$	420,943

(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, 2013

		Budgeted Amounts		Actual Amounts	Variance with Final
		Original	Final	(Budget Basis)	Budget
Revenues:					
HOME program grant	$	296,499	296,499	126,877	(169,622)
Total revenues		296,499	296,499	126,877	(169,622)
Expenditures:					
HOME administration		29,924	20,710	152	20,558
Multi family housing		224,433	494,661	67,587	427,074
First Time Home Buyers		—	24,389	—	24,389
Community housing development		44,886	122,281	59,779	62,502
Total expenditures		299,243	662,041	127,518	534,523
Excess of revenues over (under) expenditures	$	(2,744)	(365,542)	(641)	364,901
Restricted fund balance at beginning of year				7	
Cancellation of prior year encumbrances				—	
Increase (Decrease) in Prior Year Encumbrances				641	
Restricted fund balance 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, 2013

		Rental Rehabilitation
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	126,877
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	126,877
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	127,518
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)		(641)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	126,877

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:				
Sales taxes	$ 7,732,986	7,732,986	7,730,491	(2,495)
Interest	250	250	1,341	1,091
Other revenue	—	—	70,050	70,050
Total revenues	7,733,236	7,733,236	7,801,882	68,646
Expenditures:				
General Government	7,000	13,354	13,354	—
Street maintenance	250,000	250,000	192,166	57,834
Capital outlay	7,646,000	7,606,348	4,863,204	2,743,144
Debt service	535,769	535,769	535,269	500
Total expenditures	8,438,769	8,405,471	5,603,993	2,801,478
Other financing uses:				
Transfers out	—	—	3,919,263	(3,919,263)
Total other financing uses	—	—	3,919,263	(3,919,263)
Total expenditures and other financing uses	8,438,769	8,405,471	9,523,256	(1,117,785)
Excess of revenues and other financing sources over (under) expenditures	$ (705,533)	(672,235)	(1,721,374)	(1,049,139)
Restricted fund balance at beginning of year			4,567,572	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			—	
Restricted fund balance at end of year			$ 2,846,198	

(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, 2013

		Streets Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	7,801,882
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	7,801,882
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	5,603,993
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	$	5,603,993

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:				
Sales taxes	$ 3,866,493	3,866,493	3,854,506	(11,987)
Public health and recreation	—	65,000	98,016	33,016
Adventure Oasis Water Park	465,000	465,000	395,470	(69,530)
Other revenue	110,000	45,000	76,884	31,884
Total revenues	4,441,493	4,441,493	4,424,876	(16,617)
Expenditures:				
Culture and recreation	2,331,252	2,374,601	2,374,601	—
General government	4,000	6,677	6,677	—
Capital outlay	550,000	752,333	459,121	293,212
Debt service	2,163,063	2,163,063	2,161,783	1,280
Total expenditures	5,048,315	5,296,674	5,002,182	294,492
Excess of revenues and other financing sources over (under) expenditures	$ (606,822)	(855,181)	(577,306)	277,875
Restricted fund balance (deficit) at beginning of year			(5,793,402)	
Cancellation of prior year encumbrances			22,265	
Increase (Decrease) in Prior Year Encumbrances			(33,687)	
Restricted fund balance (deficit) at end of year			$ (6,382,130)	

(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, 2013

		Park Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,424,876
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,424,876
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	5,002,182
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(138,336)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		149,758
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	5,013,604

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Sales taxes	$ 3,866,493	3,866,493	3,852,030	(14,463)
Grants - federal, state and local	—	—	—	—
Interest	1,100	1,100	4,854	3,754
Other revenue	—	—	1,254	1,254
Total revenues	3,867,593	3,867,593	3,858,138	(9,455)
Expenditures:				
Storm water				
Administration	304,746	304,546	154,539	150,007
Maintenance	1,502,236	1,502,236	1,216,444	285,792
Permit completion	349,175	349,175	273,850	75,325
General government	4,000	4,200	6,676	(2,476)
Capital outlay	1,957,000	5,952,938	1,489,354	4,463,584
Debt service	—	—	—	—
Total expenditures	4,117,157	8,113,095	3,140,863	4,972,232
Excess of revenues over (under) expenditures	$ (249,564)	(4,245,502)	717,275	4,962,777
Restricted fund balance at beginning of year			6,568,451	
Cancellation of prior year encumbrances			15,412	
Increase (Decrease) in Prior Year Encumbrances			103,913	
Restricted fund balance at end of year			$ 7,405,051	

(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, 2013

		Storm Water Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	3,858,138
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	3,858,138
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	3,140,863
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(216,252)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		96,927
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	3,021,538

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Sales taxes	$ 2,064,071	2,064,071	2,056,547	(7,524)
Investment income	200	200	1,594	1,394
Other revenue	—	—	88,119	88,119
Total revenues	2,064,271	2,064,271	2,146,260	81,989
Expenditures:				
Public safety				
Communications	256,363	246,113	253,553	(7,440)
Facilities	489,685	511,185	173,490	337,695
Equipment	1,242,710	1,231,460	1,161,252	70,208
Debt service	514,113	514,113	512,038	2,075
Total expenditures	2,502,871	2,502,871	2,100,333	402,538
Excess of revenues over (under) expenditures and other financing uses	$ (438,600)	(438,600)	45,927	484,527
Restricted fund balance at beginning of year			2,161,899	
Cancellation of prior year encumbrances			15,235	
Increase (Decrease) in Prior Year Encumbrances			94,564	
Restricted Fund Balance at end of year			$ 2,317,625	

(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, 2013

		Police Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,146,260
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,146,260
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,100,333
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(238,999)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		129,200
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,990,534

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:				
Sales taxes	$ 1,933,246	1,933,246	1,928,889	(4,357)
Other revenue	100	100	136,559	136,459
Total revenues	1,933,346	1,933,346	2,065,448	132,102
Expenditures:				
Public safety	1,335,600	1,432,010	1,311,868	120,142
Debt service	554,713	554,713	586,641	(31,928)
Total expenditures	1,890,313	1,986,723	1,898,509	88,214
Excess of revenues over (under) expenditures and other financing uses	$ 43,033	(53,377)	166,939	220,316
Restricted fund balance at beginning of year			1,846,225	
Cancellation of prior year encumbrances			45,768	
Increase (Decrease) in Prior Year Encumbrances			264,169	
Restricted fund balance at end of year			$ 2,323,101	

(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, 2013

		Fire Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,065,448
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,065,448
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,898,509
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(574,445)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		264,508
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,588,572

(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 24

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Grants and other shared revenue	$ 2,196,119	7,782,435	3,739,144	(4,043,291)
Charges for current services	79,633	231,462	230,978	(484)
Interest income and other revenue	109,000	613,096	536,972	(76,124)
Total revenues	2,384,752	8,626,993	4,507,094	(4,119,899)
Expenditures:				
Law department	26,318	48,469	29,900	18,569
Police department	627,091	2,056,588	1,567,800	488,788
Fire department	53,340	954,202	331,844	622,358
Public works	—	118,197	118,197	—
Health department	650,245	1,333,123	849,928	483,195
Community development	1,027,758	3,716,831	1,952,320	1,764,511
Culture and recreation	—	295,192	290,414	4,778
General Government	—	106,891	73,055	33,836
Total expenditures	2,384,752	8,629,493	5,213,458	3,416,035
Excess of revenues over (under) expenditures	$ —	(2,500)	(706,364)	(703,864)
Restricted fund balance at beginning of year			—	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			706,364	
Restricted fund balance 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, 2013

		Grants
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,507,094
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,507,094
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	5,213,458
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(706,364)
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	$	4,507,094

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

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2013

Assets		**Street Sales Tax**	**Parks Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total (Exhibit 14)**
Pooled cash and investments	$	1,176,795	—	54,594	1,977,699	2,015,076	5,224,164
Receivables:							
Taxes		1,322,910	661,461	661,461	343,815	330,874	3,320,521
Due from other funds		—	—	6,867,563	—	—	6,867,563
Prepaid items		480,253	—	—	—	—	480,253
Total assets	$	2,979,958	661,461	7,583,618	2,321,514	2,345,950	15,892,501
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	130,225	6,828	131,093	3,889	22,849	294,884
Due to other funds		—	6,982,419	—	—	—	6,982,419
Accrued items		3,535	52,997	47,474	—	—	104,006
Other current liabilities		—	1,347	—	—	—	1,347
Total liabilities		133,760	7,043,591	178,567	3,889	22,849	7,382,656
Fund balances:							
Nonspendable		480,253	—	—	—	—	480,253
Restricted		2,365,945	—	7,405,051	2,317,625	2,323,101	14,411,722
Unassigned		—	(6,382,130)	—	—	—	(6,382,130)
Total fund balances (deficit)		2,846,198	(6,382,130)	7,405,051	2,317,625	2,323,101	8,509,845
Total liabilities, deferred outflows of resources and fund balances	$	2,979,958	661,461	7,583,618	2,321,514	2,345,950	15,892,501

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2013

		Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:							
Taxes	$	7,730,491	3,854,506	3,852,030	2,056,547	1,928,889	19,422,463
Charges for services		—	494,230	—	—	—	494,230
Investment income		1,341	—	4,854	1,594	1,497	9,286
Other		70,050	76,140	1,254	88,119	135,062	370,625
Total revenues		7,801,882	4,424,876	3,858,138	2,146,260	2,065,448	20,296,604
Expenditures:							
Current:							
Public safety		—	—	—	1,441,549	1,001,930	2,443,479
Public works		192,166	—	—	—	—	192,166
Culture and recreation		—	2,386,023	—	—	—	2,386,023
Storm water		—	—	1,532,184	—	—	1,532,184
General government		13,354	6,677	—	—	—	20,031
Capital outlay		4,863,204	459,121	1,489,354	—	—	6,811,679
Debt service:							
Principal		415,000	2,080,000	—	472,520	505,019	3,472,539
Interest and fiscal agent fees		120,269	81,783	—	76,465	81,623	360,140
Total expenditures		5,603,993	5,013,604	3,021,538	1,990,534	1,588,572	17,218,241
Excess (deficiency) of revenues over expenditures		2,197,889	(588,728)	836,600	155,726	476,876	3,078,363
Other financing sources (uses):							
Transfers out		(3,919,263)	—	—	—	—	(3,919,263)
Net change in fund balances		(1,721,374)	(588,728)	836,600	155,726	476,876	(840,900)
Fund balances (deficit), beginning		4,567,572	(5,793,402)	6,568,451	2,161,899	1,846,225	9,350,745
Fund balances (deficit), ending	$	2,846,198	(6,382,130)	7,405,051	2,317,625	2,323,101	8,509,845

Exhibit 27

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2013

Assets		Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	$	—	19,773	—	—	40,461	60,234
Receivables:							
Special assessment principal and accrued interest		470,390	—	—	—	—	470,390
Due from other governments		779,363	—	—	—	—	779,363
Restricted assets		—	—	402,466	—	—	402,466
Total assets	$	1,249,753	19,773	402,466	—	40,461	1,712,453
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	480,672	—	—	—	—	480,672
Due to other funds		536,025	—	11,558	16,155	—	563,738
Total liabilities		1,016,697	—	11,558	16,155	—	1,044,410
Deferred inflows of resources:							
Unavailable revenue - special assessments		470,390	—	—	—	—	470,390
Total deferred inflows of resources		470,390	—	—	—	—	470,390
Fund balances (deficit):							
Committed		—	19,773	390,908	—	40,461	451,142
Unassigned		(237,334)	—	—	(16,155)	—	(253,489)
Total fund balances (deficit)		(237,334)	19,773	390,908	(16,155)	40,461	197,653
Total liabilities, deferred inflows of resources and fund balances	$	1,249,753	19,773	402,466	—	40,461	1,712,453

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, 2013

	Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:						
Intergovernmental	$ 2,120,142	—	—	—	1,141,120	3,261,262
Charges for services	9,371	—	—	—	—	9,371
Investment income	175	15	64	—	41	295
Other	78,211	—	—	—	3,000	81,211
Total revenues	2,207,899	15	64	—	1,144,161	3,352,139
Expenditures:						
Capital outlay	6,165,968	—	821,055	—	1,426,700	8,413,723
Total expenditures	6,165,968	—	821,055	—	1,426,700	8,413,723
Excess (deficiency) of revenues over expenditures	(3,958,069)	15	(820,991)	—	(282,539)	(5,061,584)
Other financing sources:						
Transfers in	4,148,733	—	150,470	—	—	4,299,203
Net change in fund balances	190,664	15	(670,521)	—	(282,539)	(762,381)
Fund balances (deficit), beginning	(427,998)	19,758	1,061,429	(16,155)	323,000	960,034
Fund balances (deficit), ending	$ (237,334)	19,773	390,908	(16,155)	40,461	197,653

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Component Unit - Tax Increment Financing

June 30, 2013

Assets		**Midtown Truman**	**RSO**	**Sante Fe**	**Hartman Heritage**	**Drumm Farm**	**Eastland Center**	**North Independence**	**Mount Washington**	**Noland Rd Auto Plaza**	**Crackerneck Creek**
Pooled cash and investments	$	114,522	27,680	—	—	934,300	3,081,657	22,662	40,448	3,376	533,012
Receivables:											
Taxes		1,303	—	103	208,797	15,477	144,000	2,571	—	—	78,663
Accounts		13,925	—	—	—	—	—	—	—	—	59,915
Due from other funds		—	—	—	—	—	1,383,303	—	—	—	—
Due from other governments		1,318	12,635	4,680	34,261	1,244	224,152	—	65	—	145,430
Restricted assets		—	—	953,746	1,033,021	—	4,001,827	—	—	—	10,125,105
Total assets	$	131,068	40,315	958,529	1,276,079	951,021	8,834,939	25,233	40,513	3,376	10,942,125
Liabilities and Fund Balances											
Liabilities:											
Accounts and contracts payable	$	—	—	—	—	—	—	—	—	—	1,126
Due to other funds		—	—	1,206,317	132,747	—	—	—	—	—	714
Total liabilities		—	—	1,206,317	132,747	—	—	—	—	—	1,840
Deferred inflows of resources:											
Unavailable revenue - real estate taxes		1,303	—	103	181,047	12,289	—	—	—	—	—
Total deferred inflows of resources		1,303	—	103	181,047	12,289	—	—	—	—	—
Fund balances:											
Restricted		129,765	40,315	—	962,285	938,732	8,834,939	25,233	40,513	3,376	10,940,285
Unassigned		—	—	(247,891)	—	—	—	—	—	—	—
Total fund balances (deficits)		129,765	40,315	(247,891)	962,285	938,732	8,834,939	25,233	40,513	3,376	10,940,285
Total liabilities, deferred inflows of resources and fund balances	$	131,068	40,315	958,529	1,276,079	951,021	8,834,939	25,233	40,513	3,376	10,942,125

Exhibit 29

Assets		Old Landfill	Cinema East	Trinity	HCA	23rd & Noland Project 1	23rd & Noland Project 2	Independence Square	Little Blue Parkway 1	TIF App Fees	Total
Pooled cash and investments	$	57,681	—	206,651	935,393	—	—	—	—	—	5,957,382
Receivables:											
Taxes		88,901	—	11,350	3,020	—	—	—	—	—	554,185
Accounts		—	—	—	—	—	—	—	—	—	73,840
Due from other funds		—	—	—	—	—	—	—	—	22,700	1,406,003
Due from other governments		1,264	—	9,095	4,557	—	—	—	—	—	438,701
Restricted assets		—	—	—	3,727,692	—	—	—	—	—	19,841,391
Total assets	$	147,846	—	227,096	4,670,662	—	—	—	—	22,700	28,271,502
Liabilities and Fund Balances											
Liabilities:											
Accounts and contracts payable	$	—	—	—	—	—	—	16,261	—	—	17,387
Due to other funds		—	197	—	—	20,113	9,168	—	22,700	14,761	1,406,717
Total liabilities		—	197	—	—	20,113	9,168	16,261	22,700	14,761	1,424,104
Deferred inflows of resources:											
Unavailable revenue - real estate taxes		86,521	—	—	—	—	—	—	—	—	281,263
Total deferred inflows of resources		86,521	—	—	—	—	—	—	—	—	281,263
Fund balances:											
Restricted		61,325	—	227,096	4,670,662	—	—	—	—	7,939	26,882,465
Unassigned		—	(197)	—	—	(20,113)	(9,168)	(16,261)	(22,700)	—	(316,330)
Total fund balances (deficits)		61,325	(197)	227,096	4,670,662	(20,113)	(9,168)	(16,261)	(22,700)	7,939	26,566,135
Total liabilities, deferred inflows of resources and fund balances	$	147,846	—	227,096	4,670,662	—	—	—	—	22,700	28,271,502

CITY OF INDEPENDENCE, MISSOURI

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

Component Unit - Tax Increment Financing

Year ended June 30, 2013

	Midtown Truman	RSO	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill
Revenues:												
Taxes	$ 19,874	124,987	17,550	1,326,234	499,573	5,338,811	34,296	1,898	8,756	3,626	1,443,486	107,959
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	760	895	1,097	43,381	1,025	117,601	30	30	—	1	8,534	44
Developer contributions	—	—	238,105	—	—	—	—	—	—	—	—	—
Other	—	—	109,886	—	—	85	—	—	—	—	1,027,506	—
Total revenues	20,634	125,882	366,638	1,369,615	500,598	5,456,497	34,326	1,928	8,756	3,627	2,479,526	108,003
Expenditures:												
Tax increment financing	303	1,777	5,561	175,509	17,717	1,123,856	755	38	8,756	69	61,282	2,143
Debt service:												
Principal	21,689	—	475,000	1,100,000	280,000	2,248,500	—	—	—	—	2,747,809	—
Interest and fiscal agent fees	—	140,100	476,211	550,194	156,704	1,354,582	14,500	—	—	—	4,649,302	51,600
Debt issuance costs	—	—	—	—	—	87,208	—	—	—	—	655,964	—
Total expenditures	21,992	141,877	956,772	1,825,703	454,421	4,814,146	15,255	38	8,756	69	8,114,357	53,743
Excess (deficiency) of revenues over expenditures	(1,358)	(15,995)	(590,134)	(456,088)	46,177	642,351	19,071	1,890	—	3,558	(5,634,831)	54,260
Other financing sources:												
Issuance of debt	—	—	—	—	—	3,965,000	—	—	—	—	24,840,000	—
Reoffering premium/original issue discount	—	—	—	—	—	54,807	—	—	—	—	(338,052)	—
Payment to refunded loans escrow agent	—	—	—	—	—	(3,932,663)	—	—	—	—	(22,729,135)	—
Transfers in	—	—	—	—	—	—	—	—	—	—	4,792,478	—
Transfers out	—	—	—	—	—	(680,165)	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	(593,021)	—	—	—	—	6,565,291	—
Net change in fund balances	(1,358)	(15,995)	(590,134)	(456,088)	46,177	49,330	19,071	1,890	—	3,558	930,460	54,260
Fund balances (deficits), beginning	131,123	56,310	342,243	1,418,373	892,555	8,785,609	6,162	38,623	—	(182)	10,009,825	7,065
Fund balances (deficits), ending	$ 129,765	40,315	(247,891)	962,285	938,732	8,834,939	25,233	40,513	—	3,376	10,940,285	61,325

Exhibit 30

	Cinema East	Cornerstone Apartments	Trinity	HCA	23rd & Noland Project 1	23rd & Noland Project 2	Independence Square	Little Blue Parkway 1	TIF App Fees	Total
Revenues:										
Taxes	$ —	374,168	422,981	3,524,934	—	—	—	—	—	13,249,133
Charges for services	—	—	—	—	—	—	—	—	10,000	10,000
Investment income	—	301	124	3,375	—	—	—	—	—	177,198
Developer contributions	—	—	—	—	—	—	—	—	—	238,105
Other	—	—	—	168	—	—	—	—	—	1,137,645
Total revenues	—	374,469	423,105	3,528,477	—	—	—	—	10,000	14,812,081
Expenditures:										
Tax increment financing	197	863,902	50,568	195,199	20,113	9,168	16,261	22,700	2,615	2,578,489
Debt service:										
Principal	—	—	125,377	1,510,000	—	—	—	—	—	8,508,375
Interest and fiscal agent fees	—	—	57,623	1,670,855	—	—	—	—	—	9,121,671
Debt issuance costs	—	—	—	264,357	—	—	—	—	—	1,007,529
Total expenditures	197	863,902	233,568	3,640,411	20,113	9,168	16,261	22,700	2,615	21,216,064
Excess (deficiency) of revenues over expenditures	(197)	(489,433)	189,537	(111,934)	(20,113)	(9,168)	(16,261)	(22,700)	7,385	(6,403,983)
Other financing sources:										
Issuance of debt	—	—	—	12,050,000	—	—	—	—	—	40,855,000
Reoffering premium/original issue discount	—	—	—	268,911	—	—	—	—	—	(14,334)
Payment to refunded loans escrow agent	—	—	—	(12,051,892)	—	—	—	—	—	(38,713,690)
Transfers in	—	—	—	—	—	—	—	—	—	4,792,478
Transfers out	—	—	—	(148)	—	—	—	—	—	(680,313)
Total other financing sources	—	—	—	266,871	—	—	—	—	—	6,239,141
Net change in fund balances	(197)	(489,433)	189,537	154,937	(20,113)	(9,168)	(16,261)	(22,700)	7,385	(164,842)
Fund balances (deficits), beginning	—	489,433	37,559	4,515,725	—	—	—	—	554	26,730,977
Fund balances (deficits), ending	$ (197)	—	227,096	4,670,662	(20,113)	(9,168)	(16,261)	(22,700)	7,939	26,566,135

THE CITY OF INDEPENDENCE

MISSOURI

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.

