

**NEW ISSUE
(Book Entry Only)**

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

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Series 2015D 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 Series 2015D Bonds is exempt from Missouri income taxation by the State of Missouri and (3) the Series 2015D Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" herein.

MISSOURI DEVELOPMENT FINANCE BOARD

\$2,390,000

Infrastructure Facilities Revenue Bonds

(City of Independence, Missouri - Capital Improvements Projects)

Series 2015D

Dated: Date of Delivery

Due: See Inside Cover Page

The Series 2015D 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 Series 2015D 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 Series 2015D Bonds will be due as shown on the inside cover page. Interest on the Series 2015D Bonds will be payable on each March 1 and September 1, beginning on March 1, 2016.

The Series 2015D Bonds are not subject to optional or mandatory redemption prior to maturity

Payment of the principal of and interest on the Series 2015D Bonds is not secured by any deed of trust, mortgage or other lien on the Projects or any other facilities or property of the City.

The Series 2015D 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 (the "Agreement") between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the Indenture.

THE SERIES 2015D BONDS ARE NOT AN INDEBTEDNESS OF THE BOARD, THE CITY, THE STATE OF MISSOURI OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE OF MISSOURI. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015D BONDS. THE ISSUANCE OF THE SERIES 2015D 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. PAYMENT OF THE PRINCIPAL AND INTEREST ON THE SERIES 2015D BONDS IS NOT SECURED BY ANY DEED OF TRUST, MORTGAGE OR OTHER LIEN ON ANY PROPERTY OF THE CITY.

The Series 2015D 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 upon for the Underwriter by its counsel, Lewis Rice LLC. Certain legal matters will be passed on for the City by the City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Series 2015D Bonds will be available for delivery through DTC on or about October 20, 2015.

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MISSOURI DEVELOPMENT FINANCE BOARD

\$2,390,000

Infrastructure Facilities Revenue Bonds

(City of Independence, Missouri - Capital Improvement Projects)

Series 2015D

Dated: Date of Delivery

Due: March 1 as shown below

Maturity Schedule

Serial Bonds

<u>Maturity</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u>
2023	\$1,180,000	2.750%	98.682%	60636S FA7
2024	1,210,000	3.000	99.265	60635S FB5

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 Underwriter has reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors, under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board or the City since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015D BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015D 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 SERIES 2015D 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 “project,” “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 but are not limited to those discussed in the “**PLAN OF FINANCE,**” “**SHORTFALL OF REVENUES,**” and “**BONDOWNERS’ RISKS**” sections 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.

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.

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

\$2,390,000

Infrastructure Facilities Revenue Bonds

(City of Independence, Missouri - Capital Improvements Projects)

Series 2015D

INTRODUCTORY STATEMENT

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

Purpose of the Official Statement

This Official Statement, including the cover page and the Appendices, sets forth certain information in connection with (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the “Board”), of the above-described series of bonds (the “Series 2015D Bonds”), (ii) the Board, (iii) the City of Independence, Missouri (the “City”) and (iv) the financing of certain improvements and costs relating thereto as more fully described herein under the caption “PLAN OF FINANCING” (the “Projects”) with the proceeds of the Series 2015D Bonds.

The Board

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

The City

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

The Plan of Financing

The proceeds of the Series 2015D Bonds are being loaned to the City pursuant to the Financing Agreement dated as of October 1, 2015 (the “Financing Agreement”) between the Board and the City to finance the Costs of the Projects described herein, make a deposit into the Debt Service Reserve Fund and pay the costs of issuing the Series 2015D Bonds.

The Series 2015D Bonds

The Series 2015D Bonds are being issued pursuant to the Act and a Bond Trust Indenture dated as of October 1, 2015 (said Bond Trust Indenture, together with all amendments and supplements thereto, being referred to herein as the “Indenture”), between the Board and Commerce Bank, Kansas City, Missouri (the “Trustee”), for the purpose of providing funds to make a loan to the City, pursuant to a Financing Agreement

dated as of October 1, 2015 (said Financing Agreement, together with all amendments and supplements thereto, being referred to herein as the “Financing Agreement”), between the Board and the City, to be used to (1) finance the Costs of the Projects, (2) make a deposit into the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement and (3) pay the costs of issuance of the Series 2015D Bonds, in consideration of payments by the City, which will be sufficient to pay the principal and the interest on the Series 2015D Bonds, all as more fully described in the Financing Agreement and the Indenture. A description of the Series 2015D Bonds is contained in this Official Statement under “THE SERIES 2015D BONDS.” All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture and the Financing Agreement.

The Indenture provides for the future issuance of additional bonds (“Additional Bonds”) which, if issued, would rank on a parity with the Series 2015D Bonds and any other bonds then outstanding under the Indenture. See “SUMMARY OF THE INDENTURE ” in *Appendix D* hereto. The Series 2015D Bonds and any future Additional Bonds issued under the Indenture are referred to collectively as the “Bonds.”

Security for the Bonds

The Bonds and the interest thereon are special, limited obligations of the Board, payable by the Board solely from (1) certain payments to be made by the City under the Financing Agreement, and (2) certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. 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. All payments by the City under the Financing Agreement are subject to annual appropriation. Pursuant to the Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the Financing Agreement, including all Loan Payments payable thereunder.

The Bonds shall not constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The issuance of the Bonds shall not directly or indirectly obligate the Board, its officers, directors or employees, the State or any political subdivision thereof to provide any funds for their payment. The issuance of the Bonds shall not, directly, indirectly, or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Board has no taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Bondowners’ Risks

Payment of the principal of and interest on the Bonds is 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.

Continuing Disclosure

The City will execute a Continuing Disclosure Undertaking for the benefit of the owners of the Series 2015D Bonds to provide certain annual financial information and notices of the occurrence of certain material events. A summary of the Continuing Disclosure Undertaking is attached to this Official Statement in *Appendix D*.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix D* of this Official Statement. Summaries of the Indenture, the Financing Agreement and the Continuing Disclosure

Undertaking are included in this Official Statement in *Appendix D* hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, 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, Stifel Nicolaus & Company, Incorporated, 501 N. Broadway, St. Louis, Missouri, 63102, during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

THE BOARD

General

The issuer of the Bonds is the Missouri Development Finance Board (the “Board”), a body corporate and politic duly created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the “Act”). The Bonds will be authorized and issued by the Board under the provisions of the statutes of the State, 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 expired 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 Executive Director of the Economic Development Corporation of Jefferson County, 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 Bond 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 Bond Indenture, and the owners of the Bonds will have no claim on assets, funds or revenues of the Board securing other bonds and notes. The Board has never defaulted on any of its bonds or notes.

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

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

THE CITY

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

PLAN OF FINANCING

General

The proceeds of the Bonds will be loaned by the Board to the City pursuant to the Financing Agreement. The City will use such proceeds to finance the Costs of the Projects described herein, make a deposit into the Debt Service Reserve Fund and pay the costs of issuing the Bonds. Under the Financing Agreement the City is obligated (subject to annual appropriation) to make Loan Payments which will be sufficient to pay the principal and the interest on the Bonds, all as more fully described in the Financing Agreement and in the Indenture.

Concurrent Issuance of Bonds Related to Crackerneck Creek Project

Concurrently with the issuance of the Series 2015D Bonds, the Board is issuing its \$47,060,000 Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2015C (the “Series 2015C Bonds”). The Series 2015C Bonds are being issued to refund four series of bonds previously issued by the Board (the “Crackerneck Refunded Bonds”) to fund the City’s Crackerneck Creek Redevelopment Project, a tax increment financing project in the City. The Series 2015C Bonds are being issued to extend the maturity of the refunding bonds for the purpose of lowering annual debt service payments.

Due to many factors, including the lack of development in the Crackerneck Creek Redevelopment Area, flat or declining retail sales of existing businesses and original retail sales projections that were too optimistic, project revenues received from the Crackerneck Creek Redevelopment Project have been materially short of the City’s original projections. As a result, such project revenues, have been, and are expected to continue to be, materially short of the amount needed to fund debt service payments on the bonds issued for the project. 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 bonds issued for the Crackerneck Creek Redevelopment Project. Consequently, even if significant additional development occurs, additional revenues sources will need to be allocated to the payment of debt service on the bonds for the project (including the Series 2015C Bonds and other bonds previously issued for the project).

Originally, the projected shortfall for the 2016 fiscal year was \$2,484,370 after taking into account the projected issuance of the Series 2015C Bonds and the resulting refunding, together with the receipt of project revenues, which amount was included in the City’s FY 2016 budget. Because the refunding was not able to be completed prior to September 1, 2015 when interest on the Crackerneck Refunded Bonds was due, and because the City determined not to refund the Series 2006B Bonds that were issued for the project as originally contemplated, the refunding was restructured and the Board and the City determined to issue the Series 2015D Bonds at the same time as the Series 2015C Bonds to fund the Projects. The financing of the Projects through the issuance of the Series 2015D Bonds will free up \$2,000,000 in funds originally budgeted to pay for the Projects, which will then be used for debt service on the bonds issued for the Crackerneck Creek

Redevelopment Project. See “APPENDIX A – INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI - FINANCIAL INFORMATION CONCERNING THE CITY – Falls at Crackerneck Creek Redevelopment Project.”

The originally projected FY 2016 shortfall amount of \$2,484,370, based on the total estimated revenues of the General Fund for the 2016 fiscal year, would be approximately 2.03% of the total estimated revenues of the General Fund. As of June 30, 2015, the projected unaudited ending unassigned (i.e. unencumbered) General Fund balance at June 30, 2015, is \$3,172,806. See “THE CITY’S GENERAL FUND” and “BONDOWNERS’ RISKS – Risk Factors Relating to the City’s Obligations to Make Loan Payments.”

The Projects

The City will use a portion of the proceeds of the Series 2015D Bonds to provide for the acquisition of vehicles and equipment, City facility improvements, a Police firing range, and storm water improvements.

Estimated Sources and Uses of Funds

Sources of Funds:

Principal amount of the Series 2015D Bonds	\$2,390,000.00
Original Issue Discount	<u>24,445.90</u>
Total sources of funds	\$2,365,554.10

Uses of Funds:

Project Fund	\$2,000,000.00
Costs of Issuance (including Underwriter’s Discount)	126,554.10
Deposit to Debt Service Reserve Fund	<u>239,000</u>
Total uses of funds	\$2,365,554.10

THE CITY’S GENERAL FUND

The following information describing the City’s General Fund has been excerpted from the City’s 2015-2016 Operating Budget approved by the City Council in June, 2015. The entire report is available from the City.

Economic Constraints

The proposed budget for fiscal year 2015-16 is balanced, but not without continued constraints. While the economy may be experiencing a slow recovery from the recession, a number of challenges remain. The Falls at Crackerneck Creek redevelopment project continues to cause a reduction of anticipated tax revenue. The proposed budget includes \$1,545,149 from the General Fund and \$939,221 from utility funds to support these payments in fiscal year 2015-16.

Failure to fund the debt service would have significant negative impact on the City and the credit ratings of its utilities. This would result in costly increases in future bond issuances which will be necessary to comply with Federal regulations, court-mandated improvements and other operational issues.

It should be noted that, as a part of the City's adjustment to deteriorating economic conditions during the last several years, 77 positions – representing approximately 6% of the total authorized positions – have been left unfunded. Our employees are dedicated to providing the highest quality service to our citizens, and continue to meet the challenges caused by understaffing. However, [the] budget does not call for employee layoffs and no furlough days for employees are included.

Economic Development

Unilever has announced an increase to its investment in Independence by expanding the manufacturing facility located on 35th Street. This announcement reflected a significant effort on the part of the City and the Independence Economic Development Council, in partnership with the Missouri Department of Economic Development. The Unilever project will not only retain 190 jobs, but is expected to add up to 70 new jobs.

This past year brought the opening of the Stoney Creek Inn at The Falls at Crackerneck, bringing an additional 167 hotel rooms and 15,000 sq. ft. of meeting space to the City. Slim Chickens is now open in the adjacent development area, and under construction nearby is The Main Event, a family entertainment venue featuring casual dining and games such as laser tag, adventure courses, billiards and video games.

Employee Benefits

A major portion of the budget for employee benefits continues to be the cost of providing health care to employees and retirees. The Stay Well Committee, which provides policy recommendations to the City Manager on the self-funded health insurance program, investigated the possibility of adding an “in-house” health care clinic. Employees were surveyed to determine the level of interest for such a clinic, and various locations in the city were considered. A feasibility study for potential cost savings was followed by issuance of a Request For Proposals for management services.

After review of the Request For Proposals, an agreement was entered into with Healthstat to staff and manage a clinic. The Stay Well Health & Wellness Center opened for business on January 28, 2015. With two doctors and a nurse on staff, and staggered hours six days a week, the clinic is available to employees and their covered dependents, along with retirees not yet eligible for Medicare, currently enrolled in one of the Stay Well plans. In addition to basic medical services, the clinic offers coaching for a healthy lifestyle and assistance with smoking cessation, weight management, developing plans and follow-up for chronic disease management and referrals to specialists as necessary. The anticipated cost savings for FY 2015-2016 is \$358,750 and FY 2016-2017 is \$796,252.

General Fund

The General Fund is the tax and fee supported portion of the City's budget. At \$74,676,923, 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, the Water Department and the Tourism Program, which are operated from enterprise funds.

General Fund revenues are projected to be \$782,980 greater than was budgeted in fiscal year 2014-15. The following table provides a General Fund revenue comparison for the

adopted 2014-15 budget to the revised 2014-15 budget and the City Manager's proposed 2015-16 budget.

General Fund Revenue Comparison

<u>Source</u>	<u>Adopted Budget 2014-15</u>	<u>Revised Estimate 2014-15</u>	<u>City Manager Proposed 2015-16</u>
Property Taxes	\$7,516,500	\$7,470,273	\$7,516,500
Sales & Use Taxes	17,487,109	17,219,768	17,570,404
Utility Franchise Fees	11,001,000	10,705,825	11,369,000
PILOTS	18,927,939	18,274,024	18,868,596
Licenses & Permits	3,284,687	3,478,591	3,403,687
Grants & Shared Revenues	5,179,046	5,212,020	5,275,139
Charges for Services	2,036,663	1,967,618	2,020,770
Fines & Court Costs	4,860,377	4,874,641	4,921,960
Interest Income	90,900	90,179	95,900
Interfund Charges	4,616,045	4,616,045	4,741,290
Other Revenue	<u>519,000</u>	<u>602,182</u>	<u>519,000</u>
Total Revenue	\$75,519,266	\$74,511,166	\$76,302,246

Sales taxes are one of the largest components of the City's General Fund revenue. Sales tax collections are expected to continue relatively flat, reflecting a two percent (2%) increase for the 2015-16 budget year, based upon sales tax projections by the State of Missouri.

General Fund Highlights

Unassigned Fund Balance. For fiscal year 2015-16, the fund balance is projected to be \$3,172,806. City Policy (Resolution #4948) is to maintain an undesignated fund balance for the General Fund equivalent to 5% of revenues (approximately \$3.8 million).

Public Safety. The proposed budget for the Police Department is \$27 million. The Police Budget includes the addition of a technology administrator position. It does not include funding for two vacant police officer positions which had been created for interstate safety enforcement but have never been filled. The proposed budget for the Fire Department is \$17 million. The Fire Department budget includes funding for four fire fighter positions which had been grant-funded in previous years. Approximately 60% of the General Fund is designated for these two departments.

Employee Benefits. There is no increase budgeted for health care insurance costs for fiscal year 2015-16. Due to actions taken by the City Council in the current budget year and the creation of the Stay Well Health & Wellness Center, premiums were reduced 3% in fiscal year 2015-16.

Technology Updates. Approximately \$152,400 is included to fund scheduled replacement of electronic equipment such as file servers, microcomputers and printers, in addition to the necessary equipment to upgrade to digital technology for City.

Capital Outlay

The proposed 2015-16 budget includes \$400,000 for capital outlay from the General Fund.

For a discussion of the current condition of the City's General Fund see "APPENDIX C - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JUNE 30, 2015."

THE SERIES 2015D BONDS

The following is a summary of certain terms and provisions of the Series 2015D Bonds. Reference is hereby made to the Series 2015D Bonds and the provisions with respect thereto in the Indenture and the Financing Agreement for the detailed terms and provisions thereof.

General Terms

The Series 2015D Bonds are being issued in the principal amount set forth on the cover page, are dated the date of issuance and 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 semiannually on March 1 and September 1 of each year, beginning on March 1, 2016, and will mature on the dates 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

The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and 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 Underwriter, the Board, the Trustee and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described herein or in a timely manner.

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 affect 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.

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-Only 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 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.

No Redemption Prior to Maturity

The Series 2015D Bonds are not subject to optional or mandatory redemption prior to maturity.

Registration, Transfer and Exchange

The Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof, and each Bond will be registered in the name of the owner thereof on the registration books maintained by the Trustee. The Bonds are transferable by the registered holder thereof or by such holder's attorney duly authorized in writing upon presentation thereof at the principal corporate trust office of the Trustee. Any Bond may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations. The Trustee and the Board may charge a fee covering taxes and other governmental charges in connection with any exchange, change in registration or transfer of any Bond. The foregoing provisions for the registration, transfer and exchange of the Bonds will not be applicable to purchasers of the Bonds so long as the Bonds are subject to the DTC or other book-entry only system.

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 thereunder, and (2) the funds and accounts, including the money and investments in them, which the Trustee holds under the terms of the Indenture.

Special, Limited Obligations

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

The Bonds shall not constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The issuance of the Bonds shall not directly or indirectly obligate the Board, its officers, directors or employees, the State or any political subdivision thereof to provide any funds for their payment. The issuance of the Bonds shall not, directly, indirectly, or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Board has no taxing power.

The Financing Agreement

Loan Payments and Other Payments. Under the Financing Agreement, the City is required to make Loan Payments to the Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Bonds when due. The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City. 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.

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

Annual Budget Request. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments hereunder. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance 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 hereunder shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Debt Service Reserve Fund

A Debt Service Reserve Fund is established pursuant to the Indenture and is required to be funded from proceeds of the Bonds in an amount equal to \$239,000. Amounts in the Debt Service Reserve Fund are to be used to pay principal of and interest on the Bonds to the extent of any deficiency in the Debt Service Fund and to retire the last Outstanding Bonds.

The Indenture

Under the Indenture, the Board will pledge and assign to the Trustee, for the benefit of the bondowners, all of its rights under the Financing Agreement, including all Loan Payments and other amounts payable under the Financing Agreement (except for certain fees, expenses and advances and any indemnity

payments payable to the Board) as security for the payment of the principal of and interest on the Bonds. See “SUMMARY OF THE INDENTURE ” in *Appendix D* hereto.

BONDOWNER’S 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 with respect to the Bonds.

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

General. All payments by the City under the Financing Agreement are subject to annual appropriation.

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. The ending unassigned General Fund balance for the fiscal year ending June 30, 2015, is projected to be \$3,172,806, which is approximately 4.2% of the projected General Fund revenue amount for Fiscal Year 2016 of \$76,232,072.

General Fund Expenses. For the fiscal year ending June 30, 2015, approximately 83.11% of the General Fund (\$62,405,205) is expected to be spent for City personnel costs – salaries, wages and benefits. Appropriations from the General Fund to pay debt service on other bonds and other obligations, including but not limited to those issued for the Crackerneck Creek Redevelopment Project, is likely to result in reductions to salaries, wages and benefits. Such reductions could be very difficult to implement and may impact the City’s decision of whether to continue to support the payment of debt service on the Bonds by continuing its annual appropriation pledge.

Of the 83.28% of the General Fund expended on salaries, wages and benefits in the fiscal year ending June 30, 2014, approximately 8.43% (\$5,057,422) was expended for contributions to a defined benefit pension plan known as LAGERS and 7.51% (\$4,503,596) was expended on a “pay-as-you-go” basis for expenses described as “Other Post-Employment Benefits” (OPEB). Audited numbers for Fiscal Year 2014 are contained in *Appendix B*. In addition, *Appendix B* presents multi-year trend information as of June 30, 2014, 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 F*. The most recent actuarial report received by the City relating to the projected OPEB is attached hereto as *Appendix G*. 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.

No Pledge, Lease or Mortgage of the Projects or any other Facilities of the City. Payment of the principal of and interest on the Bonds is **not** secured by any deed of trust, mortgage or other lien on the Projects or any other facilities or property of the City. The Bonds are payable solely from annual appropriation by the City.

Bond Rating

There is no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds.

Enforcement of Remedies

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

Amendment of Indenture

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

LITIGATION

The Board

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

The City

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

secure the Bonds in the manner provided in the Indenture, the Act or the City's right to enter into the Financing Agreement.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2015D 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 by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by its City Counselor. Certain legal matters will be passed upon for the Underwriter by its counsel, Lewis Rice LLC.

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

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2015D 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 Series 2015D 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 Series 2015D 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 Series 2015D 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 Series 2015D Bonds:

Federal and Missouri Tax Exemption. The interest on the Series 2015D 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 Series 2015D Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Series 2015D 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 Series 2015D 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 Series 2015D 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 Series 2015D Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2015D Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2015D 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 Series 2015D 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.

Sale, Exchange or Retirement of Series 2015D 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 Series 2015D Bonds, and to the proceeds paid on the sale of the Series 2015D 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 Series 2015D Bonds should be aware that ownership of the Series 2015D 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 Series 2015D Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2015D 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 Series 2015D Bonds, including the possible application of state, local, foreign and other tax laws.

RATING

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., has given the Series 2015D 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 Series 2015D Bonds. There is no assurance that any rating when assigned to the Series 2015D 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 Series 2015D Bonds may have an adverse effect on the market price of the Series 2015D Bonds.

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2014 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 June 30, 2015 is included in *Appendix C* hereto. The financial statements for the fiscal year ended June 30, 2014 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 Undertaking with respect to ongoing disclosure which will constitute the written understanding for the benefit of the holders of the Series 2015D Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A summary of the Continuing Disclosure Undertaking is included in *Appendix D*.

The City has previously engaged in undertakings similar to the Continuing Disclosure Undertaking 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 was 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 did not have file 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 Series 2015D Bonds are being purchased by Stifel Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Series 2015D Bonds pursuant to a Bond Purchase Agreement entered into by and among the Board, the City and the Underwriter. The Bond Purchase Agreement provides that the Underwriter will purchase the Series 2015D Bonds at a purchase price of \$2,323,729.10 (which represents the principal amount of the Series 2015D Bonds less an underwriter’s discount of \$41,825.00 and original issue discount of \$24,445.90.) In addition, the Bond Purchase Agreement provides, among other things, that the Underwriter will purchase all of the Series 2015D Bonds if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2015D 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 Series 2015D Bonds are subject to various conditions contained in the Bond Purchase Agreement.

MISCELLANEOUS

The references herein to the Act, the Indenture, the Financing Agreement and the Continuing Disclosure Undertaking 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 Undertaking. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2015D Bonds will be on file at the office of the Trustee as described above under the caption **“INTRODUCTORY STATEMENT - Definitions and Summaries of Legal Documents”**.

The agreement of the Board with the owners of the Series 2015D Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2015D Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2015D 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/John Pinch
City Manager

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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THE CITY

General Information

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

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

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

<u>Council Members</u>	<u>Occupation</u>	<u>District</u>	<u>Expiration of Term</u>
Eileen Weir, Mayor	Public Relations	n/a	2018
Marcie Gragg	Church Leader	District 1	2016
Curt Dougherty	Electrician	District 2	2016
Scott Roberson	Dentist	District 3	2016
Tom Van Camp	Retired	District 4	2016
Chris Whiting	Communications	At-Large	2018
Karen DeLuccie	Attorney	At-Large	2018

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. John Pinch is the City Manager, and has filled that position since August 11, 2015. 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 12.3% (general), 13.5% (police), and 14.1% (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, 2014, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$223,456,945. The actuarial value of assets was \$125,226,912, which results in an unfunded accrued liability (UAL) of \$98,230,033 and a funded ratio of 56%. The covered payroll (annual payroll of active employees covered by the plan) was \$69,463,809, which results in a ratio of the UAL to the covered payroll of 141%.

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 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
February 28, 2014	125,226,912	223,456,945	98,230,033	56	69,463,809	141

The number of City retirees and beneficiaries receiving LAGERS benefits, as of February 28, 2014, which is the effective date of the current LAGERS actuarial valuation, is 921. 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, 2014 are as follows:

Annual required contribution	\$10,195,713
Interest on net pension obligation	512,422
Adjustment to annual required contribution	<u>(389,933)</u>
Annual pension cost	<u>10,318,202</u>
Actual contributions	<u>8,727,530</u>
Increase in net pension obligation	<u>1,590,672</u>
Beginning net pension obligation	<u>7,067,896</u>
Ending net pension obligation	<u>\$8,658,568</u>

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, 2014 is as follows:

Fiscal year ending:	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$9,092,429	79.9%	\$5,123,666
June 30, 2013	9,905,910	80.4	7,067,896
June 30, 2014	10,318,202	84.6	8,658,568

For 2014, the City's annual pension cost of \$10,318,202 was not equal to the required and actual contribution which resulted in an increase to the Net Pension Obligation of \$1,590,672 resulting in an ending Net Pension Obligation balance of \$8,658,568. The required contribution was determined as part of the February 29, 2012 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 105% of the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2012 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 F**.

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 years' 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 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, 2013, 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	972
Retirees & covered spouses of retirees	<u>994</u>
Total Participants	1,966

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	\$19,537,378
Interest on net OPEB obligation	2,137,448
Adjustment to annual required contribution	<u>(2,495,613)</u>
Annual OPEB cost (expense)	19,179,213
Less: Employer contributions	<u>(7,716,149)</u>
Increase in net OPEB obligation	11,463,064
Net OPEB obligation - July 1, 2013	<u>61,726,951</u>
Net OPEB obligation - June 30, 2014	<u>\$73,190,015</u>

The City's annual OPEB cost, the percentage of annual OPEB costs estimated to be contributed to the plan, and the net OPEB obligation for the fiscal years set forth below is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$19,325,765	34.22%	\$49,055,349
June 30, 2013	19,284,602	34.29	61,726,951
June 30, 2014	19,179,213	40.23	73,190,015

Funded Status and Funding Progress

As of January 1, 2013, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is \$263.5 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 \$59.9 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 440 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 liabilities for benefits.

**Schedule of Funding Progress
Other Post Employment 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, 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
January 1, 2013	0	263,513,494	263,513,494	0	59,861,860	440

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, 2013 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 3.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United States agencies securities), were considered in the selection of the 3.5 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 7.00 percent for the first year and then declining by one half of one percent (0.25%) per year until 5.00 percent is reached. The 5.00 percent growth is used on a go-forward basis. The actuarial assumptions include a 3.00 percent rate for general inflation and a 2.00 percent rate for aggregate payroll growth. 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 G**.

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 \$27,271,636 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately \$17,784,572. 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	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Beginning of year	\$2,681,196	\$4,165,807	\$2,257,468	\$2,349,929
Current year claims and changes in estimates	3,128,458	1,738,578	24,976,934	24,995,550
Claims payments	<u>(1,643,847)</u>	<u>(1,707,138)</u>	<u>(24,884,473)</u>	<u>(25,161,920)</u>
End of year	\$4,165,807	\$4,197,247	\$2,349,929	\$2,183,559

Payment Record

The City has never defaulted on any financial obligations.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Alliant Tech Systems (Lake City)	Small Arms Ammunition	2,000
Independence School District	Public School District	2,000
Centerpoint Medical Center	Health Care	1,600
City of Independence	Local Government	1,126
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	220
Unilever	Food Manufacturing	190

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

General and Demographic Information

The following tables set forth certain population information.

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2014*</u>
City of Independence	111,797	112,301	113,288	121,212	117,240
Jackson County	629,266	633,232	654,880	671,057	679,622
State of Missouri	4,916,686	5,117,073	5,595,211	5,965,573	6,039,326

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

*Estimated

Population Distribution by Age

<u>Age</u>	<u>City of Independence</u>	<u>Jackson County</u>	<u>State of Missouri</u>
Age 0-4	6.80%	6.96%	6.33%
Age 5-9	6.52	6.84	6.36
Age 10-14	6.25	6.66	6.48
Age 15-20	3.71	7.78	8.44
Age 21-24	7.09	5.10	5.61
Age 25-34	17.94	14.35	12.82
Age 35-44	11.72	12.70	12.07
Age 45-54	13.38	13.63	13.75
Age 55-64	13.37	12.49	12.99
Age 65-74	8.86	7.52	8.52
Age 75-84	5.52	4.11	4.62
Age 85 and older	2.56	1.87	2.02
Median Age	39.6	36.8	38.3
Average Age	40.0	37.9	39.0

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.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Kansas City MSA (MO Part)</u>					
Total Labor Force	643,795	641,672	637,983	634,788	654,708
Unemployed	63,462	56,424	45,890	44,510	41,459
Unemployment Rate	9.9%	8.8%	7.2%	7.0%	6.3%
<u>Jackson County</u>					
Total Labor Force	360,848	358,178	354,922	352,371	363,483
Unemployed	38,530	34,126	27,796	26,959	25,465
Unemployment Rate	10.7%	9.5%	7.8%	7.7%	7.0%
<u>State of Missouri</u>					
Total Labor Force	3,056,484	3,049,016	3,018,211	3,015,888	3,058,118
Unemployed	292,949	258,745	210,415	202,049	186,901
Unemployment Rate	9.6%	8.5%	7.0%	6.7%	6.1%

Source: MERIC MO Economic Research and Information Center

Income Statistics

The following table sets forth estimated income statistics for 2013:

	<u>Per Capita</u>	<u>Median Household</u>
City of Independence	\$23,408	\$44,261
Jackson County	26,062	47,015
State of Missouri	25,649	47,380

Source: U.S. Census Bureau

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2014:

<u>Year Round Units</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Single Detached	38,626	70.82%
Single Attached	2,845	5.22
Double	1,857	3.40
3 to 19 Units	7,058	12.94
20 to 49 Units	1,240	2.27
50 + Units	1,566	2.87
Mobile Home	1,340	2.46
All Other	10	0.02
Total Units	54,542	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 2014, as follows:

	Owner Occupied Median Value
City	\$108,067
Jackson County	131,360
State of Missouri	141,693

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.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<i>Residential</i>					
Number of Permits	199	223	193	181	179
Estimated Cost	\$11,386,607	\$23,387,011	\$11,952,062	\$15,361,748	\$21,919,226
<i>Non-Residential</i>					
Number of Permits	172	209	155	181	169
Estimated Cost	\$49,569,537	\$57,576,453	\$17,197,248	\$50,869,887	\$38,221,049

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, 2014 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, and are also available on the EMMA website.

Tax Revenues

The following table shows certain tax revenues and payments in lieu of taxes received by the City by source:

<u>Year</u>	<u>Total</u>	<u>Real Estate Tax</u>	<u>Railroad Utilities Tax</u>	<u>Cigarette Tax</u>	<u>Transient Guest Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>In Lieu of Taxes</u>
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
2014*	74,042,126	7,509,963	39,716	477,865	1,468,758	36,109,273	10,292,488	18,144,063

* 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, 2014:

	<u>Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Estimated Market Value</u>
Real Estate:			
Residential	\$779,683,482	19%	\$4,103,597,274
Commercial	233,988,631	32%	731,214,472
Agricultural	1,138,200	12%	9,485,000
Railroad and Utilities	<u>8,602,735</u>	32%	<u>26,883,547</u>
Real Estate Sub-Total	\$1,023,413,048		\$4,871,180,292
Personal Property	<u>257,382,527</u>	33.3%	<u>772,920,502</u>
Total	\$1,280,795,575		\$5,644,100,794

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:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2014	\$1,280,795,575	0.1%
2013	1,279,153,384	0.0
2012	1,279,233,589	-0.6
2011	1,287,157,541	-0.9
2010	1,298,840,974	-0.4
2009	1,303,873,966	-7.7
2008	1,411,932,554	0.8
2007	1,400,611,015	6.1
2006	1,319,902,510	2.0
2005	1,294,345,907	8.1

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, 2014:

<u>Name of Taxpayer</u>	<u>Type</u>	<u>Local Assessed Valuation</u>	<u>Percentage of Total Local Assessed Valuation</u>
Simon Property Group LP	Retail Center	\$26,224,136	2.05%
Cole EDD Mt Independence LLC	Retail Center	8,963,343	0.70
Space Center of Kansas City	Underground Storage	6,730,787	0.53
Southern Union Company	Railroad	5,953,893	0.46
Sprint	Communications	4,893,443	0.38
AT&T	Communications	4,813,889	0.38
Unilever Bestfoods NA	Food Manufacturer	4,737,385	0.37
Mansion Apartments	Residential Housing	4,530,213	0.35
Centerpoint Medical Center	Health Care	4,125,533	0.32
Comcast Cablevision	Utility	<u>3,685,525</u>	<u>0.29</u>
Total		\$74,658,147	5.83%

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 July 1, 2015. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

- (i) \$64,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of \$111,000, and
- (ii) \$315,000 of its Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, issued in the original principal amount of \$995,000.

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

Revenue Debt. The following is a summary of the City’s Revenue Bond debt as of July 1, 2015 (excludes the Bonds):

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

<u>Original Principal Amount</u>	<u>Issuer</u>	<u>Issue Name</u>	<u>Series</u>	<u>Amount Outstanding</u>
\$33,645,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2010B	\$19,175,000
55,185,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2012A	53,765,000
52,525,000	MDFB	Infrastructure Facilities Leasehold Improvement and Refunding Revenue Bonds*	2012F	50,435,000

Water Fund – Secured by City’s Annual Appropriation Powers

<u>Original Principal Amount</u>	<u>Issuer</u>	<u>Issue Name</u>	<u>Series</u>	<u>Amount Outstanding</u>
\$36,240,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds**	2013D	\$33,990,000

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	\$11,070,000
11,815,000	MDFB	Infrastructure Facilities Revenue Bonds	2011A	11,365,000
68,945,000	MDFB	Infrastructure Facilities Revenue Bonds	2012C	68,120,000

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	\$4,960,000
6,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2011B	5,200,000

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	\$415,000
1,590,000	MDFB	Infrastructure Facilities Revenue Bonds	2006	745,000
995,000	MDFB	Infrastructure Facilities Revenue Bonds	2007D	395,000
1,230,000	MDFB	Infrastructure Facilities Revenue Bonds	2008E	1,015,000

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	\$3,925,000
19,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2007E	15,960,000
490,000	MDFB	Infrastructure Facilities Revenue Bonds	2011C	105,000
12,050,000	MDFB	Infrastructure Facilities Revenue Bonds	2012D	10,295,000
2,030,000	MDFB	Infrastructure Facilities Revenue Bonds	2014B	1,920,000

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	\$9,965,000
8,000,000	MDFB	Infrastructure Facilities Revenue Bonds	2008C	5,880,000
3,965,000	MDFB	Infrastructure Facilities Revenue Bonds	2012E	3,000,000
4,855,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2014A	4,345,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
\$5,225,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2015A	\$5,225,000
3,545,000	MDFB	Infrastructure Facilities Revenue Bonds	2015B	3,545,000

Other Bonds Secured by the City’s Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
\$4,020,000	MDFB	Infrastructure Facilities Revenue Bonds	2009G	\$1,485,000
37,035,000	MDFB	Infrastructure Facilities Revenue Bonds***	2012B	35,525,000
43,800,000	MDFB	Infrastructure Facilities Revenue Bonds***	2013C	43,550,000
21,170,000	MDFB	Infrastructure Facilities Revenue Bonds***	2014C	21,170,000

* 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

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 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 reduced 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.

Concurrently with the issuance of the Bonds, the Board is issuing its Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2015C (the “Series 2015C Bonds”). The Series 2015C Bonds are being issued to refund the Series 2006A, Series 2006C, Series 2008A and Series 2008B Bonds described above that remain outstanding. As with the issuance of the Series 2013A Bonds and Series 2013B Bonds described above, the refunding will not produce present value savings for the City, but instead extends the maturities of the bonds to be refunded, which in turn 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 in future years.

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

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”), to refund the bonds issued in 2001 to fund costs related to the Santa Fe Project. The Series 2007C Bonds were 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 were 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 2014 were \$16,728. Under an agreement with Jackson County, the City also received certain economic activity taxes from certain automobile sales which amounted to \$109,624 in FY 2014.

The developer of the Santa Fe project, originally McProperties L.L.C. and now Lakeside Shopping Center, LLC (the “Developer”), voluntarily made payments to the City to cover a portion of the shortfalls in debt service payments on the Series 2007C Bonds. The Developer’s voluntary reimbursements to the City totaled \$4,600,653.08, with \$1,775,780 in shortfalls being unreimbursed and funded by the City.

The City and Developer recently entered into an agreement (the “Reimbursement Agreement”) under which the City agreed to consider implementation of additional TIF redevelopment projects under the Noland Road & 23rd Street TIF Plan, a TIF Plan for the redevelopment of an area generally adjacent to the Santa Fe Redevelopment Area. To assist in funding debt service shortfalls, the Developer agreed to fund up to \$233,000 per year of the shortfall, which amount shall be reduced by any PILOTS and EATS generated from new businesses opening in the Santa Fe Redevelopment Area, and the City agreed to attempt to refinance the Series 2007C Bonds and attempt to extend the maturity of the financing. The obligation of the Developer to pay the up to \$233,000 per year (the “Developer Payments”) is contingent on the City approving the additional TIF projects and taking other actions as provided in the agreement. These projects have been approved, and the City does anticipate some revenues to be received from the projects. Currently, the projects encompass a McDonalds and a Wal-Mart Neighborhood Market. Tax Increment Financing for the Santa Fe Redevelopment

Area terminates in the year 2023, consequently no revenues generated by TIF from the Santa Fe Redevelopment Area will be available to pay debt service on the Bonds after that date. The Board issued the Series 2015A Bonds and the Series 2015B Bonds described above to refund the Series 2007C Bonds.

The City's current projections indicate that, even if received, the various TIF revenues and Developer Payments will not be sufficient to pay debt service on the Series 2015A Bonds and the Series 2015B Bonds. The Developer Payments may only be used to pay debt service on the Series 2015B Bonds. Any shortfalls would need to be funded by the City's general fund, subject to annual appropriation.

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.

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.

Electric Utility

The City expects the future issuance of bonds after 2015 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.

Water Pollution Control

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

A study for the wastewater utility was completed related to comprehensive improvements to the utility, along with a recommended rate increase. The rate increase was approved in June, 2010, by the City Council and will be phased in over a 5 year period. The Series 2012B Bonds, Series 2013C Bonds and Series 2014C Bonds described above were issued to fund improvements to the utility. The City currently does not have any current plans for additional financings for the sewer system.

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.

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.

For July 1, 2013, through June 30, 2014, total revenue at the Events Center was \$4,097,485 and total expenses were \$4,374,436, resulting in a net loss of \$276,951. These numbers reflect the funding of \$96,763 in the capital reserve fund for the Events Center mentioned in the prior paragraph. The operating shortfall for 2014 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 hired Global Spectrum L.P. to manage the facility in 2014.

Capital Leases

Capital leases payable at June 30, 2014 are comprised of the following:

Missouri Development Finance Board, interest at 2.04% monthly installments through 2016. A lease to purchase an IBM computer.	\$55,201
Motorola Solutions, interest at 3.4593% semi-annual installments through 2022. A lease to purchase radio equipment.	1,108,416
John Deere Financial, interest at 4.00% annual installments through 2016. A lease to purchase mowers.	<u>62,797</u>
TOTAL	\$1,226,414

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, 2014, and the percent attributable (on the basis of assessed valuation figures) to the City.

<u>Jurisdiction</u>	<u>General Obligation Bond Issues Outstanding*</u>	<u>Percentage Applicable to City of Independence</u>	<u>Amount Applicable to City of Independence</u>
Blue Springs R-4 School District	\$137,380,000	4.90%	\$6,731,620
Independence School District	138,585,000	93.61	129,729,419
Raytown School District**	86,704,999	6.00	5,202,300
Fort Osage R-1 School District	49,630,000	12.50	<u>6,203,750</u>
Subtotal, overlapping debt			\$147,867,088
City direct debt			<u>169,361,196</u>
Total direct and overlapping debt			<u>\$317,228,284</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Independence. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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.

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APPENDIX B

**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF
INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2014**

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City of Independence, Missouri
Historic City of the Trails



For the Fiscal Year Ended

June 30, 2014

*Comprehensive Annual
Financial Report*

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CITY OF INDEPENDENCE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



Mayor
Eileen Weir

City Council

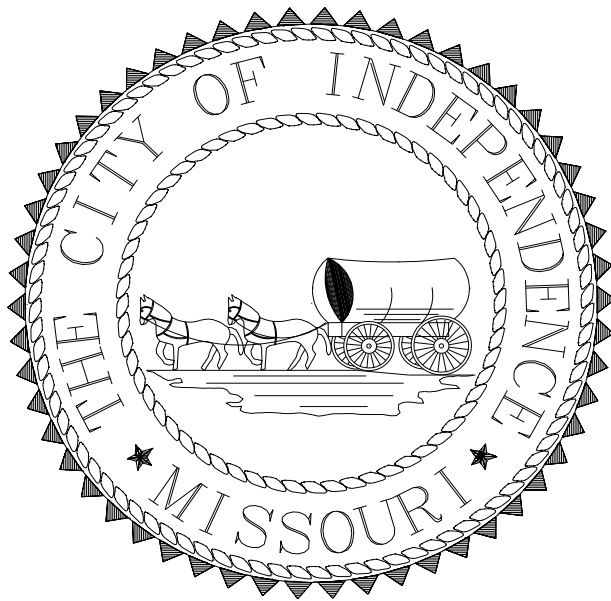
Marcie Gragg	District #1
Curt Dougherty	District #2
Scott Roberson	District #3
Vacant	District #4
Karen DeLuccie	At-large
Chris Whiting	At-large

City Manager

Robert Heacock

Prepared by the Department of Finance

Brian C. Watson, Director of Finance



CITY OF INDEPENDENCE, MISSOURI

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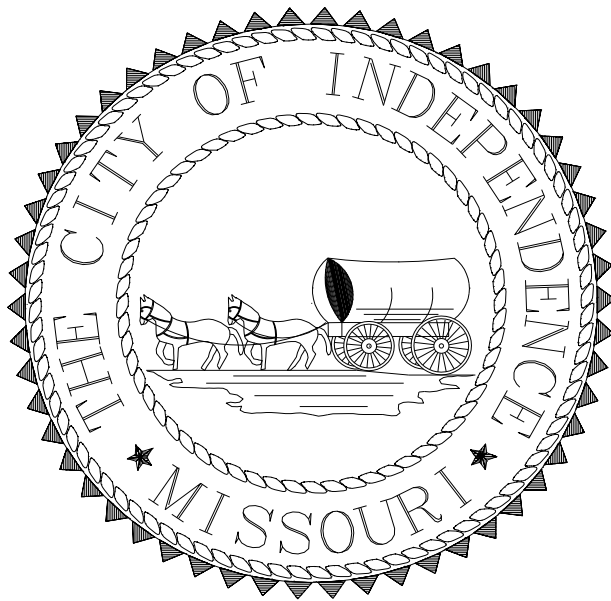
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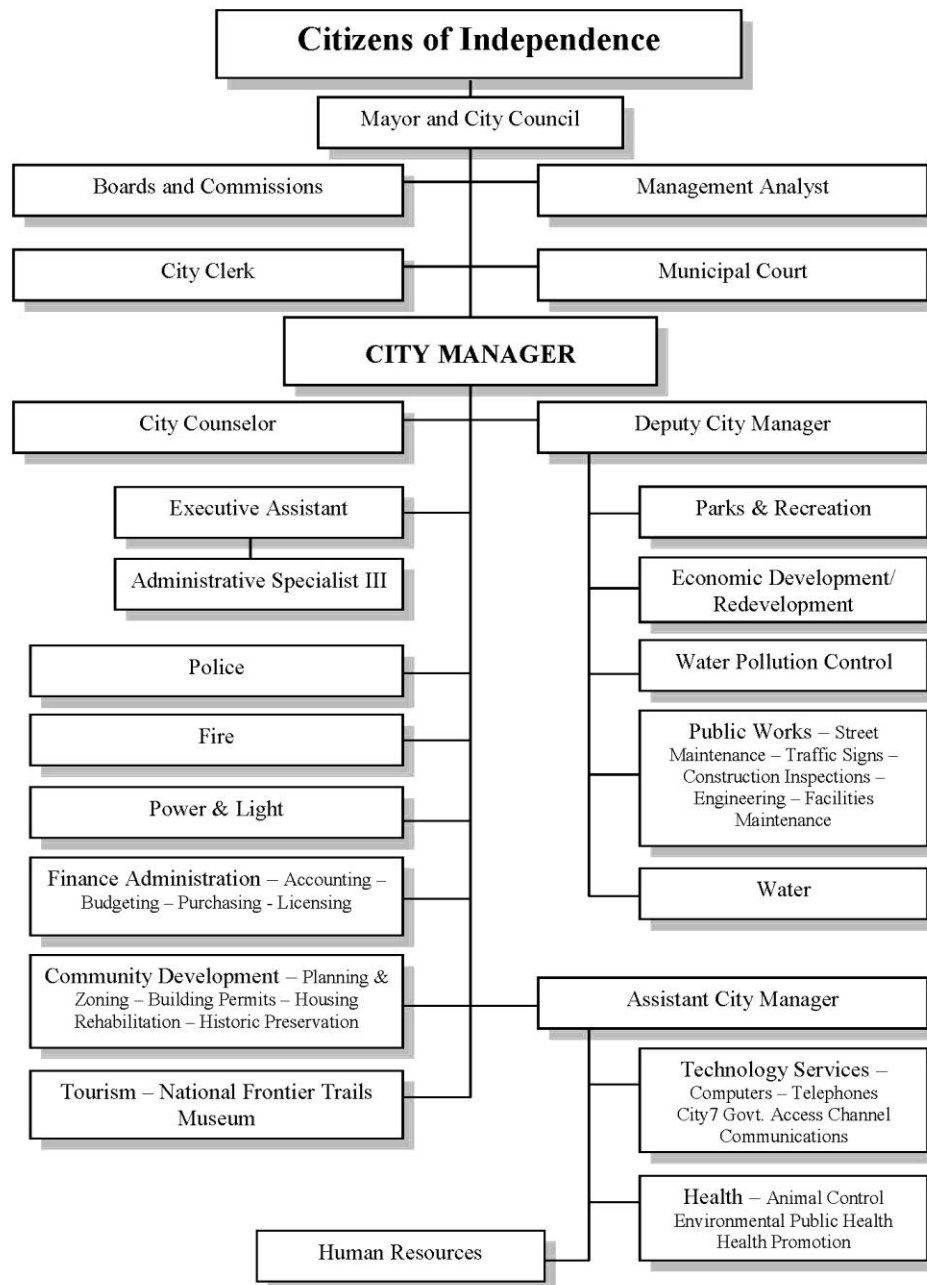
CITY OF INDEPENDENCE, MISSOURI

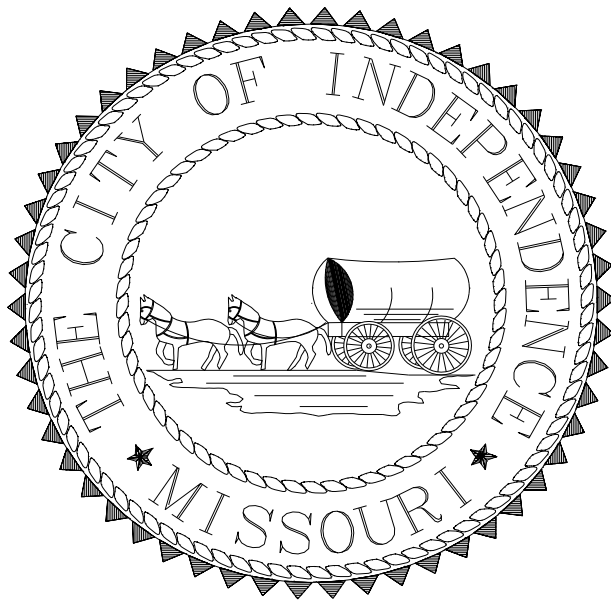
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www.ci.independence.mo.us • (816) 325-7000



October 28, 2014

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, 2014. 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, 2014 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, 2014, 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. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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 117,240.

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, 2014, 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 Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2014*	6.8%	7.5%	6.6%
2013	6.9%	7.5%	6.5%
2012	7.1%	7.7%	6.9%
2011	10.2%	9.5%	8.4%
2010	10.4%	10.7%	9.4%

Source: MERIC MO Economic Research and Information Center/MO Dept of Economic Development

*Average estimated thru June 2014

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 2014-2015 includes projects totaling an estimated \$25.5 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 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, 2014 was 5.0% of the General Fund revenues. This is an increase from 0.8% 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 over the next twenty years.

The Neighborhood Stabilization Program continues to bring a number of private and public entities together to redevelop Northwest Independence as a vibrant community. The City anticipates the Neighborhood Stabilization Program will run through fiscal year 2015-16, until all funding sources have been exhausted. 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, 2013. 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, 2013. 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 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,

A handwritten signature in black ink, appearing to read "Brian C. Watson", with a stylized flourish at the end.

Brian C. Watson
Director of Finance



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, 2013

Executive Director/CEO



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, 2014, 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 43 percent, respectively, of the total assets and total revenues of the major enterprise fund and 0.20 percent and 2 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, 2014, 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.

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 80 and 81, and the Schedules of Funding Progress on page 82 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.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Kansas City, Missouri
October 27, 2014

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 \$1.2 million. The City's 'governmental-type activities' had a decrease of \$5.1 million and the 'business-type activities' had an increase of \$3.9 million.

Sales tax revenue increased by \$557,835. Again this year, the lagging 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 for public improvements in this project. Several of the debt issues for the Falls at Crackerneck project were refinanced 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 \$418,512 less than originally projected. Weather has also impacted revenues from sales of electricity and water.

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.
- 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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2014

- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the Power and Light 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-1
Required Components of City of Independence's Annual Financial Report

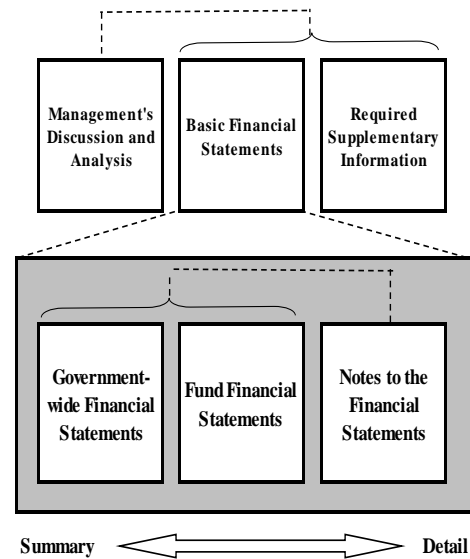


Figure MD-2
Major Features of the City of Independence's Government-wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as <u>police, fire, and parks</u>	Activities the City operates similar to private businesses: electric, water, and <u>sanitary sewer</u>	Instances in which the City is the trustee or agent for someone else's <u>resources</u>
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

CITY OF INDEPENDENCE, MISSOURI
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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 Power and Light 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.

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- 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 Staywell 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.

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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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 58,747,300	55,467,642	159,206,494	160,883,829	217,953,794	216,351,471
Capital assets	338,548,368	342,315,286	545,208,480	496,267,164	883,756,848	838,582,450
Total assets	<u>397,295,668</u>	<u>397,782,928</u>	<u>704,414,974</u>	<u>657,150,993</u>	<u>1,101,710,642</u>	<u>1,054,933,921</u>
Total deferred outflows of resources	3,319,709	3,283,623	10,801,595	10,133,821	14,121,304	13,417,444
Long-term obligations	268,550,624	264,694,691	377,280,821	337,327,232	645,831,445	602,021,923
Other liabilities	15,106,689	14,360,438	21,916,165	17,792,875	37,022,854	32,153,313
Total liabilities	<u>283,657,313</u>	<u>279,055,129</u>	<u>399,196,986</u>	<u>355,120,107</u>	<u>682,854,299</u>	<u>634,175,236</u>
Net position						
Net investment in capital assets	333,902,700	336,357,164	240,517,938	251,523,417	574,420,638	587,880,581
Restricted	16,931,671	16,853,297	16,288,747	15,545,776	33,220,418	32,399,073
Unrestricted (deficit)	(233,876,307)	(231,199,039)	59,212,898	45,095,514	(174,663,409)	(186,103,525)
Total net position	<u>\$ 116,958,064</u>	<u>122,011,422</u>	<u>316,019,583</u>	<u>312,164,707</u>	<u>432,977,647</u>	<u>434,176,129</u>

The City's combined net position decreased 0.3% to \$433.0 million from \$434.2 million. Net position of the City's governmental activities decreased 4.1% to \$117.0 million. Governmental assets decreased \$487,260 and liabilities increased \$4.6 million. Long-term obligations for Governmental activities increased \$3.9 million and Business-type activities increased \$40.0 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 (\$174.7) million with the Business-type activities being \$59.2 million. The City's unrestricted net position (deficit) for Governmental activities was (\$233.9) million.

Unrestricted net position for Business-type activities was \$59.2 million and increased \$14.1 million from the previous year. Net investment in capital assets is \$240.5 million and decreased \$11.0 million from the previous year.

CITY OF INDEPENDENCE, MISSOURI
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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	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 15,900,514	14,976,665	191,190,224	188,969,047	207,090,738	203,945,712
Operating grants & contributions	10,680,433	9,462,570	—	—	10,680,433	9,462,570
Capital grants & contributions	3,769,347	3,590,902	2,386,511	763,127	6,155,858	4,354,029
General revenues						
Property taxes	7,993,199	7,618,559	—	—	7,993,199	7,618,559
Sales taxes	41,142,183	40,689,725	5,397,059	5,291,682	46,539,242	45,981,407
Intergovernmental activity taxes	10,809,061	9,635,263	—	—	10,809,061	9,635,263
Other taxes	10,311,869	10,430,048	—	—	10,311,869	10,430,048
Interest	302,394	302,467	45,754	66,215	348,148	368,682
Special item - litigation settlement	2,203,430	—	12,796,570	—	15,000,000	—
Other	695,896	1,049,065	1,660,835	557,965	2,356,731	1,607,030
Total revenues	103,808,326	97,755,264	213,476,953	195,648,036	317,285,279	293,403,300
Expenses						
Administrative services	9,096,123	9,225,738	—	—	9,096,123	9,225,738
Public works	18,079,671	17,428,294	—	—	18,079,671	17,428,294
Public safety	56,859,801	55,139,731	—	—	56,859,801	55,139,731
Culture & recreation	7,435,735	7,275,087	—	—	7,435,735	7,275,087
Community development	6,316,004	5,318,490	—	—	6,316,004	5,318,490
Health & welfare	3,622,207	3,810,863	—	—	3,622,207	3,810,863
Electric	—	—	138,801,854	127,959,254	138,801,854	127,959,254
Water	—	—	22,140,775	21,886,576	22,140,775	21,886,576
Sanitary sewer	—	—	19,015,060	18,900,129	19,015,060	18,900,129
Events center	—	—	10,859,704	13,091,457	10,859,704	13,091,457
Storm water	3,000,734	2,862,544	—	—	3,000,734	2,862,544
General government	8,730,105	8,405,914	—	—	8,730,105	8,405,914
Tax increment financing	14,273,775	14,281,820	—	—	14,273,775	14,281,820
Debt service component unit	—	—	—	—	—	—
Interest	252,213	379,760	—	—	252,213	379,760
Total expenses	127,666,368	124,128,241	190,817,393	181,837,416	318,483,761	305,965,657
Excess (deficiency) of revenues over expenses before transfers	(23,858,042)	(26,372,977)	22,659,560	13,810,620	(1,198,482)	(12,562,357)
Transfers - In (Out)	18,804,684	18,232,349	(18,804,684)	(18,232,349)	—	—
Change in net position	(5,053,358)	(8,140,628)	3,854,876	(4,421,729)	(1,198,482)	(12,562,357)
Net position, beginning of year	122,011,422	130,152,050	312,164,707	316,586,436	434,176,129	446,738,486
Net position, end of year	\$ 116,958,064	122,011,422	316,019,583	312,164,707	432,977,647	434,176,129

Total revenues increased 8.1% or \$23.9 million, Business-type activities increased 9.1% or \$17.8 million, and Governmental revenues increased 6.2% or \$6.1 million. The increase in Operating grants and contributions is the result of reimbursements in areas, such as, Neighborhood Stabilization and Rental Rehabilitation programs. The increase in Capital grants and contributions is primarily due to an increase in the capital contributions in the Power and Light and Water funds. 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.

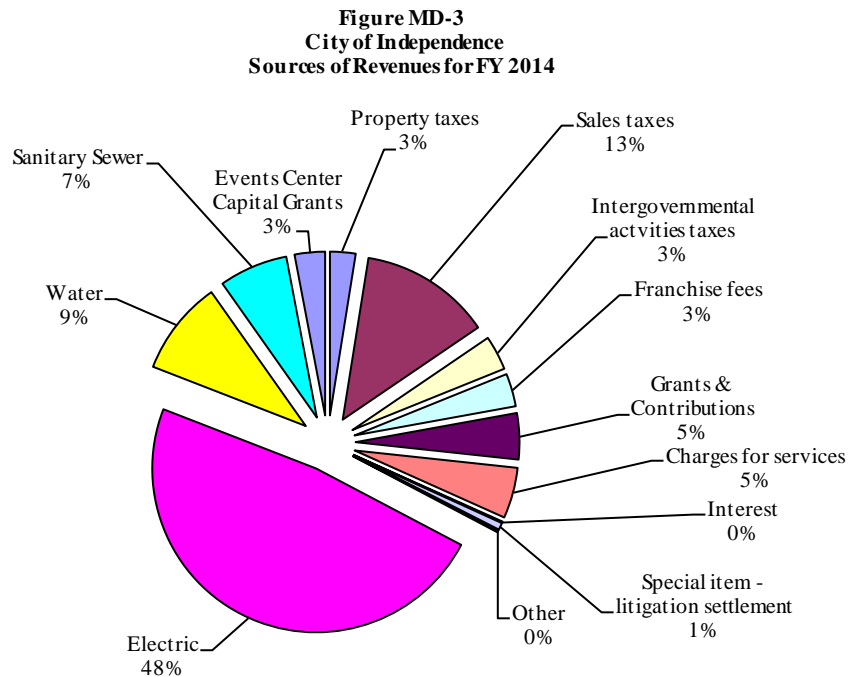
Total expenses increased 4.1% or \$12.5 million, Governmental expenses increased 2.9% or \$3.5 million and Business-type expenses increased 5.0% or \$9.0 million.

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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, 2014 revenues totaled \$317.3 million. Of this amount charges for services (Governmental and Business-type) was \$207.1 million or 65.3% of the total. Revenue from Business-type activities represents \$213.5 million or 67.3% of the total City revenues (Figure MD-3).

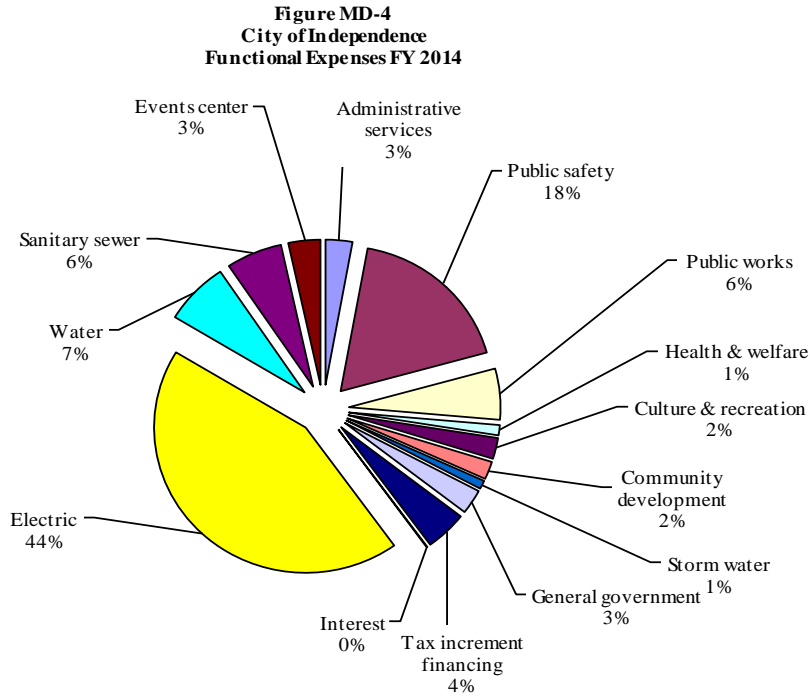


Revenues from Governmental activities were \$103.8 million. Sales taxes, the largest Governmental category, were \$41.1 million or 39.6%. All taxes represent \$70.3 million or 67.7% of Governmental revenue. Operating and capital grants were \$14.4 million or 13.9% of Governmental revenues. Charges for services at \$15.9 million were 15.3% of the total.

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Expenses

For the fiscal year ending June 30, 2014 expenses totaled \$318.5 million. Of this amount the electric utility was \$138.8 million or 43.6% of the total. Business-type expenses represent \$190.8 million or 59.9% of the total City expenses (Figure MD-4).



Expenses from Governmental activities were \$127.7 million. Public safety expenses, the largest Governmental category, were \$56.9 million or 44.5% of the total. Public Works is the next largest category at \$18.1 million, which is 14.2% of the total.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Administrative services	\$ 9,096,123	9,225,738	2,174,766	2,583,907
Public works	18,079,671	17,428,294	10,182,751	10,869,478
Public safety	56,859,801	55,139,731	49,310,539	47,973,435
Culture & Recreation	7,435,735	7,275,087	6,239,090	5,008,612
Community development	6,316,004	5,318,490	2,320,762	2,738,989
Health & Welfare	3,622,207	3,810,863	2,078,421	2,358,748
Storm water	3,000,734	2,862,544	2,982,143	2,846,107
General government and interest on long-term debt	8,982,318	8,785,674	8,982,318	8,712,619
Tax increment financing	14,273,775	14,281,820	13,045,284	13,006,209
Total	\$ 127,666,368	124,128,241	97,316,074	96,098,104

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As noted in Table MD-3 expenses from Governmental activities for fiscal year 2014 were \$127.7 million. However, the net costs of these services were \$97.3 million. The difference represents direct revenues received from charges for services of \$15.9 million, operating grants and contributions of \$10.7 million, and capital grants and contributions of \$3.8 million. Taxes and other revenues of \$73.5 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's Business-type activities increased \$17.8 million or 9.1% and expenses increased \$9.0 million or 4.9%. This change in revenues is primarily the result of scheduled rate increases and favorable weather conditions for the electric and water utilities. 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 \$43.6 million. The fund balance of the TIF Debt Service Fund increased \$149,428 during fiscal year 2014. The fund balance of the General Fund increased \$3.0 million during fiscal year 2014. The unassigned portion of the General Fund's fund balance increased \$3.0 million. Fund balance of the General Fund 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 of the economy and is affected by retail development in other communities within our primary trade area.

Mild weather during the winter period and lower cost of fuel impacted natural gas and electric franchise taxes and payments in-lieu of taxes.

The Business-type funds reported a combined net position of \$318.1 million. The net position of the Power and Light fund increased \$777,317, the Water fund increased \$5.3 million, the Sewer fund decreased \$287,255, and the Events Center fund decreased \$1.4 million. Net position was impacted by several of the financial highlights pointed out earlier, as well as the following:

During fiscal year 2014 the Water fund had a rate increase that will go towards capital project and maintenance activities.

The lagging growth in sales tax revenues due to the struggling economy has impacted the Events Center Community Improvement District sales tax revenues which are used to cover the debt service and depreciation expenses for the Events Center.