THE CITY OF INDEPENDENCE

MISSOURI

Exhibit 31

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

		Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:					
Current assets:					
Pooled cash and investments	$	589,771	2,885,197	2,279,845	5,754,813
Accounts receivable		3,086	324,406	70,700	398,192
Inventory		180,781	—	—	180,781
Total current assets		773,638	3,209,603	2,350,545	6,333,786
Noncurrent assets:					
Capital assets:					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		189,040	—	—	189,040
Less accumulated depreciation		(158,889)	—	—	(158,889)
Restricted assets		—	—	200,000	200,000
Total noncurrent assets		124,130	—	200,000	324,130
Total assets	$	897,768	3,209,603	2,550,545	6,657,916
Liabilities:					
Current liabilities:					
Accounts and contracts payable	$	42,942	—	2,208	45,150
Accrued liabilities		21,669	—	3,687	25,356
Compensated absences – current		26,439	—	13,415	39,854
Self-insurance claims payable		—	2,349,929	1,794,534	4,144,463
Total current liabilities		91,050	2,349,929	1,813,844	4,254,823
Noncurrent liabilities:					
Compensated absences – long-term		36,757	—	30,800	67,557
Other post employment benefits		472,064	—	31,871	503,935
Net pension obligation		39,315	—	9,963	49,278
Self-insurance claims payable		—	—	2,371,273	2,371,273
Total noncurrent liabilities		548,136	—	2,443,907	2,992,043
Total liabilities		639,186	2,349,929	4,257,751	7,246,866
Net position:					
Net Investment in capital assets		124,130	—	—	124,130
Restricted for:					
Worker's compensation escrow		—	—	200,000	200,000
Unrestricted		134,452	859,674	(1,907,206)	(913,080)
Total net position (deficit)		258,582	859,674	(1,707,206)	(588,950)
Total liabilities and net position	$	897,768	3,209,603	2,550,545	6,657,916

Exhibit 32

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

Year ended June 30, 2013

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:				
Charges for services	$ 2,281,262	19,957,516	2,382,271	24,621,049
Total operating revenues	2,281,262	19,957,516	2,382,271	24,621,049
Operating expenses:				
Personal services	699,871	—	152,925	852,796
Other services	208,419	24,884,473	3,499,918	28,592,810
Supplies	1,261,151	—	2,857	1,264,008
Depreciation and amortization	3,900	—	—	3,900
Total operating expenses	2,173,341	24,884,473	3,655,700	30,713,514
Operating income (loss)	107,921	(4,926,957)	(1,273,429)	(6,092,465)
Nonoperating revenues:				
Interest revenue	432	11,773	2,576	14,781
Miscellaneous revenue	66,078	1,876,968	70,199	2,013,245
Total nonoperating revenue	66,510	1,888,741	72,775	2,028,026
Change in net position	174,431	(3,038,216)	(1,200,654)	(4,064,439)
Total net position:				
Beginning of the year (deficit)	84,151	3,897,890	(506,552)	3,475,489
End of the year (deficit)	$ 258,582	859,674	(1,707,206)	(588,950)

Exhibit 33

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2013

		Internal Service Funds			
		Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 7)
Cash flows from operations:					
Receipts from customers	$	2,349,236	21,780,552	2,452,470	26,582,258
Payments to suppliers		(1,617,221)	(24,792,012)	(1,781,030)	(28,190,263)
Payments to employees		(649,292)	—	(140,951)	(790,243)
Net cash provided (used) by operating activities		82,723	(3,011,460)	530,489	(2,398,248)
Cash flows from investing activities:					
Interest on investments		432	11,773	2,576	14,781
Net cash provided by investing activities		432	11,773	2,576	14,781
Net increase (decrease) in cash and cash equivalents		83,155	(2,999,687)	533,065	(2,383,467)
Cash and cash equivalents at beginning of year		506,616	5,884,884	1,946,780	8,338,280
Cash and cash equivalents at end of year	$	589,771	2,885,197	2,479,845	5,954,813
Components of cash and short-term investments at end of fiscal year					
Unrestricted assets		589,771	2,885,197	2,279,845	5,754,813
Resticted assets		—	—	200,000	200,000
Pooled cash and investments	$	589,771	2,885,197	2,479,845	5,954,813
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$	107,921	(4,926,957)	(1,273,429)	(6,092,465)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization		3,900	—	—	3,900
Miscellaneous revenue		66,078	1,876,968	70,199	2,013,245
Change in assets and liabilities:					
Accounts receivable		1,896	(53,932)	—	(52,036)
Inventory		(160,596)	—	—	(160,596)
Prepaid items		—	—	236,219	236,219
Accounts and contracts payable		12,945	—	735	13,680
Accrued liabilities		(10,231)	92,461	180	82,410
Other post-employment benefits		106,792	—	11,926	118,718
Self-insurance claims payable		—	—	1,484,611	1,484,611
Compensated absences		(45,982)	—	48	(45,934)
Total adjustments		(25,198)	1,915,497	1,803,918	3,694,217
Net cash provided (used) by operating activities	$	82,723	(3,011,460)	530,489	(2,398,248)

Exhibit 34

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2013

		Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013 (Exhibit 8)
Flexible Benefit Plan:					
Assets:					
Pooled cash and investments	$	82,191	82,194	68,121	96,264
	$	82,191	82,194	68,121	96,264
Liabilities:					
Flexible benefit payable	$	82,191	495,347	481,274	96,264
Susie Block Trust:					
Assets:					
Pooled cash and investments	$	31,780	1,329	1,165	31,944
Accrued interest receivable		492	1,324	1,325	491
	$	32,272	2,653	2,490	32,435
Liabilities:					
Funds held in escrow	$	32,272	1,328	1,165	32,435
Seniors Travel Programs:					
Assets:					
Pooled cash and investments	$	46,449	53,783	81,633	18,599
Liabilities:					
Accounts and contracts payable	$	8,023	50,645	52,901	5,767
Funds held in escrow		38,426	54,420	80,014	12,832
	$	46,449	105,065	132,915	18,599
All Agency Funds:					
Assets:					
Pooled cash and investments	$	160,420	137,306	150,919	146,807
Accrued interest receivable		492	1,324	1,325	491
	$	160,912	138,630	152,244	147,298
Liabilities:					
Flexible benefit payable	$	82,191	495,347	481,274	96,264
Accounts and contracts payable		8,023	50,645	52,901	5,767
Funds held in escrow		70,698	55,748	81,179	45,267
	$	160,912	601,740	615,354	147,298

THE CITY OF INDEPENDENCE

MISSOURI

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2013 and 2012

	2013			2012		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production fuel:						
Coal			$ 7,094,343			9,339,336
Gas			4,433,002			1,727,403
Oil			226,832			239,525
Total production fuel			11,754,177			11,306,264
Purchased power:						
Purchased energy			18,636,338			21,816,440
Purchased capacity (net)			17,733,329			21,793,559
Border customers			63,304			55,720
Control and dispatching			2,026,907			1,729,948
Total purchased power			38,459,878			45,395,666
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 755,778	733,758	1,489,535	781,914	702,181	1,484,095
Steam	856,586	2,591,926	3,448,512	1,036,832	3,027,292	4,064,123
Electric	821,063	697,667	1,518,729	927,923	1,000,814	1,928,737
Structures and improvements	—	381,745	381,745	—	221,091	221,091
Allowance	5,344	—	5,344	9,980	—	9,980
Miscellaneous	1,188,471	624,713	1,813,184	1,326,105	658,706	1,984,811
	3,627,241	5,029,808	8,657,049	4,082,754	5,610,084	9,692,838
Missouri City Station:						
Supervision and engineering	102,648	17,589	120,237	161,274	12,466	173,740
Steam	370,089	1,780,184	2,150,272	365,569	1,433,632	1,799,201
Electric	380,246	208,296	588,541	375,615	280,194	655,809
Structures and improvements	—	83,196	83,196	—	76,110	76,110
Miscellaneous	389,821	191,974	581,795	529,583	254,905	784,488
	1,242,804	2,281,238	3,524,042	1,432,041	2,057,307	3,489,348
Combustion Turbine Station:						
Supervision and engineering	2,306,330	—	2,306,330	372,113	41,276	413,389
Generation expenses	868	276,349	277,217	5,003	323,959	328,961
Structures and improvements	—	22,106	22,106	—	9,120	9,120
Miscellaneous	43,800	45,467	89,267	19,234	86,539	105,773
	2,350,998	343,922	2,694,921	396,349	460,894	857,243
Total production (other)	$ 7,221,043	7,654,968	14,876,011	5,911,144	8,128,284	14,039,429
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 395,171	26,266	421,437	288,803	22,608	311,411
Overhead expenses	—	1,498	1,498	90,213	4,010	94,224
Station expenses	10,819	610,594	621,413	14,105	456,963	471,068
Wheeling charges	5,291,148	—	5,291,148	3,673,682	—	3,673,682
Underground line expense	2,021	—	2,021	1,024	36,283	37,307
Structures and improvements	—	—	—	—	—	—
Miscellaneous	99,050	—	99,050	—	—	—
Total transmission	5,798,209	638,357	6,436,566	4,067,828	519,864	4,587,692

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2013 and 2012

	2013			2012		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Distribution:						
Supervision and engineering	$ 167,519	63,743	231,262	171,278	68,360	239,638
Overhead lines	1,071,332	3,480,083	4,551,415	1,132,486	3,511,240	4,643,726
Station expenses	2,480	519,915	522,394	73,220	817,872	891,092
Street lights and traffic signals	219,665	489,318	708,983	300,569	633,553	934,122
Meters	90,773	573,711	664,485	221,506	542,711	764,217
Customer installations	3,732	—	3,732	413	—	413
Underground lines	1,113,590	530,729	1,644,319	1,152,138	527,441	1,679,579
Dispatching communication	1,023,498	—	1,023,498	853,427	—	853,427
Line transformers	—	111,578	111,578	—	115,098	115,098
Miscellaneous	575,339	580,990	1,156,329	563,278	517,343	1,080,621
Total distribution	4,267,929	6,350,067	10,617,996	4,468,316	6,733,616	11,201,932
Total transmission and distribution	$ 10,066,137	6,988,424	17,054,562	8,536,143	7,253,480	15,789,624
Customer service:						
Supervision			$ 172,799			131,529
Meter reading			632,798			632,958
Customer records and collections			1,898,642			2,223,789
Provisions for doubtful accounts			997,435			906,237
Miscellaneous			129,742			166,181
Total customer service			3,831,416			4,060,694
General and administrative:						
Salaries			1,430,774			1,451,975
Office supplies			808,571			697,537
Insurance			1,190,953			1,204,445
Injuries and damage			1,082,571			846,406
Employee benefits			8,110,312			7,709,462
Outside services			2,553,542			2,242,237
Miscellaneous			1,305,893			1,240,842
Administrative expenses – transfers			(76,247)			(75,408)
Total general and administrative			16,406,369			15,317,496
Depreciation and amortization			17,989,424			15,766,098
Payroll taxes			1,200,113			1,150,236
Total operating expenses			$ 121,571,949			122,825,506

Exhibit 36

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2013

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**KWH**
Sale of electric energy:				
Metered:				
Residential	51,157	51,150	$ 72,896,005	533,959,375
Small general services	2,995	3,032	4,142,693	24,344,191
General services – space heating	3	3	2,268	22,959
Large general services	1,687	1,616	39,294,745	321,777,506
Large general services – prime voltage	6	6	1,020,538	9,128,418
Large general services – space heating	2	2	16,834	144,684
Total electric general services	106	108	5,700,132	60,312,199
Schools, churches, and hospitals	287	288	5,055,751	40,125,116
Schools, churches, and hospitals, all electric	11	11	476,334	4,795,359
Large power services	3	3	2,201,159	23,133,900
Combined interruptible services	2	2	2,526,968	30,223,000
Sewer pumping	6	6	240,476	1,991,006
City traffic signals	63	64	76,890	110,849
Wholesale (border customers)	2	2	143,682	3,208,837
Wholesale (interchange)	—	—	2,236,782	80,305,000
	56,330	56,293	136,031,257	1,133,582,399
Unmetered:				
Private security lighting	1,700	1,722	397,485	1,571,736
City public street lighting	12,058	12,091	564,633	10,440,524
	13,758	13,813	962,118	12,012,260
Change in unbilled revenue			(1,535,478)	(18,037,626)
Other operating revenue			2,251,149	—
EVTC			40,249	—
Total operating revenue and total energy sales			$ 137,749,295	1,127,557,033
Net generation				286,682,039
Wholesale power purchased				881,469,643
Unintentional interchange				—
Net generation and power purchased				1,168,151,682
Retail energy sales				1,124,348,196
Wholesale (border customers) sales				3,208,837
Power and light usage (building and substations)				1,449,053
Net disposition				1,129,006,086
Transmission and distribution operating losses				$ 39,145,596

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2013 and 2012

	2013			2012		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	$ 27,692	(5)	27,687	24,196	—	24,196
Labor and expenses	355,097	—	355,097	369,097	—	369,097
Structures and improvements	—	40,211	40,211	—	38,337	38,337
Miscellaneous	—	322,028	322,028	—	262,846	262,846
Total source of supply	382,789	362,234	745,023	393,293	301,183	694,476
Power and pumping:						
Supervision and engineering	39,420	20,782	60,202	36,041	16,744	52,785
Fuel/power purchased	1,787,783	—	1,787,783	1,681,641	—	1,681,641
Labor and expenses	259,056	—	259,056	253,021	—	253,021
Structures and improvements	—	11,932	11,932	—	10,967	10,967
Miscellaneous	—	3,453	3,453	—	10,384	10,384
Total power and pumping	2,086,259	36,167	2,122,426	1,970,703	38,095	2,008,798
Water treatment:						
Supervision and engineering	47,573	19,901	67,474	42,551	18,840	61,391
Chemicals	1,404,697	—	1,404,697	1,296,301	—	1,296,301
Labor and expenses	626,072	—	626,072	602,151	—	602,151
Structures and improvements	—	297,993	297,993	—	52,164	52,164
Miscellaneous	—	331,804	331,804	—	322,751	322,751
Total water treatment	2,078,342	649,698	2,728,040	1,941,003	393,755	2,334,758
Total production	$ 4,547,390	1,048,099	5,595,489	4,304,999	733,033	5,038,032
Transmission and distribution:						
Supervision and engineering	$ 79,294	52,163	131,457	103,044	62,775	165,819
Storage facilities	19,529	40,482	60,011	20,075	57,656	77,731
Transmission and distribution lines	734,385	1,292,465	2,026,850	666,794	1,025,321	1,692,115
Meters	44,336	54,459	98,795	48,632	81,335	129,967
Customer installations	86,989	—	86,989	95,419	—	95,419
Services	—	220,238	220,238	—	130,338	130,338
Hydrants	—	49,106	49,106	—	69,499	69,499
Miscellaneous	618,294	233,299	851,593	650,869	211,795	862,664
Total transmission and distribution	$ 1,582,827	1,942,212	3,525,039	1,584,833	1,638,719	3,223,552
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 148,511			142,262
Meter reading			998,133			974,710
Customer records			545,225			590,684
Provision for uncollectible amounts			89,007			101,272
Total customer accounting paid and collecting			1,780,876			1,808,928
Sales promotion:						
Expenses			26,730			24,168
Total customer service			1,807,606			1,833,096
General and administrative:						
Salaries			591,541			643,308
Office supplies and expense			379,808			339,401
Injuries and damages			502,583			566,145
Employee benefits			1,745,095			1,751,422
Outside services			1,132,140			1,004,946
Miscellaneous			260,983			250,550
Total general and administrative			4,612,150			4,555,772
Depreciation and amortization			3,205,490			3,182,920
Payroll taxes			306,778			307,821
Other			73,328			60,433
Total operating expenses			19,125,880			18,201,626
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			1,414,391			1,339,832
			$ 20,540,271			19,541,458

Exhibit 38

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2013

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**MGS***
Sale of water:				
Residential	44,520	44,501	$ 13,080,814	3,156,886
Commercial	3,097	3,092	3,847,161	1,008,200
Industrial	6	6	547,930	239,315
Public authority	75	77	270,391	69,550
Resale	13	13	7,714,290	4,901,471
Private fire protection	434	432	143,551	—
Public fire protection	—	—	1,017,256	—
	48,145	48,121	26,621,393	9,375,422
Change in unbilled revenue			(349,258)	
Other operating revenue			370,511	
Total operating revenue			$ 26,642,646	
Thousands of gallons pumped:				
Courtney Bend Plant				10,714,823
Less total sales				9,375,422
Unaccounted for water				1,339,401

* Thousand gallons sold.

Exhibit 39

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2013

	Number of customers: Beginning of year	Number of customers: End of year	Revenue	CCF*
Sale of sanitary sewer services:				
Residential	40,572	40,588	$ 10,601,887	2,548,241
Commercial:				
Base	3,481	3,463	4,199,879	1,713,014
Surcharge	—	—	1,088,985	—
Contract waste treatment	14	14	250,393	—
Regulatory Compliance			3,188,268	
Intermunicipal agreements:				
Sugar Creek	—	—	595,295	—
Kansas City	—	—	99,844	—
	44,067	44,065	20,024,551	4,261,255
Other operating revenue			206,495	
Change in unbilled revenue			591	
Total operating revenue			$ 20,231,637	

* Hundred cubic feet.

THE CITY OF INDEPENDENCE

MISSOURI

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.”

THE CITY OF INDEPENDENCE

MISSOURI

STATISTICAL SECTION

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

Contents	**Tables**
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**1 - 4**
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources.	**5 - 15**
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	**16 - 20**
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	**21 - 22**
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	**23 - 25**

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

THE CITY OF INDEPENDENCE

MISSOURI

Table 1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$ 86,613,728	102,014,271	165,333,646	195,251,671	233,350,380	289,028,019	305,569,028	321,072,648	334,320,197	336,357,164
Restricted	12,415,044	26,147,417	25,262,407	28,164,683	25,270,518	15,475,723	16,889,552	16,275,115	17,220,970	16,853,297
Unrestricted	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)	(4,410,121)	(10,487,249)	(23,784,298)	(41,705,135)	(219,659,905)	(231,199,039)
Total governmental activities net position	$ 50,151,360	122,409,342	186,567,169	220,283,552	254,210,777	294,016,493	298,674,282	295,642,628	131,881,262	122,011,422
Business-type activities	$									
Net investment in capital assets	212,840,200	233,908,193	246,080,008	267,330,916	285,931,913	281,280,070	279,970,114	272,062,890	262,631,937	251,523,417
Restricted	500,000	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885	6,423,693	14,629,418	15,545,776
Unrestricted	85,443,314	72,143,939	70,071,662	60,010,180	31,311,367	29,929,991	32,197,583	37,479,969	46,597,826	45,095,514
Total business-type activities net position	$ 298,783,514	306,552,132	316,883,322	328,072,197	322,459,952	314,901,386	315,860,582	315,966,552	323,859,181	312,164,707
Primary government										
Net investment in capital assets	$ 299,453,928	335,922,464	411,413,654	462,582,587	519,282,293	570,308,089	585,539,142	593,135,538	596,952,134	587,880,581
Restricted	12,915,044	26,647,417	25,994,059	28,895,784	30,487,190	19,167,048	20,582,437	22,698,808	31,850,388	32,399,073
Unrestricted	36,565,902	66,391,593	66,042,778	56,877,378	26,901,246	19,442,742	8,413,285	(4,225,166)	(173,062,079)	(186,103,525)
Total primary government net position	$ 348,934,874	428,961,474	503,450,491	548,355,749	576,670,729	608,917,879	614,534,864	611,609,180	455,740,443	434,176,129

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a discretely component unit. In 2012 the Tax Increment Financing funds were added back to the primary government presentation as a blended 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.

Note: In 2011 the Events Center LLC was added as a blended component unit under the business-type activities.

Note: In 2012 the Events Center Community Improvement District was added as a blended component unit under the business-type activities.

Note: In 2012 the Crackerneck Creek Transportation Development District was added as a blended component unit under the governmental activities.

Table 2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
Administrative services	$ 6,808,416	7,148,065	7,363,102	7,749,779	8,487,120	8,216,824	9,172,736	9,305,826	8,344,371	9,225,738
Public safety	32,987,626	35,069,866	36,796,996	38,253,819	44,390,164	47,972,502	49,861,503	53,067,764	53,836,564	55,139,731
Public works	6,196,849	6,889,773	12,817,343	13,231,006	13,013,430	13,197,612	13,687,890	13,647,390	15,562,839	17,428,294
Health and welfare	2,524,823	2,421,255	2,638,369	2,898,542	3,287,200	3,599,725	3,607,469	3,732,795	3,575,162	3,810,863
Culture and recreation	4,069,244	4,247,735	5,161,139	6,965,260	7,813,486	8,135,903	7,604,501	7,947,692	8,476,301	7,275,087
Community development	3,471,030	3,372,610	3,809,726	4,096,835	4,381,932	4,003,876	4,386,689	7,032,272	5,128,323	5,318,490
Storm water	1,043,573	1,493,534	1,641,992	2,193,290	2,270,858	2,445,470	2,569,381	2,876,073	2,765,629	2,862,544
General government	15,012,715	6,266,060	6,678,208	8,225,760	7,921,217	8,374,983	9,421,062	9,366,479	9,293,399	8,405,914
Tax increment financing	—	—	—	—	—	—	—	—	2,992,581	14,281,820
Debt service component unit	—	—	—	—	—	—	—	7,709,611	—	—
Interest on long-term debt	3,237,213	536,124	991,856	1,050,153	1,073,318	891,473	640,902	625,778	10,125,399	379,760
Total governmental activities expenses	75,351,489	67,445,022	77,898,731	84,664,444	92,638,725	96,838,368	100,952,133	115,311,680	120,100,568	124,128,241
Business-type activities:										
Power and light	71,641,843	73,531,757	84,564,657	89,265,988	101,665,442	101,097,606	105,486,932	113,956,212	124,533,699	127,959,254
Water	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054	20,250,295	20,324,005	20,239,748	20,563,502	21,886,576
Sewer	11,381,487	11,995,774	12,236,654	12,721,171	14,451,363	15,233,127	15,268,389	16,304,874	16,157,412	18,900,129
Events center	—	—	—	—	179,032	1,888,027	4,862,017	13,764,087	12,869,289	13,091,457
Total business-type activities expenses	98,375,425	101,922,019	113,898,818	119,710,273	135,426,891	138,469,055	145,941,343	164,264,921	174,123,902	181,837,416
Total primary government expenses	$ 173,726,914	169,367,041	191,797,549	204,374,717	228,065,616	235,307,423	246,893,476	279,576,601	294,224,470	305,965,657
Program Revenues										
Governmental activities:										
Charges for services:										
Administrative services	$ 5,117,112	5,067,474	5,512,413	5,696,158	5,905,973	6,247,933	6,276,153	6,453,890	6,676,240	6,611,432
Public safety	3,618,327	3,841,471	4,588,766	4,202,328	4,202,059	4,432,454	4,867,364	4,943,734	4,829,421	4,567,625
Public works	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172	462,490	437,032	398,071	362,732
Health and welfare	487,956	482,601	435,775	723,574	791,825	776,194	819,659	732,116	817,774	735,708
Culture and recreation	252,814	619,630	975,889	845,560	925,880	842,523	771,890	796,820	871,799	727,220
Community development	2,068,279	2,050,172	2,203,367	2,292,638	1,949,275	1,172,512	1,242,376	1,167,853	968,438	934,442
Storm water	—	—	—	—	645	—	—	—	—	—
General government	15,000	—	—	—	—	—	—	—	1,012,898	1,037,506
Operating grants and contributions	9,181,339	9,336,061	9,199,332	9,957,178	8,902,787	8,223,227	9,182,959	13,517,593	12,487,041	9,462,570
Capital grants and contributions	957,411	7,242,924	26,417,977	23,963,312	27,772,386	41,557,506	11,912,031	12,598,018	14,465,335	3,590,902
Total governmental activities program revenues	23,614,318	29,442,539	50,337,280	49,019,227	51,190,473	63,701,521	35,534,922	40,647,056	42,527,017	28,030,137
Business-type activities:										
Charges for services:										
Power and light	81,333,414	82,592,294	98,278,354	103,133,249	107,619,947	105,064,847	114,744,814	126,755,826	139,878,341	137,749,295
Water	16,610,572	17,080,050	18,312,720	17,744,404	18,114,183	18,607,799	20,134,421	22,203,258	24,635,637	26,642,646
Sewer	13,320,317	13,975,780	14,364,165	15,058,695	15,283,055	15,347,894	15,263,586	17,061,489	18,233,724	20,231,637
Events center	—	—	—	—	—	—	—	4,874,623	8,370,481	4,345,469
Operating grants and contributions	—	—	—	—	—	—	—	4,813,612	5,000	—
Capital grants and contributions	4,031,475	3,491,383	2,964,925	5,562,049	4,363,127	3,396,999	7,760,380	4,012,182	1,122,019	763,127
Total business-type activities program revenues	115,295,778	117,139,507	133,920,164	141,498,397	145,380,312	142,417,539	157,903,201	179,720,990	192,245,202	189,732,174
Total primary government program revenues	$ 138,910,096	146,582,046	184,257,444	190,517,624	196,570,785	206,119,060	193,438,123	220,368,046	234,772,219	217,762,311

Table 2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	$ (51,737,171)	(38,002,483)	(27,561,451)	(35,645,217)	(41,448,252)	(33,136,847)	(65,417,211)	(74,664,624)	(77,573,551)	(96,098,104)
Business-type activities	16,920,353	15,217,488	20,021,346	21,788,124	9,953,421	3,948,484	11,961,858	15,456,069	18,121,300	7,894,758
Total primary government net expense	$ (34,816,818)	(22,784,995)	(7,540,105)	(13,857,093)	(31,494,831)	(29,188,363)	(53,455,353)	(59,208,555)	(59,452,251)	(88,203,346)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 6,458,742	6,564,690	6,895,323	6,952,380	7,067,966	7,963,698	7,276,215	7,458,788	8,652,704	7,618,559
Sales and use taxes	35,423,599	33,295,203	37,754,853	37,728,799	38,086,941	37,353,520	36,021,505	36,030,316	39,836,686	40,689,725
Intergovernmental activity taxes	—	—	—	—	—	—	—	—	9,534,652	9,635,263
Franchise taxes	7,241,437	7,500,356	7,645,601	8,209,734	16,519,852	13,138,965	11,823,113	10,696,214	10,914,940	10,414,823
Financial institutions tax	29,000	37,149	22,181	34,802	31,960	44,195	15,669	28,410	21,646	15,225
Investment earnings	583,364	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476	138,471	228,812	302,467
Miscellaneous	1,646,836	1,143,207	714,149	589,469	348,143	438,354	466,775	1,079,391	397,567	1,049,065
Payments to component unit	—	(24,722)	—	—	—	—	—	—	—	—
Transfers	9,554,727	10,038,823	13,167,930	13,180,055	14,181,015	13,398,378	14,274,247	16,201,380	17,329,950	18,232,349
Total governmental activities	60,937,705	59,477,407	67,585,163	68,480,350	77,712,325	72,942,563	70,075,000	71,632,970	86,916,957	87,957,476
Business-type activities:										
Sales and use taxes	—	—	—	—	—	—	—	—	—	5,291,682
Investment earnings	709,029	1,567,536	2,449,623	2,532,853	1,850,519	485,895	69,869	171,413	28,936	66,215
Miscellaneous	1,774,387	1,022,417	436,132	47,953	37,982	1,405,433	609,962	679,868	2,212,916	557,965
Transfers	(9,554,727)	(10,038,823)	(13,167,930)	(13,180,055)	(14,181,015)	(13,398,378)	(14,274,247)	(16,201,380)	(17,329,950)	(18,232,349)
Total business-type activities	(7,071,311)	(7,448,870)	(10,282,175)	(10,599,249)	(12,292,514)	(11,507,050)	(13,594,416)	(15,350,099)	(15,088,098)	(12,316,487)
Total primary government	$ 53,866,394	52,028,537	57,302,988	57,881,101	65,419,811	61,435,513	56,480,584	56,282,871	71,828,859	75,640,989
Changes in Net Position										
Governmental activities	$ 9,200,534	21,474,924	40,023,712	32,835,133	36,264,073	39,805,716	4,657,789	(3,031,654)	9,343,406	(8,140,628)
Business-type activities	9,849,042	7,768,618	9,739,171	11,188,875	(2,339,093)	(7,558,566)	(1,632,558)	105,970	3,033,202	(4,421,729)
Total primary government	$ 19,049,576	29,243,542	49,762,883	44,024,008	33,924,980	32,247,150	3,025,231	(2,925,684)	12,376,608	(12,562,357)

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a discretely component unit. In 2012 the Tax Increment Financing funds were added back to the primary government presentation as a blended 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.