General Fund Budgetary Highlights

Resources available for appropriation increased \$49,635 from the original estimate. Actual revenues at the end of the year were more than projected by \$810,054. The largest variance was in the area of taxes and payments in lieu of taxes, which were \$1.2 million below estimated. A large variance also occurred in the area of other revenues, which were \$2.3 million above estimated.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$831,704 in the General Fund. These budget amendments generally fall into the following categories:

CITY OF INDEPENDENCE, MISSOURI
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- 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 \$1.4 million less than the amount appropriated, representing operating savings of 1.9%. 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 2014, the City had invested \$883.8 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased \$45.2 million or 5.4% during the period.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land & land imp	\$ 38,363,024	37,424,070	12,163,413	11,353,398	50,526,437	48,777,468	3.59%
Buildings & Improvements	65,854,001	67,049,147	—	—	65,854,001	67,049,147	-1.78%
Office furniture & equipment	18,856	39,604	—	—	18,856	39,604	-52.39%
Computer equipment	1,105,765	1,449,829	—	—	1,105,765	1,449,829	-23.73%
Mobile equipment	7,185,373	5,642,876	—	—	7,185,373	5,642,876	27.34%
Other equipment	3,490,577	3,875,854	12,128,451	11,484,512	15,619,028	15,360,366	1.68%
Infrastructure	206,339,142	212,514,774	433,448,005	438,626,147	639,787,147	651,140,921	-1.74%
Construction in progress	16,191,630	14,319,132	87,468,611	34,803,107	103,660,241	49,122,239	111.03%
Total	\$ 338,548,368	342,315,286	545,208,480	496,267,164	883,756,848	838,582,450	5.39%

The budget for fiscal year 2015 projects the City will spend an additional \$25.5 million for capital projects. The largest category at \$12.0 million is improvements to the City's Power and Light system.

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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2014

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Loans and bonds payable	\$ 3,419,255	4,838,746	342,793,093	296,937,015	346,212,348	301,775,761	14.73%
TIF loans payable	164,262,050	166,533,228	—	—	164,262,050	166,533,228	-1.36%
Capital lease obligations	1,226,414	1,407,347	—	—	1,226,414	1,407,347	-12.86%
Neighborhood Improvemt District	453,477	528,423	—	—	453,477	528,423	-14.18%
Total	<u>\$ 169,361,196</u>	<u>173,307,744</u>	<u>342,793,093</u>	<u>296,937,015</u>	<u>512,154,289</u>	<u>470,244,759</u>	8.91%

The City at the end of fiscal year 2014 had a total of \$512.2 million of outstanding obligations. This was an increase of \$41.9 million or 8.9% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$342.8 million or 66.9% are obligations of the Business-type activities.

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

Economic Factors

In the last five years the City, as a community, gained 4,615 jobs, with current total employment at 53,739 jobs. Unemployment by mid-2014 was 6.8%; this is lower than Jackson County at 7.7% and higher than the State at 6.7%. Average household income for 2014 is estimated to be \$53,310, compared to \$62,828 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 Brian C. Watson, Director of Finance, City of Independence, P.O. Box 1019, Independence, MO 64051.

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Pooled cash and investments	\$ 22,433,739	74,636,567	97,070,306
Receivables:			
Taxes	8,420,679	959,989	9,380,668
Accounts	779,452	13,858,466	14,637,918
Unbilled revenue	—	13,418,128	13,418,128
Special assessment principal	1,838,269	159,048	1,997,317
Internal balances	2,465,224	(2,465,224)	—
Due from other governments	3,012,222	284,555	3,296,777
Sales tax bond	—	1,570	1,570
Inventory	102,578	12,162,003	12,264,581
Prepaid items	49,190	299,101	348,291
Restricted cash and investments	—	4,057,316	4,057,316
Total current assets	<u>39,101,353</u>	<u>117,371,519</u>	<u>156,472,872</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	47,897,389	99,632,024	147,529,413
Depreciable, net	290,650,979	445,576,456	736,227,435
Goodwill	—	999,203	999,203
Other assets	—	3,744	3,744
Restricted cash and investments	19,645,947	40,832,028	60,477,975
Total noncurrent assets	<u>358,194,315</u>	<u>587,043,455</u>	<u>945,237,770</u>
Total assets	<u>397,295,668</u>	<u>704,414,974</u>	<u>1,101,710,642</u>
Deferred outflows of resources:			
Deferred charge on refunding	3,319,709	10,801,595	14,121,304
Total deferred outflows of resources	<u>3,319,709</u>	<u>10,801,595</u>	<u>14,121,304</u>
Total assets & deferred outflows of resources	<u>\$ 400,615,377</u>	<u>715,216,569</u>	<u>1,115,831,946</u>
Liabilities and Net Position			
Current liabilities:			
Accounts and contracts payable	\$ 1,827,840	12,830,724	14,658,564
Accrued items	5,840,714	2,603,702	8,444,416
Other current liabilities	426,290	284,794	711,084
Unearned revenue	454,810	486,706	941,516
Current portion of long-term obligations	14,353,304	11,862,320	26,215,624
Self-insurance claims payable	3,964,127	—	3,964,127
Liabilities payable from restricted assets	176,229	5,495,312	5,671,541
Total current liabilities	<u>27,043,314</u>	<u>33,563,558</u>	<u>60,606,872</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	198,846,740	338,920,498	537,767,238
Self-insurance claims payable	2,416,679	—	2,416,679
Other post-employment benefits	49,902,029	23,287,986	73,190,015
Net pension obligation	5,448,551	3,210,017	8,658,568
Advances for construction	—	214,927	214,927
Total noncurrent liabilities	<u>256,613,999</u>	<u>365,633,428</u>	<u>622,247,427</u>
Total liabilities	<u>283,657,313</u>	<u>399,196,986</u>	<u>682,854,299</u>
Net position:			
Net investment in capital assets	333,902,700	240,517,938	574,420,638
Restricted for:			
Public safety	3,235,081	—	3,235,081
Public works	5,016,202	—	5,016,202
Storm water	8,267,224	—	8,267,224
General government	30,842	—	30,842
Debt service	182,322	13,531,074	13,713,396
Worker's compensation escrow	200,000	—	200,000
Dogwood SPP escrow	—	61,500	61,500
Southwest Power Pool collateral	—	831,040	831,040
Community improvement district	—	1,865,133	1,865,133
Unrestricted (deficit)	<u>(233,876,307)</u>	<u>59,212,898</u>	<u>(174,663,409)</u>
Total net position	<u>116,958,064</u>	<u>316,019,583</u>	<u>432,977,647</u>
Total liabilities and net position	<u>\$ 400,615,377</u>	<u>715,216,569</u>	<u>1,115,831,946</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	\$ 9,096,123	6,904,917	16,440	—	(2,174,766)
Public safety	56,859,801	5,154,144	2,310,547	84,571	(49,310,539)
Public works	18,079,671	401,793	4,341,250	3,153,877	(10,182,751)
Health and welfare	3,622,207	758,211	745,254	40,321	(2,078,421)
Culture and recreation	7,435,735	613,238	106,772	476,635	(6,239,090)
Community development	6,316,004	1,089,720	2,905,522	—	(2,320,762)
Storm water	3,000,734	—	4,648	13,943	(2,982,143)
General government	8,730,105	—	—	—	(8,730,105)
Tax increment financing	14,273,775	978,491	250,000	—	(13,045,284)
Interest on long-term debt	252,213	—	—	—	(252,213)
Total governmental activities	127,666,368	15,900,514	10,680,433	3,769,347	(97,316,074)
Business-type activities:					
Power and light	138,801,854	138,813,984	—	438,026	450,156
Water	22,140,775	27,545,623	—	1,948,485	7,353,333
Sewer	19,015,060	21,471,299	—	—	2,456,239
Events center	10,859,704	3,359,318	—	—	(7,500,386)
Total business-type activities	190,817,393	191,190,224	—	2,386,511	2,759,342
Total primary government	\$ 318,483,761	207,090,738	10,680,433	6,155,858	(94,556,732)

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue	\$ (97,316,074)	2,759,342	(94,556,732)
General revenues:			
Taxes			
Property taxes	7,993,199	—	7,993,199
Sales and use taxes	41,142,183	5,397,059	46,539,242
Intergovernmental activity taxes	10,809,061	—	10,809,061
Franchise taxes	10,292,488	—	10,292,488
Financial institutions tax	19,381	—	19,381
Investment earnings	302,394	45,754	348,148
Special items - litigation settlement	2,203,430	12,796,570	15,000,000
Miscellaneous	695,896	1,660,835	2,356,731
Transfers in (out)	18,804,684	(18,804,684)	—
Total general revenues, special items and transfers	92,262,716	1,095,534	93,358,250
Change in net position	(5,053,358)	3,854,876	(1,198,482)
Net position (deficit), beginning	122,011,422	312,164,707	434,176,129
Net position (deficit), ending	\$ 116,958,064	316,019,583	432,977,647

See accompanying notes to financial statements

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2014

Assets	General	TIF Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 2,564,419	6,499,701	9,272,651	18,336,771
Receivables:				
Taxes	4,347,951	330,304	3,742,424	8,420,679
Accounts, net	214,138	396,063	25,906	636,107
Special assessment principal	817,961	—	1,020,308	1,838,269
Due from other funds	1,801,854	2,609,401	5,478,181	9,889,436
Due from other governments	729,770	470,554	1,811,898	3,012,222
Prepaid items	14,141	—	—	14,141
Restricted assets	176,229	19,041,460	228,258	19,445,947
Total assets	<u>\$ 10,666,463</u>	<u>29,347,483</u>	<u>21,579,626</u>	<u>61,593,572</u>
Liabilities:				
Accounts and contracts payable	\$ 646,726	719	1,096,500	1,743,945
Due to other funds	—	2,610,574	6,848,926	9,459,500
Accrued items	3,254,400	—	157,990	3,412,390
Other current liabilities	423,981	—	2,309	426,290
Unearned revenue	2,000	—	452,810	454,810
Liabilities payable from restricted assets:				
Deposits and court bonds	176,229	—	—	176,229
Total liabilities	<u>4,503,336</u>	<u>2,611,293</u>	<u>8,558,535</u>	<u>15,673,164</u>
Deferred inflows of resources:				
Unavailable revenue - special assessments	817,961	—	1,020,308	1,838,269
Unavailable revenue - real estate taxes	500,770	20,627	—	521,397
Total deferred inflows of resources	<u>1,318,731</u>	<u>20,627</u>	<u>1,020,308</u>	<u>2,359,666</u>
Fund balances:				
Nonspendable	14,141	—	—	14,141
Restricted	402,899	27,654,533	17,024,939	45,082,371
Committed	437,083	—	204,117	641,200
Assigned	398,283	—	—	398,283
Unassigned	3,591,990	(938,970)	(5,228,273)	(2,575,253)
Total fund balance	<u>4,844,396</u>	<u>26,715,563</u>	<u>12,000,783</u>	<u>43,560,742</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 10,666,463</u>	<u>29,347,483</u>	<u>21,579,626</u>	<u>61,593,572</u>

See accompanying notes to financial statements.

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

June 30, 2014

Fund balances – total governmental funds	\$ 43,560,742
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	562,673,324
Less accumulated depreciation	<u>(224,245,185)</u>
	338,428,139
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid	(2,391,114)
Adjustment of deferred inflows of resources	2,359,666
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	(572,836)
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	(168,969,000)
Capital lease obligations	(1,226,414)
Compensated absences	(15,422,570)
Discounts (premiums)	834,218
Deferred charge on refunding	3,319,709
Other post-employment benefits	(49,283,406)
Net pension obligation	(5,390,847)
Unreimbursed certified costs - TIF	<u>(28,288,223)</u>
	(264,426,533)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 116,958,064</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2014

	General	TIF Debt Service	Nonmajor Funds	Total Funds
Revenues:				
Taxes	\$ 34,855,329	14,482,514	21,042,734	70,380,577
Licenses and permits	3,273,979	—	190,652	3,464,631
Intergovernmental	5,157,129	—	8,515,401	13,672,530
Charges for services	1,940,920	—	758,893	2,699,813
Interfund charges for support services	3,987,029	—	—	3,987,029
Fines, forfeitures, and court costs	4,790,383	—	—	4,790,383
Investment income	103,750	148,345	7,813	259,908
Developer contributions	—	250,000	—	250,000
Other	561,577	1,088,115	795,681	2,445,373
Total revenues	54,670,096	15,968,974	31,311,174	101,950,244
Expenditures:				
Current:				
Administrative services	7,531,167	—	16,190	7,547,357
Public safety	42,957,720	—	6,135,857	49,093,577
Public works	5,600,032	—	299,628	5,899,660
Health and welfare	2,545,057	—	777,709	3,322,766
Culture and recreation	1,485,924	—	4,261,904	5,747,828
Community development	3,026,831	—	2,980,621	6,007,452
Storm water	—	—	1,686,782	1,686,782
General government	7,669,464	—	19,062	7,688,526
Tax increment financing	—	2,886,495	—	2,886,495
Capital outlay	293,549	—	12,002,811	12,296,360
Debt service:				
Principal	179,009	5,872,642	1,563,051	7,614,702
Interest and fiscal agent fees	37,816	8,563,381	243,789	8,844,986
Debt issuance costs	—	201,254	—	201,254
Total expenditures	71,326,569	17,523,772	29,987,404	118,837,745
Excess (deficiency) of revenues over expenditures	(16,656,473)	(1,554,798)	1,323,770	(16,887,501)
Other financing sources (uses):				
Debt issuance	—	6,885,000	96,126	6,981,126
Reoffering premium/original issue discount	—	74,056	—	74,056
Payment to refunded loans escrow agent	—	(6,982,279)	—	(6,982,279)
Transfers in – utility payments in lieu of taxes	18,144,063	—	—	18,144,063
Transfers in	—	1,732,384	897,947	2,630,331
Transfers out	(720,679)	(4,935)	(1,244,095)	(1,969,709)
Total other financing sources (uses)	17,423,384	1,704,226	(250,022)	18,877,588
Special items:				
Litigation settlement	2,203,430	—	—	2,203,430
Net change in fund balances	2,970,341	149,428	1,073,748	4,193,517
Fund balances, beginning	1,874,055	26,566,135	10,927,035	39,367,225
Fund balances, ending	\$ 4,844,396	26,715,563	12,000,783	43,560,742

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, 2014

Net change in fund balances – total governmental funds	\$ 4,193,517
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	15,305,872
Depreciation expense	(18,945,810)
	<u>(3,639,938)</u>
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net 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	(123,080)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(270,903)
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	(6,885,000)
Reoffering premium/original issue discount	(74,056)
Payment to refunded loans escrow agent	6,982,279
Principal payments	7,522,060
Debt premiums, discounts & deferred refunding amortizations	(182,899)
Capital lease proceeds	(96,126)
	<u>7,266,258</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated absences	(124,835)
Accrued interest	(142,436)
Other post-employment benefits	(7,708,421)
LAGERS net pension obligation	(963,251)
Unreimbursed certified costs - TIF	(2,145,839)
	<u>(11,084,782)</u>
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities:	<u>(1,394,430)</u>
Change in net position of governmental activities (Exhibit 2)	\$ <u><u>(5,053,358)</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

Proprietary Funds

June 30, 2014

Assets	Enterprise funds					Governmental
	Power and Light	Water	Sanitary Sewer	Events Center	Total	Activities Internal Service Funds
Current assets:						
Pooled cash and investments	\$ 48,585,776	10,792,645	13,431,245	1,826,901	74,636,567	4,096,968
Receivables:						
Taxes	—	—	—	959,989	959,989	—
Accounts (net of allowance of \$1,090,064)	9,988,640	2,276,992	1,505,126	87,708	13,858,466	143,345
Unbilled revenue	10,972,650	1,320,836	1,124,642	—	13,418,128	—
Special assessment principal	158,135	—	913	—	159,048	—
Due from other governments	284,555	—	—	—	284,555	—
Sales tax bond	—	—	—	1,570	1,570	—
Inventory	11,442,057	643,928	69,290	6,728	12,162,003	102,578
Prepaid items	263,869	—	—	35,232	299,101	35,049
Restricted cash and investments	2,972,003	584,466	500,847	—	4,057,316	—
Total current assets	84,667,685	15,618,867	16,632,063	2,918,128	119,836,743	4,377,940
Noncurrent assets:						
Capital assets:						
Nondepreciable	15,651,951	3,640,570	74,543,188	5,796,315	99,632,024	93,979
Depreciable, net	214,580,290	105,090,296	65,572,555	60,333,315	445,576,456	26,250
Goodwill	—	—	—	999,203	999,203	—
Other assets	—	3,744	—	—	3,744	—
Restricted cash and investments	15,901,118	4,133,048	13,488,035	7,309,827	40,832,028	200,000
Total noncurrent assets	246,133,359	112,867,658	153,603,778	74,438,660	587,043,455	320,229
Total assets	330,801,044	128,486,525	170,235,841	77,356,788	706,880,198	4,698,169
Deferred outflows of resources:						
Deferred charge on refunding	2,166,341	1,535,486	—	7,099,768	10,801,595	—
Total deferred outflows of resources	2,166,341	1,535,486	—	7,099,768	10,801,595	—
Total assets & deferred outflows of resources	\$ 332,967,385	130,022,011	170,235,841	84,456,556	717,681,793	4,698,169
Liabilities and Net Position						
Current liabilities:						
Accounts and contracts payable	\$ 5,227,367	652,627	6,697,501	253,229	12,830,724	83,895
Due to other funds	—	—	—	429,936	429,936	—
Accrued items	1,665,306	381,238	545,086	12,072	2,603,702	37,210
Other current liabilities	225,349	26,968	32,477	—	284,794	—
Unearned revenue	—	—	—	486,706	486,706	—
Current portion of long-term obligations	5,169,353	4,671,677	1,301,290	720,000	11,862,320	54,687
Self-insurance claims payable	—	—	—	—	—	3,964,127
Liabilities payable from restricted assets	2,552,009	803,423	1,103,394	1,036,486	5,495,312	—
Total current liabilities	14,839,384	6,535,933	9,679,748	2,938,429	33,993,494	4,139,919
Noncurrent liabilities:						
Revenue bonds payable	128,232,433	34,836,307	80,056,566	90,437,787	333,563,093	—
Compensated absences – long-term	3,819,641	969,689	568,075	—	5,357,405	73,368
Other post employment benefits	13,564,849	5,405,852	4,317,285	—	23,287,986	618,623
Net pension obligation	2,271,938	555,208	382,871	—	3,210,017	57,704
Self-insurance claims payable	—	—	—	—	—	2,416,679
Advances for construction	110,105	104,822	—	—	214,927	—
Total noncurrent liabilities	147,998,966	41,871,878	85,324,797	90,437,787	365,633,428	3,166,374
Total liabilities	162,838,350	48,407,811	95,004,545	93,376,216	399,626,922	7,306,293
Net position:						
Net investment in capital assets	104,108,431	74,833,093	72,532,212	(10,955,798)	240,517,938	120,229
Restricted for:						
Debt service/capital outlay	12,693,837	500,000	—	337,237	13,531,074	—
Workers compensation escrow	—	—	—	—	—	200,000
Dogwood SPP escrow	61,500	—	—	—	61,500	—
Southwest Power Pool collateral	831,040	—	—	—	831,040	—
Community improvement district	—	—	—	1,865,133	1,865,133	—
Unrestricted	52,434,227	6,281,107	2,699,084	(166,232)	61,248,186	(2,928,353)
Total net position (deficit)	170,129,035	81,614,200	75,231,296	(8,919,660)	318,054,871	(2,608,124)
Total liabilities and net position	\$ 332,967,385	130,022,011	170,235,841	84,456,556	717,681,793	4,698,169
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(2,035,288)	
Net position of business-type activities					\$ 316,019,583	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2014

	Enterprise funds					Governmental Activities
	Power and Light	Water	Sanitary Sewer	Events Center	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 136,704,602	27,176,061	21,239,944	3,359,318	188,479,925	26,369,901
Sales tax	—	—	—	5,397,059	5,397,059	—
Miscellaneous	2,109,382	369,562	231,355	—	2,710,299	—
Total operating revenues	138,813,984	27,545,623	21,471,299	8,756,377	196,587,283	26,369,901
Operating expenses:						
Personal services	25,550,145	7,226,458	5,647,281	—	38,423,884	876,228
Other services	20,430,755	4,788,482	8,101,014	—	33,320,251	27,728,793
Supplies	55,286,184	1,966,472	1,088,328	—	58,340,984	1,197,417
Capital outlay	1,660	47,746	—	—	49,406	—
Other expenses	8,064,083	3,683,432	106,012	4,492,068	16,345,595	—
Depreciation and amortization	18,775,454	3,236,330	2,734,074	1,891,143	26,637,001	3,900
Total operating expenses	128,108,281	20,948,920	17,676,709	6,383,211	173,117,121	29,806,338
Operating income (loss)	10,705,703	6,596,703	3,794,590	2,373,166	23,470,162	(3,436,437)
Nonoperating revenues (expenses):						
Interest revenue	29,439	3,532	6,861	5,922	45,754	5,807
Miscellaneous revenue	777,883	1,825,363	23,096	740,501	3,366,843	1,411,456
Miscellaneous expense	(5,245,942)	—	—	—	(5,245,942)	—
Interest and amortization expense	(5,130,214)	(2,184,807)	(1,744,079)	(4,476,493)	(13,535,593)	—
Total nonoperating revenue (expenses)	(9,568,834)	(355,912)	(1,714,122)	(3,730,070)	(15,368,938)	1,417,263
Income (loss) before contributions, transfers and special item	1,136,869	6,240,791	2,080,468	(1,356,904)	8,101,224	(2,019,174)
Capital contributions	438,026	1,948,485	—	—	2,386,511	—
Transfers out – utility payments in lieu of taxes	(13,368,096)	(2,646,902)	(2,129,065)	—	(18,144,063)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	(226,052)	(195,912)	(248,658)	—	(670,622)	—
Special item - litigation settlement	12,796,570	—	—	—	12,796,570	—
Change in net position	777,317	5,346,462	(287,255)	(1,356,904)	4,479,620	(2,019,174)
Total net position (deficit):						
Beginning of the year	169,351,718	76,267,738	75,518,551	(7,562,756)		(588,950)
End of the year	\$ 170,129,035	81,614,200	75,231,296	(8,919,660)		(2,608,124)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(624,744)	
Change in net position of business-type activities					\$ 3,854,876	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2014

	Enterprise funds					Governmental Activities
	Power and Light	Water	Sanitary Sewer	Events Center	Total	Internal Service Funds
Cash flows from operations:						
Receipts from customers and others	\$ 140,454,791	29,245,727	20,579,750	9,480,751	199,761,019	28,036,204
Payments to suppliers	(82,559,555)	(10,229,930)	(5,944,048)	(4,334,889)	(103,068,422)	(28,978,811)
Payments to employees	(22,679,973)	(6,416,055)	(4,601,645)	—	(33,697,673)	(721,045)
Payments to other funds	—	—	—	1,230	1,230	—
Net cash provided by (used in) operating activities	35,215,263	12,599,742	10,034,057	5,147,092	62,996,154	(1,663,652)
Cash flows from noncapital financing activities:						
Transfers in	—	—	10,000	—	10,000	—
Transfers out – payments in lieu of taxes	(13,368,096)	(2,842,814)	(2,377,723)	—	(18,588,633)	—
Special item - litigation settlement revenues	12,796,570	—	—	—	12,796,570	—
Special item - litigation settlement expenses	(5,245,942)	—	—	—	(5,245,942)	—
Advances to/from other funds	(226,052)	—	—	—	(226,052)	—
Net cash (used in) noncapital financing activities	(6,043,520)	(2,842,814)	(2,367,723)	—	(11,254,057)	—
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(14,387,552)	(466,351)	(55,717,964)	—	(70,571,867)	1
Interest paid on revenue bonds and equipment contracts	(5,853,306)	(2,089,779)	(1,761,223)	(4,882,621)	(14,586,929)	—
Debt expense paid on revenue bonds	10,874	(1,050,695)	—	—	(1,039,821)	—
Disposal costs from disposition of equipment	(579,483)	—	—	—	(579,483)	—
Proceeds from bond issue	—	38,220,000	43,437,385	—	81,657,385	—
Redemption of revenue bonds	(5,015,000)	(40,065,000)	(745,000)	—	(45,825,000)	—
Net cash provided by (used in) capital and related financing activities	(25,824,467)	(5,451,825)	(14,786,802)	(4,882,621)	(50,945,715)	1
Cash flows from investing activities:						
Interest on investments	26,541	3,532	6,861	5,922	42,856	5,807
Net cash provided by investing activities	26,541	3,532	6,861	5,922	42,856	5,807
Net increase (decrease) in cash and cash equivalents	3,373,817	4,308,635	(7,113,607)	270,393	839,238	(1,657,844)
Cash and cash equivalents at beginning of year	64,085,080	11,201,524	34,533,734	8,866,335	118,686,673	5,754,813
Cash and cash equivalents at end of year	\$ 67,458,897	15,510,159	27,420,127	9,136,728	119,525,911	4,096,969
Noncash capital and related financing activities:						
Contributed capital	\$ 438,026	1,948,485	—	5,000	2,391,511	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	\$ 48,585,776	10,792,645	13,431,245	1,826,901	74,636,567	4,096,969
Restricted assets	18,873,121	4,717,514	13,988,882	7,309,827	44,889,344	200,000
Total pooled cash and investments	\$ 67,458,897	15,510,159	27,420,127	9,136,728	119,525,911	4,296,969
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 10,705,703	6,596,703	3,794,590	2,373,166	23,470,162	(3,436,437)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	18,775,454	3,236,330	2,734,074	1,891,143	26,637,001	3,900
Miscellaneous revenue	777,883	1,825,363	(976,904)	740,501	2,366,843	1,411,456
Change in assets and liabilities:						
Accounts receivable	719,084	(113,556)	176,234	(165,171)	616,591	254,847
Inventory	1,063,656	30,547	(12,052)	39,062	1,121,213	78,203
Prepaid items and other assets	(29,086)	—	—	8,498	(20,588)	(35,049)
Unbilled revenue	40,387	(9,027)	(90,879)	—	(59,519)	—
Due from other governments	90,016	—	—	—	90,016	—
Special assessments receivable	13,437	—	—	—	13,437	—
Accounts and contracts payable	(38,840)	227,735	2,954,593	164,463	3,307,951	38,745
Internal balances	—	—	—	1,230	1,230	—
Accrued and other liabilities	163,440	(4,756)	47,273	(49,966)	155,991	(154,515)
Other post-employment benefits & net pension obligation	2,692,320	856,269	1,093,232	—	4,641,821	123,114
Self-insurance claims payable	—	—	—	—	—	31,440
Deferred revenue	—	—	—	149,044	149,044	—
Customer deposits	156,672	—	375,132	(4,878)	526,926	—
Compensated absences	85,137	(45,866)	(61,236)	—	(21,965)	20,644
Total adjustments	24,509,560	6,003,039	6,239,467	2,773,926	39,525,992	1,772,785
Net cash provided (used) by operating activities	\$ 35,215,263	12,599,742	10,034,057	5,147,092	62,996,154	(1,663,652)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Private- Purpose Trust Funds	Agency Funds
Assets:		
Pooled cash and investments	\$ 19,690	142,044
Accrued interest receivable	—	490
Total assets	<u>19,690</u>	<u>142,534</u>
Liabilities:		
Accounts and contracts payable	2,074	6,207
Funds held in escrow	812	48,016
Flexible benefit payable	—	88,311
Total liabilities	<u>2,886</u>	<u>\$ 142,534</u>
Net position:		
Held in trust	<u>\$ 16,804</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended June 30, 2014

	Private- Purpose Trust Funds
Additions:	
Charges for services	\$ 14,454
Interest	11
Total additions	<u>14,465</u>
Deductions:	
Preservation and maintenance expense	<u>22,595</u>
Total deductions	<u>22,595</u>
Change in net position	(8,130)
Net position, beginning	<u>24,934</u>
Net position, ending	<u><u>\$ 16,804</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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 not 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 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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 \$17,692,441. Of this amount, \$4,156,848 was included as part of the cost of the capital assets under construction in connection with Power and Light, Water, Sewer and Events Center projects.

Depreciation has been provided over the estimated useful lives using the composite and straight-line methods. Depreciation on utility vehicles and heavy equipment is charged to clearing accounts and redistributed to various operating, construction, and other accounts. The estimated useful lives are as follows:

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

	<u>Years</u>
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
Machinery and equipment	7-25
Water Fund:	
Source of supply	15-50
Pumping	20-50
Water treatment	40-50
Transmission and distribution system	20-100
General plant	5-50
Acquisition adjustment	30
Nonutility property	10
Machinery and equipment	5-22
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25
Machinery and equipment	5-20
Events Center Fund:	
Buildings and improvements	20-40
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. Bond issuance costs are expensed in the period in which the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period in which the debt is issued. 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 during the year they are incurred.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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 and the proprietary funds statements 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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 City's 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 \$3,207,282 for Power and Light, \$3,633,048 for Water, \$13,488,035 for Sewer and \$6,972,591 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 \$994,568 for the License Surcharge; \$3,665,198 for the Street Sales Tax; \$8,267,224 for Storm Water Sales Tax; \$3,235,081 for Public Safety Sales Tax; and \$13,713,396 for debt service.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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

When both restricted and unrestricted resources are available for use, it is generally the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

(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 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. This statement requires governments providing defined benefit pensions (both single and multi-employer plans) to recognize their long-term obligation for pension benefits as a liability within their financial statements for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances the accountability and transparency through revised and new note disclosures and required supplementary information. 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 November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This statement amends GASB Statement No. 68 that relates to the amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined pension plan after the measurement date of the government’s beginning net pension liability. The City will implement GASB No. 71 beginning with the year ended June 30, 2015.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(2) Deposits and Investments

At June 30, 2014, 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	\$	7,241,913
Federal National Mortgage Association		3,624,186
Federal Home Loan Bank		27,412,926
Money Market		20,118,756
U.S. Treasury Bill		200,000

Investment pool:

U.S. Treasury Bond		26,652
Total investments		<u>58,624,433</u>

Deposits and repurchase obligations		103,133,292
Petty cash		9,606
Total	\$	<u><u>161,767,331</u></u>

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	\$ 97,070,306	161,734	97,232,040
Restricted cash and investments	64,535,291	—	64,535,291
	<u>\$ 161,605,597</u>	<u>161,734</u>	<u>161,767,331</u>

Investment Policy

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State of Missouri.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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 Bank	AAA	46.76%
Federal Home Loan Mortgage Corporation	AAA	12.35%
Federal National Mortgage Association	AAA	6.18%

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, 2014, 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, 2014.

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, 2014, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of \$26,652 that will mature in 2027.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2014 is as follows:

	General	TIF Debt Service	Nonmajor Governmental Funds	Total
Real estate tax	\$ 7,486,129	7,274,793	23,834	14,784,756
Railroad utilities tax	39,716	—	—	39,716
Cigarette tax	477,865	—	—	477,865
Transient guest tax	—	—	1,468,758	1,468,758
Sales tax	16,559,131	7,207,721	19,550,142	43,316,994
Franchise tax	10,292,488	—	—	10,292,488
	<u>\$ 34,855,329</u>	<u>14,482,514</u>	<u>21,042,734</u>	<u>70,380,577</u>

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Jackson County bills and collects all real estate taxes for the City and charges a 1.5% to 1.6% commission on all taxes collected.

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2013, on which the fiscal 2014 levy was based, was \$1,280,827,879.

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, 2014 were \$0.5026 for the General Fund, \$0.2368 for Public Health and Recreation, and \$0.5367 for the Independence Square Benefit District Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2014 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal			
Department of Agriculture	\$ —	17,114	17,114
Department of Defense	—	20,118	20,118
Department of Housing & Urban Development			
Community Development Block Grant	—	540,579	540,579
Neighborhood Stabilization Program	—	1,405,142	1,405,142
Home Investment Partnership	—	707,436	707,436
Lead Hazard Control Funds	—	7,830	7,830
Planning Sustainable Neighborhoods	—	80,000	80,000
Department of the Interior	—	13,000	13,000
Department of Justice	39	380,578	380,617
Department of Transportation	—	3,725,354	3,725,354
Department of Health & Human Services	25,000	337,555	362,555
Corporation for National and Community Service	—	217,897	217,897
Executive Office of the President	—	149,470	149,470
Department of Homeland Security	—	529,204	529,204
Total Federal	<u>25,039</u>	<u>8,131,277</u>	<u>8,156,316</u>
State & Local			
Department of Health & Human Services	—	144,937	144,937
Department of Public Safety	—	132,835	132,835
Department of Highway Safety	—	22,332	22,332
Department of Revenue			
Motor Vehicle Fuel Tax	2,979,706	—	2,979,706
Motor Vehicle License	487,407	—	487,407
Motor Vehicle Sales Tax	874,137	—	874,137
Financial Institutions Tax	19,381	—	19,381
Division of Tourism	—	58,300	58,300
Jackson County Anti Drug Tax	559,459	—	559,459
Jackson County DARE	212,000	—	212,000
Healthcare Foundation of Greater Kansas City	—	21,958	21,958
Public Health Foundation	—	652	652
Incarnate Word Foundation	—	2,305	2,305
VAX Care Corp	—	805	805
Total State & Local	<u>5,132,090</u>	<u>384,124</u>	<u>5,516,214</u>
Grand Total	<u>\$ 5,157,129</u>	<u>8,515,401</u>	<u>13,672,530</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Amounts due from other governments at June 30, 2014 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund :				
Department of Health & Human Services	\$ 4,167	—	—	4,167
Department of Revenue				
Motor Vehicle Fuel Tax	—	519,951	—	519,951
Motor Vehicle Sales Tax	—	82,410	—	82,410
Motor Vehicle License Fees	—	121,701	—	121,701
Events Center Community Improvement District and Crackerneck Transportation Development District	—	—	1,541	1,541
	<u>4,167</u>	<u>724,062</u>	<u>1,541</u>	<u>729,770</u>
TIF Debt Service:				
State Sales Tax	—	95,000	—	95,000
County Sales Tax	—	—	287,091	287,091
Kansas City Zoo Tax	—	—	49,255	49,255
39th St Transportation Development District	—	—	39,208	39,208
	<u>—</u>	<u>95,000</u>	<u>375,554</u>	<u>470,554</u>
Nonmajor Governmental Funds:				
Department of Agriculture	1,512	—	—	1,512
Department of Housing & Urban Development				
Community Development Block Grant	15,465	—	—	15,465
Home Investment Partnership	5,997	—	—	5,997
Neighborhood Stabilization Program	111,171	—	—	111,171
Lead Hazard Control Funds	7,830	—	—	7,830
Department of the Interior	15,000	—	—	15,000
Department of Justice	64,091	—	—	64,091
Department of Transportation	1,333,723	—	—	1,333,723
Department of Health & Human Services	55,407	—	—	55,407
Department of Homeland Security	50,398	—	—	50,398
Executive Office of the President	91,435	—	—	91,435
Missouri Department of Health	—	10,869	—	10,869
Missouri Division of Tourism	—	49,000	—	49,000
	<u>1,752,029</u>	<u>59,869</u>	<u>—</u>	<u>1,811,898</u>
Totals	<u>\$ 1,756,196</u>	<u>878,931</u>	<u>377,095</u>	<u>3,012,222</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2014, consisted of the following:

	<u>Due From TIF Debt Service</u>	<u>Due from Nonmajor Governmental</u>	<u>Due from Events Center</u>	<u>Total</u>
Due to:				
Governmental activities:				
General Fund	\$ 1,173	1,370,745	429,936	1,801,854
TIF Debt Service	2,609,401	—	—	2,609,401
Nonmajor governmental	—	5,478,181	—	5,478,181
	<u>—</u>	<u>5,478,181</u>	<u>—</u>	<u>5,478,181</u>
Total governmental activities	\$ <u>2,610,574</u>	<u>6,848,926</u>	<u>429,936</u>	<u>9,889,436</u>

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 2014 were as follows:

	<u>Interfund Charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 96,335	\$ —
Power and Light Fund	2,043,397	64,010
Sanitary Sewer Fund	877,372	22,732
Water Fund	969,925	29,680
	<u>\$ 3,987,029</u>	<u>\$ 116,422</u>

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 2014, and are included in non-operating miscellaneous revenue as follows:

Sanitary Sewer Fund	\$ 274,782
Power and Light Fund	1,431,225
	<u>\$ 1,706,007</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2014, and are included as a credit to Power and Light's operating expenses as follows:

Sanitary Sewer Fund	\$ 225,680
Water Fund	1,122,397
	<u>\$ 1,348,077</u>

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of \$13,368,096, \$2,646,902 and \$2,129,065 in fiscal year 2014 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, 2014, consisted of the following:

		Transfer Out					
		General	Tax Increment Financing	Nonmajor Governmental	Power and Light	Water	Sanitary Sewer
Transfers In:							
Tax Increment Financing	\$	710,679	—	351,083	226,052	195,912	248,658
Sanitary Sewer Fund		10,000	—	—	—	—	—
Nonmajor governmental		—	4,935	893,012	—	—	—
Total Primary Government	\$	<u>720,679</u>	<u>4,935</u>	<u>1,244,095</u>	<u>226,052</u>	<u>195,912</u>	<u>248,658</u>
							<u>2,640,331</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(6) Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 30,500,972	1,204,787	—	31,705,759
Construction work in progress	14,319,132	11,277,933	(9,405,435)	16,191,630
Total nondepreciable capital assets	44,820,104	12,482,720	(9,405,435)	47,897,389
Depreciable capital assets:				
Land improvements	8,583,109	171,603	—	8,754,712
Buildings	49,825,622	1,711,106	—	51,536,728
Building improvements	15,814,827	223,658	—	16,038,485
Improvements other than buildings	32,275,318	503,565	—	32,778,883
Office furniture and equipment	530,639	—	(10,054)	520,585
Computer equipment	3,462,223	80,874	—	3,543,097
Mobile equipment	22,591,480	2,947,487	(1,051,502)	24,487,465
Other equipment	8,311,745	275,674	(95,056)	8,492,363
Infrastructure	362,592,017	6,331,744	—	368,923,761
Total depreciable capital assets	503,986,980	12,245,711	(1,156,612)	515,076,079
Less accumulated depreciation for:				
Land improvements	(1,660,011)	(437,436)	—	(2,097,447)
Buildings	(13,082,385)	(1,267,958)	—	(14,350,343)
Building improvements	(6,245,330)	(787,229)	—	(7,032,559)
Improvements other than buildings	(11,538,905)	(1,578,288)	—	(13,117,193)
Office furniture and equipment	(491,035)	(13,686)	2,992	(501,729)
Computer equipment	(2,012,394)	(424,938)	—	(2,437,332)
Mobile equipment	(16,948,604)	(1,294,218)	940,730	(17,302,092)
Other equipment	(4,435,891)	(655,705)	89,810	(5,001,786)
Infrastructure	(150,077,243)	(12,507,376)	—	(162,584,619)
Total accumulated depreciation	(206,491,798)	(18,966,834)	1,033,532	(224,425,100)
Total depreciable capital assets, net	297,495,182	(6,721,123)	(123,080)	290,650,979
Governmental activities capital assets, net	\$ 342,315,286	5,761,597	(9,528,515)	338,548,368

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to functions as follows:

Administrative services	\$ 250,821
Public safety	2,936,292
Public works	11,539,659
Health and welfare	109,707
Culture and recreation	1,729,227
Community development	65,254
Storm water	1,374,030
General government	940,820
Total	<u>18,945,810</u>

In addition, depreciation on capital assets held by the City's

Central Garage Fund is charged to the various functions

based on their usage of the assets

Total depreciation expense	\$ <u><u>3,900</u></u>
	\$ <u><u>18,949,710</u></u>

Depreciation charged to Central Garage is different due to the addition of a fully depreciated asset. As of June 30, 2014 the difference for Central Garage is \$17,124.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 3,062,115	810,015	—	3,872,130
Construction in progress	14,261,142	16,409,141	(18,890,462)	11,779,821
Total nondepreciable capital assets	17,323,257	17,219,156	(18,890,462)	15,651,951
Depreciable capital assets:				
Infrastructure:				
Production plant	232,548,455	4,505,174	(316,240)	236,737,389
Transmission plant	38,917,988	15,067	(4,924)	38,928,131
Distribution plant	147,315,718	10,808,990	(3,430,498)	154,694,210
General plant	6,307,463	379,971	—	6,687,434
Other	2,755,568	—	—	2,755,568
Total infrastructure	427,845,192	15,709,202	(3,751,662)	439,802,732
Machinery and equipment	20,592,476	2,371,245	(562,529)	22,401,192
Total depreciable capital assets	448,437,668	18,080,447	(4,314,191)	462,203,924
Less accumulated depreciation:				
Infrastructure	(217,822,404)	(18,244,082)	4,799,108	(231,267,378)
Machinery and equipment	(15,276,068)	(1,174,754)	94,566	(16,356,256)
* Total accumulated depreciation	(233,098,472)	(19,418,836)	4,893,674	(247,623,634)
Total depreciable capital assets, net	215,339,196	(1,338,389)	579,483	214,580,290
Total power and light capital assets	\$ 232,662,453	15,880,767	(18,310,979)	230,232,241

* See page 55 note regarding depreciation.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Water Fund:				
Nondepreciable capital assets:	\$			
Land	2,164,777	—	—	2,164,777
Construction in progress	569,313	2,600,910	(1,694,430)	1,475,793
Total nondepreciable capital assets	2,734,090	2,600,910	(1,694,430)	3,640,570
Depreciable capital assets:				
Infrastructure:				
Nonutility property	40,014	—	—	40,014
Source of supply	7,881,511	17,831	(71,441)	7,827,901
Pumping plant	15,326,199	147,712	(19,822)	15,454,089
Treatment plant	23,152,528	21,130	(80,733)	23,092,925
Transmission plant	84,328,266	1,420,987	(139,707)	85,609,546
General plant	1,935,967	7,877	—	1,943,844
Other	12,547,766	—	—	12,547,766
Total infrastructure	145,212,251	1,615,537	(311,703)	146,516,085
Machinery and equipment	6,358,798	201,789	(143,583)	6,417,004
Total depreciable capital assets	151,571,049	1,817,326	(455,286)	152,933,089
Less accumulated depreciation:				
Infrastructure	(41,127,001)	(2,923,274)	182,175	(43,868,100)
Machinery and equipment	(3,755,226)	(363,051)	143,584	(3,974,693)
* Total accumulated depreciation	(44,882,227)	(3,286,325)	325,759	(47,842,793)
Total depreciable capital assets, net	106,688,822	(1,468,999)	(129,527)	105,090,296
Total water capital assets	\$ 109,422,912	1,131,911	(1,823,957)	108,730,866

* See page 55 note regarding depreciation.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	19,972,652	56,301,121	(2,060,776)	74,212,997
Total nondepreciable capital assets	20,302,843	56,301,121	(2,060,776)	74,543,188
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	97,415,072	1,624,001	—	99,039,073
Pumping plant	5,325,151	18,546	(8,543)	5,335,154
Treatment plant	14,562,535	28,347	(261,822)	14,329,060
General plant	1,591,994	—	(42,648)	1,549,346
Total infrastructure	118,941,120	1,670,894	(313,013)	120,299,001
Machinery and equipment	6,499,967	793,888	(143,162)	7,150,693
Total depreciable capital assets	125,441,087	2,464,782	(456,175)	127,449,694
Less accumulated depreciation:				
Infrastructure	(54,011,248)	(2,284,800)	313,013	(55,983,035)
Machinery and equipment	(5,571,656)	(449,274)	126,826	(5,894,104)
Total accumulated depreciation	(59,582,904)	(2,734,074)	439,839	(61,877,139)
Total depreciable capital assets, net	65,858,183	(269,292)	(16,336)	65,572,555
Total sewer capital assets	86,161,026	56,031,829	(2,077,112)	140,115,743
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	(5,993,214)	(1,639,537)	—	(7,632,751)
Machinery and equipment	(919,709)	(251,606)	—	(1,171,315)
Total accumulated depreciation	(6,912,923)	(1,891,143)	—	(8,804,066)
Total depreciable capital assets, net	62,224,458	(1,891,143)	—	60,333,315
Total events center capital assets	68,020,773	(1,891,143)	—	66,129,630
Total business-type activities capital assets	\$ 496,267,164	71,153,364	(22,212,048)	545,208,480

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	\$ 18,775,454
Water	3,236,330
Sanitary sewer	2,734,074
Events center	1,891,143
Total business-type activities depreciation expense	<u>\$ 26,637,001</u>

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, 2014 the difference for Power and Light is \$643,382 and the difference for Water is \$49,995.

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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 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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
Loans and notes payable:					
Loans payable	\$ 4,785,000	—	1,390,000	3,395,000	1,450,000
TIF loans	170,925,000	6,885,000	12,690,000	165,120,000	6,130,000
Capital lease obligations	1,407,347	96,126	277,059	1,226,414	183,853
Neighborhood Improvement District (NID)	529,000	—	75,000	454,000	75,000
Premium (discount), net	(1,054,980)	74,056	(146,706)	(834,218)	24,254
Total loans and note payable	<u>176,591,367</u>	<u>7,055,182</u>	<u>14,285,353</u>	<u>169,361,196</u>	<u>7,863,107</u>
Other liabilities:					
Compensated absences	15,405,146	5,780,182	5,634,703	15,550,625	6,370,343
Other post-employment benefits	42,078,920	7,823,109	—	49,902,029	—
Net pension obligation	4,476,874	971,677	—	5,448,551	—
TIF developer obligations	26,142,384	2,207,831	61,992	28,288,223	119,854
Total other liabilities	<u>88,103,324</u>	<u>16,782,799</u>	<u>5,696,695</u>	<u>99,189,428</u>	<u>6,490,197</u>
Total Governmental Activities	<u>\$ 264,694,691</u>	<u>23,837,981</u>	<u>19,982,048</u>	<u>268,550,624</u>	<u>14,353,304</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

The following is a summary of changes in long-term debt of the Proprietary Funds for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	\$ 131,655,000	—	5,015,000	126,640,000	3,265,000
Premium on bonds payable	5,068,787	—	211,354	4,857,433	—
Total revenue bonds	136,723,787	—	5,226,354	131,497,433	3,265,000
Compensated absences	5,627,256	2,698,467	2,601,729	5,723,994	1,904,353
Other post-employment benefits	11,325,836	2,239,013	—	13,564,849	—
Net pension obligation	1,818,631	453,307	—	2,271,938	—
Total Power and Light Fund	155,495,510	5,390,787	7,828,083	153,058,214	5,169,353
Water Fund:					
Revenue bonds	40,065,000	38,220,000	40,065,000	38,220,000	4,230,000
Premium on bonds payable	393,714	878,503	425,910	846,307	—
Total revenue bonds	40,458,714	39,098,503	40,490,910	39,066,307	4,230,000
Compensated absences	1,457,342	506,070	552,046	1,411,366	441,677
Other post-employment benefits	4,645,647	760,205	—	5,405,852	—
Net pension obligation	459,144	96,064	—	555,208	—
Total Water Fund	47,020,847	40,460,842	41,042,956	46,438,733	4,671,677
Sanitary Sewer Fund:					
Revenue Bonds	37,035,000	4,380,000	745,000	80,090,000	1,015,000
Premium on bonds payable	990,483	25,977	34,894	981,566	—
Total revenue bonds	38,025,483	4,405,977	779,894	81,071,566	1,015,000
Compensated absences	932,745	419,397	497,777	854,365	286,290
Other post-employment benefits	3,676,548	640,737	—	4,317,285	—
Net pension obligation	313,247	69,624	—	382,871	—
Total Sanitary Sewer Fund	42,948,023	5,535,735	1,277,671	86,626,087	1,301,290
Events Center Fund:					
Revenue bonds	91,985,000	—	710,000	91,275,000	720,000
Premium on bonds payable	164,687	—	6,654	158,033	—
Discount on bonds payable	(286,835)	—	(11,589)	(275,246)	—
Total Events Center Fund	91,862,852	—	705,065	91,157,787	720,000
Total business-type activities	\$ 337,327,232	51,387,364	50,853,775	377,280,821	11,862,320

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Debt service requirements on long-term debt with schedules maturities at June 30, 2014 are as follows:

Governmental Activities									
Loans Payable			NID Payable		TIF Loans		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 1,450,000	139,856	75,000	23,987	6,130,000	7,990,942	7,655,000	8,154,785	
2016	460,000	69,694	80,000	20,212	7,280,000	7,783,811	7,820,000	7,873,717	
2017	475,000	52,153	81,000	15,999	9,865,000	7,472,559	10,421,000	7,540,711	
2018	495,000	32,741	86,000	11,732	10,075,000	7,015,127	10,656,000	7,059,600	
2019	515,000	11,266	91,000	7,202	10,735,000	6,525,183	11,341,000	6,543,651	
2020 - 2024	—	—	41,000	7,873	59,705,000	23,687,980	59,746,000	23,695,853	
2025 - 2029	—	—	—	—	61,330,000	8,732,685	61,330,000	8,732,685	
	\$ 3,395,000	305,710	454,000	87,005	165,120,000	69,208,287	168,969,000	69,601,002	

Business-type Activities										
Power and Light			Water		Sewer		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,265,000	5,670,557	4,230,000	1,281,338	1,015,000	3,601,306	720,000	4,143,288	9,230,000	14,696,489
2016	3,395,000	5,539,957	4,260,000	1,206,338	1,285,000	3,570,556	730,000	4,119,116	9,670,000	14,435,967
2017	3,530,000	5,404,157	3,275,000	1,114,613	1,480,000	3,531,581	830,000	4,094,094	9,115,000	14,144,445
2018	3,685,000	5,246,707	1,480,000	1,043,288	1,720,000	3,483,581	965,000	4,063,931	7,850,000	13,837,507
2019	3,850,000	5,082,257	1,530,000	998,138	1,770,000	3,431,231	1,055,000	4,022,981	8,205,000	13,534,607
2020 - 2024	22,220,000	22,650,233	8,565,000	4,053,563	9,855,000	16,164,684	7,695,000	19,287,406	48,335,000	62,155,886
2025 - 2029	25,640,000	17,818,270	10,620,000	2,047,919	12,025,000	13,998,775	14,210,000	17,349,738	62,495,000	51,214,702
2030 - 2034	31,900,000	11,569,301	4,260,000	90,525	14,930,000	11,089,663	28,135,000	12,940,563	79,225,000	35,690,052
2035 - 2039	29,155,000	3,061,425	—	—	19,105,000	6,912,331	36,935,000	4,838,163	85,195,000	14,811,919
2040 - 2043	—	—	—	—	16,905,000	1,631,925	—	—	16,905,000	1,631,925
	\$ 126,640,000	82,042,864	38,220,000	11,835,722	80,090,000	67,415,633	91,275,000	74,859,280	336,225,000	236,153,499

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(a) Governmental activities

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

Governmental activities loans payable at June 30, 2014 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%.	\$	1,010,000
\$4,020,000 Series 2009 (Streets Projects) annual installments of \$395,000 to \$515,000 through 2018; interest at 3.50% to 4.375%.		2,385,000
Total Governmental Activities Loans Payable	\$	<u><u>3,395,000</u></u>

(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, 2014 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%	\$	385,000
\$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%		69,000
Total Neighborhood Improvement District	\$	<u><u>454,000</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(3) *Capital Lease Obligations*

Capital leases payable at June 30, 2014 are comprised of the following:

Missouri Development Finance Board (IBM computer) monthly installments of \$2,868 to \$3,111 through 2016; interest at 2.04%	\$	55,201
Motorola Solutions (radio equipment) semi-annual installments of \$56,700 to \$78,539 through 2022; interest at 3.4593%		1,108,416
John Deere Financial (mowers) annual installments of \$30,771 to \$33,330 through 2016; interest at 4.00%		62,797
Total Capital Lease Obligations	\$	<u><u>1,226,414</u></u>

The net book value of assets acquired under the capital leases described above amounted to \$1,389,908 as of June 30, 2014.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year ending June 30:		
2015	\$	229,680
2016		211,824
2017		159,794
2018		159,794
2019		159,794
2020 - 2022		<u>479,383</u>
		1,400,269
Less imputed interest		<u>(173,855)</u>
Present value of minimum lease payments	\$	<u><u>1,226,414</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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 \$234 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 paid \$710,679 from the General Fund, \$351,083 from the Storm Water Sales Tax Fund, \$226,052 from the Power & Light Fund, \$195,912 from the Water Fund, \$248,658 from the Sewer Fund, and \$75,000 from the Crackerneck Transportation Development District in debt service payments for the Crackerneck Creek development. The City has appropriated \$419,716 from the General Fund, \$722,565 from the Storm Water Sales Tax Fund, \$83,642 from the Power & Light Fund, \$72,490 from the Water Fund, and \$92,006 from the Sewer Fund for the Crackerneck Creek development debt service payments due in fiscal year 2014-15.

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, 2014, total principal and interest remaining on the loans was \$234 million and the outstanding developer obligations was \$28.3 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 \$14.4 million. Incremental revenues from the City included \$3.1 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Missouri Development Finance Board Loans Payable

\$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$90,000 through 2020; interest at 3.00% to 4.50%	\$ 490,000
\$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%	865,000
\$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%	4,110,000
\$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%	10,975,000
\$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%	5,785,000
\$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%	7,015,000
\$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%	470,000
\$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%	16,600,000
\$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,000 through 2017; interest at 4.30% to 5.70%	1,205,000
\$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,000 through 2025; interest at 4.00% to 5.125%	7,920,000
\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%	6,450,000
\$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%	1,050,000

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

\$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%	5,605,000
\$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%	215,000
\$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%	10,895,000
\$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%	3,330,000
\$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
\$4,855,000 Series 2014 A (Eastland Center TIF) annual installments of \$500,000 to \$1,095,000 through 2022; interest at 3.000%	4,855,000
\$2,030,000 Series 2014 B (HCA - Centerpoint TIF) annual installments of \$105,000 to \$495,000 through 2027; interest at 2.000% to 4.000%	2,030,000
Total TIF Loans Payable	\$ <u>165,120,000</u>

Restricted assets held by the Commission of \$19,041,460 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 May 22, 2014, the City entered into a loan payable through the Missouri Development Finance Board of \$4,855,000 with an interest rate of 3.00%, to refund \$2,395,000 of the outstanding 2009 B and \$2,550,000 of the outstanding 2009 J Eastland Project TIF loan payables, with interest rates ranging from 4.00% to 5.500%. The acquisition of the new refunding loan carried a premium of \$83,493 and resulted in a deferred charge on refunding of \$293,606. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by \$384,228 which resulted in an economic gain of \$347,249.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

On May 22, 2014, the City entered into a loan payable through the Missouri Development Finance Board of \$2,030,000 with interest rates ranging from 2.00% to 4.00%, to refund \$1,965,000 of the outstanding 2009 HCA Centerpoint Project TIF loan payable, with interest rates ranging from 4.125% to 5.000%. The acquisition of the new refunding loan carried a discount of \$9,437 and resulted in a deferred charge on refunding of \$41,003. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by \$98,274 which resulted in an economic gain of \$81,762.

(2) Tax Increment Financing Prior Year Defeasance of Debt

In prior years, the City defeased certain loans payable with the Missouri Development Finance Board by placing the proceeds of refunding TIF loans in an irrevocable trust to provide for all future debt service payments on the old loans. Accordingly, the trust account assets and the liability for the defeased loans are not included in the City's financial statements. At June 30, 2014, \$6,555,000 of loans payable are considered defeased.

(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.

CITY OF INDEPENDENCE, MISSOURI

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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
2014	1,000,000
2015	1,000,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
2019 - 2023	5,000,000
2024 - 2026	3,000,000
Total	\$ 13,000,000

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2014 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%	\$ 20,675,000
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\$55,185,000 Series 2012 A annual installments of \$150,000 to \$11,900,000 through 2037; interest at 2.00% to 5.00%	53,765,000
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\$52,525,000 Series 2012 F annual installments of \$140,000 to \$3,630,000 through 2037; interest at 3.00% to 4.00%	52,200,000
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Total Power and Light fund	<u>126,640,000</u>
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Water Fund:

\$36,240,000 Series 2013 D annual installments of \$1,480,000 to \$4,260,000 through 2029; interest at 2.00% to 5.00%	36,240,000
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\$1,980,000 Series 2013 E one annual installment of \$1,980,000 through 2014; interest at 1.00%	1,980,000
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Total Water Fund	<u>38,220,000</u>
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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%	36,290,000
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\$43,800,000 Series 2013 C annual installments of \$250,000 to \$2,855,000 through 2042; interest at 2.00% to 5.25%	43,800,000
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Total Sanitary Sewer fund	<u>80,090,000</u>
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Events Center Fund:

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75%	11,320,000
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\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50%	11,470,000
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\$68,945,000 Series 2012 C annual installments of \$105,000 to \$12,540,000 through 2038; interest at 2.00% to 4.00%	68,485,000
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Total Events Center Fund	<u>91,275,000</u>
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Total revenue bonds	<u>\$ 336,225,000</u>
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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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:

Account	Enterprise Funds			
	Power and Light	Water	Sanitary Sewer	Events Center
Principal and interest	\$ 12,693,837	—	—	337,237
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	3,207,281	3,633,048	13,488,035	6,972,590
Total revenue bond reserves	15,901,118	4,133,048	13,488,035	7,309,827
Customer deposits	2,079,463	584,466	500,847	—
Purchase of Dogwood Plant	61,500	—	—	—
Southwest Power Pool collateral	831,040	—	—	—
Total	\$ 18,873,121	4,717,514	13,988,882	7,309,827

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 November 4, 2013, the City issued revenue bonds through the Missouri Development Finance Board of \$38,220,000 with interest rates ranging from 2.00% to 5.00%, to provide funding to advance refund \$17,520,000, \$9,705,000 and \$9,445,000 of the outstanding Water revenue bonds, with interest rates ranging from 3.00% to 5.75%. The acquisition of the new refunding bonds carried a premium of \$878,503 and resulted in a deferred charge on refunding of \$1,436,376. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by \$2,149,451 which resulted in an economic gain of \$1,474,981.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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, 2014 is as follows:

Date Issued	Description	Purpose of Debt	Revenue Pledged	Term of Commitment	Principal & Interest Remaining	Principal & Interest 2013-2014	Net Available Revenues 2013-2014
11/2010	Power and Light Leasehold Revenue Bonds	Electric System Projects	Appropriated Revenues	through 2035	31,963,726	5,201,787	
03/2012	Power and Light Revenue Bonds	Electric System - Dogwood	Appropriated Revenues	through 2037	100,983,487	3,447,219	
12/2012	Power and Light Leasehold Revenue Bonds - Refunding	Electric System Projects	Appropriated Revenues	through 2037	\$ 75,735,651	2,219,300	
					<u>208,682,864</u>	<u>10,868,306</u>	<u>33,434,107</u>
06/2004	Water Revenue Bonds	Water System Improvements	Appropriated Revenues	through 2025	\$ -	915,298	
03/2009	Water Revenue Bonds	Water System Improvements	Appropriated Revenues	through 2030	-	475,931	
10/2009	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2017	-	2,978,600	
11/2013	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2029	48,065,822	481,632	
11/2013	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2014	\$ 1,989,900	7,370	
					<u>50,055,722</u>	<u>4,858,831</u>	<u>12,518,197</u>
08/2012	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2041	63,747,464	2,277,081	
09/2013	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2042	83,758,169	1,207,931	
					<u>147,505,633</u>	<u>3,485,012</u>	<u>7,199,358</u>

(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, 2014, District revenues paid to the City for debt service totaled \$5,263,703. The remaining debt service amounts of \$1,007 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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, 2014, were \$110,105.

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, 2014, were \$104,822.

(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 12.3% (General), 13.5% (Police), and 14.1% (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, 2014, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$223,456,945. The actuarial value of assets was \$125,226,912 which results in an unfunded accrued liability (UAL) of \$98,230,033 and a funded ratio of 56%. The covered payroll (annual payroll of active employees covered by the plan) was \$69,463,809 which results in a ratio of the UAL to the covered payroll of 141%.

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, 2014, which is the effective date of the current LAGERS actuarial valuation, is 921. There have been no significant changes in the number of covered participants since that date.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

Annual Pension Cost & Net Pension Obligation

The City's annual pension cost and net pension obligation as of June 30, 2014 are as follows:

Annual required contribution	\$ 10,195,713
Interest on net pension obligation	512,422
Adjustment to annual required contribution	(389,933)
Annual pension cost	<u>10,318,202</u>
Actual contributions	<u>8,727,530</u>
Increase in net pension obligation	<u>1,590,672</u>
Beginning net pension obligation	<u>7,067,896</u>
Ending net pension obligation	<u>\$ 8,658,568</u>

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, 2014 is as follows:

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Fiscal year ending:			
June 30, 2012	\$ 9,092,429	% 79.9	\$ 5,123,666
June 30, 2013	9,905,910	80.4	7,067,896
June 30, 2014	10,318,202	84.6	8,658,568

For 2014, the City's annual pension cost of \$10,318,202 was not equal to the required and actual contribution which resulted in an increase to the net pension obligation of \$1,590,672 resulting in an ending net pension obligation balance of \$8,658,568. The required contribution was determined as part of the February 29, 2012 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

CITY OF INDEPENDENCE, MISSOURI

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- (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2012 was 30 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2014, 2013, and 2012.

(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, 2013, 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	972
Retirees & covered spouses of retirees	<u>994</u>
Total Participants	1,966

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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	\$	19,537,378
Interest on net OPEB obligation		2,137,448
Adjustment to annual required contribution		(2,495,613)
Annual OPEB cost (expense)		<u>19,179,213</u>
Less: Employer contributions		(7,716,149)
Increase in net OPEB obligation		<u>11,463,064</u>
Net OPEB obligation – July 1, 2013		<u>61,726,951</u>
Net OPEB obligation – June 30, 2014	\$	<u><u>73,190,015</u></u>

The City's annual OPEB cost, the percentage of annual OPEB costs estimated to be contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2014 is as follows:

		Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
Fiscal year ending:						
June 30, 2012	\$	19,325,765	%	34.22	\$	49,055,349
June 30, 2013		19,284,602		34.29		61,726,951
June 30, 2014		19,179,213		40.23		73,190,015

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Funded Status and Funding Progress

As of January 1, 2013, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is \$263.5 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 \$59.9 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 440 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, 2013 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 3.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United States agencies securities), were considered in the selection of the 3.5 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 7.00 percent for the first year and then declining by one half of one percent (0.25%) per year until 5.00 percent is reached. The 5.00 percent growth is used on a go-forward basis. The actuarial assumptions include a 3.00 percent rate for general inflation and a 2.00 percent rate for aggregate payroll growth. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

(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 \$27,271,636 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately \$17,784,572. 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.

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Notes to Financial Statements

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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	
		2013	2014	2013	2014
Beginning of year	\$	2,681,196	4,165,807	2,257,468	2,349,929
Current year claims and changes in estimates		3,128,458	1,738,578	24,976,934	24,995,550
Claims payments		(1,643,847)	(1,707,138)	(24,884,473)	(25,161,920)
End of year	\$	4,165,807	4,197,247	2,349,929	2,183,559

(12) Commitments

Construction Commitments

At June 30, 2014, the City had commitments of approximately \$17.8 million to complete construction contracts. Of this amount, \$12.7 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 \$162,000,000 through the year 2049. During fiscal year 2014, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately \$18,000,000 for 437,592 megawatt-hours of wholesale energy. For fiscal year 2015, the projected costs under the agreement are estimated to be approximately \$18,300,000.

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 53 megawatts) of MJMEUC's 106 MW ownership share of the nominal 875 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

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June 30, 2014

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 \$236,000,000 through the year 2039. During fiscal year 2014, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately \$21,200,000 for 335,874 megawatt-hours of wholesale energy. For fiscal year 2015, the projected costs under the agreement are estimated to be approximately \$21,000,000.