Note: In 2011 the Events Center LLC was added as a blended component unit under the business-type activities.

Note: In 2012 the Events Center Community Improvement District was added as a blended component unit under the business-type activities.

Note: In 2012 the Crackerneck Creek Transportation Development District was added as a blended component unit under the governmental activities.

Table 3

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

		Fiscal Year					
		2004	2005	2006	2007	2008	2009
General Fund							
Reserved	$	1,651,092	1,650,890	1,756,039	2,200,693	1,265,717	1,319,086
Unreserved		3,515,412	3,196,765	6,029,006	4,534,005	8,062,100	5,739,682
Total General Fund	$	5,166,504	4,847,655	7,785,045	6,734,698	9,327,817	7,058,768
All other governmental funds							
Reserved	$	15,656,867	18,110,669	20,786,620	10,928,435	41,091,787	19,583,280
Unreserved, reported in:							
Special revenue funds		8,619,880	17,461,153	14,250,375	17,620,241	12,648,957	5,357,555
Capital project funds		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		13,274	13,616	14,220	9,670	—	—
Total all other governmental funds	$	26,859,477	31,839,823	24,450,195	26,781,029	24,566,068	14,321,826

		2010	2011	2012	2013
General Fund					
Restricted		236,365	442,556	584,917	417,361
Committed		2,277,479	1,413,292	453,285	391,399
Assigned		662,881	667,065	593,561	464,633
Unassigned		2,012,374	2,302,039	1,831,406	600,662
	$	5,189,099	4,824,952	3,463,169	1,874,055
All other governmental funds					
Nonspendable	$	—	—	—	480,253
Restricted		17,329,836	16,659,329	44,378,155	43,513,724
Committed		440,243	437,150	1,404,187	451,142
Unassigned		(5,118,794)	(5,369,883)	(6,237,737)	(6,951,949)
	$	12,651,285	11,726,596	39,544,605	37,493,170

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a discretely component unit. In 2012 the Tax Increment Financing funds were back to the primary government presentation as a blended 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.

Note: In 2012 the Crackerneck Creek Transportation Development District was added as a blended component unit under the governmental activities.

Table 4

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 49,123,780	47,360,251	52,295,777	52,890,913	58,474,761	55,131,682	55,953,427	59,053,886	68,437,032	68,799,104
Licenses, fees and permits	4,951,856	4,670,617	5,073,944	5,472,192	4,642,719	3,695,971	3,483,767	3,426,859	3,319,496	3,255,877
Intergovernmental	10,091,764	13,013,181	21,762,714	16,534,433	10,862,317	19,131,915	16,921,164	24,785,082	24,127,728	12,724,286
Charges for services	1,569,283	2,023,297	2,926,800	2,587,783	2,784,144	2,774,284	2,759,317	3,015,294	3,095,040	2,966,943
Interfund charges for support services	2,767,631	2,700,215	2,949,682	3,105,514	3,222,406	3,389,629	3,580,384	3,743,875	3,791,444	3,835,972
Fines, forfeitures, and court costs	3,219,276	3,521,377	4,023,981	3,900,967	3,724,608	4,009,673	4,510,754	4,398,111	4,329,537	4,061,879
Investment earnings	571,402	901,209	1,309,569	1,588,358	1,197,790	495,337	165,939	124,223	214,584	287,686
Reimbursements from component unit	—	—	—	3,502,961	11,413,444	12,274,171	3,792,466	581,524	—	—
Developer contributions	—	—	—	—	—	—	—	—	832,549	238,105
Other	1,619,995	1,260,113	493,127	799,580	740,435	924,092	816,818	1,115,938	2,355,665	2,263,964
Total revenues	73,914,987	75,450,260	90,835,594	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792	110,503,075	98,433,816
Expenditures										
Administrative services	6,593,368	6,618,488	6,897,346	7,592,963	7,460,421	7,728,128	7,867,425	7,862,603	7,332,146	6,997,537
Public safety	32,271,567	35,462,979	38,976,460	39,693,647	40,950,718	40,956,235	45,150,437	48,037,112	45,457,931	46,169,791
Public works	6,035,389	5,930,041	6,586,771	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868	5,191,326	5,645,470
Health and welfare	2,395,294	2,419,833	2,614,557	2,835,949	2,875,392	3,150,172	3,226,705	3,277,614	3,055,362	3,362,706
Culture and recreation	3,752,185	4,048,187	4,628,228	5,098,826	5,800,784	5,942,029	6,160,686	5,995,558	6,205,463	5,694,462
Community development	3,446,574	3,278,951	3,712,454	4,182,354	4,090,318	3,657,531	4,119,818	6,730,888	4,877,604	5,029,870
Storm water	820,703	1,180,789	1,141,595	1,538,857	1,388,856	1,542,289	1,668,148	1,772,387	1,581,460	1,532,184
General government	6,964,846	7,148,583	6,678,208	7,582,224	7,612,540	7,486,977	8,541,586	8,507,142	8,343,550	7,461,577
Tax increment financing	—	—	—	—	—	—	—	—	2,992,581	2,578,489
Capital outlay	20,481,873	21,040,394	33,296,700	31,736,638	28,561,029	42,442,528	26,346,981	22,527,627	24,697,928	15,475,351
Debt Service										
Principal	3,554,106	1,019,196	3,230,099	3,256,394	3,378,132	7,277,755	3,465,682	2,963,391	12,935,067	12,223,792
Debt service component unit	—	—	—	—	—	—	—	3,566,752	—	—
Interest	3,153,530	246,458	996,600	1,001,306	1,114,072	977,116	814,620	600,864	10,283,032	9,505,756
Debt issuance costs	—	—	—	—	—	—	—	—	258,358	1,059,129
Total expenditures	89,469,435	88,393,899	108,759,018	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806	133,211,808	122,736,114
Excess of revenues over (under) expenditures	(15,554,448)	(12,943,639)	(17,923,424)	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)	(17,757,014)	(22,708,733)	(24,302,298)
Other Financing Sources (Uses)										
Transfers in	651,553	222,429	1,724,648	2,102,299	1,266,294	3,897,938	3,069,619	2,499,761	8,446,498	9,771,846
Transfers out	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)	(2,461,566)	(8,446,498)	(9,560,573)
Issuance of debt	11,096,464	20,748,448	—	8,477,809	100,695	101,734	4,020,000	—	8,694,700	40,855,000
Premiums/Discounts on debt issued	—	—	—	—	—	—	18,402	—	(99,950)	(14,334)
Payment to refunded loans escrow agent	—	—	—	—	—	—	—	—	(6,426,286)	(38,713,690)
Transfers in - utility payments in lieu of taxes	9,712,812	10,179,317	12,624,861	13,039,463	13,702,586	13,503,735	14,225,247	16,211,380	17,329,950	18,021,077
Payments to component unit	—	—	—	—	—	—	—	—	—	—
Sale of capital assets	31,537	56,379	303,255	50,834	23,581	40,269	38,572	218,603	100,901	302,423
Total other financing sources (uses)	20,682,729	30,843,652	13,471,185	21,708,698	13,721,505	13,540,381	18,351,221	16,468,178	19,599,315	20,661,749
Net change in fund balances	$ 5,128,281	17,900,013	(4,452,239)	399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)	(3,109,418)	(3,640,549)
Debt service as a percentage of non capital expenditures	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%	7.67%	21.79%	21.61%

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a discretely component unit. In 2012 the Tax Increment Financing funds were added back to the primary government presentation as a blended component unit.

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

Note: In 2012 the Crackerneck Creek Transportation Development District was added as a blended component unit under the governmental activities.

Table 5

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

Sales by Retail Category:		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Apparel stores	$	104,131	115,283	122,165	126,307	132,957	125,832	124,168	103,406	109,372	100,727
General merchandise		396,792	411,327	420,186	436,832	430,331	434,782	408,200	388,061	424,435	431,720
Food stores		151,936	166,671	171,641	173,595	170,099	178,747	179,031	166,018	177,019	167,729
Eating and drinking establishments		149,307	170,143	179,418	190,478	194,970	201,085	211,739	207,363	220,458	220,621
Home furnishings and appliances		79,079	85,821	87,789	84,366	80,420	72,902	67,124	54,274	55,222	49,381
Building materials and farm tools		19,595	20,842	23,345	25,578	22,720	19,998	17,213	16,937	14,753	17,949
Construction/Remodeling		5,131	5,432	5,869	2,040	4,724	3,415	3,596	3,317	4,383	3,356
Auto dealers and supplies		31,085	32,284	32,593	33,865	35,314	38,260	36,967	41,703	39,526	37,625
Service stations		43,001	55,475	60,533	61,586	62,430	65,741	68,633	70,891	75,773	81,702
Other retail stores		212,256	186,594	229,869	227,864	222,237	245,406	233,860	219,787	236,382	222,049
All other outlets		105,946	109,023	116,068	121,081	119,236	113,711	119,813	118,046	123,443	128,081
Total	$	1,298,259	1,358,895	1,449,476	1,483,592	1,475,438	1,499,879	1,470,344	1,389,803	1,480,766	1,460,940

Note: Amounts for 2013 are not provided due to only receiving partial year figures.

Source: Missouri Department of Revenue

Table 6

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

Direct Sales Tax Rate City of Independence	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	0.500	0.500	0.500	0.500	0.500
Park Improvements	0.125	0.250	0.250	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	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.250	0.250	0.250	0.125	0.125	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.875	2.000	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375

Total Local Option Sales Tax Rate	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	0.750	0.750	0.750	1.125	1.125	1.125	1.125	1.125	1.125	1.125
Kansas City Zoo	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125	0.125
City of Independence	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.125	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	6.975	7.350	7.725	7.725	7.725	7.725	7.725	7.850	7.850

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: Residential Property	Real Property: Agricultural Property	Real Property: Commercial Property	Real Property: State Assessed	Real Property: Total	Other Property: Personal Property	Other Property: Railroads & Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
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	0.7500	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	0.6930	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	0.6630	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	0.6630	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	0.6560	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	0.7030	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	0.7280	5,666,580,865	22.71%
2012	781,254,601	1,128,703	236,979,066	4,844,455	1,024,206,825	252,082,951	2,943,813	1,279,233,589	0.7236	5,643,175,957	22.67%
2013	779,674,017	1,128,605	235,695,566	4,816,906	1,021,315,094	254,225,408	3,612,882	1,279,153,384	0.7281	5,639,283,894	22.68%

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.

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

		City Direct Rates				Overlapping Rates			
Fiscal Year ending (June 30)	Taxing Year	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
2003	2002	$ 0.510	0.240	—	0.750	0.230	4.990	1.113	0.030
2004	2003	0.510	0.240	—	0.750	0.230	5.190	1.113	0.030
2005	2004	0.471	0.222	—	0.693	0.230	5.190	1.107	0.030
2006	2005	0.471	0.222	—	0.693	0.230	5.190	1.107	0.030
2007	2006	0.451	0.212	—	0.663	0.217	5.084	1.060	0.030
2008	2007	0.451	0.212	—	0.663	0.217	5.084	1.063	0.030
2009	2008	0.446	0.210	—	0.656	0.213	5.084	1.053	0.030
2010	2009	0.478	0.225	—	0.703	0.214	5.084	1.061	0.030
2011	2010	0.495	0.233	—	0.728	0.2329	5.430	1.0596	0.030
2012	2011	0.4924	0.2312	—	0.7236	0.2335	5.580	1.0596	0.030
2013	2012	0.4950	0.2331	—	0.7281	0.2349	5.670	1.0464	0.030

Notes:

(1) 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.

(2) 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.

(3) County Tax Breakdown (see note 5):

Health & Welfare Fund	0.1529
General Fund	0.1481
Road & Bridge Fund	0.1391
Park Fund	0.0897
Mid-Continent Public Library	0.3200
Developmentally Disabled	0.0748
Mental Health	0.1218
Total County	1.0464

(4) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for these districts are:

Fort Osage Reorganized #1	5.5000
Blue Springs Reorganized #4	5.7286
Kansas City School District	4.9500

Table 9

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

Taxpayer	2013 Total Assessed Value	2013 Rank	2013 Percentage of Total Taxable Assessed Value	2004 Total Assessed Value	2004 Rank	2004 Percentage of Total Taxable Assessed Value
Simon Property Group LP	$ 22,094,332	1	1.73%	$ 18,525,568	1	1.55%
Cole EDD Mt Independence LLC	8,963,343	2	0.70%			
Space Center of Kansas City	6,730,787	3	0.53%	8,551,633	3	0.71%
Southern Union Company	5,708,511	4	0.45%	5,485,106	5	0.46%
A T & T	5,575,396	5	0.44%			
Walmart	4,973,185	6	0.39%			
Sprint	4,475,825	7	0.35%	4,469,180	7	0.37%
Unilever Bestfoods NA	4,237,786	8	0.33%			
Mansion Apartment	4,032,764	9	0.32%			
Comcast Cablevision	3,789,750	10	0.30%			
DDR MDT Indpendence Commons				9,286,793	2	0.78%
Bradley Operating LTD PTP				7,402,354	4	0.62%
Noland Fashion Square Partners				5,225,985	6	0.44%
Independence Regional Hospital				3,695,375	8	0.31%
Southwestern Bell				3,671,072	9	0.31%
Independence Apartments Association				3,321,200	10	0.28%
Total	$ 70,581,679		5.52%	$ 69,634,266		5.81%

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
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%	357,771	6,442,592	99.97%
2006	6,818,619	6,164,479	90.41%	651,237	6,815,716	99.96%
2007	6,905,547	6,557,341	94.96%	344,905	6,902,246	99.95%
2008	7,103,810	6,645,387	93.55%	453,605	7,098,993	99.93%
2009	7,287,258	6,807,203	93.41%	479,402	7,286,605	99.99%
2010	7,232,424	6,883,318	95.17%	305,513	7,188,831	99.40%
2011	7,493,616	7,145,073	95.35%	270,879	7,415,952	98.96%
2012	7,495,895	6,971,357	93.00%	223,235	7,194,592	95.98%
2013	7,402,402	7,065,183	95.44%	—	7,065,183	95.44%

Source: City of Independence

Table 11

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

Sales by Category:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Power and Light:										
Residential	$ 42,431,000	41,375,000	50,668,000	53,326,000	55,218,000	52,555,000	56,500,000	64,723,000	71,334,000	71,667,000
Commercial	34,242,000	36,011,000	40,881,000	43,673,000	44,708,000	45,171,000	48,273,000	52,003,000	58,366,000	56,044,000
Industrial	2,139,000	2,504,000	2,649,000	2,891,000	2,999,000	2,904,000	3,085,000	3,292,000	4,462,000	4,839,000
Sold to Other Utilities	689,000	779,000	1,839,000	796,000	2,081,000	1,765,000	4,039,000	3,077,000	1,909,000	2,380,000
Other	941,000	1,008,000	1,128,000	1,214,000	1,328,000	1,434,000	1,621,000	1,551,000	1,644,000	606,000
Water:										
Residential	8,141,479	7,789,773	8,488,894	8,657,593	8,994,600	9,037,744	9,403,985	10,726,567	11,699,971	13,080,814
Commercial	2,152,295	2,053,011	2,245,526	2,347,234	2,458,013	2,450,246	2,404,953	2,835,271	3,325,167	3,847,161
Industrial	336,707	331,251	362,537	367,863	308,642	300,577	407,313	450,156	479,477	547,930
Public Authority	174,092	189,489	231,257	228,957	267,428	281,615	297,218	263,137	256,730	270,391
Sold to Other Utilities	4,950,287	5,670,010	5,858,904	5,232,779	5,023,444	4,930,608	6,302,495	6,659,302	7,153,628	7,714,290
Other	934,326	960,563	968,733	1,060,453	1,081,606	1,344,666	1,217,907	1,245,524	1,289,923	1,531,318
Sanitary Sewer:										
Residential	8,570,232	8,834,127	9,196,013	9,584,113	9,854,124	9,841,314	9,733,214	9,873,906	10,460,524	10,601,887
Commercial	3,964,736	4,322,804	4,364,268	4,585,890	4,559,524	4,560,728	4,569,721	4,841,546	5,099,839	5,288,864
Other	707,755	797,791	774,222	854,930	881,836	906,142	897,895	2,443,875	2,628,416	4,340,296
Total	$ 110,373,909	112,625,819	129,655,354	134,819,812	139,763,217	137,482,640	148,752,701	163,985,284	180,108,675	182,758,951

Source: City of Independence

Table 12

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

Rates by Category:		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Power and Light (per Kwh):	$										
Residential		0.08	0.08	0.09	0.10	0.10	0.10	0.11	0.12	0.14	0.14
Commercial		0.07	0.07	0.08	0.09	0.09	0.09	0.10	0.10	0.12	0.12
Industrial		0.05	0.05	0.06	0.06	0.07	0.07	0.07	0.08	0.09	0.09
Sold to Other Utilities		0.03	0.03	0.04	0.04	0.05	0.03	0.03	0.03	0.02	0.03
Other		0.10	0.11	0.12	0.13	0.14	0.15	0.16	0.15	0.15	0.06
Water (per 1,000 gallons):											
Residential		2.37	2.49	2.54	2.63	2.80	3.06	3.35	3.61	3.91	4.14
Commercial		2.18	2.27	2.34	2.41	2.52	2.78	3.08	3.33	3.59	3.82
Industrial		1.12	1.14	1.31	1.34	1.44	1.73	1.97	2.23	2.25	2.29
Public Authority		2.02	2.28	2.34	2.42	2.58	2.86	3.11	3.34	3.67	3.89
Sold to Other Utilities		1.02	1.17	1.21	1.10	1.03	1.10	1.23	1.35	1.46	1.57
Sanitary Sewer (per 100 cubic feet):											
Residential		2.77	2.97	3.13	3.18	3.35	3.50	3.40	3.62	3.90	4.16
Commercial		2.34	2.32	2.46	2.64	2.68	2.69	3.08	3.09	3.42	3.09
Total	$	14.17	14.98	15.72	16.13	16.84	18.16	19.70	21.05	22.73	23.39

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	2013 Total Sales	2013 Rank	2013 Percentage of Total Sales	2004 Total Sales	2004 Rank	2004 Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 1,999,116	1	1.47%	$ 1,056,334	1	1.31%
Centerpoint Medical Center	1,712,780	2	1.26%	—		0.00%
Burd and Fletcher (Combined Accounts)	1,626,807	3	1.20%	565,161	4	0.70%
Simon Property Group LP	1,099,235	4	0.81%	933,061	2	1.16%
Smart Warehouse/Commercial Distributions Center	949,095	5	0.70%	836,763	3	1.04%
HCP MOB Centerpoint (Boyer Company)	570,629	6	0.42%	—		0.00%
Costco Wholesales Inc.	554,227	7	0.41%	279,145	10	0.35%
Independence Events Center	531,534	8	0.39%	—		0.00%
Hy-Vee (Noland Road)	463,845	9	0.34%	—		0.00%
Price Chopper (23rd Street)	461,923	10	0.34%	367,392	8	0.46%
City's Rock Creek Sanitary Sewer Plant	—		0.00%	414,996	5	0.52%
Independence Regional Health Center	—		0.00%	389,634	6	0.48%
Price Chopper (Noland Road)	—		0.00%	379,199	7	0.47%
Medical Center of Independence	—		0.00%	284,649	9	0.35%
Total	$ 9,969,191		7.36%	$ 5,506,334		6.85%

Source: City of Independence

Table 14

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

	2013			2004		
Utility Customer - Water	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	$ 4,470,972	1	16.56%	$ 2,298,259	1	13.77%
Blue Springs	1,015,567	2	3.76%	1,178,876	2	7.06%
District #2, Jackson County	549,672	3	2.04%	302,378	3	1.81%
District #1, Lafayette County	392,022	4	1.45%	275,805	4	1.65%
Oak Grove	363,130	5	1.35%	251,452	5	1.51%
Grain Valley	300,841	6	1.11%	220,272	6	1.32%
District #15, Jackson County	273,773	7	1.01%	144,849	7	0.87%
Audubon (Lafarge) Corporation	210,384	9	0.78%	142,103	8	0.85%
Unilever (Thomas J. Lipton Co)	203,093	8	0.75%	125,232	9	0.75%
Buckner	155,369	10	0.58%	121,766	10	0.73%
Total	$ 7,934,823		29.40%	$ 5,060,992		30.32%

Source: City of Independence

Table 15

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

Utility Customer - Sewer	2013 Total Sales	2013 Rank	2013 Percentage of Total Sales	2004 Total Sales	2004 Rank	2004 Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 812,364	1	4.02%	$ 571,350	1	4.31%
AMOCO	213,142	2	1.05%	205,771	2	1.55%
City of Independence, Power & Light	81,794	3	0.40%	69,186	3	0.52%
Centerpoint Medical Center	65,943	4	0.33%			
Commercial Distributions Center	58,204	5	0.29%	11,894	6	0.09%
Highland Park Investors	48,642	6	0.24%			
Simon Property Group LP	43,217	7	0.21%	44,764	4	0.34%
Bass Pro	21,704	8	0.11%			
Price Chopper (23rd Street)	18,598	9	0.09%			
Price Chopper (Noland)	14,686	10	0.07%			
Independence Regional Health Center	—		0.00%	40,081	5	0.30%
Total	$ 1,378,294		6.81%	$ 943,046		7.12%

Note: Amounts for customers 7 through 10 are not available for 2004.