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 2014, the cost of the energy purchases including transmission costs was approximately \$3,000,000 for 58,709 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, 2014 were \$169,843 and depreciation expense for fiscal year end June 30, 2014 was \$1,404,718.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2014

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 \$228,054 in the Street Improvements Fund, \$4,984,064 in the Parks Sales Tax Fund, \$16,155 in the Storm Drainage Fund, \$1,150,671 in the Staywell Health Care Fund, \$1,501,487 in the Workers' Compensation Fund, \$8,919,660 in the Events Center Fund, \$826,751 in the Santa Fe TIF project; \$7,654 in the 23rd & Noland TIF project 2, \$75,745 in the Independence Square TIF project and \$28,820 in the Little Blue Parkway project 1 will be eliminated by future revenues or transfers.

(14) Special Item

During fiscal year 2014, the City was awarded a litigation settlement resulting from significant damage that occurred in fiscal year 2006 to a Power and Light RCT generating unit.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

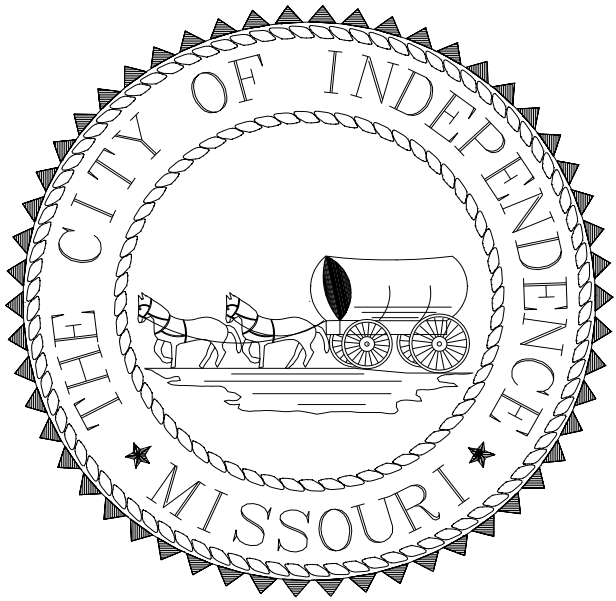
June 30, 2014

(15) Fund Balance

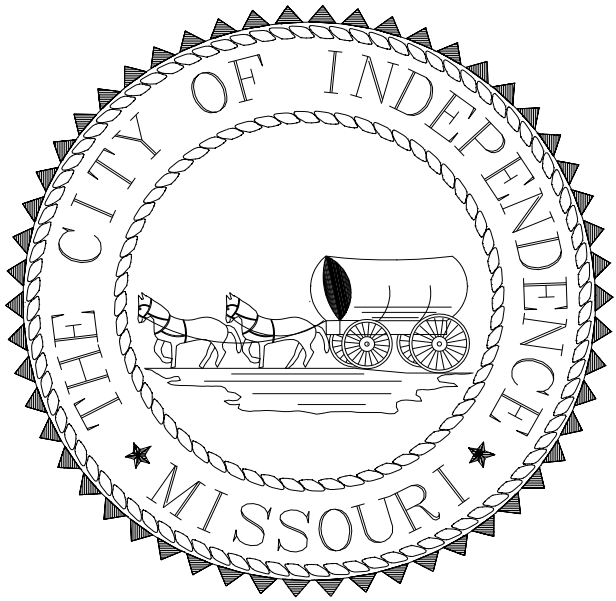
Fund balances at year-end are as follows:

	Governmental Funds			
	General	TIF Debt Service	Nonmajor	Total
Fund balances:				
Nonspendable for:				
Prepaid items	\$ 14,141	—	—	14,141
Total fund balances nonspendable	14,141	—	—	14,141
Restricted for:				
Protested revenues	29,027	—	—	29,027
Police equipment	373,872	—	—	373,872
Tourism	—	—	585,689	585,689
Independence square benefit district	—	—	30,842	30,842
Grants	—	—	1,330	1,330
License surcharge	—	—	994,568	994,568
Street sales tax	—	—	3,716,655	3,716,655
Storm water sales tax	—	—	8,358,432	8,358,432
Police sales tax	—	—	2,356,260	2,356,260
Fire sales tax	—	—	896,496	896,496
Debt service fund	—	—	84,667	84,667
TIF debt service	—	27,654,533	—	27,654,533
Total fund balances restricted	402,899	27,654,533	17,024,939	45,082,371
Committed for:				
Domestic violence	14,474	—	—	14,474
Capital projects	46,080	—	204,117	250,197
Strategic goals	265,278	—	—	265,278
Vandalism reward	3,000	—	—	3,000
Economic development	108,251	—	—	108,251
Total fund balances committed	437,083	—	204,117	641,200
Assigned for:				
Encumbrances:				
Professional services	150,042	—	—	150,042
Capital outlay/equipment	122,086	—	—	122,086
Supplies	40,564	—	—	40,564
Maintenance	36,610	—	—	36,610
Communication services	27,460	—	—	27,460
Miscellaneous	21,521	—	—	21,521
Total fund balances assigned	398,283	—	—	398,283
Unassigned	3,591,990	(938,970)	(5,228,273)	(2,575,253)
Total fund balance	\$ 4,844,396	26,715,563	12,000,783	43,560,742

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 \$505,811 and Non-major Funds \$7,182,970.



**Required
Supplementary
Information**



CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2014

(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 2013-2014 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for most funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Improvements Sales Tax , Storm Water Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax, and Grant Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budget Basis)	with Final Budget
Revenues:				
Taxes	\$ 35,815,078	35,815,078	34,855,329	(959,749)
Licenses and permits	3,259,145	3,259,145	3,273,979	14,834
State and county shared revenue	5,209,832	5,209,832	5,157,129	(52,703)
Charges for current services	1,957,418	1,962,262	1,940,920	(21,342)
Interfund charges for support services	4,072,304	4,072,304	3,987,029	(85,275)
Fines and forfeitures	4,864,348	4,864,348	4,790,383	(73,965)
Other revenue	556,285	600,986	665,327	64,341
Total revenues	55,734,410	55,783,955	54,670,096	(1,113,859)
Other financing sources:				
Payments in lieu of taxes	18,423,580	18,423,580	18,144,063	(279,517)
Total other financing sources	18,423,580	18,423,580	18,144,063	(279,517)
Special items:				
Litigation settlement	—	—	2,203,430	2,203,430
Total special items	—	—	2,203,430	2,203,430
Total revenues, other financing sources and special items	74,157,990	74,207,535	75,017,589	810,054
Expenditures:				
City Council	416,575	443,256	443,252	4
City Clerk	410,342	416,984	416,859	125
City Manager	852,378	862,924	862,627	297
National Frontier Trails Museum	334,312	340,710	312,593	28,117
Technology services	1,632,191	1,659,863	1,627,925	31,938
Municipal court	826,997	843,711	793,317	50,394
Law	669,855	679,643	677,186	2,457
Finance	1,891,244	2,026,669	2,026,664	5
Human resources	385,091	441,117	429,740	11,377
Community development	2,695,888	3,086,604	3,086,604	—
Police	26,422,081	26,715,978	26,407,530	308,448
Fire	16,440,900	16,645,755	16,643,899	1,856
Health	2,603,548	2,646,920	2,554,644	92,276
Public works	5,831,146	5,884,827	5,550,244	334,583
Parks and recreation	1,597,731	1,616,775	1,494,014	122,761
General government	8,228,443	7,579,694	7,525,446	54,248
City Council strategic goals	250,000	428,996	265,502	163,494
Capital outlay	374,848	374,848	272,979	101,869
Total expenditures	71,863,570	72,695,274	71,391,025	1,304,249
Other financing uses:				
Payments to component unit	710,679	710,679	710,679	—
Transfers out	10,000	10,000	10,000	—
Total expenditures and other financing uses	72,584,249	73,415,953	72,111,704	1,304,249
Excess of revenue and other financing sources over (under) expenditures and other financing uses	\$ 1,573,741	791,582	2,905,885	2,114,303
Unassigned fund balance at beginning of year			600,662	
Cancellation of prior year encumbrances			128,426	
Change in other fund balance components during the year			(42,983)	
Unassigned fund balance at end of year			\$ 3,591,990	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2014

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds does not include encumbrances outstanding at year-end as expenditures because encumbrances are reported as reservations of fund balances in accordance with GAAP for the modified accrual basis of accounting. Adjustments necessary to convert the results of operations under the modified accrual basis to the budget basis are included as reconciling items on the following budget-basis statement:

	General Fund
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 75,017,589
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 75,017,589</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 71,391,025
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget	(448,820)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	384,364
	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	<u>\$ 71,326,569</u>

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 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%
February 28, 2014	125,226,912	223,456,945	98,230,033	56%	69,463,809	141%

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.

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, 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%
January 1, 2013	—	263,513,494	263,513,494	0%	59,861,860	440%

CITY OF INDEPENDENCE, MISSOURI

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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.

CITY OF INDEPENDENCE, MISSOURI

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.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 9,189,795	82,856	—	9,272,651
Receivables:				
Taxes	3,742,424	—	—	3,742,424
Accounts	25,906	—	—	25,906
Special assessment principal and accrued interest	—	461,180	559,128	1,020,308
Due from other funds	5,478,181	—	—	5,478,181
Due from other governments	538,856	1,273,042	—	1,811,898
Restricted assets	—	134,258	94,000	228,258
Total assets	<u>\$ 18,975,162</u>	<u>1,951,336</u>	<u>653,128</u>	<u>21,579,626</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 938,425	158,075	—	1,096,500
Due to other funds	5,467,420	1,372,173	9,333	6,848,926
Accrued items	157,990	—	—	157,990
Other current liabilities	2,309	—	—	2,309
Unearned revenue	452,810	—	—	452,810
Total liabilities	<u>7,018,954</u>	<u>1,530,248</u>	<u>9,333</u>	<u>8,558,535</u>
Deferred inflows of resources:				
Unavailable revenue - special assessments	—	461,180	559,128	1,020,308
Total deferred inflows of resources	<u>—</u>	<u>461,180</u>	<u>559,128</u>	<u>1,020,308</u>
Fund balances:				
Restricted	16,940,272	—	84,667	17,024,939
Committed	—	204,117	—	204,117
Unassigned	(4,984,064)	(244,209)	—	(5,228,273)
Total fund balances	<u>11,956,208</u>	<u>(40,092)</u>	<u>84,667</u>	<u>12,000,783</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,975,162</u>	<u>1,951,336</u>	<u>653,128</u>	<u>21,579,626</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 21,042,734	—	—	21,042,734
Licenses and permits	190,652	—	—	190,652
Intergovernmental	5,245,462	3,269,939	—	8,515,401
Charges for services	635,600	9,047	114,246	758,893
Investment income	6,465	280	1,068	7,813
Other	743,561	52,120	—	795,681
Total revenues	27,864,474	3,331,386	115,314	31,311,174
Expenditures:				
Current:				
Administrative services	16,190	—	—	16,190
Public safety	6,135,857	—	—	6,135,857
Public works	299,628	—	—	299,628
Health and welfare	777,709	—	—	777,709
Culture and recreation	4,261,904	—	—	4,261,904
Community development	2,980,621	—	—	2,980,621
Storm water	1,686,782	—	—	1,686,782
General government	18,075	—	987	19,062
Capital outlay	7,535,733	4,467,078	—	12,002,811
Debt service:				
Principal	1,488,051	—	75,000	1,563,051
Interest and fiscal agent fees	215,724	—	28,065	243,789
Total expenditures	25,416,274	4,467,078	104,052	29,987,404
Excess (deficiency) of revenues over expenditures	2,448,200	(1,135,692)	11,262	1,323,770
Other financing sources (uses):				
Proceeds from capital leases/bond issuance	96,126	—	—	96,126
Transfers in	—	897,947	—	897,947
Transfers out	(1,244,095)	—	—	(1,244,095)
Total other financing sources (uses)	(1,147,969)	897,947	—	(250,022)
Net change in fund balances	1,300,231	(237,745)	11,262	1,073,748
Fund balances, beginning	10,655,977	197,653	73,405	10,927,035
Fund balances, ending	\$ 11,956,208	(40,092)	84,667	12,000,783

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2014

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	\$ 424,829	23,655	11,669	—	7,717,386	994,568	17,688	9,189,795
Receivables:								
Taxes	165,000	7,187	—	—	3,570,237	—	—	3,742,424
Accounts	1,525	—	—	—	—	—	24,381	25,906
Due from other funds	—	—	—	—	5,478,181	—	—	5,478,181
Due from other governments	49,000	—	15,465	5,997	—	—	468,394	538,856
Total assets	<u>\$ 640,354</u>	<u>30,842</u>	<u>27,134</u>	<u>5,997</u>	<u>16,765,804</u>	<u>994,568</u>	<u>510,463</u>	<u>18,975,162</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	\$ 35,578	—	15,441	—	847,360	—	40,046	938,425
Due to other funds	—	—	—	5,394	5,462,026	—	—	5,467,420
Accrued items	17,993	—	10,370	—	112,020	—	17,607	157,990
Other current liabilities	1,094	—	—	596	619	—	—	2,309
Unearned revenue	—	—	—	—	—	—	452,810	452,810
Total liabilities	<u>54,665</u>	<u>—</u>	<u>25,811</u>	<u>5,990</u>	<u>6,422,025</u>	<u>—</u>	<u>510,463</u>	<u>7,018,954</u>
Fund balances:								
Restricted	585,689	30,842	1,323	7	15,327,843	994,568	—	16,940,272
Unassigned	—	—	—	—	(4,984,064)	—	—	(4,984,064)
Total fund balances	<u>585,689</u>	<u>30,842</u>	<u>1,323</u>	<u>7</u>	<u>10,343,779</u>	<u>994,568</u>	<u>—</u>	<u>11,956,208</u>
Total liabilities and fund balances	<u>\$ 640,354</u>	<u>30,842</u>	<u>27,134</u>	<u>5,997</u>	<u>16,765,804</u>	<u>994,568</u>	<u>510,463</u>	<u>18,975,162</u>

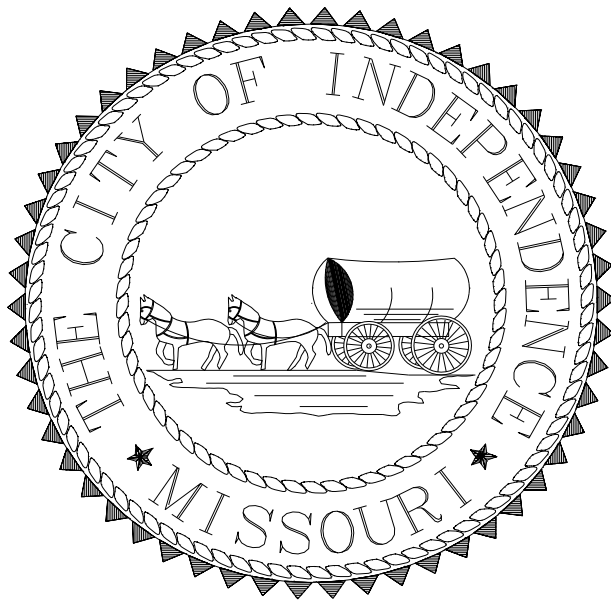
CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2014

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	\$ 1,468,758	23,834	—	—	19,550,142	—	—	21,042,734
Licenses and permits	—	—	—	—	—	190,652	—	190,652
Intergovernmental	58,300	—	540,579	707,436	—	—	3,939,147	5,245,462
Charges for services	—	—	—	—	402,723	—	232,877	635,600
Investment income	208	268	—	—	5,400	589	—	6,465
Other	5,915	—	—	—	197,202	—	540,444	743,561
Total revenues	1,533,181	24,102	540,579	707,436	20,155,467	191,241	4,712,468	27,864,474
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	16,190	16,190
Public safety	—	—	—	—	4,381,410	—	1,754,447	6,135,857
Public Works	—	—	—	—	299,628	—	—	299,628
Health and welfare	—	—	—	—	—	—	777,709	777,709
Culture and recreation	1,455,328	—	—	—	2,375,060	—	431,516	4,261,904
Community development	—	—	540,579	707,436	—	—	1,732,606	2,980,621
Storm water	—	—	—	—	1,686,782	—	—	1,686,782
General government	—	—	—	—	18,075	—	—	18,075
Capital outlay	—	381	—	—	7,535,352	—	—	7,535,733
Debt service:								
Principal	—	—	—	—	1,488,051	—	—	1,488,051
Interest and fiscal agent fees	—	—	—	—	215,724	—	—	215,724
Total expenditures	1,455,328	381	540,579	707,436	18,000,082	—	4,712,468	25,416,274
Excess (deficiency) of revenues over expenditures	77,853	23,721	—	—	2,155,385	191,241	—	2,448,200
Other financing sources (uses):								
Proceeds from bond issuance	—	—	—	—	96,126	—	—	96,126
Transfers out	(286,963)	—	—	—	(417,577)	(539,555)	—	(1,244,095)
Total other financing sources (uses)	(286,963)	—	—	—	(321,451)	(539,555)	—	(1,147,969)
Net change in fund balances	(209,110)	23,721	—	—	1,833,934	(348,314)	—	1,300,231
Fund balances, beginning	794,799	7,121	1,323	7	8,509,845	1,342,882	—	10,655,977
Fund balances, ending	\$ 585,689	30,842	1,323	7	10,343,779	994,568	—	11,956,208



CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Transient guest taxes	\$ 1,200,000	1,200,000	1,468,758	268,758
Interest	700	700	208	(492)
Grants – federal, state, and local	100,000	100,000	58,300	(41,700)
Other revenue	500	500	5,915	5,415
Total revenues	1,301,200	1,301,200	1,533,181	231,981
Expenditures:				
Tourism	1,298,159	1,503,100	1,482,763	20,337
Total expenditures	1,298,159	1,503,100	1,482,763	20,337
Other financing uses – transfers out	—	—	286,963	(286,963)
Total other financing uses	—	—	286,963	(286,963)
Total expenditures and other uses	1,298,159	1,503,100	1,769,726	(266,626)
Excess of revenues over (under) expenditures	\$ 3,041	(201,900)	(236,545)	498,607
Restricted fund balance at beginning of year			794,799	
Cancellation of prior year encumbrances			11,525	
Increase (Decrease) in Prior Year Encumbrances			15,910	
Restricted fund balance at end of year			\$ 585,689	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2014

	<u>Tourism Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,533,181
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,533,181</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,482,763
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(93,471)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>66,036</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,455,328</u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Community Development Block Grant Fund
 Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Federal grant - CDBG	\$ 578,000	578,000	540,579	(37,421)
Total revenues	<u>578,000</u>	<u>578,000</u>	<u>540,579</u>	<u>(37,421)</u>
Expenditures:				
CDBG administration	157,633	157,768	86,885	70,883
CDBG expenditures	420,367	965,123	587,415	377,708
Commercial facade program	—	75,165	—	75,165
Total expenditures	<u>578,000</u>	<u>1,198,056</u>	<u>674,300</u>	<u>523,756</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>—</u>	<u>(620,056)</u>	<u>(133,721)</u>	<u>486,335</u>
Restricted fund balance at beginning of year			1,323	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			133,721	
Restricted fund balance at end of year			\$ <u>1,323</u>	

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

Exhibit 17.1**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Community Development Block Grant Fund

Year ended June 30, 2014

	<u>Community Development Block Grant</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 540,579
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 540,579</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 674,300
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(133,721)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 540,579</u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Rental Rehabilitation

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget Basis)	
Revenues:				
HOME program grant	\$ 300,000	300,000	707,436	407,436
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>707,436</u>	<u>407,436</u>
Expenditures:				
HOME administration	30,000	32,239	1,022	31,217
Multi family housing	225,000	694,870	694,869	1
Community housing development	45,000	164,250	161,932	2,318
Total expenditures	<u>300,000</u>	<u>891,359</u>	<u>857,823</u>	<u>33,536</u>
Excess of revenues over (under) expenditures	\$ <u>—</u>	<u>(591,359)</u>	(150,387)	<u>440,972</u>
Restricted fund balance at beginning of year			7	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			150,387	
Restricted fund balance at end of year			\$ <u><u>7</u></u>	

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2014

	<u>Rental Rehabilitation</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 707,436
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>707,436</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 857,823
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(150,387)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>707,436</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Street Improvements Sales Tax Fund
 Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 7,839,896	7,839,896	7,767,525	(72,371)
Interest	1,000	1,000	781	(219)
Other revenue	—	—	50,000	50,000
Total revenues	<u>7,840,896</u>	<u>7,840,896</u>	<u>7,818,306</u>	<u>(22,590)</u>
Expenditures:				
General Government	13,200	13,200	12,049	1,151
Street maintenance	300,428	300,428	300,416	12
Capital outlay	7,090,000	9,184,208	6,475,965	2,708,243
Debt service	531,069	531,069	530,569	500
Total expenditures	<u>7,934,697</u>	<u>10,028,905</u>	<u>7,318,999</u>	<u>2,709,906</u>
Other financing uses:				
Transfers out	—	—	66,494	(66,494)
Total other financing uses	<u>—</u>	<u>—</u>	<u>66,494</u>	<u>(66,494)</u>
Total expenditures and other financing uses	<u>7,934,697</u>	<u>10,028,905</u>	<u>7,385,493</u>	<u>2,643,412</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>(93,801)</u>	<u>(2,188,009)</u>	<u>432,813</u>	<u>2,620,822</u>
Restricted fund balance at beginning of year			2,846,198	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			437,644	
Restricted fund balance at end of year			\$ <u><u>3,716,655</u></u>	

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

Exhibit 19.1**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2014

	<u>Streets Improvements Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 7,818,306
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 7,818,306</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 7,318,999
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(437,644)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,881,355</u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Park Improvements Sales Tax Fund
 Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 3,919,948	3,919,948	3,884,655	(35,293)
Public health and recreation	—	67,000	121,451	54,451
Adventure Oasis Water Park	480,000	480,000	284,910	(195,090)
Other revenue	106,000	39,000	(3,638)	(42,638)
Total revenues	<u>4,505,948</u>	<u>4,505,948</u>	<u>4,287,378</u>	<u>(218,570)</u>
Other financing sources:				
Proceeds from bond issuance/capital lease	—	—	96,126	96,126
Total other financing sources	<u>—</u>	<u>—</u>	<u>96,126</u>	<u>96,126</u>
Total revenues and other financing sources	<u>4,505,948</u>	<u>4,505,948</u>	<u>4,383,504</u>	<u>(122,444)</u>
Expenditures:				
Culture and recreation	2,543,193	2,543,193	2,440,528	102,665
General government	6,800	6,800	6,025	775
Capital outlay	750,000	1,168,211	488,626	679,585
Debt service	—	—	115,726	(115,726)
Total expenditures	<u>3,299,993</u>	<u>3,718,204</u>	<u>3,050,905</u>	<u>667,299</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>1,205,955</u>	<u>787,744</u>	1,332,599	<u>544,855</u>
Restricted fund balance (deficit) at beginning of year			(6,382,130)	
Cancellation of prior year encumbrances			2,474	
Increase (Decrease) in Prior Year Encumbrances			62,993	
Restricted fund balance (deficit) at end of year			\$ <u>(4,984,064)</u>	

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

Exhibit 20.1**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2014

	<u>Park Improvements Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,287,378
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,287,378</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,050,905
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(194,123)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>128,656</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,985,438</u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Storm Water Sales Tax Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 3,919,948	3,919,948	3,884,641	(35,307)
Interest	5,000	5,000	3,169	(1,831)
Other revenue	—	—	28,657	28,657
Total revenues	<u>3,924,948</u>	<u>3,924,948</u>	<u>3,916,467</u>	<u>(8,481)</u>
Expenditures:				
Storm water				
Administration	312,877	312,677	167,275	145,402
Maintenance	1,553,261	1,553,261	1,112,761	440,500
Permit completion	349,175	349,175	345,350	3,825
General government	6,800	7,000	6,025	975
Capital outlay	2,190,000	6,496,984	925,221	5,571,763
Total expenditures	<u>4,412,113</u>	<u>8,719,097</u>	<u>2,556,632</u>	<u>6,162,465</u>
Other financing uses:				
Transfers out	351,083	351,083	351,083	—
Total other financing uses	<u>351,083</u>	<u>351,083</u>	<u>351,083</u>	<u>—</u>
Total expenditures and other financing uses	<u>4,763,196</u>	<u>9,070,180</u>	<u>2,907,715</u>	<u>6,162,465</u>
Excess of revenues over (under) expenditures	\$ <u>(838,248)</u>	<u>(5,145,232)</u>	<u>1,008,752</u>	<u>6,153,984</u>
Restricted fund balance at beginning of year			7,405,051	
Cancellation of prior year encumbrances			52,568	
Increase (Decrease) in Prior Year Encumbrances			(107,939)	
Restricted fund balance at end of year			<u>\$ 8,358,432</u>	

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2014

	<u>Storm Water Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 3,916,467
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>3,916,467</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,556,632
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(108,313)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>163,684</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>2,612,003</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Police Public Safety Sales Tax Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 2,095,033	2,095,033	2,069,621	(25,412)
Investment income	1,650	1,650	845	(805)
Other revenue	—	—	103,633	103,633
Total revenues	<u>2,096,683</u>	<u>2,096,683</u>	<u>2,174,099</u>	<u>77,416</u>
Expenditures:				
Public safety				
Communications	295,951	291,180	262,996	28,184
Facilities	868,000	911,319	999,801	(88,482)
Equipment	1,210,488	1,215,170	1,154,869	60,301
Debt service	517,113	517,113	515,038	2,075
Total expenditures	<u>2,891,552</u>	<u>2,934,782</u>	<u>2,932,704</u>	<u>2,078</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>(794,869)</u>	<u>(838,099)</u>	(758,605)	<u>79,494</u>
Restricted fund balance at beginning of year			2,317,625	
Cancellation of prior year encumbrances			7,980	
Increase (Decrease) in Prior Year Encumbrances			789,260	
Restricted Fund Balance at end of year			\$ <u><u>2,356,260</u></u>	

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

Exhibit 22.1**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2014

	Police Public Safety Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,174,099
Basis differences – budget to GAAP:	
None	<u> — </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 2,174,099</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,932,704
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(1,005,297)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>208,057</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 2,135,464</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
 Fire Public Safety Sales Tax Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 1,959,974	1,959,974	1,943,700	(16,274)
Investment income	1,600	1,600	605	(995)
Other revenue	—	—	14,912	14,912
Total revenues	<u>1,961,574</u>	<u>1,961,574</u>	<u>1,959,217</u>	<u>(2,357)</u>
Expenditures:				
Public safety	1,394,800	1,502,615	1,502,612	3
Debt service	555,963	587,893	587,891	2
Total expenditures	<u>1,950,763</u>	<u>2,090,508</u>	<u>2,090,503</u>	<u>5</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>10,811</u>	<u>(128,934)</u>	(131,286)	<u>(2,352)</u>
Restricted fund balance at beginning of year			2,323,101	
Cancellation of prior year encumbrances			69,336	
Increase (Decrease) in Prior Year Encumbrances			(1,364,655)	
Restricted fund balance at end of year			\$ <u>896,496</u>	

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

Exhibit 23.1**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2014

	<u>Fire Public Safety Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,959,217
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,959,217</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,090,503
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(164,446)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>1,459,765</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>3,385,822</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Grants Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and other shared revenue	\$ 2,226,804	5,918,886	3,939,147	(1,979,739)
Charges for current services	79,633	233,107	232,877	(230)
Interest income and other revenue	100,000	637,737	540,444	(97,293)
Total revenues	<u>2,406,437</u>	<u>6,789,730</u>	<u>4,712,468</u>	<u>(2,077,262)</u>
Expenditures:				
Law department	26,407	66,001	16,190	49,811
Police department	438,445	1,921,991	1,387,298	534,693
Fire department	325,971	761,124	441,030	320,094
Public works	—	7,000	7,000	—
Health department	703,832	1,230,392	783,543	446,849
Community development	911,782	2,373,928	2,165,790	208,138
Culture and recreation	—	429,294	424,516	4,778
Total expenditures	<u>2,406,437</u>	<u>6,789,730</u>	<u>5,225,367</u>	<u>1,564,363</u>
Excess of revenues over (under) expenditures	\$ <u>—</u>	<u>—</u>	(512,899)	<u>(512,899)</u>
Restricted fund balance at beginning of year			—	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			512,899	
Restricted fund balance at end of year			\$ <u>—</u>	

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2014

	<u>Grants</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,712,468
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,712,468</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,225,367
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(512,899)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,712,468</u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2014

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	\$ 2,364,987	—	2,427,521	2,032,523	892,355	7,717,386
Receivables:						
Taxes	1,420,953	710,534	710,534	372,726	355,490	3,570,237
Due from other funds	—	—	5,478,181	—	—	5,478,181
Total assets	<u>\$ 3,785,940</u>	<u>710,534</u>	<u>8,616,236</u>	<u>2,405,249</u>	<u>1,247,845</u>	<u>16,765,804</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	\$ 64,803	171,444	210,775	48,989	351,349	847,360
Due to other funds	—	5,462,026	—	—	—	5,462,026
Accrued items	4,482	60,509	47,029	—	—	112,020
Other current liabilities	—	619	—	—	—	619
Total liabilities	<u>69,285</u>	<u>5,694,598</u>	<u>257,804</u>	<u>48,989</u>	<u>351,349</u>	<u>6,422,025</u>
Fund balances:						
Restricted	3,716,655	—	8,358,432	2,356,260	896,496	15,327,843
Unassigned	—	(4,984,064)	—	—	—	(4,984,064)
Total fund balances (deficit)	<u>3,716,655</u>	<u>(4,984,064)</u>	<u>8,358,432</u>	<u>2,356,260</u>	<u>896,496</u>	<u>10,343,779</u>
Total liabilities and fund balances	<u>\$ 3,785,940</u>	<u>710,534</u>	<u>8,616,236</u>	<u>2,405,249</u>	<u>1,247,845</u>	<u>16,765,804</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2014

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:						
Taxes	\$ 7,767,525	3,884,655	3,884,641	2,069,621	1,943,700	19,550,142
Charges for services	—	402,723	—	—	—	402,723
Investment income	781	—	3,169	845	605	5,400
Other	50,000	—	28,657	103,633	14,912	197,202
Total revenues	7,818,306	4,287,378	3,916,467	2,174,099	1,959,217	20,155,467
Expenditures:						
Current:						
Public safety	—	—	—	1,583,479	2,797,931	4,381,410
Public works	299,628	—	—	—	—	299,628
Culture and recreation	—	2,375,060	—	—	—	2,375,060
Storm water	—	—	1,686,782	—	—	1,686,782
General government	12,050	6,025	—	—	—	18,075
Capital outlay	6,039,108	571,023	925,221	—	—	7,535,352
Debt service:						
Principal	425,000	33,330	—	498,655	531,066	1,488,051
Interest and fiscal agent fees	105,569	—	—	53,330	56,825	215,724
Total expenditures	6,881,355	2,985,438	2,612,003	2,135,464	3,385,822	18,000,082
Excess (deficiency) of revenues over expenditures	936,951	1,301,940	1,304,464	38,635	(1,426,605)	2,155,385
Other financing sources (uses):						
Proceeds from debt issuance	—	96,126	—	—	—	96,126
Transfers out	(66,494)	—	(351,083)	—	—	(417,577)
Total other financing sources (uses)	(66,494)	96,126	(351,083)	—	—	(321,451)
Net change in fund balances	870,457	1,398,066	953,381	38,635	(1,426,605)	1,833,934
Fund balances (deficit), beginning	2,846,198	(6,382,130)	7,405,051	2,317,625	2,323,101	8,509,845
Fund balances (deficit), ending	\$ 3,716,655	(4,984,064)	8,358,432	2,356,260	896,496	10,343,779