Source: City of Independence

Table 16

City of Independence, Missouri

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year		Governmental Activities: Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation
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	—
2012	(3)	180,792,033	598,369	1,642,764	—
2013		171,371,974	528,423	1,407,347	—

Fiscal Year	Business-Type Activities: Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2004	$ 65,887,893	$ —	$ —	$ —	$ 126,919,764	5.15%	$ 1,106.10
2005	62,969,608	—	—	—	86,523,582	3.39%	751.42
2006	59,361,323	—	—	—	79,670,760	3.03%	687.10
2007	55,548,038	—	—	—	81,054,149	3.06%	696.59
2008	63,829,753	—	—	—	86,026,333	3.48%	788.08
2009	178,411,467	—	65,954	—	193,467,503	7.48%	1,695.18
2010	175,035,863	—	43,988	—	190,613,577	6.77%	1,572.56
2011	195,970,016	—	21,353	—	208,531,403	7.91%	1,784.91
2012	243,037,399	—	—	—	426,070,565	16.49%	3,635.01
2013	296,937,015	—	—	—	470,244,759	18.19%	4,009.93

Notes:

(1) See Table 21 for personal income and population data.

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

(3) In 2012 the Tax Increment Financing funds were added back to the primary government presentation and shown as a blended presented component unit.

Table 17

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

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Less Amounts Available in Debt Service	General Bonded Debt Outstanding: Total	Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
2004	$ —	$ —	$ —	0.00%	$ —
2005	—	—	—	0.00%	—
2006	—	—	—	0.00%	—
2007	—	—	—	0.00%	—
2008	—	—	—	0.00%	—
2009	—	—	—	0.00%	—
2010	—	—	—	0.00%	—
2011	—	—	—	0.00%	—
2012	—	—	—	0.00%	—
2013	—	—	—	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, 2013

Governmental Unit		Debt Outstanding	Estimated Percentage Applicable		Estimated Share of Overlapping Debt
Debt repaid with property taxes					
Blue Springs Reorganized #4 School District	$	140,150,000	3.40%	$	4,765,100
Independence School District		136,425,000	93.81%		127,980,293
Raytown School District		69,464,999	6.00%		4,167,900
Fort Osage Reorganized #1 School District		43,145,000	12.50%		5,393,125
Subtotal, overlapping debt					142,306,417
City direct debt					173,307,744
Total direct and overlapping debt				$	315,614,161

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 are provided by each governmental entity, and is based on the City's percentage of assessed valuation within the school district.

Table 19

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit (1)	$ 239,548,507	258,869,181	263,980,502	280,122,203	282,386,511	282,386,511	259,768,195	257,431,508	255,846,718	255,830,677
Total net debt applicable to limit	—	948,722	896,700	840,870	790,240	790,240	650,505	585,340	515,768	455,018
Legal Debt Margin	$ 239,548,507	257,920,459	263,083,802	279,281,333	281,596,271	281,596,271	259,117,690	256,846,168	255,330,950	255,375,659
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%	0.227%	0.202%	0.178%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value	$ 1,279,153,384
Debt Limit (20% of assessed value)	255,830,677
General obligation:	
City-Wide	—
Neighborhood Improvement Districts	528,423
Revenue Bonds	296,937,015
Total Bonded Debt	297,465,438
Less:	
Water Utility Bonds	40,241,925
Electric Utility Bonds	134,205,460
Sewer Utility Bonds	38,025,483
Events Center Bonds	84,464,147
Debt Service Fund Balance	73,405
Total net debt applicable to limit	455,018
Legal debt margin	$ 255,375,659

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.

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)						
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
2012	140,997,371	104,196,848	36,800,523	3,820,000	3,042,435	5.36
2013	138,561,630	100,672,846	37,888,784	4,080,000	6,100,037	3.72
Water (2)						
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
2012	25,043,870	13,882,468	11,161,402	2,965,000	2,096,341	2.21
2013	28,165,483	16,255,647	11,909,836	3,180,000	2,003,608	2.30
Sanitary Sewer						
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	—	—	—
2012	19,260,332	13,840,938	5,419,394	—	—	—
2013	20,259,977	14,293,949	5,966,028	—	1,030,631	5.79

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, OPEB, 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.

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)
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%
2012	117,213	2,583,374,520	22,040	38.18	24,900	7.80%
2013	117,270	2,584,630,800	22,040	39.60	25,320	7.20%

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

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

Table 22

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

Employer	2013 Employees	2013 Rank	2013 Percentage of Total City Employment	2004 Employees	2004 Rank	2004 Percentage of Total City Employment
Alliant Tech Systems	2,600	1	4.78%	1,286	2	2.33%
Independence School District	2,043	2	3.75%			
Centerpoint Medical Center	1,600	3	2.94%	1,400	1	2.53%
City of Independence	1,137	4	2.09%	1,163	3	2.10%
Government Employee Health Association	650	5	1.19%	650	4	1.18%
Rosewood Health Center at the Groves	400	6	0.73%	300	6	0.54%
Burd & Fletcher	350	7	0.64%	350	5	0.63%
Jackson County Circuit Court	274	8	0.50%			
Mid-Continent Library	248	9	0.46%			
Unilever	220	10	0.40%	290	7	
Southwestern Bell Telephone				204	8	0.37%
Sprint				200	9	0.36%
Comcast				165	10	0.30%
Total	9,522		17.48%	6,008		10.78%

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
City council office	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	6.50	6.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
City manager	8.50	7.00	7.50	10.50	10.50	10.50	9.50	9.50	7.00	7.00
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75
Technology services	20.00	20.00	20.00	21.00	21.00	21.00	21.00	21.00	22.00	22.00
Municipal court	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00	14.67
Law - General fund	5.50	5.50	5.75	6.75	6.51	6.50	6.50	6.00	6.25	6.25
Law - Grant fund	—	0.50	0.50	0.50	0.37	0.25	0.25	0.25	0.25	0.25
Finance	24.00	24.00	25.00	26.00	25.00	24.15	24.15	24.15	22.65	22.65
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	7.50	6.50	6.50	6.44
Public Safety										
Police - General fund	275.00	277.00	281.50	281.50	283.00	290.40	290.40	292.90	274.65	276.91
Police - Grant fund	—	15.00	12.00	10.00	14.00	15.00	15.00	13.00	14.00	13.00
Fire - General fund	174.00	173.25	173.25	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	0.75	0.75
Public Works										
General Fund	82.00	81.00	82.00	83.00	82.00	82.00	82.00	83.00	79.90	79.90
Street Sales Tax Fund	—	—	—	—	—	—	—	—	—	3.00
Health and Welfare										
General fund	39.47	33.50	34.25	34.25	35.25	35.25	35.25	36.00	35.16	40.20
Grant fund	—	5.50	6.00	7.70	6.25	7.10	5.35	4.95	8.65	7.65
Culture and Recreation										
General fund	42.14	41.70	36.70	35.53	32.65	32.65	33.46	31.71	28.71	30.15
Tourism fund	3.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.66	4.66
Park Improvement Sales Tax fund	8.61	11.59	12.59	17.12	25.29	25.29	23.98	22.48	21.75	20.75
Community Development										
General fund	22.00	22.00	26.00	25.75	26.64	26.05	27.55	27.05	27.30	27.30
Community Dev Block Grant fund	3.00	3.00	3.00	2.50	2.11	2.70	2.00	2.00	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	—	—
Storm Water Sales Tax fund	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	13.00	13.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Power and Light	220.00	220.00	220.00	220.00	220.00	217.00	218.00	222.00	233.00	236.00
Water										
City Manager - General fund	1.50	—	—	—	—	—	—	—	—	—
Finance - General fund	—	1.00	1.00	0.17	0.15	0.85	0.85	0.85	0.85	0.85
Water	97.48	97.48	98.48	97.48	98.50	101.65	101.65	101.65	93.65	93.42
Sewer										
Public Works - General fund	—	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	69.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
Central Garage fund	9.00	9.00	9.00	9.00	10.00	10.00	9.75	9.75	9.75	9.75
Worker' Compensation Fund	—	—	—	—	1.75	1.75	1.75	1.75	2.00	2.00
Total	1,162.61	1,182.18	1,188.18	1,195.66	1,208.88	1,218.00	1,216.30	1,216.90	1,196.93	1,209.05

Source: City of Independence Budget

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	19,763	17,183	15,986	14,621	15,095	14,900	16,691	15,126	14,123	12,932
Public Safety										
Police										
Police Incident Calls	123,329	128,891	130,242	126,301	122,667	125,899	126,087	100,096	98,282	112,197
Traffic Unit Citations Issued	30,840	31,323	20,257	30,984	31,241	31,969	38,465	19,082	19,977	33,234
Fire										
Total Alarms	13,424	12,895	13,166	13,354	13,130	15,374	16,081	16,931	16,907	17,126
Public Education Audience	14,747	18,363	18,818	18,502	18,830	10,291	38,133	35,243	19,508	26,099
Public Works										
Street Overlay (lane miles)	104	88	66	26	—	53	63	16	35	32
Street Patching Jobs	575	542	474	3,897	6,822	3,168	6,163	7,181	5,069	4,319
Health and Welfare										
Food Handlers Trained	11,638	9,680	7,696	8,663	10,112	8,850	9,333	7,036	6,582	5,863
Flu Shots Given	600	431	680	1,118	764	789	7,369	661	422	—
Animal Control Service Calls	7,354	6,446	7,294	8,415	6,641	9,314	9,489	6,957	7,499	6,343
Culture and Recreation										
Park Shelter Reservations	210	214	462	457	646	872	715	730	524	579
Number of Sermon Center Memberships	1,056	948	930	1,095	1,500	1,323	1,574	1,577	1,577	1,671
Community Development										
Permits Issued	5,809	5,281	4,792	4,048	4,100	3,782	3,246	4,538	3,177	2,728
Tourism										
Site Attendance	306,407	290,499	295,381	260,342	244,524	230,483	222,104	287,466	374,525	130,249
Leisure Visitor Inquiries	23,172	34,512	44,943	34,116	35,446	33,392	39,925	38,828	50,517	37,126
Power and Light										
Average number of monthly customers	55,195	55,921	56,402	56,562	56,790	56,656	56,585	56,458	56,292	56,297
Water										
Number of customers	47,324	47,461	47,769	48,358	48,350	48,318	47,822	48,089	48,145	48,121
Water main breaks	239	182	241	271	179	171	202	267	249	402
Sewer										
Number of customers	43,434	43,909	44,290	44,351	44,210	44,279	44,232	44,078	44,085	44,062
Wastewater Treated (Million Gallons)	3,032	3,207	2,935	2,348	2,701	3,080	3,249	2,515	2,261	2,361

Source: City of Independence

Table 25

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Police stations	3	3	3	4	4	4	5	4	3	5
Vehicles	162	90	177	203	206	201	215	166	180	191
K - 9 Facility	—	1	1	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	1	1
Vehicles	42	41	44	45	42	45	48	47	45	44
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	535	535	580	550	564	547	557	565	565	560
Culture and Recreation										
Park acreage	724	724	757	826	728	728	781	730	843	843
Parks	40	42	43	44	42	42	45	43	45	46
Community Centers	3	3	3	3	3	3	3	3	4	3
Fitness Centers	2	2	2	2	2	2	2	2	2	2
Ball Fields	53	53	53	53	54	54	57	54	42	45
Power and Light										
Power stations	5	5	5	5	5	5	5	5	6	6
Transmission/Distribution Circuits (miles)	802	809	817	829	835	840	844	847	859	853
Maximum daily use (Mwh)	5,838	5,320	5,464	5,865	5,579	5,472	4,909	5,456	5,780	5,654
Water										
Water mains (miles)	711	711	729	736	741	742	746	750	757	758
Fire hydrants	4,186	4,186	4,401	4,520	4,635	4,679	4,728	4,787	4,854	4,875
Maximum daily pumpage (millions of gallons)	42	41	44	44	39	38	35	42	42	47
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	582	576	578	590	578	596	597	596	614	614
Maximum daily capacity of treatment (MGD)	18	19	19	18	16	18	18	18	16	16

Source: City of Independence

UNAUDITED FINANCIAL
AND OPERATING REPORT
FOR PERIOD ENDED MARCH 31, 2014

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF INDEPENDENCE, MISSOURI
FINANCIAL AND OPERATING REPORT

FOR PERIOD ENDED

March 2014

PREPARED BY:
FINANCE DEPARTMENT

City of Independence

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

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

April 21, 2014

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

Re: March 2014 Financial Report

The Financial Report of the City of Independence for the period ended March 2014 is submitted herewith. This report reflects 75.0 % of the 2013-14 fiscal year operations for the funds represented.

The current budget for General Fund estimated revenues are the same as the original estimate. Projected revenues for the year are expected to be $1,655,744 more than the estimate. The projected revenues, for the most part, reflect trends that were developed last spring. Note this projection is based on nine months of actual operating results. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Due to the slow recovery in the general economy and specifically retail sales we are paying very close attention to sales tax revenue. Current projections for sales tax are at the original estimate. Utility franchise fees are $83,877 less than the original estimate.

General Fund Revenues

	Original Est. Revenue	Adjusted Est. Revenue	Projected	Variance of Proj. to Adj.	%
Taxes	$54,238,658	$54,238,658	$53,753,442	($485,216)	-0.9%
Licenses & Permits	3,259,145	3,259,145	3,222,895	(36,250)	-1.1%
Grants	5,209,832	5,209,832	5,179,216	(30,616)	-0.6%
Charges for Services	1,957,418	1,957,418	1,940,586	(16,832)	-0.9%
Interfund Services	4,072,304	4,072,304	4,072,304	(0)	0.0%
Fines & Forfietures	4,864,348	4,864,348	4,732,694	(131,654)	-2.8%
Interest	90,600	90,600	91,055	455	0.5%
Other Revenue	465,685	465,685	2,821,541	2,355,856	83.5%
Debt Proceeds				0	
Total	$74,157,990	$74,157,990	$75,813,734	$1,655,744	2.2%

The City owned utilities are $374,611 less than the original projection. Revenue from Business Licenses and Permits continue to be impacted by the economy. Detail for these revenues can be found at the end of this letter. These projections include a settlement of litigation that was not included in the original revenue projections.

Fiscal year to date expenditures for the General Fund are $53,306,190 and encumbrances are $1,339,878. The total is $54,646,068. This represents 75.9% of the adjusted budget. This is greater than the current month's proportion of 75.0 %. This includes a number of blanket encumbrances written at the beginning of the year. The variance column adjusts for the projected reduction in revenues related to the public transportation system. This variance may increase during the year. Salary and benefit projections show that 75.32 % of the budget for this category has been expended.

General Fund Expenditures & Encumbrances

	Adopted Budget	Adjusted Budget	Actual To Date	%	Projected	Variance of Proj. to Adj.
General Government	$7,418,985	$7,531,166	$5,754,140	76.4%	$7,531,166	$0
Public Safety	45,558,869	45,711,469	34,834,883	76.2%	46,148,794	437,325
Public Works	5,831,146	5,884,827	4,595,275	78.1%	5,884,827	0
Health	2,603,548	2,636,011	2,014,877	76.4%	2,636,011	0
Parks & Recreation	1,597,731	1,616,775	1,122,021	69.4%	1,616,775	0
Council Goals	250,000	428,996	198,800	46.3%	428,996	0
TIF Distribution	0	0	0	0.0%	0	0
Other	8,603,291	8,233,322	6,126,072	74.4%	8,233,322	0
TOTAL	$71,863,570	$72,042,566	$54,646,068	75.9%	$72,479,891	$437,325

Projected Financial Position - June 30:

The chart on the right is a projection of the fund balance account for the General Fund for this fiscal year. Total Fund Balance is increasing by $2,043,385 as a result of the expected change of ($682,125) of restricted, committed or assigned funds and the $2,725,510 increase of unassigned funds.

Fund Balance Activity

Beginning Fund Balance	$1,874,055
Current Fiscal Year	
Revenues	75,813,734
Expenditures	72,479,891
Rev. over/(under) Expenditures	3,333,843
Prior Year Encumbrances	569,779
Transfers In	
Transfers Out	720,679
Projected Ending Fund Balance	$3,917,440

Projected Unassigned Fund Balance - June 30

Of the $1,874,055 of beginning fund balance reported above, the unassigned portion is $600,662. The difference represents restricted, committed or assigned fund balance components. The unassigned portion is expected to increase by $2,725,510 to a projected unassigned fund balance of $3,326,172 at the end of this fiscal year. Several factors are impacting this change, including the revenue and expenditure variances. The City Manager is continuing this year to evaluate vacancies to measure salary savings during the fiscal year. Several of the revenue and expenditure categories will fluctuate from month to month without an explainable reason. I will not adjust the year end projection for these revenues until I am comfortable a sustainable trend has been established. Detail information regarding unassigned fund balance can be found following this transmittal letter.

Unassigned Fund Balance Activity

Beginning Unassigned Fund Balance	$ 600,662
Approved Budget Variances	2,115,424
Projection Variances:	
Revenue Variance	1,655,744
Expenditure Variance	437,325
Net Budget Variance	3,333,843
Transfers Authorized by the Budget	
Other:	
Increases	263,271
Decreases	871,604
Projected Ending Unassigned Fund Balance	$ 3,326,172

City Council Goals Account

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

Description	Allocation Amount	Expended or Encumbered	Balance
Carry-over Balance from Prior Year	$178,996		
Current Year Authorization	250,000		
	$428,996		
Current Year Allocations:			
Neighborhood Park Matching Grants	5,400		5,400
Neighborhood Block Celebrations	2,700	1,699	1,001
Graffiti Abatement & Reward Program	13,600	12,493	1,107
Demo. of Dangerous Bld. & Property Clean-up	81,800	8,100	73,700
Mowing & Refuse Cleanup on Private Property	109,800	100,500	9,300
Police K-9 Replacement	10,000		10,000
Neighborhood Cleanup Program	65,400	18,000	47,400
Youth Recreation Program Scholarships	25,000	25,000	
Hungry & Homeless and Youth Council	21,800	12,608	9,192
Northwest Com. Development Corp.	20,000	20,000	
Beautification Commission	400	400	
Total	$355,900	$198,800	$157,100
Unallocated Balance	$73,096		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is $170,856 and the unassigned fund balance is $406,184.

Street Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $264,635.

Street Improvement Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	**Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$7,730,491	7,839,896	7,839,896	0
Interest	1,341	1,000	800	(200)
Other	70,050		50,000	50,000
Total Revenues	$7,801,882	7,840,896	7,890,696	49,800
Expenditures:				
Non-Departmental	13,354	13,200	13,200	0
Public Works	192,165	300,428	300,428	0
Debt Service	535,269	531,069	531,069	0
Capital Appropriatons	4,863,203	9,378,145	9,184,208	(193,937)
Total Expenditures	5,603,991	10,222,842	10,028,905	(193,937)
Excess of Revenues Over (Under) Expenditures	2,197,891		(2,138,209)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out	3,919,263	443,354	443,354	0
Total Other Financing	(3,919,263)	(443,354)	(443,354)	0
Fund Balance:				
Restricted - Encumbrances	1,078,599			
Reserved - Other				
Restricted	1,767,599		264,635	
Total	2,846,198		264,635	

Park Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is ($5,730,242).

Park Improvement Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	**Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$3,854,506	3,919,948	3,919,948	0
Interest				0
Charges for Services	494,230	586,000	400,000	(186,000)
Other	76,140		65,000	65,000
Total Revenues	$4,424,876	4,505,948	4,384,948	(121,000)
Expenditures:				
Non-Departmental	6,677	6,800	6,800	
Debt Service	2,161,783			0
Operating	2,386,023	2,683,049	2,683,049	0
Capital	459,122	1,043,211	1,043,211	0
Total Expenditures	5,013,605	3,733,060	3,733,060	0
Excess of Revenues Over (Under) Expenditures	(588,729)		651,888	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Restricted - Encumbrances	367,300			
Reserved - Other				
Restricted	(6,749,430)		(5,730,242)	
Total	(6,382,130)		(5,730,242)	

Fire Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $802,398.

Fire Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	**Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$1,928,889	1,959,974	1,959,974	0
Interest	1,497	1,600	750	(850)
Other	135,062		14,912	
Total Revenues	$2,065,448	1,961,574	1,975,636	(850)
Expenditures:				
Non-Departmental		3,300	3,300	0
Debt Service	586,642	555,963	555,963	0
Operating	1,001,930	2,937,076	2,937,076	0
Capital				0
Total Expenditures	1,588,572	3,496,339	3,496,339	0
Excess of Revenues Over (Under) Expenditures	476,876		(1,520,703)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Restricted - Encumbrances	945,576			
Reserved - Other				
Restricted	1,377,525		802,398	
Total	2,323,101		802,398	

Police (Capital) Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $1,334,904.

Police (Capital) Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	**Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$2,056,547	2,095,033	2,095,033	0
Interest	1,594	1,650	900	(750)
Other	88,110		51,897	51,897
Total Revenues	$2,146,251	2,096,683	2,147,830	51,147
Expenditures:				
Non-Departmental		3,300	3,300	0
Debt Service	548,985	517,113	517,113	0
Capital	1,441,549	2,610,138	2,610,138	0
Total Expenditures	1,990,534	3,130,551	3,130,551	0
Excess of Revenues Over (Under) Expenditures	155,717		(982,721)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Restricted - Encumbrances	239,999			
Reserved - Other				
Restricted	2,077,626		1,334,904	
Total	2,317,625		1,334,904	

Storm Water Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $2,233,147.

Storm Water Sales Tax Fund

Revenues:	Actual As Of Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$3,852,030	$3,919,948	$3,919,948	0
Intra-governmental				
Interest	4,854	5,000	3,000	(2,000)
Other	1,254		28,582	28,582
Total Revenues	$3,858,138	$3,924,948	$3,951,530	$26,582
Expenditures:				
Non Departmental		6,800	6,800	
Operating	1,532,185	2,431,565	2,431,565	-
Capital	1,489,355	6,653,584	6,333,986	(319,598)
Total Expenditures	3,021,540	9,091,949	8,772,351	(319,598)
Excess of Revenues Over (Under) Expenditures	836,598		(4,820,821)	
Other Financing Sources (Uses)				
Transfers In				
Transfers Out		351,083	351,083	-
Debt Proceeds				-
Total Other Financing	0	(351,083)	(351,083)	-
Fund Balance				
Restricted - Encumbrances	706,414			
Reserved - Other				
Restricted	6,698,637		2,233,147	
Total	7,405,051		2,233,147	

Central Garage

The Garage Fund realized a net loss of $6,985 for this month of the fiscal year and a net loss of $202,650 for the year to date. The Director of Public Works must review this closely to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for this fiscal year. Also, the Director should look at any fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after nine months of operation.

Central Garage Operating Statement

	Current Month	Year to Date
Revenue:		
Repairs & Other Income	199,405	$1,544,726
Operating Expenses:		
Personal Services	62,687	516,627
Other Services	27,906	336,118
Supplies	120,416	916,527
Capital Outlay		
Depreciation Expense	325	2,925
Total Expenses	211,334	1,772,197
Net Income from Operations	(11,929)	(227,471)
Other Income/Expense:		
Interest Income/(Expense)	28	195
Misc. Income	4,916	24,626
Net Income/(Loss)	**($6,985)**	**($202,650)**
Fund Equity, Beginning		258,582
Transfers In/(Out)		
Fund Equity, Ending		**$55,932**

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. In this analysis the amount shown as 'Due from Federal Government' represents receivables from the Missouri Department of Transportation for work performed on Little Blue Parkway. The amount for 'Due from Other Local Government' represents receivables from the County Urban Road System (CURS) and TIF Funds. Of the $500,845 that is 'Due from Federal Government', $261,548 has been requested; approximately $0.00 is retained from payments to contractors, leaving $239,297 ready for submission.