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2014

Assets	Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ —	19,782	—	—	63,074	82,856
Receivables:						
Special assessment principal and accrued interest	461,180	—	—	—	—	461,180
Due from other governments	1,273,042	—	—	—	—	1,273,042
Restricted assets	—	—	134,258	—	—	134,258
Total assets	\$ 1,734,222	19,782	134,258	—	63,074	1,951,336
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	\$ 154,595	—	2,041	—	1,439	158,075
Due to other funds	1,346,501	—	9,517	16,155	—	1,372,173
Total liabilities	1,501,096	—	11,558	16,155	1,439	1,530,248
Deferred inflows of resources:						
Unavailable revenue - special assessments	461,180	—	—	—	—	461,180
Total deferred inflows of resources	461,180	—	—	—	—	461,180
Fund balances (deficit):						
Committed	—	19,782	122,700	—	61,635	204,117
Unassigned	(228,054)	—	—	(16,155)	—	(244,209)
Total fund balances (deficit)	(228,054)	19,782	122,700	(16,155)	61,635	(40,092)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,734,222	19,782	134,258	—	63,074	1,951,336

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2014

	Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:						
Intergovernmental	\$ 3,269,939	—	—	—	—	3,269,939
Charges for services	9,047	—	—	—	—	9,047
Investment income	233	9	26	—	12	280
Other	—	—	—	—	52,120	52,120
Total revenues	3,279,219	9	26	—	52,132	3,331,386
Expenditures:						
Capital outlay	3,880,924	—	555,196	—	30,958	4,467,078
Total expenditures	3,880,924	—	555,196	—	30,958	4,467,078
Excess (deficiency) of revenues over expenditures	(601,705)	9	(555,170)	—	21,174	(1,135,692)
Other financing sources:						
Transfers in	610,985	—	286,962	—	—	897,947
Total other financing sources	610,985	—	286,962	—	—	897,947
Net change in fund balances	9,280	9	(268,208)	—	21,174	(237,745)
Fund balances (deficit), beginning	(237,334)	19,773	390,908	(16,155)	40,461	197,653
Fund balances (deficit), ending	\$ (228,054)	19,782	122,700	(16,155)	61,635	(40,092)

CITY OF INDEPENDENCE, MISSOURI
Combining Balance Sheet
Component Unit - Tax Increment Financing
June 30, 2014

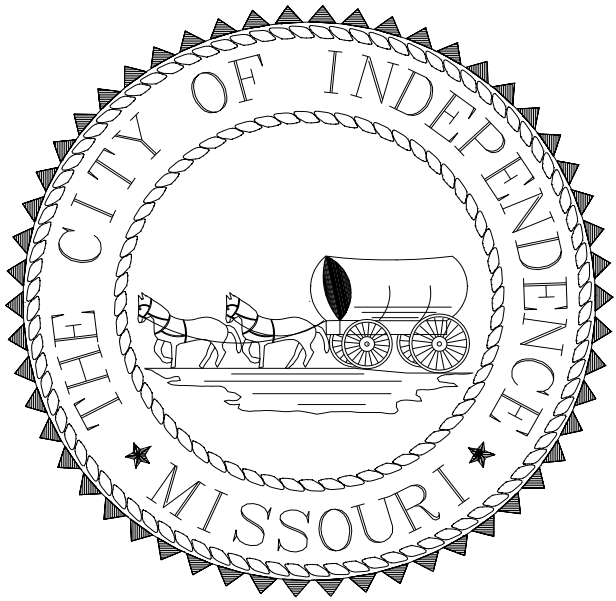
Assets	Midtown Truman	RSO	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East
Pooled cash and investments	\$ 92,625	80,524	—	—	1,000,907	2,961,272	3,708	32,307	7,040	557,069	122,953	84,334
Receivables:												
Taxes	4,164	—	4,119	17,700	15,029	163,500	2,315	—	—	110,877	2,900	—
Accounts	13,925	—	250,000	—	—	73,907	—	—	—	58,231	—	—
Due from other funds	—	—	—	—	—	2,609,401	—	—	—	—	—	—
Due from other governments	77	19,780	420	49,477	1,348	227,648	913	48	—	140,445	1,313	11,022
Restricted assets	—	—	953,238	1,033,260	—	3,498,451	—	—	—	9,865,648	—	—
Total assets	\$ 110,791	100,304	1,207,777	1,100,437	1,017,284	9,534,179	6,936	32,355	7,040	10,732,270	127,166	95,356
Liabilities:												
Accounts and contracts payable	\$ —	—	—	—	—	—	—	—	—	719	—	—
Due to other funds	—	—	2,030,409	466,773	—	—	—	—	—	1,173	—	—
Total liabilities	—	—	2,030,409	466,773	—	—	—	—	—	1,892	—	—
Deferred inflows of resources:												
Unavailable revenue - real estate taxes	4,164	—	4,119	—	12,229	—	115	—	—	—	—	—
Total deferred inflows of resources	4,164	—	4,119	—	12,229	—	115	—	—	—	—	—
Fund balances:												
Restricted	106,627	100,304	—	633,664	1,005,055	9,534,179	6,821	32,355	7,040	10,730,378	127,166	95,356
Unassigned	—	—	(826,751)	—	—	—	—	—	—	—	—	—
Total fund balances (deficits)	106,627	100,304	(826,751)	633,664	1,005,055	9,534,179	6,821	32,355	7,040	10,730,378	127,166	95,356
Total liabilities, deferred inflows of resources and fund balances	\$ 110,791	100,304	1,207,777	1,100,437	1,017,284	9,534,179	6,936	32,355	7,040	10,732,270	127,166	95,356

Assets	Trinity	HCA	23rd & Noland Project 1	23rd & Noland Project 2	Independence Square	Little Blue Parkway 1	Little Blue Parkway 3	TIF App Fees	Total
Pooled cash and investments	\$ 384,882	1,159,498	6,886	—	—	—	150	5,546	6,499,701
Receivables:									
Taxes	6,900	2,800	—	—	—	—	—	—	330,304
Accounts	—	—	—	—	—	—	—	—	396,063
Due from other funds	—	—	—	—	—	—	—	—	2,609,401
Due from other governments	13,483	2,674	1,856	—	—	—	50	—	470,554
Restricted assets	—	3,690,863	—	—	—	—	—	—	19,041,460
Total assets	<u>\$ 405,265</u>	<u>4,855,835</u>	<u>8,742</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>200</u>	<u>5,546</u>	<u>29,347,483</u>
Liabilities:									
Accounts and contracts payable	\$ —	—	—	—	—	—	—	—	719
Due to other funds	—	—	—	7,654	75,745	28,820	—	—	2,610,574
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,654</u>	<u>75,745</u>	<u>28,820</u>	<u>—</u>	<u>—</u>	<u>2,611,293</u>
Deferred inflows of resources:									
Unavailable revenue - real estate taxes	—	—	—	—	—	—	—	—	20,627
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,627</u>
Fund balances:									
Restricted	405,265	4,855,835	8,742	—	—	—	200	5,546	27,654,533
Unassigned	—	—	—	(7,654)	(75,745)	(28,820)	—	—	(938,970)
Total fund balances (deficits)	<u>405,265</u>	<u>4,855,835</u>	<u>8,742</u>	<u>(7,654)</u>	<u>(75,745)</u>	<u>(28,820)</u>	<u>200</u>	<u>5,546</u>	<u>26,715,563</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 405,265</u>	<u>4,855,835</u>	<u>8,742</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>200</u>	<u>5,546</u>	<u>29,347,483</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Component Unit - Tax Increment Financing
Year ended June 30, 2014

	Midtown Truman	RSO	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East
Revenues:												
Taxes	\$ 7,594	158,916	16,577	1,662,998	517,451	6,357,499	35,724	1,863	3,731	1,400,578	129,770	96,693
Investment income	153	1,758	151	22,610	1,833	114,400	3	17	3	5,955	119	7
Developer contributions	—	—	250,000	—	—	—	—	—	—	—	—	—
Other	—	—	109,624	—	—	—	—	—	—	978,491	—	—
Total revenues	7,747	160,674	376,352	1,685,608	519,284	6,471,899	35,727	1,880	3,734	2,385,024	129,889	96,700
Expenditures:												
Tax increment financing	235	685	5,198	350,535	18,036	2,050,174	639	10,038	70	56,251	2,548	1,147
Debt service:												
Principal	30,650	—	500,000	1,150,000	290,000	2,280,000	—	—	—	—	—	—
Interest and fiscal agent fees	—	100,000	450,014	513,694	144,925	1,244,038	53,500	—	—	4,271,064	61,500	—
Debt issuance costs	—	—	—	—	—	140,533	—	—	—	—	—	—
Total expenditures	30,885	100,685	955,212	2,014,229	452,961	5,714,745	54,139	10,038	70	4,327,315	64,048	1,147
Excess (deficiency) of revenues over expenditures	(23,138)	59,989	(578,860)	(328,621)	66,323	757,154	(18,412)	(8,158)	3,664	(1,942,291)	65,841	95,553
Other financing sources:												
Issuance of debt	—	—	—	—	—	4,855,000	—	—	—	—	—	—
Reoffering premium/original issue discount	—	—	—	—	—	83,493	—	—	—	—	—	—
Payment to refunded loans escrow agent	—	—	—	—	—	(4,996,407)	—	—	—	—	—	—
Transfers in	—	—	—	—	—	—	—	—	—	1,732,384	—	—
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	(57,914)	—	—	—	1,732,384	—	—
Net change in fund balances	(23,138)	59,989	(578,860)	(328,621)	66,323	699,240	(18,412)	(8,158)	3,664	(209,907)	65,841	95,553
Fund balances (deficits), beginning	129,765	40,315	(247,891)	962,285	938,732	8,834,939	25,233	40,513	3,376	10,940,285	61,325	(197)
Fund balances (deficits), ending	\$ 106,627	100,304	(826,751)	633,664	1,005,055	9,534,179	6,821	32,355	7,040	10,730,378	127,166	95,356

		Trinity	HCA	23rd & Noland Project 1	23rd & Noland Project 2	Independence Square	Little Blue Parkway 1	Little Blue Parkway 3	TIF App Fees	Total
Revenues:										
Taxes	\$	526,086	3,536,323	28,997	1,514	—	—	200	—	14,482,514
Investment income		99	1,235	—	—	—	—	—	2	148,345
Developer contributions		—	—	—	—	—	—	—	—	250,000
Other		—	—	—	—	—	—	—	—	1,088,115
Total revenues		526,185	3,537,558	28,997	1,514	—	—	200	2	15,968,974
Expenditures:										
Tax increment financing		118,016	204,782	142	—	59,484	6,120	—	2,395	2,886,495
Debt service:										
Principal		61,992	1,560,000	—	—	—	—	—	—	5,872,642
Interest and fiscal agent fees		168,008	1,556,638	—	—	—	—	—	—	8,563,381
Debt issuance costs		—	60,721	—	—	—	—	—	—	201,254
Total expenditures		348,016	3,382,141	142	—	59,484	6,120	—	2,395	17,523,772
Excess (deficiency) of revenues over expenditures		178,169	155,417	28,855	1,514	(59,484)	(6,120)	200	(2,393)	(1,554,798)
Other financing sources:										
Issuance of debt		—	2,030,000	—	—	—	—	—	—	6,885,000
Reoffering premium/original issue discount		—	(9,437)	—	—	—	—	—	—	74,056
Payment to refunded loans escrow agent		—	(1,985,872)	—	—	—	—	—	—	(6,982,279)
Transfers in		—	—	—	—	—	—	—	—	1,732,384
Transfers out		—	(4,935)	—	—	—	—	—	—	(4,935)
Total other financing sources		—	29,756	—	—	—	—	—	—	1,704,226
Net change in fund balances		178,169	185,173	28,855	1,514	(59,484)	(6,120)	200	(2,393)	149,428
Fund balances (deficits), beginning		227,096	4,670,662	(20,113)	(9,168)	(16,261)	(22,700)	—	7,939	26,566,135
Fund balances (deficits), ending	\$	405,265	4,855,835	8,742	(7,654)	(75,745)	(28,820)	200	5,546	26,715,563



CITY OF INDEPENDENCE, MISSOURI

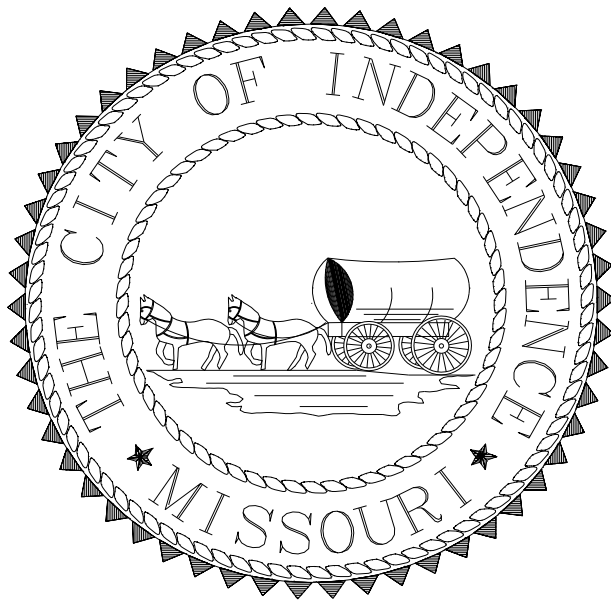
Internal Service Funds

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.



CITY OF INDEPENDENCE, MISSOURI

Exhibit 31

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:				
Current assets:				
Pooled cash and investments	\$ 633,797	970,514	2,492,657	4,096,968
Accounts receivable	6,701	62,374	74,270	143,345
Inventory	102,578	—	—	102,578
Prepaid items	—	—	35,049	35,049
Total current assets	<u>743,076</u>	<u>1,032,888</u>	<u>2,601,976</u>	<u>4,377,940</u>
Noncurrent assets:				
Capital assets:				
Land	93,979	—	—	93,979
Depreciable property, plant, and equipment	206,165	—	—	206,165
Less accumulated depreciation	(179,915)	—	—	(179,915)
Restricted assets	—	—	200,000	200,000
Total noncurrent assets	<u>120,229</u>	<u>—</u>	<u>200,000</u>	<u>320,229</u>
Total assets	<u><u>\$ 863,305</u></u>	<u><u>1,032,888</u></u>	<u><u>2,801,976</u></u>	<u><u>4,698,169</u></u>
Liabilities:				
Current liabilities:				
Accounts and contracts payable	\$ 82,139	—	1,756	83,895
Accrued liabilities	33,093	—	4,117	37,210
Compensated absences – current	40,803	—	13,884	54,687
Self-insurance claims payable	—	2,183,559	1,780,568	3,964,127
Total current liabilities	<u>156,035</u>	<u>2,183,559</u>	<u>1,800,325</u>	<u>4,139,919</u>
Noncurrent liabilities:				
Compensated absences – long-term	41,794	—	31,574	73,368
Other post employment benefits	575,974	—	42,649	618,623
Net pension obligation	45,468	—	12,236	57,704
Self-insurance claims payable	—	—	2,416,679	2,416,679
Total noncurrent liabilities	<u>663,236</u>	<u>—</u>	<u>2,503,138</u>	<u>3,166,374</u>
Total liabilities	<u>819,271</u>	<u>2,183,559</u>	<u>4,303,463</u>	<u>7,306,293</u>
Net position:				
Net Investment in capital assets	120,229	—	—	120,229
Restricted for:				
Worker's compensation escrow	—	—	200,000	200,000
Unrestricted	(76,195)	(1,150,671)	(1,701,487)	(2,928,353)
Total net position (deficit)	<u>44,034</u>	<u>(1,150,671)</u>	<u>(1,501,487)</u>	<u>(2,608,124)</u>
Total liabilities and net position	<u><u>\$ 863,305</u></u>	<u><u>1,032,888</u></u>	<u><u>2,801,976</u></u>	<u><u>4,698,169</u></u>

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2014

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:				
Charges for services	\$ 2,090,683	21,858,175	2,421,043	26,369,901
Total operating revenues	<u>2,090,683</u>	<u>21,858,175</u>	<u>2,421,043</u>	<u>26,369,901</u>
Operating expenses:				
Personal services	716,817	—	159,411	876,228
Other services	430,554	25,161,920	2,136,319	27,728,793
Supplies	1,194,422	—	2,995	1,197,417
Depreciation and amortization	3,900	—	—	3,900
Total operating expenses	<u>2,345,693</u>	<u>25,161,920</u>	<u>2,298,725</u>	<u>29,806,338</u>
Operating income (loss)	<u>(255,010)</u>	<u>(3,303,745)</u>	<u>122,318</u>	<u>(3,436,437)</u>
Nonoperating revenues:				
Interest revenue	246	4,072	1,489	5,807
Miscellaneous revenue	40,216	1,289,328	81,912	1,411,456
Total nonoperating revenue	<u>40,462</u>	<u>1,293,400</u>	<u>83,401</u>	<u>1,417,263</u>
Change in net position	<u>(214,548)</u>	<u>(2,010,345)</u>	<u>205,719</u>	<u>(2,019,174)</u>
Total net position:				
Beginning of the year (deficit)	<u>258,582</u>	<u>859,674</u>	<u>(1,707,206)</u>	<u>(588,950)</u>
End of the year (deficit)	<u>\$ 44,034</u>	<u>(1,150,671)</u>	<u>(1,501,487)</u>	<u>(2,608,124)</u>

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2014

	Internal Service Funds			
	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 7)
Cash flows from operations:				
Receipts from customers	\$ 2,127,284	23,409,535	2,499,385	28,036,204
Payments to suppliers	(1,507,576)	(25,328,290)	(2,142,945)	(28,978,811)
Payments to employees	(575,928)	—	(145,117)	(721,045)
Net cash provided (used) by operating activities	43,780	(1,918,755)	211,323	(1,663,652)
Cash flows from investing activities:				
Interest on investments	246	4,072	1,489	5,807
Net cash provided by investing activities	246	4,072	1,489	5,807
Net increase (decrease) in cash and cash equivalents	44,027	(1,914,683)	212,812	(1,657,844)
Cash and cash equivalents at beginning of year	589,771	2,885,197	2,279,845	5,754,813
Cash and cash equivalents at end of year	\$ 633,798	970,514	2,492,657	4,096,969
Components of cash and short-term investments at end of fiscal year				
Unrestricted assets	633,798	970,514	2,492,657	4,096,969
Restricted assets	—	—	200,000	200,000
Pooled cash and investments	\$ 633,798	970,514	2,692,657	4,296,969
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (255,010)	(3,303,745)	122,318	(3,436,437)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,900	—	—	3,900
Miscellaneous revenue	40,216	1,289,328	81,912	1,411,456
Change in assets and liabilities:				
Accounts receivable	(3,615)	262,032	(3,570)	254,847
Inventory	78,203	—	—	78,203
Prepaid items	—	—	(35,049)	(35,049)
Accounts and contracts payable	39,197	—	(452)	38,745
Accrued liabilities	11,425	(166,370)	430	(154,515)
Other post-employment benefits	110,063	—	13,051	123,114
Self-insurance claims payable	—	—	31,440	31,440
Compensated absences	19,401	—	1,243	20,644
Total adjustments	298,790	1,384,990	89,005	1,772,785
Net cash provided (used) by operating activities	\$ 43,780	(1,918,755)	211,323	(1,663,652)

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014 (Exhibit 8)
Flexible Benefit Plan:				
Assets:				
Pooled cash and investments	\$ 96,264	73,634	81,587	88,311
	<u>\$ 96,264</u>	<u>73,634</u>	<u>81,587</u>	<u>88,311</u>
Liabilities:				
Flexible benefit payable	\$ 96,264	550,814	558,767	88,311
	<u>\$ 96,264</u>	<u>550,814</u>	<u>558,767</u>	<u>88,311</u>
Susie Block Trust:				
Assets:				
Pooled cash and investments	\$ 31,944	1,328	1,116	32,156
Accrued interest receivable	491	1,324	1,325	490
	<u>\$ 32,435</u>	<u>2,652</u>	<u>2,441</u>	<u>32,646</u>
Liabilities:				
Funds held in escrow	\$ 32,435	1,327	1,116	32,646
	<u>\$ 32,435</u>	<u>1,327</u>	<u>1,116</u>	<u>32,646</u>
Seniors Travel Programs:				
Assets:				
Pooled cash and investments	\$ 18,599	45,830	42,852	21,577
Liabilities:				
Accounts and contracts payable	\$ 5,767	37,432	36,992	6,207
Funds held in escrow	12,832	46,455	43,917	15,370
	<u>\$ 18,599</u>	<u>83,887</u>	<u>80,909</u>	<u>21,577</u>
All Agency Funds:				
Assets:				
Pooled cash and investments	\$ 146,807	120,792	125,555	142,044
Accrued interest receivable	491	1,324	1,325	490
	<u>\$ 147,298</u>	<u>122,116</u>	<u>126,880</u>	<u>142,534</u>
Liabilities:				
Flexible benefit payable	\$ 96,264	550,814	558,767	88,311
Accounts and contracts payable	5,767	37,432	36,992	6,207
Funds held in escrow	45,267	47,782	45,033	48,016
	<u>\$ 147,298</u>	<u>636,028</u>	<u>640,792</u>	<u>142,534</u>

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2014 and 2013

	2014			2013		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 5,101,889			7,094,343
Gas			3,040,794			4,433,002
Oil			221,272			226,832
Total production fuel			8,363,955			11,754,177
Purchased power:						
Purchased energy			19,957,742			18,636,338
Purchased capacity (net)			22,999,441			17,733,329
Border customers			79,794			63,304
Control and dispatching			2,465,159			2,026,907
Total purchased power			45,502,136			38,459,878
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 785,858	715,865	1,501,723	755,778	733,758	1,489,535
Steam	850,232	2,584,719	3,434,951	856,586	2,591,926	3,448,512
Electric	843,186	579,696	1,422,882	821,063	697,667	1,518,729
Structures and improvements		184,406	184,406	—	381,745	381,745
Allowance	3,817	—	3,817	5,344	—	5,344
Miscellaneous	1,038,767	639,347	1,678,114	1,188,471	624,713	1,813,184
	3,521,860	4,704,033	8,225,893	3,627,241	5,029,808	8,657,049
Missouri City Station:						
Supervision and engineering	104,726	7,519	112,246	102,648	17,589	120,237
Steam	397,503	812,826	1,210,329	370,089	1,780,184	2,150,272
Electric	410,842	194,042	604,884	380,246	208,296	588,541
Structures and improvements	—	208,429	208,429	—	83,196	83,196
Miscellaneous	411,108	255,454	666,562	389,821	191,974	581,795
	1,324,179	1,478,270	2,802,449	1,242,804	2,281,238	3,524,042
Combustion Turbine Station:						
Supervision and engineering	2,149,519	—	2,149,519	2,306,330	—	2,306,330
Generation expenses	198	240,784	240,982	868	276,349	277,217
Structures and improvements	—	4,000	4,000	—	22,106	22,106
Miscellaneous	12,156	46,335	58,491	43,800	45,467	89,267
	2,161,873	291,118	2,452,991	2,350,998	343,922	2,694,921
Total production (other)	\$ 7,007,912	6,473,422	13,481,334	7,221,043	7,654,968	14,876,011
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 528,508	20,485	548,994	395,171	26,266	421,437
Overhead expenses	8,531	2,278	10,808	—	1,498	1,498
Station expenses	151,134	703,739	854,873	10,819	610,594	621,413
Wheeling charges	6,175,999	—	6,175,999	5,291,148	—	5,291,148
Underground line expense	4,481	49,123	53,603	2,021	—	2,021
Miscellaneous	—	—	—	99,050	—	99,050
Total transmission	6,868,652	775,625	7,644,277	5,798,209	638,357	6,436,566

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2014 and 2013

	2014			2013		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	\$ 166,353	61,512	227,865	167,519	63,743	231,262
Overhead lines	1,027,605	3,656,829	4,684,434	1,071,332	3,480,083	4,551,415
Station expenses	51,821	838,805	890,626	2,480	519,915	522,394
Street lights and traffic signals	223,562	489,973	713,534	219,665	489,318	708,983
Meters	103,687	634,720	738,406	90,773	573,711	664,485
Customer installations	3,015	—	3,015	3,732	—	3,732
Underground lines	1,151,055	635,522	1,786,576	1,113,590	530,729	1,644,319
Dispatching communication	995,707	—	995,707	1,023,498	—	1,023,498
Line transformers	—	176,145	176,145	—	111,578	111,578
Miscellaneous	560,479	632,769	1,193,248	575,339	580,990	1,156,329
Total distribution	4,283,283	7,126,274	11,409,556	4,267,929	6,350,067	10,617,996
Total transmission and distribution	\$ 11,151,935	7,901,898	19,053,833	10,066,137	6,988,424	17,054,562
Customer service:						
Supervision			\$ 144,531			172,799
Meter reading			629,994			632,798
Customer records and collections			2,147,835			1,898,642
Provisions for doubtful accounts			766,629			997,435
Miscellaneous			179,184			129,742
Total customer service			3,868,172			3,831,416
General and administrative:						
Salaries			1,550,273			1,430,774
Office supplies			950,296			808,571
Insurance			1,379,412			1,190,953
Injuries and damage			1,140,426			1,082,571
Employee benefits			8,677,422			8,110,312
Outside services			2,767,209			2,553,542
Miscellaneous			1,370,481			1,305,893
Administrative expenses – transfers			(72,991)			(76,247)
Total general and administrative			17,762,528			16,406,369
Depreciation and amortization			18,775,454			17,989,424
Payroll taxes			1,300,868			1,200,113
Total operating expenses			\$ 128,108,281			121,571,949

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics – Power and Light Fund
Year ended June 30, 2014

	Number of customers		Revenue	KWH
	Beginning of year	End of year		
Sale of electric energy:				
Metered:				
Residential	51,150	51,432	\$ 72,394,232	518,922,748
Small general services	3,032	3,008	4,524,696	26,213,054
General services – space heating	3	3	2,612	26,338
Large general services	1,616	1,623	39,157,662	311,534,503
Large general services – prime voltage	6	6	1,021,362	8,888,046
Large general services – space heating	2	2	17,847	150,921
Total electric general services	108	110	6,006,112	61,873,102
Schools, churches, and hospitals	288	277	4,854,923	37,497,598
Schools, churches, and hospitals, all electric	11	11	508,225	5,035,598
Large power services	3	3	2,261,427	23,107,800
Combined interruptible services	2	2	2,465,354	28,321,000
Sewer pumping	6	6	295,487	2,312,020
City traffic signals	64	64	78,254	112,333
Wholesale (border customers)	2	2	166,473	3,375,862
Wholesale (interchange)	—	—	2,002,194	56,378,100
	<u>56,293</u>	<u>56,549</u>	<u>135,756,860</u>	<u>1,083,749,023</u>
Unmetered:				
Private security lighting	1,722	1,714	392,595	1,591,964
City public street lighting	12,091	12,090	510,004	5,890,409
	<u>13,813</u>	<u>13,804</u>	<u>902,598</u>	<u>7,482,373</u>
Change in unbilled revenue			(40,387)	(1,226,282)
Other operating revenue			2,154,663	—
EVTC			40,249	—
Total operating revenue and total energy sales			<u>\$ 138,813,984</u>	<u>1,090,005,114</u>
Net generation				170,117,602
Wholesale power purchased				970,054,914
Unintentional interchange				—
Net generation and power purchased				<u>1,140,172,516</u>
Retail energy sales				1,086,629,252
Wholesale (border customers) sales				3,375,862
Power and light usage (building and substations)				<u>1,565,266</u>
Net disposition				<u>1,091,570,380</u>
Transmission and distribution operating losses				<u>48,602,136</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2014 and 2013

	2014			2013		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 29,863	—	29,863	27,692	(5)	27,687
Labor and expenses	391,245	—	391,245	355,097	—	355,097
Structures and improvements	—	31,065	31,065	—	40,211	40,211
Miscellaneous	—	234,673	234,673	—	322,028	322,028
Total source of supply	421,108	265,738	686,846	382,789	362,234	745,023
Power and pumping:						
Supervision and engineering	41,917	20,784	62,701	39,420	20,782	60,202
Fuel/power purchased	1,808,777	—	1,808,777	1,787,783	—	1,787,783
Labor and expenses	234,511	—	234,511	259,056	—	259,056
Structures and improvements	—	11,223	11,223	—	11,932	11,932
Miscellaneous	—	1,666	1,666	—	3,453	3,453
Total power and pumping	2,085,205	33,673	2,118,878	2,086,259	36,167	2,122,426
Water treatment:						
Supervision and engineering	48,931	20,283	69,214	47,573	19,901	67,474
Chemicals	1,480,573	—	1,480,573	1,404,697	—	1,404,697
Labor and expenses	596,752	—	596,752	626,072	—	626,072
Structures and improvements	—	678,069	678,069	—	297,993	297,993
Miscellaneous	—	274,341	274,341	—	331,804	331,804
Total water treatment	2,126,256	972,693	3,098,949	2,078,342	649,698	2,728,040
Total production	\$ 4,632,569	1,272,104	5,904,673	4,547,390	1,048,099	5,595,489
Transmission and distribution:						
Supervision and engineering	\$ 215,453	48,787	264,240	79,294	52,163	131,457
Storage facilities	19,255	55,823	75,078	19,529	40,482	60,011
Transmission and distribution lines	710,519	1,145,835	1,856,354	734,385	1,292,465	2,026,850
Meters	49,622	54,407	104,029	44,336	54,459	98,795
Customer installations	83,198	—	83,198	86,989	—	86,989
Services	—	162,903	162,903	—	220,238	220,238
Hydrants	—	87,812	87,812	—	49,106	49,106
Miscellaneous	589,574	184,734	774,308	618,294	233,299	851,593
Total transmission and distribution	\$ 1,667,621	1,740,301	3,407,922	1,582,827	1,942,212	3,525,039
Customer service:						
Customer accounting paid and collecting:						
Supervision			\$ 196,204			148,511
Meter reading			1,138,704			998,133
Customer records			283,125			545,225
Provision for uncollectible amounts			116,437			89,007
Total customer accounting paid and collecting			1,734,470			1,780,876
Sales promotion:						
Expenses			39,298			26,730
Total customer service			1,773,768			1,807,606
General and administrative:						
Salaries			531,400			591,541
Office supplies and expense			394,469			379,808
Injuries and damages			472,033			502,583
Employee benefits			1,829,398			1,745,095
Outside services			1,000,455			1,132,140
Miscellaneous			303,845			260,983
Total general and administrative			4,531,600			4,612,150
Depreciation and amortization			3,236,330			3,205,490
Payroll taxes			307,431			306,778
Other			73,534			73,328
Total operating expenses			19,235,258			19,125,880
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 position			1,713,662			1,414,391
			\$ 20,948,920			20,540,271

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2014

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
Sale of water:				
Residential	44,501	44,617	\$ 13,052,557	2,907,837
Commercial	3,092	3,099	3,555,507	867,269
Industrial	6	6	769,857	318,659
Public authority	77	77	262,012	62,909
Resale	13	14	8,136,297	4,802,914
Private fire protection	432	440	159,329	—
Public fire protection	—	—	1,231,475	—
	<u>48,121</u>	<u>48,253</u>	<u>27,167,034</u>	<u>8,959,588</u>
Change in unbilled revenue			9,027	
Other operating revenue			369,562	
Total operating revenue			<u>\$ 27,545,623</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				10,460,139
Less total sales				<u>8,959,588</u>
Unaccounted for water				<u>1,500,551</u>

* Thousand gallons sold.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

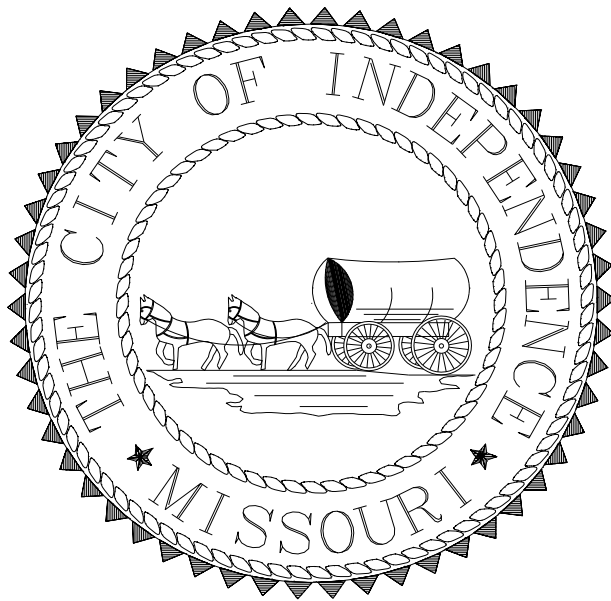
Year ended June 30, 2014

	Number of customers		Revenue	CCF*
	Beginning of year	End of year		
Sale of sanitary sewer services:				
Residential	40,588	40,927	\$ 11,329,939	2,626,435
Commercial:				
Base	3,463	3,418	4,434,651	1,509,696
Surcharge	—	—	1,320,644	—
Contract waste treatment	14	3	229,946	—
Regulatory Compliance	—	—	3,191,390	—
Intermunicipal agreements:				
Sugar Creek	—	—	541,547	—
Kansas City	—	—	109,939	—
	<u>44,065</u>	<u>44,348</u>	<u>21,158,056</u>	<u>4,136,131</u>
Other operating revenue			222,364	
Change in unbilled revenue			90,879	
Total operating revenue			<u>\$ 21,471,299</u>	

* Hundred cubic feet.