Street Improvements Fund

Assets	
Cash	
Special Assessment Receivable	
Due From Federal Government	500,845
Due From Other Local Government	
Due From Other	461,236
Contributions Receivable	
Total	962,081
Liabilities & Credits	
Accounts Payable	
Deferred Revenue	461,235
Due To Other Funds	679,981
Funds In Escrow	
Total	1,141,216
Fund Balance	($179,135)

Workers' Compensation Fund

The Worker's Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims of $4,029,526, 59.04% or $2,378,861 are long term liabilities. Current incurred but not reported (IBNR) claims are estimated to be $797,279. Non-current IBNR is estimated at $410,719. Current liabilities include $110,000 for major claims. Non-current liabilities include $1,585,185 for major claims.

Worker's Compensation Fund

Assets	
Pooled cash and investments	2,974,642
Accounts receivable	74,270
Restricted Assets	200,000
Total Assets	3,248,912
Current Liabilities	
Accrued liabilities	3,429
Compensated absences	13,841
Deferred Revenue	605,261
Worker's Comp claims	853,386
IBNR	797,279
Total Current Liabilities	2,273,196
Noncurrent liabilities	
Compensated absences	31,574
Other Post Employment Benefits	48,908
Worker's Comp claims	1,968,142
IBNR	410,719
Total noncurrent liabilities	2,459,343
Total Liabilities	4,732,539
Net Assets	
Invested in capital assets, net of debt	-
Unrestricted	(1,483,627)
Total net assets (deficit)	(1,483,627)
Total liabilities and net assets	3,248,912

Stay Well Health Care Plan

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

Power and Light Fund

Total operating revenues of the Power and Light Fund of $104,475,613 reflect a decrease of $162,439 over fiscal year 2012-13 operating revenues of $104,638,052 or (.2%). Key factors contributing to decreased revenues were decreases in retail sales of $37,847, in sales to other utilities of $639,998 which was offset by an increase in unbilled revenue of $599,092. Unusually cool weather during July 2013 and early August 2013 were major contributing factors for the decrease in sales when compared to an extremely warm July 2012 and August 2012.

Total operating expenses of the Power and Light Fund of $104,922,560 reflect an increase of $4,217,987 or 4.2 % over the fiscal year 2012-13 operating expenses of $100,704,573. Contributing to increased expenses were increases, in production costs of $1,148,555, in general and administrative costs of $1,328,697, in depreciation of $995,633, in distribution costs of $159,512 and in transmission costs of $647,307. These increased expenses were offset by decreases in customer accounts of $122,292 and in payment of lieu of taxes of $56,883.

Water Fund

Total operating revenues of the Water Fund of $20,708,654 reflect an increase of $419,544 from fiscal year 2012-13 total operating revenues of $20,289,110 or 2.07%. Although there has been a reduction in customer demand in comparison to last year, the October rate increase has been ample enough to result in an overall revenue increase.

Total operating expenses of the Water Fund of $15,040,689 reflect an increase of $230,200 from fiscal year 2012-13 total operating expenses of $14,810,489 or 1.55%. Increases in costs associated with main failures, increases in employee benefits costs, inter-departmental charges, and water treatment plant maintenance costs have more than offset sharp reductions in water mains and services maintenance costs.

Sanitary Sewer Fund

Total operating revenues of the Sanitary Sewer Fund of $16,252,421 reflect an increase of $1,151,146 from fiscal year 2012-13 total operating revenues of $15,101,275 or 7.6 %. This increase is attributable to a rate increase that went into effect August 1, 2010. This rate increase steps up rates incrementally each July over five years.

Total operating expenses of the Sanitary Sewer Fund of $14,597,289 reflect an increase of $852,467 from fiscal year 2012-13 total operating expenses of $13,744,822 or 6.2 %. This increase is mostly attributable to increases in the amount paid for the cost of personal services and to increases in the amount paid for inter-jurisdictional expenses.

Brian C. Watson
Director of Finance

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
		Property Taxes:							
		General Property Taxes:							
2	3011	Real Estate	7,513,500	7,513,500	7,497,039	(38,924)	22,000	7,480,115	-33,385
2	3013	R.R. & Other Utility	38,500	38,500	39,716	441		40,157	1,657
		Total Property Taxes	7,552,000	7,552,000	7,536,755	-38,483	22,000	7,520,272	-31,728
		Sales and Use Taxes:							
2	3041	Local Option Sales Tax	16,760,264	16,760,264	11,922,909	4,008,675	828,680	16,760,264	0
2	3042	Cigarette Tax	475,000	475,000	358,781	113,840	7,380	480,000	5,000
		Total Sales and Use Taxes	17,235,264	17,235,264	12,281,690	4,122,515	836,060	17,240,264	5,000
		Utility Franchise Fees:							
2	3052	Water	26,000	26,000	20,892	5,360		26,251	251
2	3053	Gas	4,619,814	4,619,814	3,361,181	868,397	390,236	4,619,814	0
2	3054	Telephone	5,140,000	5,140,000	3,584,537	1,270,716	115,000	4,970,253	-169,747
2	3055	Electricity	492,000	492,000	427,165	120,479		547,644	55,644
2	3057	Cable Television	750,000	750,000	575,566	204,407		779,974	29,974
		Total Utility Franchise Fees	11,027,814	11,027,814	7,969,342	2,469,359	505,236	10,943,937	-83,877
		Payments in Lieu of Taxes							
2	3281	Power & Light in Lieu of Taxes	13,710,075	13,710,075	10,339,781	2,792,633	183,189	13,315,603	-394,472
2	3282	Water Service in Lieu of Taxes	2,614,031	2,614,031	1,998,776	594,494	40,622	2,633,892	19,861
2	3283	Sanitary Sewer in Lieu of Taxes	2,099,474	2,099,474	1,601,377	490,841	7,255	2,099,474	0
		Total Payments in Lieu of Taxes	18,423,580	18,423,580	13,939,934	3,877,968	231,066	18,048,969	-374,611
		Total Taxes	54,238,658	54,238,658	41,727,721	10,431,359	1,594,362	53,753,442	-485,216
		Business Licenses & Permits:							
2	3101	Occupation Licenses	1,499,000	1,499,000	843,391	717,443	(116,834)	1,444,000	-55,000
2	3102	Liquor Licenses	94,000	94,000	7,779	84,848		92,627	-1,373
2	3103	Bld. Trades Licenses and Exams	100,000	100,000	106,447	12,803	(14,250)	105,000	5,000
2	3104	Fin - Other License/Permits	102,000	102,000	81,258	25,477		106,735	4,735
2	3108	Building Permits, Com. Develop.	465,525	465,525	395,250	128,917	(58,642)	465,525	0
2	3109	Construction Permits, Public Works	205,000	205,000	130,281	41,590	18,129	190,000	-15,000
2	3120	Nursing Home Permits	600	600	1,000	122		1,122	522
2	3121	Day Care Permits	6,000	6,000	6,687	2,602		9,289	3,289
2	3122	Food Handler's Permits	100,000	100,000	73,625	26,039	(6,524)	93,140	-6,860
2	3123	Massage Therapist Appl	2,020	2,020	4,120	257		4,377	2,357
2	3124	Other Food Permits	142,000	142,000	147,880	28,266		176,146	34,146
2	3125	Ambulance Permits & Licenses	37,000	37,000	34,006	8,923		42,929	5,929
2	3126	Plan Reviews - Health Dept.	6,000	6,000	6,330	1,124		7,454	1,454
		Subtotal Bus. Licenses & Permits	2,759,145	2,759,145	1,838,055	1,078,411	(178,121)	2,738,344	-20,801
		Non-business Licenses & Permits:							
2	3151	Motor Vehicle Licenses	500,000	500,000	496,374	(11,824)		484,550	-15,450
		Subtotal Non-bus. Lic. & Permits	500,000	500,000	496,374	(11,824)		484,550	-15,450
		Total Licenses & Permits	3,259,145	3,259,145	2,334,429	1,066,587	(178,121)	3,222,895	-36,250
		Intergovernmental Revenue:							
		Federal:							
2	3210	Emergency Management							
2	3211	Public Health Nursing							
2	3212	Community Health ed							
2	3218	Dial-a-ride							
2	3219	Other			39			39	39
		Total Federal			39			39	39

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
		State:							
2	3241	Financial Institutions Tax	16,000	16,000	19,381	38		19,419	3,419
2	3242	Gasoline Tax	3,100,000	3,100,000	2,202,634	751,099	146,267	3,100,000	0
2	3243	Motor Vehicle License Fees	520,000	520,000	376,625	146,420	(13,045)	510,000	-10,000
2	3244	Motor Vehicle Sales Tax	750,000	750,000	621,454	192,358	(38,812)	775,000	25,000
2	3250	Other							
		Total State	4,386,000	4,386,000	3,220,093	1,089,915	94,410	4,404,419	18,419
		Other:							
2	3272	Jackson County Drug Task Force	580,060	580,060	395,223	165,863	(24,105)	536,982	-43,078
2	3274	Jackson County Dare Program	218,772	218,772	107,000	23,455	81,545	212,000	-6,772
2	3275	Mid Am Reg Council	25,000	25,000	18,750	5,960	1,066	25,776	776
2	3279	Other Misc. Grants							
		Total Other	823,832	823,832	520,973	195,279	58,506	774,758	-49,074
		Total Intergovernmental Revenue	5,209,832	5,209,832	3,741,106	1,285,194	152,916	5,179,216	-30,616
		Charges for Current Services:							
		General Government:							
2	3302	Planning & Zoning Fees	9,700	9,700	11,760	2,651		14,411	4,711
2	3303	Board of Adjustment Fees	4,500	4,500	2,400	1,094		3,494	-1,006
2	3304	Sale of Maps, Books, Plans	7,000	7,000	1,143	2,098		3,240	-3,760
2	3305	Sale of Police Reports	30,000	30,000	21,657	7,548	795	30,000	0
2	3306	Sale of Fire Reports	1,000	1,000	1,083	278		1,362	362
2	3307	Computer Service Charges			150			150	150
2	3309	Transit Rider Fares	144,200	144,200	129,963	19,875	(5,638)	144,200	0
		Health:							
2	3311	Animal Shelter Fees	15,000	2,000	2,260	415		2,675	675
2	3312	Animal Shelter Services		13,000	15,430	3,294	(3,324)	15,400	2,400
2	3313	Other Health Programs	7,350	7,350	6,950	2,891		9,841	2,491
		Public Safety:							
2	3316	Reimb. For Police Services	9,350	9,350	10,389	3,378	825	14,592	5,242
2	3317	School Resource Officers	475,368	475,368	303,902	150,715	(2,488)	452,129	-23,239
2	3318	Alarm Charges - Police	35,000	35,000	(25)	7,303	(2,278)	5,000	-30,000
2	3319	Alarm Charges - Fire	1,650	1,650	1,475	169		1,644	-6
		Recreation:							
2	3322	Program Fees	40,000	40,000	19,758	10,904		30,662	-9,338
2	3323	Concessions	5,000	5,000	2,754	1,346		4,100	-900
2	3326	Pool Fees							
2	3327	Center Fees/Club Memberships	35,000	35,000	30,605	7,945		38,550	3,550
2	3329	Facility Rentals	56,000	56,000	32,115	17,797		49,911	-6,089
		National Frontier Trails Center:							
2	3331	NFTC - Admissions & Rentals	52,000	52,000	30,975	16,745		47,721	-4,279
2	3332	NFTC - Gift Shop	27,000	27,000	17,064	8,533		25,598	-1,402
		Cemetery:							
2	3341	Sale of Cemetery Lots	4,000	4,000	1,050	841		1,891	-2,109
2	3342	Sale of Monument Bases	3,000	3,000	2,477	770		3,247	247
2	3343	Grave Opening Charges	47,000	47,000	27,750	12,124		39,874	-7,126
		Other Charges:							
2	3392	Sale of Street Signs	300	300	517	63		580	280
2	3393	Special Assessments	175,000	175,000	153,285	43,251		196,536	21,536
2	3396	Sale of Recycled Material	14,000	14,000	7,609	4,014		11,624	-2,376
2	3397	Solid Waste Disp Fees	74,000	74,000	45,441	24,100		69,541	-4,459
2	3398	Miscellaneous Charges	685,000	685,000	378,635	343,979		722,614	37,614
		Total Charges for Current Services	1,957,418	1,957,418	1,258,573	694,121	(12,108)	1,940,586	-16,832

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
		Fines and Court Costs							
2	3401	Fines & Forfeitures	4,310,188	4,310,188	3,080,313	1,033,311	46,375	4,160,000	-150,188
2	3402	Court Costs	403,964	403,964	330,887	97,449		428,336	24,372
2	3403	Police Training	61,718	61,718	44,800	14,817		59,617	-2,101
2	3404	Domestic Violence	61,718	61,718	44,799	14,183		58,982	-2,736
2	3405	Dwi/drug	26,760	26,760	10,075	6,605	9,080	25,760	-1,000
2	3406	Special Warrant Collection							
		Total Fines and Court Costs	4,864,348	4,864,348	3,510,874	1,166,365	55,455	4,732,694	-131,654
		Interest Income							
2	3411	Interest	600	600	820	166		985	385
2	3412	Special Assessments - Interest			(438)			-438	-438
2	3413	Interest - Other	90,000	90,000	60,799	29,709		90,508	508
		Total Interest Income	90,600	90,600	61,181	29,875		91,055	455
2	3421	Interfund Chgs. For Supp. Serv.	4,072,304	4,072,304	2,996,171	1,037,001	39,132	4,072,304	0
		Other Revenue:							
2	3431	Sale of Land	2,000	2,000					-2,000
2	3432	Sale of Fixed Assets	125,000	125,000	12,175	61,032		73,206	-51,794
2	3433	Rents	126,685	126,685	156,440	28,620		185,059	58,374
2	3434	Damage Claims	2,000	2,000	2,204,630	18		2,204,648	2,202,648
2	3435	Contributions	10,000	10,000	9,665	4,005		13,670	3,670
2	3437	Housing Auth. In Lieu of Taxes							
2	3439	Cash Over/Short			95			95	95
2	3440	Discounts Taken			55			55	55
2	3449	Misc. Non-operating Revenue	200,000	200,000	297,406	47,402		344,808	144,808
2	3501	Proceed from Capital Lease							
		Total Other Revenue	465,685	465,685	2,680,465	141,077		2,821,541	2,355,856
		Total Revenue	74,157,990	74,157,990	58,310,519	15,851,578	1,651,636	75,813,734	1,655,744

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

	Budget	March 31	Variance	Notes
Beginning Unassigned Fund Balance	$ 2,134,159	$ 600,662	$ -	
Current Fiscal Year Activity:				
Estimated Revenues:				
City Council Approved Revenue Estimates	$74,157,990	$74,157,990	$0	
Projected Revenue Variances for the Year		$1,655,744	$1,655,744	
Net Projected Revenues	74,157,990	$75,813,734	$1,655,744	
Appropriations/Expenditures:				
City Council Approved Appropriations	$71,863,570	$72,042,566	$178,996	
Projected Expenditure Variances for the Year		$437,325	$437,325	
Net Projected Expenditures	71,863,570	$72,479,891	$616,321	
Net Revenues Over/(Under) Expenditures	2,294,420	3,333,843	1,039,423	
Transfers Out:				
Council Goals				
Crackerneck Creek TIF	710,679	710,679	-	
Storm Water Fund	10,000	10,000	-	
Total	720,679	720,679	-	
Transfers In:				
Central Garage Fund				
Total	-			
Other:				
Reservations of Fund Balance:			-	
Police Forfeitures	-	(129,133)	(129,133)	
Protested Revenues	-	(21,792)	(21,792)	
Cancellation of Prior Year Encumbrances	-	84,275	84,275	
Transfer from/(to) Assigned Fund Balance	-		-	
Appropriations funded from Fund Balance Components:			-	
City Council Strategic Goals	-	178,996	178,996	
TIF Distributions (GTIF)	-		-	
Transfer from/(to) Unassigned Fund Balance	-		-	
Total	-	112,346	112,346	
Projected Year End Unassigned Fund Balance	$ 3,707,900	$ 3,326,172	$ 1,151,769	

Notes:

City of Independence, Missouri
Balance Sheet
Governmental Funds
March 31, 2014

Assets	General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	3,574,545	19,667,370	23,241,915
Receivables:			
Taxes	4,581,176	3,479,439	8,060,614
Accounts	174,618	74,816	249,434
Special assessment principal and accrued interest	798,156	1,028,127	1,826,283
Due from other funds	-	-	-
Due from component unit to primary gvmt	-	-	-
Due from other governments	719,823	1,150,106	1,869,929
Restricted assets	193,491	19,804,640	19,998,131
Total assets	$ 10,041,809	$ 45,204,497	$ 55,246,306

	General	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	69,547	204,652	274,199
Due to other funds	-	-	-
Due to primary government from component unit	-	-	-
Accrued items	2,206,680	112,057	2,318,736
Other current liabilities	500,261	8,997	509,259
Deferred revenue	1,293,561	1,494,261	2,787,822
Liabilities payable from restricted assets:			
Deposits and court bonds	193,491	-	193,491
Total liabilities	4,263,541	1,819,967	6,083,508
Fund Balances:			
Nonspendable	-	-	-
Restricted	518,395	43,212,644	43,731,039
Committed	273,425	171,886	445,311
Assigned	1,329,383	-	1,329,383
Unassigned	3,657,065	-	3,657,065
Total fund balance	5,778,268	43,384,530	49,162,798
Total liabilities and fund balance	$ 10,041,809	$ 45,204,497	$ 55,246,306

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Nine Months Ending March 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	27,787,787	26,125,327	53,913,113
Licenses and permits	2,334,429	170,856	2,505,285
Intergovernmental	3,741,106	6,306,555	10,047,661
Charges for services	1,258,573	544,342	1,802,916
Interfund charges for support services	2,996,171	-	2,996,171
Fines, forfeitures, and court costs	3,510,874	-	3,510,874
Investment Income	61,181	121,519	182,699
Sale of property, plant, and equipment	12,175	119,053	131,227
TIF Developer Contributions	-	-	-
Reimbursements from component unit	-	-	-
Other	2,668,290	992,290	3,660,580
Total revenues	44,370,585	34,379,941	78,750,526
Expenditures:			
Current:			
General government	5,698,872	13,117	5,711,989
Public safety	32,122,056	4,230,318	36,352,374
Public works	4,370,304	228,946	4,599,250
Health and welfare	1,904,178	615,161	2,519,339
Culture and recreation	1,092,413	2,593,891	3,686,304
Community development	2,072,585	2,589,189	4,661,774
Storm Water	-	1,121,802	1,121,802
Nondepartmental/other	5,962,999	13,942	5,976,940
Capital outlay	254,748	9,707,660	9,962,408
Debt service:			
Principal	169,974	1,865,693	2,035,666
Interest and fiscal agent fees	37,501	6,911,741	6,949,242
Total expenditures	53,685,628	29,891,460	83,577,088
Excess (deficiency) of revenues over expenditures	(9,315,043)	4,488,481	(4,826,561)
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	-	96,126	96,126
Proceeds from bond issuance	-	-	-
Reoffering premium/original issue discount	-	-	-
Payment to refunded loans escrow agent	-	-	-
Transfers in-utility payments in lieu of taxes	13,939,934	-	13,939,934
Transfers in	-	2,256,647	2,256,647
Transfers out	(720,679)	(875,346)	(1,596,025)
Total other financing sources (uses)	13,219,255	1,477,427	14,696,683
Net change in fund balances	3,904,213	5,965,909	9,870,121
Fund balances, beginning	1,874,055	37,418,622	39,292,677
Fund balances, ending	$ 5,778,268	$ 43,384,530	$ 49,162,798

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Nine Months Ending March 31, 2014

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	416,575	420,251	319,044	294	319,338	3,165
City Clerk	410,342	416,984	320,166	1,179	321,345	2,501
City Manager	852,378	862,924	648,187	658	648,846	2,497
National Frontier Trails Center	334,312	340,710	220,437	20,495	240,932	1,567
Technology Services	1,632,191	1,659,863	1,256,934	4,393	1,261,327	6,820
Municipal Court	826,997	838,711	590,490	613	591,103	4,457
Law	669,855	679,643	481,598	3,441	485,039	4,778
Finance	1,891,244	1,920,894	1,534,945	5,079	1,540,024	37,513
Human Resources	385,091	391,186	318,966	-	318,966	75
Total General Government	7,418,985	7,531,166	5,690,768	36,153	5,726,921	63,373
Public Safety:						
Community Development	2,695,888	2,715,362	2,071,956	629	2,072,585	158,253
Police	26,422,081	26,530,662	19,850,464	71,786	19,922,249	414,784
Fire	16,440,900	16,465,445	12,269,339	23,724	12,293,064	70,087
Total Public Safety	45,558,869	45,711,469	34,191,759	96,139	34,287,898	643,124
Public Works	5,831,146	5,884,827	4,268,482	101,822	4,370,304	326,793
Storm Water	-	-	-	-	-	-
Health	2,603,548	2,636,011	1,897,371	6,807	1,904,178	117,506
Parks and Recreation	1,597,731	1,616,775	1,091,107	1,306	1,092,413	30,914
Non-Departmental	8,228,443	7,858,474	5,880,614	29,013	5,909,627	41,162
Council Goals	250,000	428,996	100,223	39,341	139,564	98,577
Debt Service	-	-	-	-	-	-
Capital Outlay	374,848	374,848	185,867	68,880	254,748	18,429
TIF Distribution	-	-	-	-	-	-
Total Other	18,885,716	18,799,931	13,423,664	247,169	13,670,833	633,382
Total Expenditures & Encumbrances	71,863,570	72,042,566	53,306,191	379,461	53,685,651	1,339,879