STATISTICAL DATA

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



STATISTICAL SECTION

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

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

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Debt Capacity

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

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Demographic and Economic Information

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

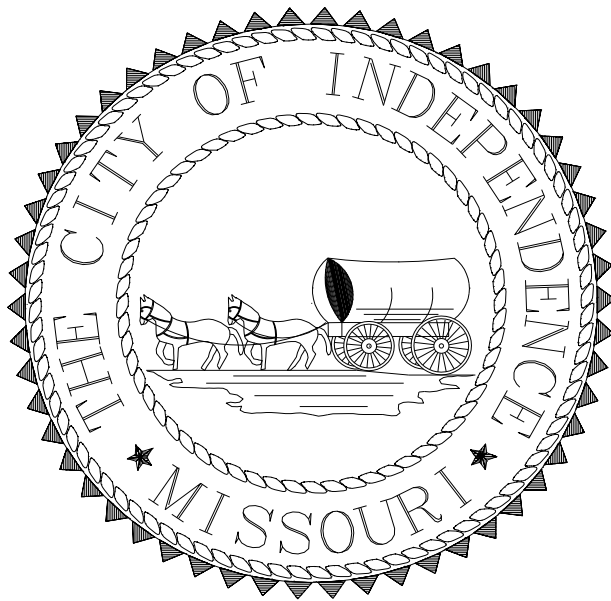
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Operating Information

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

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



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

Table 1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 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	333,902,700
Restricted	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	16,931,671
Unrestricted	(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)	(233,876,307)
Total governmental activities net position	\$ 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	116,958,064
Business-type activities	\$									
Net investment in capital assets	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	240,517,938
Restricted	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885	6,423,693	14,629,418	15,545,776	16,288,747
Unrestricted	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	59,212,898
Total business-type activities net position	\$ 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	316,019,583
Primary government										
Net investment in capital assets	\$ 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	574,420,638
Restricted	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	33,220,418
Unrestricted	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)	(174,663,409)
Total primary government net position	\$ 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	432,977,647

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: In 2007 the GASB 34 Retroactive Infrastructure was added.

Note: In 2008 the new Workers' Compensation Fund was added as an Internal Service Fund.

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Administrative services	\$ 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	9,096,123
Public safety	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	56,859,801
Public works	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	18,079,671
Health and welfare	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	3,622,207
Culture and recreation	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	7,435,735
Community development	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	6,316,004
Storm water	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	3,000,734
General government	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	8,730,105
Tax increment financing	—	—	—	—	—	—	—	2,992,581	14,281,820	14,273,775
Debt service component unit	—	—	—	—	—	—	7,709,611	—	—	—
Interest on long-term debt	536,124	991,856	1,050,153	1,073,318	891,473	640,902	625,778	10,125,399	379,760	252,213
Total governmental activities expenses	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	127,666,368
Business-type activities:										
Power and light	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	138,801,854
Water	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	22,140,775
Sewer	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	19,015,060
Events center	—	—	—	179,032	1,888,027	4,862,017	13,764,087	12,869,288	13,091,457	10,859,704
Total business-type activities expenses	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	190,817,393
Total primary government expenses	\$ 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	318,483,761
Program Revenues										
Governmental activities:										
Charges for services:										
Administrative services	\$ 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	6,904,917
Public safety	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	5,154,144
Public works	802,206	1,003,761	1,338,479	739,643	449,172	462,490	437,032	398,071	362,732	401,793
Health and welfare	482,601	435,775	723,574	791,825	776,194	819,659	732,116	817,774	735,708	758,211
Culture and recreation	619,630	975,889	845,560	925,880	842,523	771,890	796,820	871,799	727,220	613,238
Community development	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	1,089,720
Storm water	—	—	—	645	—	—	—	—	—	—
General government	—	—	—	—	—	—	—	1,012,898	1,037,506	978,491
Operating grants and contributions	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	10,680,433
Capital grants and contributions	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	3,769,347
Total governmental activities program revenues	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	30,350,294
Business-type activities:										
Charges for services:										
Power and light	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	138,813,984
Water	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	27,545,623
Sewer	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	21,471,299
Events center	—	—	—	—	—	—	4,874,623	8,370,481	4,345,469	3,359,318
Operating grants and contributions	—	—	—	—	—	—	4,813,612	5,000	—	—
Capital grants and contributions	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	2,386,511
Total business-type activities program revenues	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	193,576,735
Total primary government program revenues	\$ 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	223,927,029

Table 2

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (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)	(97,316,074)
Business-type activities	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	2,759,342
Total primary government net expense	\$ (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)	(94,556,732)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	7,993,199
Sales and use taxes	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	41,142,183
Intergovernmental activity taxes	—	—	—	—	—	—	—	9,534,652	9,635,263	10,809,061
Franchise taxes	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	10,292,488
Financial institutions tax	37,149	22,181	34,802	31,960	44,195	15,669	28,410	21,646	15,225	19,381
Investment earnings	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476	138,471	228,812	302,467	302,394
Special item - litigation settlement	—	—	—	—	—	—	—	—	—	2,203,430
Miscellaneous	1,143,207	714,149	589,469	348,143	438,354	466,775	1,079,391	397,567	1,049,065	695,896
Payments to component unit	(24,722)	—	—	—	—	—	—	—	—	—
Transfers	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	18,804,684
Total governmental activities	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	92,262,716
Business-type activities:										
Sales and use taxes	—	—	—	—	—	—	—	—	5,291,682	5,397,059
Investment earnings	1,567,536	2,449,623	2,532,853	1,850,519	485,895	69,869	171,413	28,936	66,215	45,754
Special item - litigation settlement	—	—	—	—	—	—	—	—	—	12,796,570
Miscellaneous	1,022,417	436,132	47,953	37,982	1,405,433	609,962	679,868	2,212,916	557,965	1,660,835
Transfers	(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)	(18,804,684)
Total business-type activities	(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)	1,095,534
Total primary government	\$ 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	93,358,250
Changes in Net Position										
Governmental activities	\$ 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)	(5,053,358)
Business-type activities	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)	3,854,876
Total primary government	\$ 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)	(1,198,482)

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: In 2007 the GASB 34 Retroactive Infrastructure was added.

Note: In 2008 the new Workers' Compensation Fund was added as an Internal Service Fund.

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				
		2005	2006	2007	2008	2009
General Fund						
Reserved	\$	1,650,890	1,756,039	2,200,693	1,265,717	1,319,086
Unreserved		3,196,765	6,029,006	4,534,005	8,062,100	5,739,682
Total General Fund	\$	<u>4,847,655</u>	<u>7,785,045</u>	<u>6,734,698</u>	<u>9,327,817</u>	<u>7,058,768</u>
All other governmental funds						
Reserved	\$	18,110,669	20,786,620	10,928,435	41,091,787	19,583,280
Unreserved, reported in:						
Special revenue funds		17,461,153	14,250,375	17,620,241	12,648,957	5,357,555
Capital project funds		(3,837,893)	(10,687,320)	(1,859,546)	(29,245,744)	(10,675,562)
Debt service funds		92,278	86,300	82,229	71,068	56,553
Permanent funds		13,616	14,220	9,670	—	—
Total all other governmental funds	\$	<u>31,839,823</u>	<u>24,450,195</u>	<u>26,781,029</u>	<u>24,566,068</u>	<u>14,321,826</u>
		2010	2011	2012	2013	2014
General Fund						
Nonspendable	\$	—	—	—	—	14,141
Restricted		236,365	442,556	584,917	417,361	402,899
Committed		2,277,479	1,413,292	453,285	391,399	437,083
Assigned		662,881	667,065	593,561	464,633	398,283
Unassigned		2,012,374	2,302,039	1,831,406	600,662	3,591,990
	\$	<u>5,189,099</u>	<u>4,824,952</u>	<u>3,463,169</u>	<u>1,874,055</u>	<u>4,844,396</u>
All other governmental funds						
Nonspendable	\$	—	—	—	480,253	—
Restricted		17,329,836	16,659,329	44,378,155	43,513,724	44,679,472
Committed		440,243	437,150	1,404,187	451,142	204,117
Unassigned		(5,118,794)	(5,369,883)	(6,237,737)	(6,951,949)	(6,167,243)
	\$	<u>12,651,285</u>	<u>11,726,596</u>	<u>39,544,605</u>	<u>37,493,170</u>	<u>38,716,346</u>

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: 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	70,380,577
Licenses, fees and permits	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	3,464,631
Intergovernmental	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	13,672,530
Charges for services	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	2,699,813
Interfund charges for support services	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	3,987,029
Fines, forfeitures, and court costs	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	4,790,383
Investment earnings	901,209	1,309,569	1,588,358	1,197,790	495,337	165,939	124,223	214,584	287,686	259,908
Reimbursements from component unit	—	—	3,502,961	11,413,444	12,274,171	3,792,466	581,524	—	—	—
Developer contributions	—	—	—	—	—	—	—	832,549	238,105	250,000
Other	1,260,113	493,127	799,580	740,435	924,092	816,818	1,115,938	2,355,665	2,263,964	2,281,201
Total revenues	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	101,786,072
Expenditures										
Administrative services	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	7,547,357
Public safety	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	49,093,577
Public works	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	5,899,660
Health and welfare	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	3,322,766
Culture and recreation	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	5,747,828
Community development	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	6,007,452
Storm water	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	1,686,782
General government	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	7,688,526
Tax increment financing	—	—	—	—	—	—	—	2,992,581	2,578,489	2,886,495
Capital outlay	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	12,296,360
Debt Service										
Principal	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	7,614,702
Debt service component unit	—	—	—	—	—	—	3,566,752	—	—	—
Interest	246,458	996,600	1,001,306	1,114,072	977,116	814,620	600,864	10,283,032	9,505,756	8,844,986
Debt issuance costs	—	—	—	—	—	—	—	258,358	1,059,129	201,254
Total expenditures	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	118,837,745
Excess of revenues over (under) expenditures	(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)	(17,051,673)
Other Financing Sources (Uses)										
Transfers in	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	2,630,331
Transfers out	(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)	(1,969,709)
Issuance of debt	20,748,448	—	8,477,809	100,695	101,734	4,020,000	—	8,694,700	40,855,000	6,981,126
Premiums/Discounts on debt issued	—	—	—	—	—	18,402	—	(99,950)	(14,334)	74,056
Payment to refunded loans escrow agent	—	—	—	—	—	—	—	(6,426,286)	(38,713,690)	(6,982,279)
Transfers in - utility payments in lieu of taxes	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	18,144,063
Sale of capital assets	56,379	303,255	50,834	23,581	40,269	38,572	218,603	100,901	302,423	164,172
Total other financing sources (uses)	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	19,041,760
Special items:										
Litigation settlement	—	—	—	—	—	—	—	—	—	2,203,430
Net change in fund balances	\$ 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)	4,193,517
Debt service as a percentage of non capital expenditures	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%	3.83%	21.55%	21.61%	16.09%

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:		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Apparel stores	\$	115,283	122,165	126,307	132,957	125,832	124,168	103,406	109,372	100,727	105,579
General merchandise		411,327	420,186	436,832	430,331	434,782	408,200	388,061	424,435	431,720	433,166
Food stores		166,671	171,641	173,595	170,099	178,747	179,031	166,018	177,019	167,729	165,814
Eating and drinking establishments		170,143	179,418	190,478	194,970	201,085	211,739	207,363	220,458	220,621	223,733
Home furnishings and appliances		85,821	87,789	84,366	80,420	72,902	67,124	54,274	55,222	49,381	45,410
Building materials and farm tools		20,842	23,345	25,578	22,720	19,998	17,213	16,937	14,753	17,949	17,133
Construction/Remodeling		5,432	5,869	2,040	4,724	3,415	3,596	3,317	4,383	3,356	2,919
Auto dealers and supplies		32,284	32,593	33,865	35,314	38,260	36,967	41,703	39,526	37,625	38,257
Service stations		55,475	60,533	61,586	62,430	65,741	68,633	70,891	75,773	81,702	74,396
Other retail stores		186,594	229,869	227,864	222,237	245,406	233,860	219,787	236,382	222,049	228,625
All other outlets		109,023	116,068	121,081	119,236	113,711	119,813	118,046	123,443	128,081	116,758
Total	\$	<u>1,358,895</u>	<u>1,449,476</u>	<u>1,483,592</u>	<u>1,475,438</u>	<u>1,499,879</u>	<u>1,470,344</u>	<u>1,389,803</u>	<u>1,480,766</u>	<u>1,460,940</u>	<u>1,451,790</u>

Note: Amounts for 2014 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	0.500	0.500	0.500	0.500	0.500	0.500
Park Improvements	0.250	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	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.250	0.250	0.250	0.125	0.125	0.125	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	1.875	2.250	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	2.000	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375
Total Local Option Sales Tax Rate	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	1.125	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	0.125	0.125	0.125
City of Independence	1.875	2.250	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	6.975	7.350	7.725	7.725	7.725	7.725	7.725	7.850	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					Other Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Agricultural Property	Commercial Property	State Assessed	Total	Personal Property	Railroads & Utilities				
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%
2014	779,683,482	1,138,200	233,988,631	5,106,421	1,019,916,734	257,382,527	3,528,618	1,280,827,879	0.7394	5,644,201,744	22.69%

Note: The assessed value is set at 19% for residential property; 12% for agricultural property; and 32% for commercial property of the estimated fair market value.

Note: The City does not assess taxes on personal property.

Source: Jackson County Assessor's Office and Clay County Assessor's Office.

Table 8

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

Fiscal Year ending (June 30)	Taxing Year	City Direct Rates				Overlapping Rates			
		Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
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
2014	2013	0.5026	0.2368	—	0.7394	0.2369	5.700	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 | <u>1.0464</u> |
- (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 | 5.6000 |
| 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	2014			2005		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	\$ 26,224,136	1	2.05%	\$ 18,525,568	1	1.43%
Cole EDD Mt Independence LLC	8,963,343	2	0.70%			
Space Center of Kansas City	6,730,787	3	0.53%	8,550,233	3	0.66%
Southern Union Company	5,953,893	4	0.46%	3,926,922	7	0.30%
Sprint	4,893,443	5	0.38%			
A T & T	4,813,889	6	0.38%			
Unilever Bestfoods NA	4,737,385	7	0.37%			
Mansion Apartment	4,530,213	8	0.35%			
Centerpoint Medical Center	4,125,533	9	0.32%			
Comcast Cablevision	3,685,525	10	0.29%			
DDR MDT Independence Commons				9,286,793	2	0.72%
Bradley Operating LTD PTP				7,402,354	4	0.57%
Alliant Lake City				5,755,545	5	0.44%
Noland Fashion Square Partners				5,103,999	6	0.39%
Southwestern Bell				3,844,865	8	0.30%
Independence Regional Hospital				3,587,375	9	0.28%
Burd & Fletcher				3,477,899	10	0.27%
Total	\$ <u>74,658,147</u>		<u>5.83%</u>	\$ <u>69,461,553</u>		<u>5.37%</u>

Source: Jackson County Collection Department

Table 10

City of Independence, Missouri
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year		Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
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%	453,960	7,099,347	99.94%
2009		7,287,258	6,807,203	93.41%	477,905	7,285,108	99.97%
2010		7,232,424	6,883,318	95.17%	319,118	7,202,435	99.59%
2011		7,493,616	7,145,073	95.35%	292,856	7,437,929	99.26%
2012		7,495,895	6,971,357	93.00%	335,053	7,306,410	97.47%
2013		7,402,402	7,065,183	95.44%	167,306	7,232,488	97.70%
2014		7,625,313	7,145,159	93.70%	—	7,145,159	93.70%

Source: City of Independence

Table 11

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

Sales by Category:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Light:										
Residential	\$ 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	72,259,000
Commercial	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	56,838,000
Industrial	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	4,867,000
Sold to Other Utilities	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	2,254,000
Other	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	570,000
Water:										
Residential	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	13,052,557
Commercial	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	3,555,507
Industrial	331,251	362,537	367,863	308,642	300,577	407,313	450,156	479,477	547,930	769,857
Public Authority	189,489	231,257	228,957	267,428	281,615	297,218	263,137	256,730	270,391	262,012
Sold to Other Utilities	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	8,136,297
Other	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	1,760,366
Sanitary Sewer:										
Residential	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	11,329,939
Commercial	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	5,755,295
Other	797,791	774,222	854,930	881,836	906,142	897,895	2,443,875	2,628,416	4,340,296	4,295,186
Total	\$ <u>112,625,819</u>	<u>129,655,354</u>	<u>134,819,812</u>	<u>139,763,217</u>	<u>137,482,640</u>	<u>148,752,701</u>	<u>163,985,284</u>	<u>180,108,675</u>	<u>182,758,951</u>	<u>185,705,016</u>

Source: City of Independence

Table 12

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

Rates by Category:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Light (per Kwh):										
Residential	\$ 0.08	0.09	0.10	0.10	0.10	0.11	0.12	0.14	0.14	0.14
Commercial	0.07	0.08	0.09	0.09	0.09	0.10	0.10	0.12	0.12	0.13
Industrial	0.05	0.06	0.06	0.07	0.07	0.07	0.08	0.09	0.09	0.09
Sold to Other Utilities	0.03	0.04	0.04	0.05	0.03	0.03	0.03	0.02	0.03	0.04
Other	0.11	0.12	0.13	0.14	0.15	0.16	0.15	0.15	0.06	0.10
Water (per 1,000 gallons):										
Residential	2.49	2.54	2.63	2.80	3.06	3.35	3.61	3.91	4.14	4.49
Commercial	2.27	2.34	2.41	2.52	2.78	3.08	3.33	3.59	3.82	4.10
Industrial	1.14	1.31	1.34	1.44	1.73	1.97	2.23	2.25	2.29	2.42
Public Authority	2.28	2.34	2.42	2.58	2.86	3.11	3.34	3.67	3.89	4.16
Sold to Other Utilities	1.17	1.21	1.10	1.03	1.10	1.23	1.35	1.46	1.57	1.69
Sanitary Sewer (per 100 cubic feet):										
Residential	2.97	3.13	3.18	3.35	3.50	3.40	3.62	3.90	4.16	4.31
Commercial	2.32	2.46	2.64	2.68	2.69	3.08	3.09	3.42	3.09	3.81
Total	\$ <u>14.98</u>	<u>15.72</u>	<u>16.13</u>	<u>16.84</u>	<u>18.16</u>	<u>19.70</u>	<u>21.05</u>	<u>22.73</u>	<u>23.39</u>	<u>25.48</u>

Source: City of Independence

Table 13

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

	2014			2005		
Utility Customer - Power and Light	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 2,057,363	1	1.50%	\$ 1,157,539	1	1.42%
Centerpoint Medical Center	1,758,546	2	1.29%	—		0.00%
Burd and Fletcher (Combined Accounts)	1,646,393	3	1.20%	961,888	2	1.18%
Simon Property Group LP	1,096,734	4	0.80%	888,323	4	1.09%
Smart Warehouse/Commercial Distributions Center	857,793	5	0.63%	889,651	3	1.09%
HCP MOB Centerpoint (Boyer Company)	638,431	6	0.47%	—		0.00%
Costco Wholesales Inc.	538,476	7	0.39%	306,052	10	0.37%
Independence Events Center	531,343	8	0.39%	—		0.00%
Price Chopper (23rd Street)	468,670	9	0.34%	364,706	8	0.45%
Hy-Vee (Noland Road)	447,393	10	0.33%	—		0.00%
Independence Regional Health Center	—		0.00%	407,982	5	0.50%
Price Chopper (Noland Road)	—		0.00%	385,970	6	0.47%
City's Rock Creek Sanitary Sewer Plant	—		0.00%	371,756	7	0.46%
Medical Center of Independence	—		0.00%	309,518	9	0.38%
Total	\$ 10,041,142		7.34%	\$ 6,043,385		7.40%

Source: City of Independence

Table 14

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

Utility Customer - Water	2014			2005		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	\$ 4,646,265	1	16.87%	\$ 2,841,988	1	16.72%
Blue Springs	1,210,225	2	4.39%	1,179,131	2	6.94%
District #2, Jackson County	573,793	3	2.08%	379,696	3	2.23%
District #1, Lafayette County	413,388	4	1.50%	279,612	5	1.65%
Audubon (Lafarge) Corporation	409,265	5	1.49%	137,811	9	0.81%
Oak Grove	397,388	6	1.44%	280,176	4	1.65%
District #15, Jackson County	285,731	7	1.04%	147,375	8	0.87%
Grain Valley	243,447	8	0.88%	242,290	6	1.43%
Unilever (Thomas J. Lipton Co)	207,465	9	0.75%	129,022	10	0.76%
Buckner	162,742	10	0.59%	150,277	7	0.88%
Total	\$ <u>8,549,709</u>		<u>31.05%</u>	\$ <u>5,767,378</u>		<u>33.94%</u>

Source: City of Independence

Table 15

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

Utility Customer - Sewer	2014			2005		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 1,044,639	1	4.89%	\$ 515,432	1	3.69%
BP/AMOCO	194,244	2	0.91%	261,001	3	1.87%
City of Independence, Power & Light	79,080	3	0.37%	376,599	2	2.70%
Smart Warehouse/Commercial Distributions Center	57,836	4	0.27%	21,619	6	0.15%
Centerpoint Medical Center	49,976	5	0.23%			
Space Center of KC	49,755	6				
Simon Property Group LP	46,585	7	0.22%	34,632	5	0.25%
Highland Park Investors	46,265	8	0.22%			
Bass Pro	23,089	9	0.11%			
Price Chopper (23rd Street)	18,091	10	0.08%			
Independence Regional Health Center			0.00%	376,599	4	2.70%
Total	\$ <u>1,609,560</u>		<u>7.30%</u>	\$ <u>1,585,882</u>		<u>11.36%</u>

Note: Amounts for customers 7 through 10 are not available for 2005.

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				
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	—				
2014	167,681,305	453,477	1,226,414	—				

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation			
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	15.64%	3,635.01
2013	296,937,015	—	—	—	470,244,759	16.92%	4,010.96
2014	342,793,093	—	—	—	512,154,289	18.43%	4,368.43

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			Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Less Amounts Available in Debt Service	Total		
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%	—
2014	—	—	—	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, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Blue Springs Reorganized #4 School District	\$ 137,380,000	4.90%	\$ 6,731,620
Independence School District	138,585,000	93.61%	129,729,419
Raytown School District	86,704,999	6.00%	5,202,300
Fort Osage Reorganized #1 School District	49,630,000	12.50%	6,203,750
Subtotal, overlapping debt			<u>147,867,088</u>
City direct debt			<u>169,361,196</u>
Total direct and overlapping debt			<u><u>\$ 317,228,284</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Independence. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit (1)	\$ 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	256,165,576
Total net debt applicable to limit	948,722	896,700	840,870	790,240	790,240	650,505	585,340	515,768	455,018	368,810
Legal Debt Margin	\$ 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	255,796,766
Total net debt applicable to the limit as a percentage of debt limit	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%	0.227%	0.202%	0.178%	0.144%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	\$ 1,280,827,879
Debt Limit (20% of assessed value)	256,165,576

General obligation:

City-Wide	—
Neighborhood Improvement Districts	453,477
Revenue Bonds	342,793,093
Total Bonded Debt	343,246,570
Less:	
Electric Utility Bonds	131,497,433
Water Utility Bonds	39,066,307
Sewer Utility Bonds	81,071,566
Events Center Bonds	91,157,787
Debt Service Fund Balance	84,667
Total net debt applicable to limit	368,810
Legal debt margin	\$ 255,796,766

Notes:

(1) - Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.

(1) - Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur additional indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.

(1) - Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

Table 20

City of Independence, Missouri
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year			Less: Operating Expenses (1)	Net Available Revenue		Debt Service						
	Revenues					Principal	Interest (2)	Coverage				
Power & Light (2)												
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
2014		139,621,307		106,187,200		33,434,107		5,015,000		5,853,306		3.08
Water (2)												
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
2014		29,374,518		16,856,321		12,518,197		3,395,000		1,463,831		2.58
Sanitary Sewer												
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		20,249,977		13,440,965		6,809,012		—		1,030,631		6.61
2014		21,501,256		14,301,898		7,199,358		745,000		2,740,012		2.07

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.

Table 21

City of Independence, Missouri
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year (3)	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (1)
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	2,723,795,694	23,238	38.18	24,900	7.10%
2013	117,240	2,778,588,000	23,700	39.60	25,320	6.90%

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

Sources: (1) Information provided by U.S. Census Bureau, Mid-America Regional Council or Claritas, Inc.
(2) Information provided by school districts.

Table 22

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems (Lake City)	2,000	1	3.70%	1,286	2	2.33%
Independence School District	2,000	2	3.70%			
Centerpoint Medical Center	1,600	3	2.96%			0.00%
City of Independence	1,126	4	2.08%			
Government Employee Health Association	650	5	1.20%	650	3	1.18%
Rosewood Health Center at the Groves	400	6	0.74%	300	6	0.54%
Burd & Fletcher	350	7	0.65%	350	5	0.64%
Jackson County Circuit Court	274	8	0.51%			
Mid-Continent Library	220	9	0.41%			
Unilever	190	10	0.35%	290	7	0.53%
Health Midwest				1,400	1	2.54%
Southwestern Bell Telephone				550	4	1.00%
Sprint				200	8	0.36%
Comcast				165	9	0.30%
Space Center Distribution				150	10	0.27%
Total	8,810		16.17%	5,341		9.58%

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
City council office	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	6.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
City manager	7.00	7.50	10.50	10.50	10.50	9.50	9.50	7.00	7.00	7.00
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.75
Technology services	20.00	20.00	21.00	21.00	21.00	21.00	21.00	22.00	22.00	22.00
Municipal court	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00	14.67	14.65
Law - General fund	5.50	5.75	6.75	6.51	6.50	6.50	6.00	6.25	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	0.25
Finance	24.00	25.00	26.00	25.00	24.15	24.15	24.15	22.65	22.65	22.65
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	6.50	6.50	6.44	7.44
Public Safety										
Police - General fund	277.00	281.50	281.50	283.00	290.40	290.40	292.90	274.65	276.91	291.91
Police - Grant fund	15.00	12.00	10.00	14.00	15.00	15.00	13.00	14.00	13.00	13.00
Fire - General fund	173.25	173.25	173.25	173.25	173.25	173.25	173.25	173.25	173.25	169.25
Fire - Grant fund	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	4.75
Public Works										
General Fund	81.00	82.00	83.00	82.00	82.00	82.00	83.00	79.90	79.90	80.27
Street Sales Tax Fund	—	—	—	—	—	—	—	—	3.00	3.00
Health and Welfare										
General fund	33.50	34.25	34.25	35.25	35.25	35.25	36.00	35.16	40.20	29.33
Grant fund	5.50	6.00	7.70	6.25	7.10	5.35	4.95	8.65	7.65	9.06
Culture and Recreation										
General fund	41.70	36.70	35.53	32.65	32.65	33.46	31.71	28.71	30.15	27.85
Tourism fund	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.66	4.66	5.66
Park Improvement Sales Tax fund	11.59	12.59	17.12	25.29	25.29	23.98	22.48	21.75	20.75	24.70
Community Development										
General fund	22.00	26.00	25.75	26.64	26.05	27.55	27.05	27.30	27.30	27.30
Community Dev Block Grant fund	3.00	3.00	2.50	2.11	2.70	2.00	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	—	—	—
Storm Water Sales Tax fund	8.00	8.00	8.00	8.00	8.00	8.00	8.00	13.00	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	1.50	1.50	1.50
Power and Light	220.00	220.00	220.00	220.00	217.00	218.00	222.00	233.00	236.00	238.00
Water										
Finance - General fund	1.00	1.00	0.17	0.15	0.85	0.85	0.85	0.85	0.85	0.85
Water	97.48	98.48	97.48	98.50	101.65	101.65	101.65	93.65	93.42	92.42
Sewer										
Public Works - General fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	70.00	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	10.00	10.00	9.75	9.75	9.75	9.75	9.75
Worker' Compensation Fund	—	—	—	1.75	1.75	1.75	1.75	2.00	2.00	2.00
Total	<u>1,182.18</u>	<u>1,188.18</u>	<u>1,195.66</u>	<u>1,208.88</u>	<u>1,218.00</u>	<u>1,216.30</u>	<u>1,216.90</u>	<u>1,196.93</u>	<u>1,209.05</u>	<u>1,220.59</u>

Source: City of Independence Budget

Table 24

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	17,183	15,986	14,621	15,095	14,900	16,691	15,126	14,123	12,932	13,470
Public Safety										
Police										
Police Incident Calls	128,891	130,242	126,301	122,667	125,899	126,087	100,096	98,282	112,197	90,403
Traffic Unit Citations Issued	31,323	20,257	30,984	31,241	31,969	38,465	19,082	19,977	33,234	40,761
Fire										
Total Alarms	12,895	13,166	13,354	13,130	15,374	16,081	16,931	16,907	17,126	16,929
Public Education Audience	18,363	18,818	18,502	18,830	10,291	38,133	35,243	19,508	26,099	25,591
Public Works										
Street Overlay (lane miles)	88	66	26	—	53	63	16	35	32	39
Street Patching Jobs	542	474	3,897	6,822	3,168	6,163	7,181	5,069	4,319	7,718
Health and Welfare										
Food Handlers Trained	9,680	7,696	8,663	10,112	8,850	9,333	7,036	6,582	5,863	5,187
Flu Shots Given	431	680	1,118	764	789	7,369	661	422	—	—
Animal Control Service Calls	6,446	7,294	8,415	6,641	9,314	9,489	6,957	7,499	6,343	6,255
Culture and Recreation										
Park Shelter Reservations	214	462	457	646	872	715	730	524	579	657
Number of Sermon Center Memberships	948	930	1,095	1,500	1,323	1,574	1,577	1,577	1,671	1,332
Community Development										
Permits Issued	5,281	4,792	4,048	4,100	3,782	3,246	4,538	3,177	2,728	3,049
Tourism										
Site Attendance	290,499	295,381	260,342	244,524	230,483	222,104	287,466	374,525	130,249	293,772
Leisure Visitor Inquiries	34,512	44,943	34,116	35,446	33,392	39,925	38,828	50,517	37,126	1,282
Power and Light										
Average number of monthly customers	55,921	56,402	56,562	56,790	56,656	56,585	56,458	56,292	56,297	56,474
Water										
Number of customers	47,461	47,769	48,358	48,350	48,318	47,822	48,089	48,145	48,121	48,253
Water main breaks	182	241	271	179	171	202	267	249	402	318
Sewer										
Number of customers	43,909	44,290	44,351	44,210	44,279	44,232	44,078	44,085	44,062	44,166
Wastewater Treated (Million Gallons)	3,207	2,935	2,348	2,701	3,080	3,249	2,515	2,261	2,361	2,124

Source: City of Independence

Note: There was a tracking issue during 2013-14 for Tourism's leisure visitor inquiries that should now be corrected.