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

March 31, 2014

		Enterprise Funds					
Assets		**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Internal Service Funds**
Current assets:							
Pooled cash and investments	$	51,825,340	7,929,738	15,401,979	32,242	75,189,299	4,583,182
Receivables:							
Accounts (net of allowance of $1,004,030)		10,373,415	2,546,939	1,378,936	815,422	15,114,712	139,097
Unbilled revenue		7,816,219	1,208,909	1,314,357	—	10,339,485	—
Special assessment principal and accrued interest		159,241	—	913	—	160,154	91,016
Accrued interest		—	—	—	—	—	—
Other		—	—	—	—	—	—
Due from other funds		—	—	—	—	—	—
Due from other governments		—	—	—	—	—	—
Inventory		11,248,371	663,778	44,928	—	11,957,077	—
Prepaid items		1,205,340	83,228	(114,606)	—	1,173,962	—
Restricted assets		2,110,617	589,294	498,644	—	3,198,555	200,000
Total current assets		84,738,543	13,021,886	18,525,151	847,664	117,133,244	5,013,295
Noncurrent assets:							
Restricted assets		23,519,591	4,132,371	21,644,447	6,975,930	56,272,339	—
Capital assets:							
Nondepreciable		16,747,605	2,869,652	63,190,388	5,796,315	88,603,960	93,979
Depreciable, net		211,165,838	105,459,267	65,276,844	60,806,101	442,708,050	27,225
Advance to other funds		—	—	—	—	—	—
Deferred debt issue costs		—	—	—	—	—	—
Prepaid employee benefits		—	—	—	—	—	—
Other deferred charges		171,535	297,448	—	—	468,983	—
Total noncurrent assets		251,604,569	112,758,738	150,111,679	73,578,346	588,053,332	121,204
Total assets	$	336,343,112	125,780,624	168,636,830	74,426,010	705,186,576	5,134,499
Liabilities and Net Assets							
Current liabilities:							
Accounts and contracts payable	$	2,975,499	247,142	4,666,322	(2,222,218)	5,666,744	91,574
Accrued items		1,150,248	399,728	1,244,228	—	2,794,204	27,053
Other current liabilities		186,358	88,804	32,478	—	307,640	—
Deferred revenue		—	—	—	—	—	605,261
Current portion of long-term obligations		6,885,354	4,669,108	1,070,181	710,000	13,334,643	51,035
Current portion of capital lease		—	—	—	—	—	—
Employee benefits payable		—	—	—	—	—	—
Medical self-insurance claims		—	—	—	—	—	3,855,959
Liabilities payable from restricted assets		3,995,312	882,696	2,341,838	2,080,228	9,300,074	—
Total current liabilities		15,192,771	6,287,478	9,355,047	568,010	31,403,305	4,630,882
Noncurrent liabilities:							
Revenue bonds payable		129,308,929	33,275,799	80,315,322	83,857,051	326,757,101	—
Other long term liabilities		—	—	—	—	—	—
Other post employment benefits		14,925,669	5,589,361	4,581,769	—	25,096,799	632,557
Compensated absences – long-term		3,801,982	961,953	629,206	—	5,393,141	71,764
Advances for construction		159,631	104,822	—	—	264,453	—
Advances from other funds		—	—	—	—	—	—
Medical self-insurance claims		—	—	—	—	—	2,378,861
Total noncurrent liabilities		148,196,211	39,931,935	85,526,297	83,857,051	357,511,494	3,083,182
Total liabilities		163,388,982	46,219,413	94,881,344	84,425,061	388,914,799	7,714,064
Net Assets							
Invested in capital assets, net of related debt		99,044,871	74,455,491	69,031,357	(10,988,705)	231,543,014	121,204
Restricted for:							
Debt service		18,064,234	500,000	—	—	18,564,234	—
Restricted for Worker's Comp		—	—	—	—	—	—
Restricted for Dogwood		61,500	—	—	—	61,500	
Unrestricted		55,783,525	4,605,719	4,724,129	989,654	66,103,029	(2,700,769)
Total net assets		172,954,130	79,561,211	73,755,486	(9,999,051)	316,271,777	(2,579,565)
Total liabilities and net assets	$	336,343,112	125,780,624	168,636,830	74,426,010	705,186,576	5,134,499

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

For the Nine Months Ending March 31, 2014

	Enterprise Funds					
	Power and Light	Water	Sanitary Sewer	Events Center	Totals	Internal Service Funds
Operating revenues:						
Charges for services	$ 103,140,436	20,434,348	16,082,868	—	139,657,652	1,544,726
Miscellaneous	1,335,177	274,306	169,553	—	1,779,036	16,261,584
Total operating revenues	104,475,613	20,708,654	16,252,421	—	141,436,688	17,806,310
Operating expenses:						
Personal services	18,943,780	5,330,953	4,449,504	—	28,724,237	632,892
Other services	16,418,763	3,598,028	5,720,316	—	25,737,107	21,075,764
Capital Outlay	—	38,320	(1)	—	38,319	—
Supplies	41,817,981	1,495,854	731,101	—	44,044,936	918,680
Other expenses	8,366,981	2,154,471	76,641	—	10,598,093	—
Depreciation and amortization	14,271,671	2,423,063	2,018,351	1,418,357	20,131,442	2,925
Total operating expenses	99,819,176	15,040,689	12,995,912	1,418,357	129,274,134	22,630,261
Operating income	4,656,437	5,667,965	3,256,509	(1,418,357)	12,162,554	(4,823,951)
Nonoperating revenues (expenses):						
Interest revenue	17,931	2,242	5,604	2,401	28,178	4,905
Miscellaneous revenue (expense)	13,234,552	1,204,134	36,254	4,267,731	18,742,671	2,828,431
Interest expense	(3,796,574)	(1,742,478)	(3,221,396)	(3,356,636)	(12,117,084)	—
Total nonoperating revenue (expenses)	9,455,909	(536,102)	(3,179,538)	913,496	6,653,765	2,833,336
Income before contributions and transfers	14,112,346	5,131,863	76,971	(504,861)	18,816,319	(1,990,615)
Capital contributions	55,899	356,298	—	—	412,197	—
Transfers out - Utility payments in lieu of taxes	(10,339,781)	(1,998,776)	(1,601,377)	—	(13,939,934)	—
- Other	(226,052)	(195,912)	(248,658)	—	(670,622)	—
Transfers in	—	—	10,000	—	10,000	—
Change in net assets	3,602,412	3,293,473	(1,763,064)	(504,861)	4,627,960	(1,990,615)
Total net assets:						
Beginning of the period	169,351,718	76,267,738	75,518,550	(9,494,190)	311,643,816	(588,950)
End of the period	$ 172,954,130	79,561,211	73,755,486	(9,999,051)	316,271,777	(2,579,565)

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

March 31, 2014

Assets		**Private-Purpose Trust Funds**	**Agency Funds**
Pooled cash and investments	$	20,385	162,367
Accrued interest receivable		-	157
Total assets	$	20,385	162,524
Liabilities			
Accounts and contacts payable	$	—	—
Funds held in Escrow		207	50,809
Employee deferred credit		—	111,715
Total liabilities	$	207	162,524
Net Assets			
Held in trust	$	20,178	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
March 31, 2014

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Pooled cash and investments	422,429	23,413	(29,293)	(79,225)	6,361,186	1,380,863	33,389	8,112,763
Receivables:								
Taxes	155,000	7,398	-	-	2,815,285	-	-	2,977,683
Accounts	1,525	-	-	-	-	-	13,174	14,699
Special assessment principal and accrued interest	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from component unit to primary gvmt	-	-	-	-	-	-	-	-
Due from other governments	-	-	39,601	79,830	-	-	257,836	377,266
Total assets	$ 578,954	$ 30,812	$ 10,308	$ 605	$ 9,176,471	$ 1,380,863	$ 304,399	$ 11,482,412

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	18,819	-	1,200	2	174,320	-	10,111	204,452
Due to other funds	-	-	-	-	-	-	-	-
Accrued items	14,252	-	7,785	(4)	77,264	-	12,759	112,057
Other current liabilities	26	-	-	600	8,372	-	-	8,997
Deferred revenue	-	-	-	-	-	-	466,134	466,134
Total liabilities	33,098	-	8,985	598	259,956	-	489,003	791,640
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	346,759	30,812	1,323	7	8,916,515	1,380,863	(184,604)	10,491,675
Committed		-	-	-	-	-	-	-
VOC	118,037							118,037
NFTM	81,060							81,060
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	545,856	30,812	1,323	7	8,916,515	1,380,863	(184,604)	10,690,772
Total liabilities and fund balance	$ 578,954	$ 30,812	$ 10,308	$ 605	$ 9,176,471	$ 1,380,863	$ 304,399	11,482,412

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Nine Months Ending March 31, 2014

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	1,068,094	23,834	-	-	13,981,738	-	-	15,073,666
Licenses and permits	-	-	-	-	-	170,856	-	170,856
Intergovernmental	9,300	-	305,971	568,845	-	-	3,136,301	4,020,417
Charges for services	-	-	-	-	243,916	-	184,789	428,706
Investment Income	175	238	-	-	4,364	491	-	5,268
Sale of property, plant, and equipment	-	-	-	-	61,865	-	57,188	119,053
Other	4,344	-	-	-	120,221	-	1,092	125,657
Total revenues	1,081,914	24,072	305,971	568,845	14,412,105	171,347	3,379,369	19,943,622
Expenditures:								
Current:								
General government	-	-	-	-	-	-	13,117	13,117
Public safety	-	-	-	-	3,008,997	-	1,221,322	4,230,318
Public works	-	-	-	-	228,946	-	-	228,946
Health and welfare	-	-	-	-	-	-	615,161	615,161
Culture and recreation	1,061,252	-	-	-	1,532,639	-	-	2,593,891
Community development	-	-	305,971	568,845	-	-	1,714,374	2,589,189
Storm water	-	-	-	-	1,121,802	-	-	1,121,802
Nondepartmental	-	-	-	-	13,042	-	-	13,042
Capital outlay	-	381	-	-	6,021,234	-	-	6,021,615
Debt service:								
Principal	-	-	-	-	1,488,051	-	-	1,488,051
Interest and fiscal agent fees	-	-	0	-	214,474	-	-	214,474
Total expenditures	1,061,252	381	305,971	568,845	13,629,185	-	3,563,973	19,129,607
Excess (deficiency) of revenues over expenditures	20,662	23,690	-	(0)	782,920	171,347	(184,604)	814,015
Other financing sources (uses):								
Proceeds from capital leases	-	-	-	-	96,126	-	-	96,126
Transfers out	(269,605)	-	-	-	(472,375)	(133,366)	-	(875,346)
Total other financing sources (uses)	(269,605)	-	-	-	(376,249)	(133,366)	-	(779,220)
Net change in fund balances	(248,943)	23,690	-	(0)	406,671	37,981	(184,604)	34,795
Fund balances, beginning	794,799	7,121	1,323	7	8,509,844	1,342,882	-	10,655,977
Fund balances, ending	$ 545,856	$ 30,812	$ 1,323	$ 7	$ 8,916,515	$ 1,380,863	$ (184,604)	$ 10,690,772

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
March 31, 2014

Assets	**Street Sales Tax**	**Parks Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total Sales Tax Funds**
Pooled cash and investments	1,443,803	(5,716,016)	7,681,675	1,892,055	1,059,669	6,361,186
Receivables:						
Taxes	1,115,566	557,793	557,793	305,108	279,025	2,815,285
Due from other funds	-	-	-	-	-	-
Due from component unit to primary gvmt	-	-	-	-	-	-
Total assets	$ 2,559,369	$ (5,158,223)	$ 8,239,468	$ 2,197,163	$ 1,338,694	$ 9,176,471

	Street Sales Tax	**Parks Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total Sales Tax Funds**
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	63,419	(1,015)	5,349	99,807	6,761	174,320
Due to other funds	-	-	-	-	-	-
Accrued items	3,403	36,947	36,915	-	-	77,264
Other current liabilities	-	8,372	-	-	-	8,372
Total liabilities	66,821	44,303	42,264	99,807	6,761	259,956
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	2,492,548	(5,202,526)	8,197,204	2,097,356	1,331,933	8,916,515
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	2,492,548	(5,202,526)	8,197,204	2,097,356	1,331,933	8,916,515
Total liabilities and fund balance	$ 2,559,369	$ (5,158,223)	$ 8,239,468	$ 2,197,163	$ 1,338,694	$ 9,176,471

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Nine Months Ending March 31, 2014

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Revenues:						
Taxes	5,555,912	2,778,213	2,778,213	1,479,805	1,389,595	13,981,738
Charges for services	-	243,916	-	-	-	243,916
Investment Income	624	-	2,512	683	545	4,364
Sale of property, plant, and equipment	-	16,175	-	41,510	4,180	61,865
Other	50,000	20,520	28,582	10,387	10,732	120,221
Total revenues	5,606,536	3,058,825	2,809,307	1,532,384	1,405,053	14,412,105
Expenditures:						
Current:						
Public safety	-	-	-	1,200,668	1,808,329	3,008,997
Public works	228,946	-	-	-	-	228,946
Culture and recreation	-	1,532,639	-	-	-	1,532,639
Storm Water	-	-	1,121,802	-	-	1,121,802
Nondepartmental/other	8,695	4,347	-	-	-	13,042
Capital outlay	5,071,934	405,030	544,269	-	-	6,021,234
Debt service:						
Principal	425,000	33,330	-	498,655	531,066	1,488,051
Interest and fiscal agent fees	104,319	-	-	53,330	56,825	214,474
Total expenditures	5,838,894	1,975,347	1,666,071	1,752,653	2,396,220	13,629,185
Excess (deficiency) of revenues over expenditures	(232,358)	1,083,478	1,143,236	(220,269)	(991,168)	782,920
Other financing sources (uses):						
Proceeds from capital leases	-	96,126	-	-	-	96,126
Transfers out	(121,292)	-	(351,083)	-	-	(472,375)
Total other financing sources (uses)	(121,292)	96,126	(351,083)	-	-	(376,249)
Net change in fund balances	(353,650)	1,179,604	792,153	(220,269)	(991,168)	406,671
Fund balances, beginning	2,846,198	(6,382,130)	7,405,051	2,317,625	2,323,101	8,509,844
Fund balances, ending	$ 2,492,548	$ (5,202,526)	$ 8,197,204	$ 2,097,356	$ 1,331,933	$ 8,916,515

City of Independence, Missouri
Balance Sheet
Debt Service Fund
March 31, 2014

Assets	**Debt Service Fund**	**Total**
Pooled cash and investments	(18,024)	(18,024)
Receivables:		
Taxes	-	-
Special assessment principal and accrued interest	566,891	566,891
Restricted assets	94,000	94,000
Total assets	$ 642,867	$ 642,867

	Debt Service	**Total**
Liabilities and Fund Balances		
Liabilities:		
Accounts and contracts payable	-	-
Due to other funds	-	-
Deferred revenue	566,891	566,891
Total liabilities	566,891	566,891
Fund Balances:		
Nonspendable	-	-
Restricted	75,976	75,976
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balance	75,976	75,976
Total liabilities and fund balance	$ 642,867	$ 642,867

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Nine Months Ending March 31, 2014

	Debt Service Fund	Total
Revenues:		
Charges for services	106,483	106,483
Investment Income	53	53
Total revenues	106,535	106,535
Expenditures:		
Current:		
Nondepartmental	899	899
Debt service:		
Principal	75,000	75,000
Interest and fiscal agent fees	28,065	28,065
Total expenditures	103,965	103,965
Excess (deficiency) of revenues over expenditures	2,571	2,571
Other financing sources (uses):		
Total other financing sources (uses)	-	-
Net change in fund balances	2,571	2,571
Fund balances, beginning	73,405	73,405
Fund balances, ending	$ 75,976	$ 75,976

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
March 31, 2014

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Pooled cash and investments	(679,981)	19,780	12,234,742	(11,358)	(16,155)	25,603	11,572,631
Receivables:							
Taxes	-	-	501,755	-	-	-	501,755
Accounts	-	-	60,117	-	-	-	60,117
Special assessment principal and accrued interest	461,236	-	-	-	-	-	461,236
Due from other funds	-	-	-	-	-	-	-
Due from component unit to primary gvmt	-	-	-	-	-	-	-
Due from other governments	500,845	-	271,994	-	-	-	772,840
Restricted assets	-	-	19,576,385	134,254	-	-	19,710,640
Total assets	$ 282,100	$ 19,780	$ 32,644,994	$ 122,897	$ (16,155)	$ 25,603	33,079,218

	Street Improvements	Revolving Public Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	-	-	-	200	-	-	200
Due to other funds	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-	-
Deferred revenue	461,236	-	-	-	-	-	461,236
Total liabilities	461,236	-	-	200	-	-	461,436
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	32,644,994	-	-	-	32,644,994
Committed	(179,135)	19,780	-	122,697	(16,155)	25,603	(27,211)
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	(179,135)	19,780	32,644,994	122,697	(16,155)	25,603	32,617,783
Total liabilities and fund balance	$ 282,100	$ 19,780	$ 32,644,994	$ 122,897	$ (16,155)	$ 25,603	33,079,218

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Nine Months Ending March 31, 2014

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	-	-	11,051,661	-	-	-	11,051,661
Intergovernmental	2,109,138	-	177,000	-	-	-	2,286,138
Charges for services	9,154	-	-	-	-	-	9,154
Investment Income	232	7	115,928	21	-	10	116,198
TIF Developer Contributions	-	-	-	-	-	-	-
Reimbursements from component unit	-	-	-	-	-	-	-
Other	(162)	-	866,794	-	-	-	866,633
Total revenues	2,118,363	7	12,211,383	21	-	10	14,329,784
Expenditures:							
Capital outlay	2,314,822	-	818,517	537,838	-	14,868	3,686,045
Debt service:							
Principal	-	-	302,642	-	-	-	302,642
Interest and fiscal agent fees	-	-	6,669,201	-	-	-	6,669,201
Total expenditures	2,314,822	-	7,790,359	537,838	-	14,868	10,657,888
Excess (deficiency) of revenues over expenditures	(196,459)	7	4,421,023	(537,817)	-	(14,858)	3,671,896
Other financing sources (uses):							
Proceeds from capital leases	-	-	-	-	-	-	-
Proceeds from bond issuance	-	-	-	-	-	-	-
Reoffering premium/original issue discount	-	-	-	-	-	-	-
Payment to refunded loans escrow agent	-	-	-	-	-	-	-
Transfers in-utility payments in lieu of taxes	-	-	-	-	-	-	-
Transfers in	254,658	-	1,732,384	269,605	-	-	2,256,647
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	254,658	-	1,732,384	269,605	-	-	2,256,647
Net change in fund balances	58,199	7	6,153,407	(268,212)	-	(14,858)	5,928,543
Fund balances, beginning	(237,334)	19,773	26,491,586	390,909	(16,155)	40,461	26,689,240
Fund balances, ending	$ (179,135)	$ 19,780	$ 32,644,994	$ 122,697	$ (16,155)	$ 25,603	$ 32,617,783

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/14

Assets	Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Indep.	Mount Washington	Sub-Total TIF Funds
Pooled cash and investments	91,827	(17,516)	(1,338,259)	819,715	1,097,688	7,412,108	3,006	42,268	8,110,838
Receivables:									
Taxes	5,343	19,510	4,119	17,700	19,439	163,500	2,315	-	231,926
Accounts	13,925	-	-	-	-	46,192	-	-	60,117
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	3,008	26,435	180	166,090	645	75	196,433
Restricted assets	-	-	953,606	1,033,305	-	4,001,311	-	-	5,988,222
Total assets	$ 111,096	$ 1,994	$ (377,526)	$ 1,897,155	$ 1,117,307	$ 11,789,202	$ 5,966	$ 42,343	$ 14,587,537

	Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Indep.	Mount Washington	Sub-Total TIF Funds
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-	-	-
Deferred revenue (note 20)	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	111,096	1,994	(377,526)	1,897,155	1,117,307	11,789,202	5,966	42,343	14,587,537
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	111,096	1,994	(377,526)	1,897,155	1,117,307	11,789,202	5,966	42,343	14,587,537
Total liabilities and fund balance	$ 111,096	$ 1,994	$ (377,526)	$ 1,897,155	$ 1,117,307	$ 11,789,202	$ 5,966	$ 42,343	14,587,537

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/14

Assets	**Noland Rd Auto Plaza**	**Crackerneck Creek**	**Old Landfill**	**Cinema East**	**Cornerstone Apts**	**Trinity**	**HCA**	**Sub-Total TIF Funds**
Pooled cash and investments	7,111	204,705	122,832	18,931	-	338,996	3,559,246	4,251,820
Receivables:								
Taxes	-	52,200	207,929	-	-	6,900	2,800	269,829
Accounts	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	66,837	560	-	-	6,210	1,955	75,562
Restricted assets	-	9,863,847	-	-	-	-	3,724,316	13,588,163
Total assets	$ 7,111	$ 10,187,589	$331,321	$ 18,931	$ -	$352,106	$ 7,288,317	$ 18,185,374

	Noland Rd Autobody	**Crackerneck Creek**	**Old Landfill**	**Cinema East**	**Cornerstone Apts**	**Trinity**	**HCA**	**Sub-Total TIF Funds**
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-	-
Deferred revenue (note 20)	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	7,111	10,187,589	331,321	18,931	-	352,106	7,288,317	18,185,374
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	7,111	10,187,589	331,321	18,931	-	352,106	7,288,317	18,185,374
Total liabilities and fund balance	$ 7,111	$ 10,187,589	$331,321	$ 18,931	$ -	$352,106	$ 7,288,317	18,185,374

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/14

Assets	23rd & Noland Project 1 QT	23rd & Noland Project 2	Independence Square	Little Blue Parkway #1	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Pooled cash and investments	(19,869)	(9,168)	(75,745)	(28,820)	5,685	(127,917)	12,234,742
Receivables:							
Taxes	-	-	-	-	-	-	501,755
Accounts	-	-	-	-	-	-	60,117
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	271,994
Restricted assets	-	-	-	-	-	-	19,576,385
Total assets	$ (19,869)	$ (9,168)	$ (75,745)	$ (28,820)	$ 5,685	$ (127,917)	$ 32,644,994

Liabilities and Fund Balances	23rd & Noland Project 1 QT	23rd & Noland Project 2	Independence Square	Little Blue Parkway	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Liabilities:							
Accounts and contracts payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-
Deferred revenue (note 20)	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	(19,869)	(9,168)	(75,745)	(28,820)	5,685	(127,917)	32,644,994
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	(19,869)	(9,168)	(75,745)	(28,820)	5,685	(127,917)	32,644,994
Total liabilities and fund balance	$ (19,869)	$ (9,168)	$ (75,745)	$ (28,820)	5,685	(127,917)	32,644,994

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2014

	Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Indep.	Mount Washington	Sub-Total TIF Funds
Revenues:									
Taxes (note 4)	11,944	61,678	19,562	1,240,510	524,388	4,004,829	34,231	1,816	5,898,958
Intergovernmental (note 5)	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Investment Income	36	1	282	22,345	1,750	86,436	3	14	110,867
TIF Developer Contributions	-	-	-	-	-	-	-	-	-
Other (note 6)	-	-	78,528	-	-	-	-	-	78,528
Total revenues	11,980	61,679	98,373	1,262,855	526,138	4,091,265	34,234	1,830	6,088,353
Expenditures:									
Current:									
Capital outlay	-	-	3,001	71,138	4,625	514,984	-	-	593,748
Debt service:									
Principal (note 8)	30,650	-	-	-	210,000	-	-	-	240,650
Interest and fiscal agent fees	-	100,000	225,007	256,847	132,938	622,019	53,500	-	1,390,310
Total expenditures	30,650	100,000	228,008	327,985	347,563	1,137,002	53,500	-	2,224,708
Excess (deficiency) of revenues over expenditures	(18,670)	(38,321)	(129,636)	934,870	178,575	2,954,263	(19,266)	1,830	3,863,645
Other financing sources (uses):									
Proceeds from bond issuance	-	-	-	-	-	-	-	-	-
Reoffering premium/original issue discount	-	-	-	-	-	-	-	-	-
Payment to refunded loans escrow agent	-	-	-	-	-	-	-	-	-
Transfers in-utility payments in lieu of taxes	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	(18,670)	(38,321)	(129,636)	934,870	178,575	2,954,263	(19,266)	1,830	3,863,645
Fund balances, beginning	129,766	40,315	(247,891)	962,285	938,732	8,834,939	25,233	40,513	10,723,892
Fund balances, ending	$ 111,096	$ 1,994	$ (377,526)	$ 1,897,155	$ 1,117,307	$ 11,789,202	$ 5,966	$ 42,343	$ 14,587,537

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2014

	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East	Cornerstone Apts	Trinity	HCA	Sub-Total TIF Funds
Revenues:								
Taxes	3,733	905,803	331,445	19,126	-	383,582	3,508,772	5,152,460
Intergovernmental	-	177,000	-	-	-	-	-	177,000
Charges for services	-	-	-	-	-	-	-	-
Investment Income	2	3,385	51	2	-	69	1,550	5,059
TIF Developer Contributions	-	-	-	-	-	-	-	-
Reimbursements from component unit	-	-	-	-	-	-	-	-
Other	-	788,266	-	-	-	-	-	788,266
Total revenues	3,734	1,874,454	331,496	19,128	-	383,651	3,510,322	6,122,785
Expenditures:								
Current:								
Capital outlay	-	13,922	-	-	-	28,641	114,347	156,910
Debt service:								-
Principal	-	-	-	-	-	61,992	-	61,992
Interest and fiscal agent fees	-	4,271,064	61,500	-	-	168,008	778,319	5,278,891
Total expenditures	-	4,284,986	61,500	-	-	258,641	892,666	5,497,793
Excess (deficiency) of revenues over expenditures	3,734	(2,410,532)	269,996	19,128	-	125,010	2,617,656	624,992
Other financing sources (uses):								
Proceeds from bond issuance	-	-	-	-	-	-	-	-
Reoffering premium/original issue discount	-	-	-	-	-	-	-	-
Payment to refunded loans escrow agent	-	-	-	-	-	-	-	-
Transfers in-utility payments in lieu of taxes	-	-	-	-	-	-	-	-
Transfers in	-	1,732,384	-	-	-	-	-	1,732,384
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,732,384	-	-	-	-	-	1,732,384
Net change in fund balances	3,734	(678,148)	269,996	19,128	-	125,010	2,617,656	2,357,376
Fund balances, beginning	3,376	10,865,737	61,325	(197)	-	227,096	4,670,661	15,827,998
Fund balances, ending	$ 7,111	$ 10,187,589	$ 331,321	$ 18,931	$ -	$ 352,106	$ 7,288,317	$ 18,185,374

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2014

	23rd & Noland Project 1 QT	23rd & Noland Project 2	Independence Square	Little Blue Parkway #1	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Revenues:							
Taxes	243	-	-	-	-	243	11,051,661
Intergovernmental	-	-	-	-	-	-	177,000
Charges for services	-	-	-	-	-	-	-
Investment Income	-	-	-	-	2	2	115,928
TIF Developer Contributions	-	-	-	-	-	-	-
Reimbursements from component unit	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	866,794
Total revenues	243	-	-	-	2	245	12,211,383
Expenditures:							
Current:							
Capital outlay	-	-	59,483	6,120	2,255	67,859	818,517
Debt service:						-	-
Principal	-	-	-	-	-	-	302,642
Interest and fiscal agent fees	-	-	-	-	-	-	6,669,201
Total expenditures	-	-	59,483	6,120	2,255	67,859	7,790,359
Excess (deficiency) of revenues over expenditures	243	-	(59,483)	(6,120)	(2,253)	(67,613)	4,421,023
Other financing sources (uses):							
Proceeds from bond issuance	-	-	-	-	-	-	-
Reoffering premium/original issue discount	-	-	-	-	-	-	-
Payment to refunded loans escrow agent	-	-	-	-	-	-	-
Transfers in-utility payments in lieu of taxes	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	1,732,384
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	1,732,384
Net change in fund balances	243	-	(59,483)	(6,120)	(2,253)	(67,613)	6,153,407
Fund balances, beginning	(20,113)	(9,168)	(16,261)	(22,700)	7,939	(60,303)	26,491,586
Fund balances, ending	$ (19,869)	$ (9,168)	$ (75,745)	$ (28,820)	$ 5,685	$ (127,917)	$ 32,644,994

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

March 31, 2014

Assets		Central Garage	Staywell Health Care	Worker's Compensation	Total (Exhibit 5)
Current assets:					
Pooled cash and investments	$	617,895	990,645	2,974,642	4,583,182
Accounts receivable		2,047	62,780	74,270	139,097
Accrued interest receivable		—	—	—	—
Due from other funds		—	—	—	—
Inventory		91,016	—	—	91,016
Prepaid Items		—	—	—	—
Property, plant, and equipment, net:					—
Land and infrastructure		—	—	—	—
Buildings, property, and equipment, net		—	—	—	—
Advance to other funds		—	—	—	—
Deferred debt issue costs		—	—	—	—
Prepaid employee benefits		—	—	—	—
Other deferred charges		—	—	—	—
Restricted Assets		—	—	200,000	200,000
Total current assets		710,958	1,053,425	3,248,912	5,013,295
Noncurrent assets:					
Property, plant, and equipment;					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		206,165	—	—	206,165
Less accumulated depreciation		(178,940)	—	—	(178,940)
Total noncurrent assets		121,204	—	—	121,204
Total assets	$	832,162	1,053,425	3,248,912	5,134,499
Liabilities					
Current liabilities:					
Accounts and contracts payable	$	90,877	—	697	91,574
Accrued liabilities		24,320	—	2,733	27,053
Deferred Revenue		—	—	605,261	605,261
Compensated absences - current		37,194	—	13,841	51,035
Employee benefits payable		—	—	—	—
Other Current Liabilities		—	—	—	—
Self-insurance claims		—	2,205,294	1,650,665	3,855,959
Total current liabilities		152,391	2,205,294	2,273,197	4,630,882
Noncurrent liabilities:					
Compensated absences - long-term		40,190	—	31,574	71,764
Other post employment benefits		583,649	—	48,908	632,557
Self-insurance claims		—	—	2,378,861	2,378,861
Total liabilities		776,230	2,205,294	4,732,540	7,714,064
Net Assets					
Invested in capital assets, net of related debt		121,204	—	—	121,204
Unrestricted		(65,272)	(1,151,869)	(1,483,628)	(2,700,769)
Total net assets (deficit)		55,932	(1,151,869)	(1,483,628)	(2,579,565)
Total liabilities and net assets	$	832,162	1,053,425	3,248,912	5,134,499

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

For the Nine Months Ending March 31, 2014

		Central Garage	Staywell Health Care	Worker's Comp	Total (Exhibit 6)
Operating revenues:					
Charges for services	$	1,544,726	—	—	1,544,726
Miscellaneous		—	16,261,584	—	16,261,584
Total operating revenues		1,544,726	16,261,584	—	17,806,310
Operating expenses:					
Personal services		516,627	—	116,265	632,892
Other services		336,118	19,182,687	1,556,959	21,075,764
Supplies		916,527	—	2,153	918,680
Capital outlay		—	—	—	—
Depreciation and amortization		2,925	—	—	2,925
Total operating expenses		1,772,197	19,182,687	1,675,377	22,630,261
Operating Income		(227,471)	(2,921,103)	(1,675,377)	(4,823,951)
Nonoperating revenues:					
Interest revenue		195	3,447	1,263	4,905
Miscellaneous revenue		24,626	906,113	1,897,692	2,828,431
Total nonoperating revenue		24,821	909,560	1,898,955	2,833,336
Income before transfers		(202,650)	(2,011,543)	223,578	(1,990,615)
Transfers in (out)		—	—	—	—
Change in net assets		(202,650)	(2,011,543)	223,578	(1,990,615)
Total net assets (deficit):					
Beginning of the period		258,582	859,674	(1,707,206)	(588,950)
End of the period	$	55,932	(1,151,869)	(1,483,628)	(2,579,565)

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

March 31, 2014

		Private-Purpose Trust Fund		Agency Funds			
Assets		**Miscellaneous Expendable Trust**	**Total**	**Flexible Benefit Plan**	**Miscellaneous Agency Fund**	**Seniors Travel Programs**	**Total**
Pooled cash and investments	$	20,385	20,385	111,715	32,155	18,497	162,367
Accrued interest receivable		—	—	—	157	—	157
Total assets	$	20,385	20,385	111,715	32,312	18,497	162,524
Due from flexible benefit plan				—	—		
Liabilities							
Accounts and contacts payable	$						
Internal balances (note 6)		—	—	—	—	—	—
Liabilities payable from restricted assets:							
Funds held in Escrow		207	207	—	32,312	18,497	50,809
Employee deferred credit		—	—	111,715	—	—	111,715
Total liabilities		207	207	111,715	32,312	18,497	162,524
Net Assets							
Held in trust	$	20,178	20,178				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
March 31, 2014

FUND	CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	3,574,544.92	193,491.00	-	3,768,035.92
SPECIAL REVENUE				
TOURISM	422,429.17	-	-	422,429.17
CDA	-	-	(29,292.85)	(29,292.85)
RENTAL REHAB	-	-	(79,224.80)	(79,224.80)
INDEP. SQUARE BENEFIT	23,413.21	-	-	23,413.21
STREET SALES TAX	1,443,803.05	-	-	1,443,803.05
PARKS SALES TAX	-	-	(5,716,016.04)	(5,716,016.04)
STORM WATER SALES TAX	7,681,675.21	-	-	7,681,675.21
POLICE SALES TAX	1,892,055.10	-	-	1,892,055.10
FIRE SALES TAX	1,059,668.95	-	-	1,059,668.95
LICENSE SURCHARGE	1,380,862.94	-	-	1,380,862.94
GRANT	33,389.35	-	-	33,389.35
TOTAL	13,937,296.98	-	(5,824,533.69)	8,112,763.29
DEBT SERVICE FUND	-	94,000.00	(18,024.44)	75,975.56
CAPITAL PROJECTS				
STREET	-	-	(679,980.89)	(679,980.89)
TIF	12,234,741.66	19,576,385.35	-	31,811,127.01
BUILDING	-	134,254.37	(11,357.70)	122,896.67
STORM DRAINAGE	-	-	(16,155.37)	(16,155.37)
PARKS	25,603.17	-	-	25,603.17
REVOLVING PUBLIC IMPROV.	19,779.95	-	-	19,779.95
TOTAL	12,280,124.78	19,710,639.72	(707,493.96)	31,283,270.54
ENTERPRISE				
POWER & LIGHT	51,891,747.07	25,563,800.72	-	77,455,547.79
WATER	7,929,738.10	4,721,665.77	-	12,651,403.87
SEWER	15,401,979.34	22,143,091.50	-	37,545,070.84
EVENTS CENTER	32,242.34	6,975,930.34	-	7,008,172.68
TOTAL	75,255,706.85	59,404,488.33	-	134,660,195.18
INTERNAL SERVICE				
EMPLOYEE BENEFITS	-	-	-	-
CENTRAL GARAGE	617,895.32	-	-	617,895.32
PHARMACY BENEFIT FUND	-	-	-	-
STAYWELL INSURANCE	990,644.53	-	-	990,644.53
WORKER'S COMPENSATION	2,974,642.46	200,000.00	-	3,174,642.46
TOTAL	4,583,182.31	200,000.00	-	4,783,182.31
TRUST & AGENCY				
WAGGONER	-	-	-	-
MISC TRUST	20,385.47	-	-	20,385.47
SUSIE PAXTON BLOCK TRUST	32,155.05	-	-	32,155.05
SENIORS TRAVEL PROGRAMS	18,497.00	-	-	18,497.00
FLEXIBLE BENEFITS	111,714.68	-	-	111,714.68
TOTAL	182,752.20	-	-	182,752.20
GRAND TOTAL	**109,813,608.04**	**79,602,619.05**	**(6,550,052.09)**	**182,866,175.00**

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY
March 31, 2014

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		182,839,522.66	182,839,522.66	
CERTIFICATE OF DEPOSIT				
TOTAL		0.00	0.00	
U. S. TREASURY NOTES & AGENCY NOTES				
Commerce	02/15/27	18,887.50	26,652.34	7.074%
TOTAL		18,887.50	26,652.34	
GRAND TOTAL		182,858,410.16	182,866,175.00	

APPENDIX C

DEFINITIONS OF WORDS AND TERMS
AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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

"Additional Bonds" means any additional parity bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2007A Bonds, the Series 2008C Bonds, the Series 2012E Bonds and the Series 2014A Bonds.

"Authorizing Ordinance" means the Ordinances of the City authorizing the execution of the Financing Agreement and certain other documents.

"Bond" or **"Bonds"** means the the Series 2007A Bonds, the Series 2008C Bonds, the Series 2012E Bonds, the Series 2014A Bonds and any Additional Bonds issued pursuant to the Indenture.

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

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

"Costs of the Project" means costs permitted under the Act to be paid out of proceeds of the Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, renovation and equipping of the Project, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act.

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2007A Bonds, an amount equal to $1,939,000 from the issuance of the Series 2007A Bonds through May 31, 2012 and from April 1, 2012 through May 31, 2021 an amount equal to $1,635,000 and after May 31, 2021 an amount equal to $310,000, (ii) with respect to the Series 2008C Bonds an amount equal to $800,000, (iii) with respect to the Series 2012E Bonds an amount equal to $396,500, (iv) with respect to the Series 2014A Bonds the amount set forth in the body of this Official Statement, and (v) with respect to any Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

"Defeasance Obligations" means:

(a) Government Obligations which are not subject to redemption prior to maturity; or

(b) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations); or

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

"Government Obligations" means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

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

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

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

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

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

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;

(2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and

(4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

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

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

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

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

(3) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export - Import Bank,
- Farm Credit System Financial Assistance Corporation,
- Rural Economic Community Development Administration (formerly the Farmers Home Administration),
- General Services Administration,
- U.S. Maritime Administration,
- Small Business Administration,
- Government National Mortgage Association (GNMA),
- U.S. Department of Housing & Urban Development (PHA's),
- Federal Housing Administration, and
- Federal Financing Bank;

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

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

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

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

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

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

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

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

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

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

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

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

"**Special Allocation Fund**" means the fund by that name reestablished pursuant to the Authorizing Ordinance.

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

"**State**" means the State of Missouri.

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

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

Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

* * *

SUMMARY OF THE BOND TRUST INDENTURE

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

Trust Estate

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

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

(b) All moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Trustee under the terms of the Indenture; and

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

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

Authorization of Additional Bonds

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

Before any Additional Bonds are issued under the provisions of the Indenture, the Board shall adopt a resolution (1) authorizing the issuance of such Additional Bonds, fixing the principal amount thereof and describing the purpose or purposes for which such Additional Bonds are being issued, (2) authorizing the Board to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds and establishing the terms and provisions of such series of Bonds and the form of the Bonds of such series, (3) authorizing the Board to enter into a Supplemental Financing Agreement with the City to provide for payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be

Outstanding (including the Additional Bonds to be issued) as the same become due, and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement, and (4) providing for such other matters as are appropriate because of the issuance of the Additional Bonds, which matters, in the judgment of the Board, are not prejudicial to the Board or the owners of the Bonds previously issued.

Such Additional Bonds shall have the same general title as the Bonds Outstanding except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices, all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Bonds and any other Additional Bonds, excepts for the accounts in the debt service reserve fund established for such series of Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of any reserve fund.

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

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

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

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

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

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

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

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

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

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

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

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

Creation of Funds and Accounts

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

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

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

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

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

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

Project Fund

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

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

Debt Service Fund

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

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

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

Debt Service Reserve Fund

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

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

Rebate Fund

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

Investment of Moneys

Moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the City Representative, be invested and reinvested by the Trustee in accordance with the provisions of the Indenture and the Tax Compliance Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. In the absence of direction of the City Representative, the Trustee may invest and reinvest moneys in an investment described in paragraph (7) of the definition of the term "Permitted Investments." The Trustee may make any investments permitted by the provisions of the Indenture through its own bond department or short-term investment department or that of any affiliate of the Trustee and may pool moneys for investment purposes, except moneys held in any fund or account that are required to be yield restricted in accordance with the Tax Compliance Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments (other than any amount required to be deposited in the Rebate Fund) shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account; provided, however, that all interest accruing on the Project Fund shall be automatically deposited into the Debt Service Fund. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments.

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

Events of Default

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

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

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

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

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

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

Acceleration of Maturity; Rescission and Annulment

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

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

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

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

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

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

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

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

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

Exercise of Remedies by the Trustee

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

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

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

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

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

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

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

Limitation on Suits by Bondowners

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

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

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

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

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

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

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

Control of Proceedings by Bondowners

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

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

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

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

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

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

Application of Moneys Collected

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

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

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

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

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

Resignation and Removal of Trustee

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

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

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

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

Appointment of Successor Trustee

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

Supplemental Indentures without Consent of Bondowners

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

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

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

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

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

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

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

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

Supplemental Indentures with Consent of Bondowners

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

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

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

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

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

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

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

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

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

Payment, Discharge and Defeasance of Bonds

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

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

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

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

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

Satisfaction and Discharge of Indenture

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

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

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

(c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any

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

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

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

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

* * *

SUMMARY OF THE AUTHORIZING ORDINANCE

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

Security for the Loans

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

Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged to secure the payments required pursuant to the Financing Agreement.

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

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Redevelopment Project to the repayment of the associated Loans. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) Commerce Bank, as trustee for the Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds or the Board's bonds issued for the benefit of the City.

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

Administration of Eastland Project Special Allocation Fund

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

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

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

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

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

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

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

> (i) for the purpose of paying any Redevelopment Costs, including without limitation use of an amount of sales tax revenues captured as Economic Activity Taxes which are attributable to the sales tax levied by the Independence Events Center Community Improvement District to repay loans associated with bonds issued finance costs of the Events Center Project; or
>
> (ii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Financing Agreement or any other financing agreement relating to bonds secured on a parity with the Bonds; or
>
> (iii) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

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

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

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

* * *

SUMMARY OF THE FINANCING AGREEMENT

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

Use of Proceeds

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

Loan Payments

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

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

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

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

Additional Payments

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

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

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

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

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

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

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

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

Annual Appropriations

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

Annual Budget Request

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

Loan Payments to Constitute Current Expenses of the City

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

Security for the Loan

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

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

Additional Bonds

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

Financial Statements

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

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

Events of Default and Remedies

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

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

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

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

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

Remedies on Default

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

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

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

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

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

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

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

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

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

(a) to subject to the Financing Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any series of Bonds, or to substitute or add additional property thereto; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Financing Agreement, additional conditions, limitations and restrictions thereafter to be observed; or

(c) in connection with the issuance of any Additional Bonds, to make such other provisions as provided in the Financing Agreement; or

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

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

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

Supplemental Financing Agreements with Consent of Bondowners

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

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

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

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

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

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

* * *

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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

Pursuant to the Continuing Disclosure Agreement, the City will, not later than **180** days after the end of the City's fiscal year, provide to the Municipal Securities Rulemaking Board (the "MSRB") the following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, and (B) the amounts deposited into the Special Allocation Fund established for the Centerpoint Redevelopment Project. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.

Pursuant to the Continuing Disclosure Agreement, the City also will undertake, for the benefit of the holders and Beneficial Owners of the Bonds, to provide to the MSRB, via EMMA, and to the Trustee, not later than 10 business days from the occurrence thereof, notice of any of the following events with respect to the Bonds:

(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.

If the City should fail to comply with any provision of the Continuing Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under the Continuing Disclosure Agreement; provided that the sole and exclusive remedy for breach of the Continuing Disclosure Agreement shall be an action to compel specific performance of the obligations of the City under the Continuing

Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with the Continuing Disclosure Agreement are conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default as though such provisions applied under the Continuing Disclosure Agreement. Failure of the City to perform its obligations under the Continuing Disclosure Agreement shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may amend or make changes to the Continuing Disclosure Agreement for any purpose, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth in the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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: $4,855,000 Missouri Development Finance Board Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2014A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the "Board"), of the above-referenced bonds (the "Bonds"). The Bonds have been authorized and issued pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the "Act"), and the Bond Trust Indenture dated as of May 1, 2007, as supplemented and amended by the Series 2008C Supplemental Bond Trust Indenture dated as of February 1, 2008, the Series 2008G Supplemental Bond Trust Indenture dated as of July 1, 2008, the Series 2009B Supplemental Bond Trust Indenture dated as of March 1, 2009, and the Series 2009J Supplemental Bond Trust Indenture dated as of October 1, 2009, the Series 2012E Supplemental Bond Trust Indenture dated as of October 15, 2012 and the Series 2014A Supplemental Bond Trust Indenture dated as of May 1, 2014 (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 May 1, 2007, as supplemented and amended by the Series 2008C Supplemental Financing Agreement dated as of February 1, 2008, the Series 2008G Supplemental Financing Agreement dated as of July 1, 2008, the Series 2009B Supplemental Financing Agreement dated as of March 1, 2009, the Series 2009J Supplemental Financing Agreement dated as of October 1, 2009, the Series 2012E Supplemental Financing Agreement dated as of October 15, 2012 and the Series 2014A Supplemental Financing Agreement (as supplemented and amended, the "Financing Agreement"), between the Board and the City to pay the costs of financing the Project as defined in the Indenture.

Reference is made to an opinion of even date herewith of 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, Financing Agreement and the Tax Compliance Agreement.

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

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

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

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

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

5. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (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 and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all requirements of the 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, 2013

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUMMARY OF THE RESULTS OF THE FORTY-FIFTH ANNUAL ACTUARIAL VALUATION

FEBRUARY 28, 2013

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 Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

June 13, 2013

The City of Independence
Independence, Missouri

Ladies and Gentlemen:

Submitted in this report is a summary of the results of the ***Forty-Fifth 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, 2013. 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, 2014.

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 and the Compiled Annual Actuarial Valuation 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.

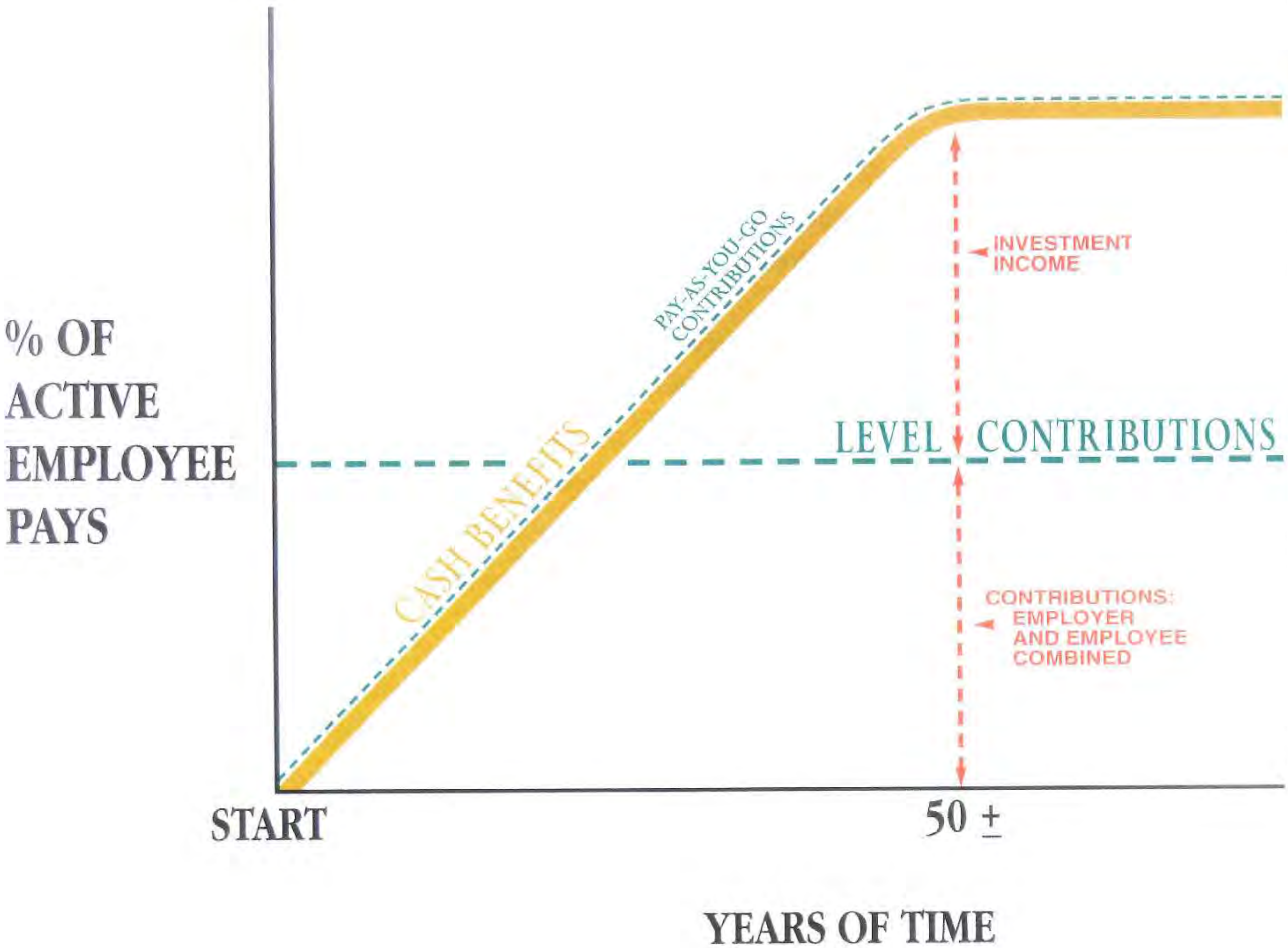
Respectfully submitted,
Gabriel, Roeder, Smith and Company

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, 2013
(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 881 retirees and beneficiaries with total annual benefits of $15,998,908 reported as of February 28, 2013.

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 #
2/29/2008	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
2/29/2012	87	2,701,900	22	454,919	841	14,858,416
2/28/2013	72	1,640,476	32	499,984	881	15,998,908

* 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, 2013
By Disbursing Fund and Type of Benefit Being Paid

Type of Benefit	Number	Annual Benefits #
Service Early & Deferred		
Life Option	273	$4,782,102
Option A	202	4,130,432
Option B	189	4,280,870
Option C	38	466,090
Beneficiary Receiving	78	691,226
Totals	780	14,350,719
Duty Disability		
Life Option	23	549,135
Option A	8	163,157
Option B	6	172,345
Option C	1	23,035
Totals	38	907,671
Non-Duty Disability		
Life Option	13	208,364
Option A	7	117,144
Option B	7	112,253
Option C		
Totals	27	437,762
Beneficiary receiving	9	96,255
Total Disability	74	1,441,688
Death-In-Service		
Spouse Receiving	27	206,500
Children Receiving		
Totals	27	206,500
Totals	**881**	**$15,998,908**

Dollar amounts will not always add up, due to rounding.

The City of Independence

Active and Vested Former Members as of February 28, 2013

	Active Members					Number of Vested Former Members
			Averages *			
Division	**Number**	**Annual Payroll**	**Annual Pay**	**Age**	**Service**	
General	651	$42,005,572	$64,525	48.5 yrs.	14.7 yrs.	147
Police	193	13,450,720	69,693	40.9	13.4	22
Fire	158	10,548,202	66,761	41.5	13.7	8

* 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, 2013

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	$137,800,657	$66,616,063	$5,179,166	$71,795,229	$83,684,519	$54,116,138
Police	43,809,199	15,766,099	1,633,126	17,399,225	20,280,537	23,528,662
Fire	33,696,709	16,592,049	1,271,199	17,863,248	20,821,402	12,875,307

The City of Independence

Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2014

Division	Employer Contributions Expressed as %'s of Active Member Payroll			
	Current Cost		Prior Service Cost	Total Employer Contribution Rate
	Service Retirement	Disability Retirement		
General	7.1%	0.3%	5.9%	13.3%
Police	6.9	0.3	7.3	14.5
Fire	10.1	0.3	4.7	15.1

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 16.5%. The uncapped employer contribution rate for the Police division was computed to be 20.7%. The uncapped employer contribution rate for the Fire division was computed to be 19.2%.

The City of Independence
General Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members					Vested Former Members	Employer Contribution Rate
			Averages *				
	Number	Annual Payroll	Annual Pay	Age	Service		
2/29/2008	716	$39,667,860	$55,402	47.6 yrs.	14.4 yrs.	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
2/29/2012	666	41,782,245	62,736	48.4	14.7	153	12.3
2/28/2013	651	42,005,572	64,525	48.5	14.7	147	13.3

* 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	Percent of Annual Payroll
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
2/29/2012	134,851,553	83,359,747	61.8	51,491,806	123.2
2/28/2013	137,800,657	83,684,519	60.7	54,116,138	128.8

Amortization of Unfunded Accrued Liabilities as of February 28, 2013

Amortization Period #	Remaining Unamortized Liability
15	$13,094,609
18	14,232,486
26	26,789,043

\# 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					Vested Former Members	Employer Contribution Rate
			Averages *				
	Number	Annual Payroll	Annual Pay	Age	Service		
2/29/2008	194	$11,374,428	$58,631	40.2 yrs.	13.4 yrs.	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
2/29/2012	197	13,222,132	67,117	40.9	13.6	23	13.5
2/28/2013	193	13,450,720	69,693	40.9	13.4	22	14.5

* 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
2/29/2008	$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
2/29/2012	43,649,606	23,452,936	53.7	20,196,670	152.7
2/28/2013	43,809,199	20,280,537	46.3	23,528,662	174.9

Amortization of Unfunded Accrued Liabilities as of February 28, 2013

Amortization Period #	Remaining Unamortized Liability
15	$12,386,180
18	4,234,286
26	6,908,196

\# 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
2/29/2008	164	$9,448,032	$57,610	43.1 yrs.	15.2 yrs.	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
2/29/2012	153	10,204,348	66,695	41.7	13.8	9	14.1
2/28/2013	158	10,548,202	66,761	41.5	13.7	8	15.1

* 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
2/29/2008	$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
2/29/2012	32,199,614	19,050,646	59.2	13,148,968	128.9
2/28/2013	33,696,709	20,821,402	61.8	12,875,307	122.1

Amortization of Unfunded Accrued Liabilities as of February 28, 2013

Amortization Period #	Remaining Unamortized Liability
15	$3,836,225
18	3,200,801
26	5,838,281

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, 2014 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
02/28/2011	07/01/2012	13.9%	14.8%	17.1%
02/29/2012	07/01/2013	14.2	15.5	17.5
02/28/2013	07/01/2014	14.5	16.9	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
02/28/2011	$137,468,939	$220,918,979	$83,450,040	62%	$68,136,107	122%
02/29/2012	125,863,329	210,700,773	84,837,444	60	65,208,725	130
02/28/2013	124,786,458	215,306,565	90,520,107	58	66,004,494	137

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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX F

ACTUARIAL REPORT OF
LEWIS & ELLIS INC.

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF INDEPENDENCE
POSTRETIREMENT HEALTH INSURANCE

GASB 45 INFORMATION

FOR

FISCAL YEAR ENDING
JUNE 30, 2012

BASED ON A
VALUATION DATE OF JANUARY 1, 2011

JULY 2012

Actuaries &
Consultants

LEWIS & ELLIS, INC.
OVERLAND PARK, KS

July 10, 2012

Mr. James C. Harlow
Director of Finance & Administration
City of Independence
111 East Maple
Independence, MO 64050

Dear Mr. Harlow:

This report presents actuarial information in accordance with Governmental Accounting Standards Board Statement No. 45 concerning 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, 2012; and

- Determine the Annual OPEB Cost for the fiscal year beginning July 1, 2011.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. Employee data, claim experience 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.

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)

NORACS Member Firm

Lewis & Ellis, Inc. • 11225 College Boulevard • Suite 320 • Overland Park, KS 66210-2798
913/491-3388 • Fax 913/642-9777 • www.LewisEllis.com

Microsoft CERTIFIED Partner

TABLE OF CONTENTS

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 projected 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 net employer contributions during the year.

VALUATION PROCEDURES

The financial information for fiscal year 2011-2012 is based upon an actuarial valuation performed as of January 1, 2011 using the participant census as of January 1, 2011. The previous valuation was performed as of January 1, 2009, using the participant census as of January 1, 2009. Updated valuations are required every two years for governments with more than 200 employees plus covered retirees. Financial results for interim years are based on the prior "full" or updated valuation unless a material change occurs.

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 plan options are available. For plan year 2011, the City plan options were OAP – In Network and Open Access. Beginning January 1, 2012, the In Network plan was replaced with the OAP II plan. The former Open Access plan remains as the OAP I plan. 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 large 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 these assets may not be reported as an offset to GASB liabilities.

FUNDING OF BENEFITS ***(continued)***

GASB 45 requires a valuation interest rate (or discount rate) be used to calculate the present value of expected future benefits. Whether or not plan assets may apply, the valuation interest rate should equal the estimated long-term investment yield on the source of 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 4.0% is assumed for valuation. This is a decrease from 4.5% assumed for the prior valuation.

RESULTS

The Annual OPEB Cost is a charge of $19.3 million for fiscal year 2011-2012. The Actuarial Accrued Liability (AAL) as of January 1, 2011 is $246.3 million. The financial results are detailed on pages 5 and 6.

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 2011-2012 expense. Thirty years is the maximum allowable number of years for amortizing the AAL. While only a portion of the AAL is currently recognized through amortization, 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 major changes and items of impact relative to the last valuation are shown below:

- The assumed Medical / Rx trend rates were changed from 9%, 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5%, 5% (Ultimate) **to** 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5%, 5.25% (Ultimate).
- The disability cost load for disabled retirees was removed since it is assumed the experience for projecting costs already includes the claims of disabled participants.
- The turnover rates and retirement age assumptions were updated in some cases to reflect the latest statistics available from LAGERS.

RESULTS *(continued)*

- The assumed proportion of future retirees with a covered spouse was increased from 60% to 65%. This is based on an analysis of current spousal elections.
- The OAP – In Network plan was replaced with the OAP II plan effective January 1, 2012. The former Open Access plan remains in place as the OAP I plan. As of January 1, 2012 over 95% of plan participants (retirees and actives) elected coverage in the OAP I plan.
- For the OAP I plan, projected pre 65 per capita retiree costs increased 12% per year relative to the prior valuation. Post 65 per capita retiree costs increased 3.2% relative to the prior valuation.
- Effective July 1, 2011, retiree contribution rates increased from 14% to 17% (for those retired prior to November 1, 2009) and from 17% to 20% (for those retired November 1, 2009 or after) of plan premiums.
- Based on recent emerging experience the valuation interest rate was lowered from 4.5% to 4.0%.

The actual GASB 45 costs may differ from expected due to experience gains/losses and changes in plan provisions, assumptions and/or actuarial methods. Example sources of experience gains may include lower retirements than assumed and lower medical inflation than assumed. Example sources of experience losses may include lower turnover than assumed and less increase in retiree contribution premiums than assumed.

The projected AAL as of January 1, 2011 based on the January 1, 2009 valuation parameters is $218 million. Using a 4.5% discount rate, the AAL as of January 1, 2011 under current plan parameters is $227 million, a difference of about 4% relative to the projected $218 million. The final AAL as of January 1, 2011 using a discount rate of 4.0% is $246 million.

The projected Annual Required Contribution (ARC) for fiscal year 2011-2012 based on the January 1, 2009 valuation parameters is $17.5 million. Using a discount rate of 4.5%, the ARC for fiscal year 2011-2012 under current plan parameter is $18.3 million, a difference of less than 5%, relative to the projected $17.5 million. The final ARC for fiscal year 2011-2012 using a discount rate of 4.0% is $19.5 million.

FUTURE REPORTING

Under GASB 45 provisions, an updated "full" valuation is mandated for the City at least every two years. The next updated valuation is required for fiscal years 2013-2014 and 2014-2015 and should be based on a valuation date of January 1, 2013.

The current valuation provides information for fiscal years 2011-2012 and 2012-2013. The Annual Required Contribution for interim year 2012-2013 will remain at $19,459,020 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. For self-insured programs, the Net Employer Contributions should equal claims, administrative costs and stop-loss premiums paid on behalf of retirees and their dependents, less retiree contribution premiums. The expected Net employer contributions for 2012-2013, based on the January 1, 2011 valuation, are shown below. The reported amount includes anticipated retirements which may vary from actual.

	Fiscal Year 2012-2013
Expected Retiree Costs	$8,475,000
Expected Retiree Contributions	1,205,000
Projected Net Employer Contributions	$7,270,000

ANNUAL OPEB COST FOR 2011/2012

A.	Actuarial Present Value of Benefits	
	Future Retirees	216,720,733
	Current Retirees	110,228,170
		326,948,903
B.	Actuarial Accrued Liability	
	Future Retirees	136,113,126
	Current Retirees	110,228,170
		246,341,296
C.	OPEB Plan Assets	-0-
D.	Unfunded Actuarial Accrued Liability (B – C)	246,341,296
E.	Amortization Factor (30 Year Open, Level %-of-Pay)	22.95922
F.	Amortization of Unfunded	11,379,681
G.	Normal Cost	8,079,339
H.	Annual Required Contribution (ARC) (F + G)	19,459,020
I.	Net OPEB Obligation at Beginning of Year	36,338,530
J.	Interest on Net OPEB Obligation to end of year (I x .04)	1,453,541
K.	Adjustment to the ARC (I / E)	1,582,742
L.	**Annual OPEB Cost (H + J – K)**	**19,329,819**
M.	Valuation Interest Rate	4.00%
N.	Aggregate Payroll Growth	2.00%
O.	Measurement Date	January 1, 2011

DISCLOSURE INFORMATION

1. Annual OPEB Cost for 2011/2012

A. Normal Cost	8,079,339
B. Amortization of Unfunded Actuarial Accrued Liability	11,379,681
C. Annual Required Contribution (ARC)	19,459,020
D. Interest on Net OPEB Obligation	1,453,541
E. Adjustment to the ARC	1,582,742
F. Annual OPEB Cost (C + D – E)	19,329,819

2. Estimated Employer Contributions for 2011/2012

A. Retiree Costs	7,693,000
B. Retiree Contribution Premiums	1,080,000
C. Employer Contributions (A - B)	6,613,000

3. Schedule of Employer Contributions

For Fiscal Year Ended June 30

Year	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2008	13,210,480	4,111,836	31.13%	9,098,644
2009	13,264,139	4,460,366	33.63%	17,902,417
2010	14,947,974	5,777,634	38.65%	27,072,757
2011	14,935,773	5,670,000	37.96%	36,338,530
2012	19,329,819	6,613,000	34.21%	49,055,349

4. Net OPEB Obligation at 6/30/12

A. Balance at 6/30/2011	36,338,530
B. Annual OPEB Cost for 2011/2012	19,329,819
C. Employer Contributions for 2011/2012	6,613,000
D. Balance at 6/30/2012 (A + B - C)	49,055,349

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%
1/1/2009	0	198,767,219	198,767,219	0%	61,350,244	324.0%
1/1/2011	0	246,341,296	246,341,296	0%	65,353,754 (a)	377.0%

(a) 2010 Calendar Year Pay

RESULTS BY ACCOUNTING FUND

Census

Accounting Fund	Number of Active Employees	Number of Inactive Lives
General Fund (2)	660	645
Tourism (4)	4	0
Community Dev Block Grant (8)	2	0
Home Program Fund (9)	1	0
Parks Improv Sales Tax Fund (12)	13	0
Storm Water Sales Tax Fund (13)	7	0
Grants (15)	9	1
Power and Light Fund (20)	211	225
Sanitary Sewer Fund (30)	62	36
Water Fund (40)	88	75
Central Garage Fund (90)	9	6
Worker's Compensation Fund (92)	1	0
Total	1,067	988

Financial Results

Accounting Fund	Actuarial Accrued Liability (AAL)	Net OPEB Obligation at 6/30/2011	2011-2012 Annual OPEB Cost	2011-2012 Expected Employer Contributions	Net OPEB Obligation at 6/30/2012
General Fund (2)	160,501,550	23,538,889	12,503,786	4,429,086	31,613,589
Tourism (4)	268,697	143,598	40,357	3,939	180,016
Community Dev Block Grant (8)	192,091	60,231	16,900	11	77,120
Home Program Fund (9)	163,775	54,947	19,166	517	73,596
Parks Improv Sales Tax Fund (12)	882,008	371,990	151,347	208	523,129
Storm Water Sales Tax Fund (13)	594,094	159,981	82,148	214	241,915
Grants (15)	614,427	332,798	98,228	6,580	424,446
Power and Light Fund (20)	50,116,869	6,566,944	3,855,918	1,471,962	8,950,900
Sanitary Sewer Fund (30)	11,328,339	2,095,596	1,007,010	215,356	2,887,250
Water Fund (40)	19,820,865	2,721,606	1,391,464	427,816	3,685,254
Central Garage Fund (90)	1,711,659	278,970	154,024	57,297	375,697
Worker's Compensation Fund (92)	146,922	12,980	9,471	14	22,437
Total	246,341,296	36,338,530	19,329,819	6,613,000	49,055,349

SUMMARY OF 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, 2009	January 1, 2011
Actives			
1.	General Employees	716	708
2.	Public Safety Employees	373	359
3.	Total Actives	1,089	1,067
Inactives			
4.	Retirees/Disableds/Surviving Spouses	604	629
5.	Spouses of Covered Retirees/Disableds	351	359
6.	Total Inactives	955	988
7.	Grand Total	2,044	2,055

Census Averages		
Actives - Average Service	14.2 years	14.3 years
Actives - Average Age	45.2 years	45.8 years
Retirees - Average Age (based on Item 4)	69.3 years	69.8 years

Enrollment by Coverage Tier – January 1, 2011

	Single	Single + Spouse	Single + Child(ren)	Family	Total
Actives	277	236	141	413	1,067
Retirees	266	338	4	21	629

Distribution of Active Participants

Age	Years of Service as of January 1, 2011								
	Under 5	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35+**	**Total**
Under 25	17								17
25-29	58	22	1						81
30-34	48	43	20						111
35-39	23	32	43	19					117
40-44	18	29	43	29	11				130
45-49	22	27	22	22	33	16	3		145
50-54	21	22	28	16	27	42	40	4	200
55-59	7	26	19	13	17	33	40	15	170
60-64	9	13	9	3	3	10	13	15	75
65-69	4	2	1	2	5	1		1	16
70+		2	1				2		5
Total	**227**	**218**	**187**	**104**	**96**	**102**	**98**	**35**	**1,067**

Distribution of Retirees/Disableds/Surviving Spouses

Age	Total	Age	Total
≤50	2	66	31
51	1	67	30
52	5	68	28
53	3	69	32
54	7	70	26
55	4	71	26
56	13	72	19
57	9	73	19
58	15	74	6
59	14	75	23
60	15	76	14
61	22	77	14
62	22	78	16
63	28	79	19
64	35	80	12
65	28	>80	91
		Total	**629**
		Average Age	**69.8**

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.

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 coverage available to retirees are provided through a self-insured group insurance program. Effective January 1, 2012, the OAP – In Network plan was replaced with the OAP II plan. The former Open Access plan remains in place as the OAP I plan. Over 95% of plan participants currently participate in the OAP I plan.

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.

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. Plan benefits renew annually on January 1st.

SUMMARY OF PLAN PROVISIONS (*CONTINUED*)

A summary of the OAP I plan parameters for 2011 (and 2012) is shown below:

	In-Network	Out of Network
Deductible Individual / Family	$100 / $250	$200 / $500
Coinsurance – Plan Pays	90%	80%
Out of Pocket Individual / Family	$600 / $1,200	$1,450 / $2,875
Office Visit Copays Primary Care Specialist	 $10 + Coinsurance $10 + Coinsurance	 $35 + Coinsurance $35 + Coinsurance
Wellness Benefit	100% Covered	
Emergency Room	$50 Copay + Deductible + Coinsurance	
Prescription Drugs Retail Copays (30 days) Generic Brand Formulary Non-formulary Mail Order Copays (90 days)	 $10 $35 $60 2x Copay (N/A for Out of Network)	
Employer Specific Stop-Loss Limit	$250,000	

ANNUAL RETIREE CONTRIBUTION PREMIUMS

Participants must contribute a stipulated percentage of the plan premiums to maintain coverage. The contribution levels shown below for the OAP I plan serve as a starting point for the valuation and are assumed to increase at the same rate of health care costs in the future. Note that an increase in the stipulated percentage occurred effective July 1, 2011. The percentage increased 14% to 17% (for those Retired Prior to November 1, 2009) and 17% to 20% (for those Retired November 1, 2009 and after).

Retired Prior to November 1, 2009

Coverage	Jan 1, 2011	July 1, 2011	Jan 1, 2012
Pre-Medicare			
Single	$811	$985	$1,034
Single + Spouse	$1,963	$2,384	$2,503
Medicare without Part D			
Single	$767	$931	$978
Single + Spouse (2 on Medicare)	$1,534	$1,862	$1,956
Single + Spouse (1 on Medicare)	$1,561	$1,896	$1,990

Retired on or after November 1, 2009

Coverage	Jan 1, 2011	July 1, 2011	Jan 1, 2012
Pre-Medicare			
Single	$985	$1,159	$1,217
Single + Spouse	$2,384	$2,805	$2,945
Medicare without Part D			
Single	$931	$1,095	$1,150
Single + Spouse (2 on Medicare)	$1,862	$2,191	$2,301
Single + Spouse (1 on Medicare)	$1,896	$2,230	$2,341

COST ANALYSIS BY AGE

Ultimately the "benefits" provided by the City equal the claims and administrative costs paid on behalf of retirees less retiree contribution premiums. This is captured in "Net Employer Contributions."

The projected benefit that is valued under GASB 45 equals the age-adjusted cost (sample ages shown below) less the retiree contribution premium. Age-adjusted costs are the estimated costs that would result if a credible-size group of like-age participants was measured.

Age-adjusted costs are based on plan experience, and vendor contract rates for administrative and stop-loss premium costs. We studied claims experience for Medical and Prescription Drug from November 2008 to May 2012. The experience was analyzed separately for Actives, Pre 65 Retirees and Post 65 Retirees. Age-adjusted expected costs during 2011 are shown below at sample ages. These age-adjusted cost levels serve as a starting point for projecting costs into the future.

EXPECTED RETIREE COST LEVELS DURING PLAN YEAR 2011 (PER MEMBER PER YEAR)

Age	Medical / Rx Claims	Admin	Total
55	9,265	525	9,790
58	9,890	525	10,415
62	11,500	525	12,025
64	12,190	525	12,715
65	3,465	250	3,715
70	4,200	250	4,450
75	4,935	250	5,185
80	5,565	250	5,815
85	6,195	250	6,445

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.

ACTUARIAL ASSUMPTIONS

A. Valuation Interest Rate 4.0%

B. Measurement Date January 1, 2011

C. Trend on Medical/Rx Costs

Year From Measurement Date	Increase Over Prior Year
1	8.5%
2	8.0%
3	7.5%
4	7.0%
5	6.5%
6	6.0%
7	5.5%
8 (to Ultimate)	5.25%

D. Age-Adjusted Costs The estimated cost by age during 2011 at sample ages is shown on page 13.

E. 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%

F. 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%

G. 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

H. Proportion of Disability Coverage due to Duty Disability

General Employees – 0%
Public Safety Employees – 100%

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**
50-54	0.030	0.025	N/A	N/A
55-56	0.100	0.150	0.025	0.030
57	0.100	0.100	0.025	0.030
58-59	0.100	0.150	0.025	0.030
60	0.100	0.200	0.100	0.100
61	0.100	0.100	0.100	0.100
62	0.250	0.300	0.250	0.150
63	0.200	0.300	0.250	0.150
64	0.200	0.250	0.200	0.150
65	1.000	1.000	0.250	0.200
66	1.000	1.000	0.250	0.250
67-68	1.000	1.000	0.200	0.200
69	1.000	1.000	0.200	0.150
70+	1.000	1.000	1.000	1.000

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	.18	.17	.16	.13	.12

	Years of Service > 5
Age	Rate
25	.101
30	.080
35	.061
40	.047
50	.018

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	.050
30	.040
35	.028
40	.022
50	.010

General

		Years of Service				
Gender	Age	0-1	1-2	2-3	3-4	4-5
Male	All Ages	.18	.16	.14	.11	.09
Female	All Ages	.21	.20	.16	.13	.12

	Years of Service > 5	
Age	Male	Female
25	.075	.107
30	.065	.094
35	.051	.072
40	.038	.055
50	.024	.034

K. Retiree Participation	One hundred percent (100%) of future eligible retirees are assumed to participate in the City's program.
L. Covered Spouses	Sixty-five percent (65%) of future participating retirees are assumed to have a covered spouse. This is based on coverage elections of employees near retirement age eligibility. 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 Open Access I plan.
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 assumed 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 Accrued Liability.
- The Unfunded Actuarial Accrued Liability represents the difference between the Actuarial Accrued Liability and the actuarial value of assets as of the valuation date.
- The Unfunded Actuarial Accrued 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.

The 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.

The 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.

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.