Table 25

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Police stations	3	3	4	4	4	5	4	3	5	5
Vehicles	90	177	203	206	201	215	166	180	191	191
K - 9 Facility	1	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	1
Vehicles	41	44	45	42	45	48	47	45	44	45
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	535	580	550	564	547	557	565	565	560	560
Culture and Recreation										
Park acreage	724	757	826	728	728	781	730	843	843	887
Parks	42	43	44	42	42	45	43	45	46	42
Community Centers	3	3	3	3	3	3	3	4	3	3
Fitness Centers	2	2	2	2	2	2	2	2	2	3
Ball Fields	53	53	53	54	54	57	54	42	45	44
Power and Light										
Power stations	5	5	5	5	5	5	5	6	6	5
Transmission/Distribution Circuits (miles)	809	817	829	835	840	844	847	859	853	869
Maximum daily use (Mwh)	5,320	5,464	5,865	5,579	5,472	4,909	5,456	5,780	5,654	4,818
Water										
Water mains (miles)	711	729	736	741	742	746	750	757	758	759
Fire hydrants	4,186	4,401	4,520	4,635	4,679	4,728	4,787	4,854	4,875	4,910
Maximum daily pumpage (millions of gallons)	41	44	44	39	38	35	42	42	47	40
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	576	578	590	578	596	597	596	614	614	614
Maximum daily capacity of treatment (MGD)	19	19	18	16	18	18	18	16	16	32

Source: City of Independence

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City of Independence



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

APPENDIX C

**UNAUDITED FINANCIAL AND OPERATING REPORT
FOR PERIOD ENDED JUNE 30, 2015**

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CITY OF INDEPENDENCE, MISSOURI FINANCIAL AND OPERATING REPORT



FOR PERIOD ENDED

June 2015

**PREPARED BY:
FINANCE DEPARTMENT**

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

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July 29, 2015

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

Re: June 2015 Financial Report

The Financial Report of the City of Independence for the period ended June 30th is submitted herewith. This report reflects 100% of the 2014-2015 fiscal year operations for the funds represented.

The budget for General Fund revenues increased \$102,301 from the original estimate. Revenues for the year are \$828,176 less than the estimate. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Sales tax was \$683,542 more than the original estimate and \$1,136,520 more than the prior year. Revenue from the telephone franchise fees was down \$756,154. Revenue from the gas franchise fees was down by \$333,764. During the last eight

years revenues from the franchise on natural gas have ranged from a high of \$5.2 million to a low of \$3.6 million. Weather has always been a major variable for this revenue and this year the mild winter along with significant declines in fuel cost contributed to this revenue source. The

General Fund Revenues					
	Original Est. Revenue	Adjusted Est. Revenue	Actual	Variance of Proj. to Adj.	%
Taxes	\$ 54,932,548	54,932,548	54,065,722	(866,826)	-1.6%
Licenses & Permits	3,284,687	3,284,687	3,682,050	397,363	10.8%
Grants	5,179,046	5,204,046	5,323,324	119,278	2.2%
Charges for Services	2,036,663	2,046,828	1,863,880	(182,948)	-9.8%
Interfund Services	4,616,045	4,616,045	4,544,233	(71,812)	-1.6%
Fines & Forfeitures	4,860,377	4,860,377	4,652,309	(208,068)	-4.5%
Interest	90,900	90,900	114,483	23,583	20.6%
Other Revenue	519,000	586,136	547,390	(38,746)	-7.1%
Debt Proceeds	-	-	-	-	
Total	<u>\$ 75,519,266</u>	<u>75,621,567</u>	<u>74,793,391</u>	<u>(828,176)</u>	<u>-1.1%</u>

revenues from the City's utilities are \$514,550 below the estimate. Revenue from Fines and Court Costs are \$208,068 below the estimate. Detail for these revenue categories and other General Fund revenues can be found at the end of this letter.

The General Fund expenditures for the fiscal year were \$73,163,377 and prior year expenditures were \$341,394 totaling \$73,504,771 and representing 96.7% of the adjusted budget. The positive variance between the amount budgeted and actual expenditures is a result of steps taken during the year to

manage General Fund expenditures in response to the revenue shortfalls mentioned on the previous page. This included managing vacancies by timing when a position is filled and replacing only essential personnel.

Encumbrances were closely reviewed at

year-end and closed where appropriate. Capital outlay expenditures were minimized and only occurred when absolutely necessary for continuing to provide services.

General Fund Expenditures					
	Adopted Budget	Adjusted Budget	Actual	%	Variance
General Government	\$ 7,828,701	7,948,312	7,664,897	96.4%	(283,415)
Public Safety	47,349,017	48,232,323	47,435,966	98.3%	(796,357)
Public Works	5,870,029	5,870,029	5,181,350	88.3%	(688,679)
Health	2,754,318	2,792,325	2,670,195	95.6%	(122,130)
Parks & Recreation	1,632,342	1,670,161	1,579,428	94.6%	(90,733)
Council Goals	250,000	413,494	182,534	44.1%	(230,960)
Other	9,405,143	9,052,977	8,790,401	97.1%	(262,576)
TOTAL	\$ 75,089,550	75,979,621	73,504,771	96.7%	(2,474,850)

Financial Position - June 30:

The chart on the right is the fund balance account for the General Fund for this fiscal year. It includes all of the fund balance components including those amounts listed as Restricted or Assigned Fund Balance, such as, Encumbrances, Debt Service, and Protested Taxes; the Committed Fund Balance items that include components, such as, Capital Projects, Council Strategic Goals, TIF Distributions; and the Unassigned Fund Balance. Total Fund Balance is increasing by \$812,824 as a result of the increase of restricted, committed or assigned funds of \$677,280 and the \$135,544 increase of unassigned funds.

Fund Balance Activity	
Beginning Fund Balance	\$ 4,844,396
Current Fiscal Year	
Revenues	74,793,391
Expenditures	<u>73,504,771</u>
Rev. over/(under) Expenditures	<u>1,288,620</u>
Transfers In	-
Transfers Out	<u>475,796</u>
Ending Fund Balance	\$ 5,657,220

Unassigned Fund Balance - June 30

Of the \$4,844,396 of beginning fund balance reported above, the unassigned portion is \$3,606,131. The difference represents restricted, committed and assigned fund balance components. The unassigned portion increased by \$135,544 since the beginning of the fiscal year to \$3,741,675. Detail information regarding the changes in unassigned fund balance can be found in the table that follows this transmittal letter.

Unassigned Fund Balance Activity	
Beginning Unassigned Fund Balance	\$ 3,606,131
Approved Budget Variances	(358,054)
Projection Variances:	
Revenue Variance	(828,176)
Expenditure Variance	<u>(2,474,850)</u>
Net Budget Variance	<u>1,288,620</u>
Transfers Authorized by the Budget	
Other:	
Increases	172,644
Decreases	<u>1,325,720</u>
Ending Unassigned Fund Balance	\$ 3,741,675

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	\$ 157,627		
Current Year Authorization	<u>250,000</u>		
	<u>407,627</u>		
<u>Current Year Allocations:</u>			
Northwest Communities Development Corp.	20,000	20,000	-
Public Information Assistant	45,000	915	44,085
Neighborhood Cleanup Program	60,000	38,235	21,765
Crime Prevention	40,000	23,000	17,000
Hungry & Homeless Program	20,000	20,000	-
Beautification Commission	400	400	-
Greater Kansas City Chamber of Commerce	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total	<u>\$ 187,900</u>	<u>105,050</u>	<u>82,850</u>
Unallocated Balance	<u><u>\$ 219,727</u></u>		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 are \$103,481 and interest is \$180 and unassigned fund balance is \$529,741.

Street Improvements Sales Tax Fund

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

Fund balance for June 30th is \$4,640,110. Of this total fund balance amount \$1,103,729 is encumbered for projects in process. \$3,536,381 is unassigned and available for other projects.

Park Improvements Sales Tax Fund

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

Fund balance for June 30th is (\$4,458,708). Of this total fund balance amount \$364,680 is encumbered for projects in process. The negative fund balance is the result of contracts being issued with the anticipation of issuing obligations or using future revenues.

Street Improvement Sales Tax Fund

<u>Revenues:</u>	Actual As Of Prior Fiscal Year	Current Fiscal Year		
		Budget	Actual	Variance
Sales Tax	\$ 7,767,525	7,957,701	8,357,101	399,400
Interest	781	900	631	(269)
Other	50,000	-	98,000	98,000
Total Revenues	7,818,306	7,958,601	8,455,732	497,131
<u>Expenditures:</u>				
Non-Departmental	12,049	13,985	14,485	500
Public Works	299,629	279,759	205,369	(74,390)
Debt Service	530,569	529,842	529,341	(501)
Capital Appropriations	6,039,108	10,248,042	6,821,822	(3,426,220)
Total Expenditures	6,881,355	11,071,628	7,571,017	(3,500,611)
Excess of Revenues Over (Under) Expenditures	936,951		884,715	
<u>Other Fin. Sources (Uses)</u>				
Debt Proceeds	-		-	
Transfers In	-		66,087	
Transfers Out	66,494		27,347	
Total Other Financing	(66,494)		38,740	
<u>Fund Balance:</u>				
Encumbrances	437,644		1,103,729	
Other Reserves	-		-	
Restricted	3,279,011		3,536,381	
Total	\$ 3,716,655		4,640,110	

Park Improvement Sales Tax Fund

<u>Revenues:</u>	Actual As Of Prior Fiscal Year	Current Fiscal Year		
		Budget	Actual	Variance
Sales Tax	\$ 3,884,655	3,978,851	4,178,652	199,801
Interest	-	-	-	-
Charges for Services	409,972	480,000	308,969	(171,031)
Other	(7,249)	141,074	151,741	10,667
Total Revenues	4,287,378	4,599,925	4,639,362	39,437
<u>Expenditures:</u>				
Non-Departmental	6,025	6,993	6,992	(1)
Debt Service	33,330	-	33,329	33,329
Operating	2,375,062	2,825,501	2,437,916	(387,585)
Capital	571,023	1,983,585	1,662,611	(320,974)
Total Expenditures	2,985,440	4,816,079	4,140,848	(675,231)
Excess of Revenues Over (Under) Expenditures	1,301,938		498,514	
<u>Other Fin. Sources (Uses)</u>				
Debt Proceeds	96,126		-	
Transfers In	-		45,859	
Transfers Out	-		19,015	
Total Other Financing	96,126		26,844	
<u>Fund Balance:</u>				
Encumbrances	639,424		364,680	
Other Reserves	-		-	
Restricted	(5,623,488)		(4,823,388)	
Total	\$ (4,984,064)		(4,458,708)	

Fire Sales Tax Fund

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

Fund balance for June 30th is \$1,505,114. Of this total fund balance amount \$32,587 is encumbered for projects in process. \$1,472,527 is unassigned and available for other projects.

Fire Sales Tax Fund

	Actual As Of	Current Fiscal Year		
	Prior Fiscal Year	Budget	Actual	Variance
<u>Revenues:</u>				
Sales Tax	\$ 1,943,700	1,989,425	2,089,554	100,129
Interest	605	800	220	(580)
Other	14,912	-	-	-
Total Revenues	<u>1,959,217</u>	<u>1,990,225</u>	<u>2,089,774</u>	<u>99,549</u>
<u>Expenditures:</u>				
Debt Service	587,891	555,963	552,563	(3,400)
Operating	2,797,931	1,521,446	923,501	(597,945)
Capital	-	-	-	-
Total Expenditures	<u>3,385,822</u>	<u>2,077,409</u>	<u>1,476,064</u>	<u>(601,345)</u>
Excess of Revenues Over (Under) Expenditures	(1,426,605)		613,710	
Other Fin. Sources (Uses)				
Debt Proceeds	-		-	
Transfers In	-		-	
Transfers Out	-		5,092	
Total Other Financing	<u>-</u>		<u>(5,092)</u>	
<u>Fund Balance:</u>				
Encumbrances	180,921		32,587	
Other Reserves	-		-	
Restricted	715,575		1,472,527	
Total	<u>\$ 896,496</u>		<u>1,505,114</u>	

Police (Capital) Sales Tax Fund

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

Fund balance for June 30th is \$1,557,817. Of this total fund balance amount \$190,368 is encumbered for projects in process. \$1,367,449 is unassigned and available for other projects.

Police (Capital) Sales Tax Fund

	Actual As Of	Current Fiscal Year		
	Prior Fiscal Year	Budget	Actual	Variance
<u>Revenues:</u>				
Sales Tax	\$ 2,069,621	2,126,514	2,211,890	85,376
Interest	845	900	379	(521)
Other	103,634	-	66,920	66,920
Total Revenues	<u>2,174,100</u>	<u>2,127,414</u>	<u>2,279,189</u>	<u>151,775</u>
<u>Expenditures:</u>				
Debt Service	551,985	513,863	548,735	34,872
Operating	1,583,479	3,919,995	2,524,196	(1,395,799)
Carry over Capital	-	-	-	-
Total Expenditures	<u>2,135,464</u>	<u>4,433,858</u>	<u>3,072,931</u>	<u>(1,360,927)</u>
Excess of Revenues Over (Under) Expenditures	38,636		(793,742)	
Other Fin. Sources (Uses)				
Debt Proceeds	-		-	
Transfers In	-		-	
Transfers Out	-		4,700	
Total Other Financing	<u>-</u>		<u>(4,700)</u>	
<u>Fund Balance:</u>				
Encumbrances	1,028,259		190,368	
Other Reserves	-		-	
Restricted	1,328,001		1,367,449	
Total	<u>\$ 2,356,260</u>		<u>1,557,817</u>	

Storm Water Sales Tax Fund

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

Fund Balance for June 30th is \$7,385,985. Of this total fund balance amount, \$893,372 is encumbered for projects in process. \$6,492,613 is unassigned and available for other projects.

<u>Storm Water Sales Tax Fund</u>				
	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Actual	Variance
Sales Tax	\$ 3,884,641	3,978,851	4,178,663	199,812
Intra-governmental	-	-	-	-
Interest	3,169	3,000	1,674	(1,326)
Other	28,657	-	-	0
Total Revenues	3,916,467	3,981,851	4,180,337	\$198,486
Expenditures:				
Operating	1,686,782	2,363,601	1,629,842	(733,759)
Capital	925,221	7,231,763	2,795,481	(4,436,282)
Total Expenditures	2,612,003	9,595,364	4,425,323	(5,170,041)
Excess of Revenues Over (Under) Expenditures	1,304,464		(244,986)	
Other Financing Sources (Uses)				
Transfers In	-		-	
Transfers Out	351,083		727,461	
Debt Proceeds	-		-	
Total Other Financing	(351,083)		(727,461)	
Fund Balance				
Encumbrances	2,040,295		893,372	
Designated Fund Balance	-		-	
Restricted	6,318,137		6,492,613	
Total	\$ 8,358,432		7,385,985	

Central Garage

The garage realized net income of \$35,524 for this month of the fiscal year and a net loss of \$98,991 for the fiscal year. The Director of Public Works must review this closely during the next year to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for the fiscal year. Also, the Director should look at the fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after twelve months of operation.

<u>Central Garage Operating Statement</u>		
	Current Month	Year to Date
Revenue:		
Repairs & Other Income	\$ 167,523	1,966,724
Operating Expenses:		
Personal Services	50,808	777,104
Other Services	4,441	364,027
Supplies	87,033	952,155
Capital Outlay	(3,985)	10,708
Depreciation Expense	711	4,286
Total Expenses	139,008	2,108,280
Net Income from Operations	28,515	(141,556)
Other Income/Expense:		
Interest Income/(Expense)	11	150
Misc. Income	6,998	42,415
Net Income/(Loss)	\$ 35,524	(98,991)
Fund Equity, Beginning		44,034
Transfers In/(Out)		-
Fund Equity, Ending		\$ (54,957)

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 for federal funding of street and bridge construction. The amount for 'Due from Other' represents receivables from Neighborhood Improvement Districts and TIF Funds. Of the \$876,031 that is 'Due from Federal Government', \$742,410 has been requested; approximately \$0.00 is retained from payments to contractors, leaving \$133,621 ready for submission.

Workers' Compensation Fund

The Workers' Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims of \$4,564,144, 54.7% or \$2,497,638 are long term liabilities. Current incurred but not reported (IBNR) claims are estimated to be \$1,069,803. Non-current IBNR is estimated at \$551,111. Current liabilities include \$110,000 for major claims. Non-current liabilities include \$1,489,741 for major claims.

Street Improvements Fund

Assets	
Cash	\$ -
Special Assessment Receivable	-
Due From Federal Government	876,031
Due From Other Local Government	-
Due From Other	449,219
Contributions Receivable	-
Total	<u>1,325,250</u>
Liabilities & Credits	
Accounts Payable	133,621
Deferred Revenue	449,219
Due To Other Funds	958,422
Funds In Escrow	-
Total	<u>1,541,262</u>
Fund Balance	<u><u>\$ (216,012)</u></u>

Worker's Compensation Fund

Assets	
Pooled cash and investments	\$ 3,182,247
Accounts receivable	72,000
Prepaid Items	-
Restricted Assets	<u>200,000</u>
Total Assets	<u>3,454,247</u>
Current Liabilities	
Accounts and contracts payable	153
Accrued liabilities	3,895
Compensated absences	13,744
Worker's Comp claims	996,703
IBNR	<u>1,069,803</u>
Total Current Liabilities	<u>2,084,298</u>
Noncurrent liabilities	
Compensated absences	31,732
Other Post Employment Benefits	66,599
Worker's Comp claims	1,946,527
IBNR	<u>551,111</u>
Total noncurrent liabilities	<u>2,595,969</u>
Total Liabilities	<u>4,680,267</u>
Net Assets	
Invested in capital assets, net of debt	-
Unrestricted	<u>(1,226,020)</u>
Total net assets (deficit)	<u>(1,226,020)</u>
Total liabilities and net assets	<u><u>\$ 3,454,247</u></u>

Power and Light

Total operating revenues of the Power and Light Fund of \$139,078,098 reflect an increase of \$264,114 over fiscal year 2013-14 operating revenues of \$138,813,984 or 0.2%. This increase is especially modest due to an unusually cool weather during the summer of 2014.

Total operating expenses of the Power and Light Fund of \$142,232,411 reflect an increase of \$756,034 or 0.5 % over the fiscal year 2013-14 operating expenses of \$141,476,377. Increased depreciation is the most noteworthy cause of the overall increase in expenses.

Water

Total operating revenues of the Water Fund of \$27,838,244 reflect an increase of \$292,621 from fiscal year 2013-14 total operating revenues of \$27,545,623 or 1.1%. A rate increase has overcome a decrease in customer demand due to wetter weather.

Total operating expenses of the Water Fund of \$20,539,659 reflect a decrease of \$313,196 from fiscal year 2013-14 total operating expenses of \$20,852,855 or 1.5%. Decreases in variable costs and expenses associated with the maintenance of water treatment plant have outweighed increases in meter reading expenses and employee benefit costs.

Sanitary Sewer

Total operating revenues of the Sanitary Sewer Fund of \$23,545,642 reflect an increase of \$2,074,343 from fiscal year 2013-14 total operating revenues of \$21,471,299 or 9.7%. This increase is attributable to an increase in the amount collected for Regulatory Compliance this year.

Total operating expenses of the Sanitary Sewer Fund of \$20,532,585 reflect an increase of \$726,811 from fiscal year 2013-14 total operating expenses of \$19,805,774 or 3.7 %. This increase is mostly attributable to an increase in the amount paid out for inter-jurisdictional expenses, an increase in the cost of personal services during the fiscal year, and an increase in the Payment In Lieu of Taxes for the year

I will be available to discuss any questions you may have regarding this information.



Brian C. Watson
Director of Finance

APPENDIX D

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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APPENDIX D

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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

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

“Additional Bonds” means any additional parity Bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2015D Bonds.

“Additional Payments” means the Additional Payments described in the Financing Agreement.

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

“Board Representative” means the Chairman, Vice Chairman, President or Executive Director of the Board, and any other duly authorized officer of the Board whose authority to execute any particular instrument or take a particular action under the Indenture or the Financing Agreement shall be evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Board by its Chairman or Executive Director.

“Bond” or **“Bonds”** means the Series 2015D Bonds and any Additional Bonds issued pursuant to the Indenture.

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

“City Representative” means the City Manager, the Director of Finance or the City Attorney, and any other duly authorized official of the City whose authority to execute any particular instrument or take a particular action under the Indenture or the Financing Agreement shall be evidenced by a written certificate furnished to the Board and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by the City Manager.

“Continuing Disclosure Undertaking” means the Continuing Disclosure Undertaking dated as of September 1, 2015 for the benefit of holders of the Bonds, as from time to time amended in accordance with the provisions thereof.

“Costs of Issuance” means issuance costs with respect to the Bonds, including but not limited to the following:

- (a) underwriter’s spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);

- (b) counsel fees (including bond counsel, disclosure counsel, City's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees of any financial advisor to the Board or the City incurred in connection with the issuance of the Bonds;
- (d) rating agency fees;
- (e) trustee, escrow agent and paying agent fees;
- (f) accountant fees and other expenses related to issuance of the Bonds;
- (g) printing costs (for the Bonds and of the preliminary and final Official Statement relating to the Bonds); and
- (h) fees and expenses of the Board incurred in connection with the issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name created by the Indenture.

"Costs of the Projects" means costs permitted under the Act to be paid out of proceeds of Series 2015D Bonds with respect to the Projects, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, and equipping of the Projects, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Projects to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act.

"Debt Service Fund" means the fund by that name created by the Indenture.

"Debt Service Reserve Fund" means the fund by that name created by the Indenture.

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2015D Bonds, the amount set forth in the body of this Official Statement (ii) with respect to Additional Bonds issued on a parity with the Series 2015D Bonds which are entitled to the benefit and security of the Debt Service Reserve Fund, a sum equal to the least of (A) 10% of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) 125% of the average future annual debt service on such Additional Bonds, and (iii) with respect to any Additional Bonds that are not entitled to the benefit and security of the Debt Service Reserve Fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

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

"Defeasance Obligations" means:

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

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

“Event of Default” means any event of default as defined in the Indenture or the Financing Agreement.

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

“Financing Agreement” means the Financing Agreement dated as of September 1, 2015 between the Board and the City as from time to time amended by Supplemental Financing Agreements in accordance with the provisions of the Financing Agreement.

“Fiscal Year” means the City’s fiscal year, which is currently July 1 to June 30, or as it may be hereinafter defined by the City.

“Government Obligations” means the following:

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

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

“Indenture” means the Bond Trust Indenture dated as of September 1, 2015 as originally executed by the Board and the Trustee, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of the Indenture.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

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

“Loan Payment Date” means on or before the Business Day preceding the date any payment is due on the Series 2015D Bonds.

“Loan Payments” means the payments of principal and interest on the Loan referred to in the Financing Agreement.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **“Moody’s”** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee.

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

“Officer’s Certificate” means a written certificate in the form described in the Indenture of the City by the City Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the City with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Trustee.

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

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

“Original Purchaser” means Stifel Nicolaus & Company, Incorporated

“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.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“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 provided herein, 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.

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

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

"Projects" means the Projects described in the Indenture, the costs of which will be paid in whole or in part, or for which the City will be reimbursed in whole or in part from the proceeds of the sale of the Bonds.

"Project Fund" means the fund by that name created by the Indenture.

"Rebate Fund" means the fund by that name created in the Indenture.

“Record Date” means the 15th day (whether or not a Business Day) of the calendar month next preceding the month in which an interest payment on any Bond is to be made.

“Replacement Bonds” means Bonds issued to the beneficial owners of the Bonds in accordance with the Indenture.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

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

“Supplemental Financing Agreement” means any agreement supplemental or amendatory to the Financing Agreement entered into by the Board and the City pursuant to the Financing Agreement.

“Supplemental Indenture” means any indenture supplemental or amendatory to the Indenture entered into by the Board and the Trustee pursuant to the Indenture.

“Tax Compliance Agreement” means the Tax Compliance Agreement dated as of September 1, 2015 among the Board, the City and the Trustee.

“Transaction Documents” means the Indenture, the Bonds, the Financing Agreement, the Official Statement relating to the Bonds, the Continuing Disclosure Undertaking, 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.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture.

“Trustee” means Commerce Bank, Kansas City, Missouri, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Indenture.

“Unassigned Board’s Rights” means the Board’s rights to reimbursement and payment of its costs and expenses, its rights of access, its rights to indemnify, its rights to exemption from liability, its rights to receive notices, reports and other statements and its rights to consent to certain matters.

* * *

SUMMARY OF THE INDENTURE

The following, in addition to the information contained above under the heading “THE BONDS”, summarizes certain provisions of the Indenture. This summary does not purport to be complete, and reference is made to the Indenture for the complete provisions 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.

Additional Bonds

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2015D Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and in the Financing Agreement, for any purpose authorized under the Act.

Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2015D Bonds and any other Additional Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of the Debt Service Reserve Fund.

Creation of Funds and Accounts

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

(a) “Missouri Development Finance Board–City of Independence, Missouri – CIP Infrastructure Facilities Project Fund” (the “Project Fund”), and within such fund separate accounts for each separate project, initially a “Series 2015D Capital Improvements Project Account.”

(b) “Missouri Development Finance Board–City of Independence, Missouri – CIP Infrastructure Facilities Costs of Issuance Fund” (the “Costs of Issuance Fund”).

(c) “Missouri Development Finance Board–City of Independence, Missouri – CIP Infrastructure Facilities Debt Service Fund” (the “Debt Service Fund”).

(d) “Missouri Development Finance Board–City of Independence, Missouri – CIP Infrastructure Facilities Debt Service Reserve Fund” (the “Debt Service Reserve Fund”).

(e) “Missouri Development Finance Board–City of Independence, Missouri – CIP Infrastructure Facilities Rebate Fund” (the “Rebate Fund”).

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

Project Fund

Moneys in the Project Fund shall be used solely for the purpose of paying the Costs of the Projects relating to the applicable Project with such changes, or amendment or substitutions as deemed advisable by the City and approved in accordance with the Financing Agreement.

The Trustee shall disburse moneys on deposit in the Project Fund from time to time to pay or as reimbursement for payment made for the Costs of the Projects (other than Costs of Issuance), in each case within 3 Business Days after receipt by the Trustee of written disbursement requests of the City and signed by the City Representative. In making payments, the Trustee may rely upon such written requests and accompanying certificates and statements and shall not be required to make any independent investigation in connection therewith.

If after payment by the Trustee of all disbursement requests theretofore tendered to the Trustee under the provisions of the Indenture and after receipt by the Trustee of the completion certificate required by the Indenture and after all rebatable earnings have been transferred to the Rebate Fund pursuant to the Indenture, there shall remain any moneys in the Project Fund, such moneys shall be deposited and applied in the following order of priority: (1) in the Debt Service Fund to pay the next successive principal payment on the Bonds to become due, and (2) in the Debt Service Fund and used to redeem Bonds at the earliest permissible date under the Indenture, or, in the discretion of the City, shall be applied for any other purpose that, based on an Opinion of Bond Counsel, will not cause the interest on the Bonds to be includible in gross income for federal income tax purposes.

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, 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 Trustee shall deposit and credit to the Debt Service Fund, as and when received, as follows:

- (a) The amounts required to be deposited therein pursuant to the Indenture on the date of issuance of the Series 2015D Bonds, and all Loan Payments made by the City pursuant to the Financing Agreement.
- (b) Any amount required to be transferred from the Project Fund to the Debt Service Fund upon completion of the Projects.
- (c) Interest earnings and other income on Permitted Investments required to be deposited in the Debt Service Fund pursuant to the Indenture.
- (d) Any amounts required by a Supplemental Indenture authorizing the issuance of Additional Bonds to be deposited in the Debt Service Fund, as specified in such Supplemental Indenture.
- (e) All other moneys received by the Trustee under and pursuant to any of the provisions of the Indenture or the Financing Agreement or any other Transaction Document, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Debt Service Fund.

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

The Trustee is authorized and directed to withdraw sufficient funds from the Debt Service Fund to pay principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said principal, redemption premium, if any, and interest.

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

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

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.

Debt Service Reserve Fund

The following moneys shall be paid over to and deposited by the Trustee into the Debt Service Reserve Fund, as and when received:

- (a) From the proceeds from the sale of the Series 2015D Bonds, an amount equal to the Debt Service Reserve Fund Requirement.
- (b) The amounts to be paid by the City pursuant to the Financing Agreement.
- (c) The earnings accrued on the investment of moneys in the Debt Service Reserve Fund and required to be deposited into the Debt Service Reserve Fund pursuant to the Indenture.
- (d) All other moneys received by the Trustee when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Debt Service Reserve Fund.

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 Series 2015D Bonds to the extent of any deficiency in the Debt Service Fund for such purposes and to retire the last Outstanding Bonds. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund for such purpose whether or not the amount in the Debt Service Reserve Fund at that time equals 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 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.

On each valuation date (as described below under the caption "Investment of Moneys"), and immediately subsequent to any transfer of money from the Debt Service Reserve Fund to the Debt Service Fund as required in the Indenture, the Trustee shall determine the value of all cash and Permitted Investments held in the Debt Service Reserve Fund. All such Permitted Investments shall be valued pursuant to the Indenture. If the value so determined exceeds the Debt Service Reserve Fund Requirement, the excess shall as promptly as practical be transferred to the Debt Service Fund. If the value so determined is less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately direct the City to restore the deficiency not later than the next succeeding Payment Date.

After payment or provision for payment in full of the principal of and interest on the Bonds, and the fees, charges and expenses of the Trustee and any Paying Agents and any other amounts required to be paid under the Indenture and the Financing Agreement, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond

shall have been made available to the Trustee, all liability of the Board to the owner thereof for the payment of such Bond, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds in trust in a separate trust account, without liability for interest thereon, for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay jointly to the City the funds theretofore held by it for payment of such Bond without liability for interest thereon, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Investment of Moneys

Moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the City Representative, or in the absence of such direction at the discretion of the Trustee, 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. 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 and the Debt Service Reserve 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 (other than the Debt Service Reserve 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. Permitted Investments in the Debt Service Reserve Fund shall be valued at fair market value, exclusive of accrued interest. Investments in the Funds under the Indenture shall be valued on each February 15 and August 15 in each year beginning February 15, 2016. The Trustee shall promptly deliver copies of such valuations to the City, which may be in the form of the Trustee's standard account statements.

Events of Default

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

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

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

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

With regard to any alleged default concerning which notice is given to the City under the provisions of the Indenture, the Board 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 under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

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

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

Exercise of Remedies by the Trustee

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

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

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

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

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

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

(f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of

a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in every case the Board, the City, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

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

- (a) such owner has previously given written notice to the Trustee of a continuing event of default;
- (b) the owners of not less than 25% in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;
- (c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the owners of a majority in principal amount of the Outstanding Bonds;

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

Notwithstanding the foregoing or any other provision in the Indenture, however, the owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and nothing contained in the Indenture shall affect or impair the right of any owner to institute suit for the enforcement of any such payment.

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

Supplemental Indentures

Without Consent of the Owners

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

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

required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or

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

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

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

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

(f) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision of 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.

With Consent of the Owners

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 (except as may be required in connection with the appointment of a successor Trustee), 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 Indenture 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 any of the provisions of the Indenture relating to Supplemental Indentures with the consent of the owners or relating to waiver of past defaults, 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

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

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

Execution of Supplemental Indentures

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized and permitted by and in compliance with the terms of the Indenture and that the execution and delivery thereof will not adversely affect the exclusion from federal gross income of interest on the Bonds. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

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 Financing Agreement) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in the Indenture.

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 by the City under the Financing Agreement. 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.

If at any time:

(1) the Trustee shall fail to comply with the provisions of the second paragraph of this relating to a conflicting interest after written request therefor by the Board or the City, or

(2) the Trustee shall cease to be eligible under the Indenture and shall fail to resign after written request therefor by the Board or by any bondowner, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Board may remove the Trustee, or (B) the City or any bondowner may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

The Trustee shall give notice at the expense of the City of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Board, the City and the registered owners of Bonds as their names and addresses appear in the bond register maintained by the Trustee. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article 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 if no event of default under the Financing Agreement has occurred and is continuing (which consent shall not be unreasonably withheld), or the owners of a majority in principal amount of Bonds Outstanding (if an event of default hereunder or under the Financing Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Board and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Board or the bondowners. If, within **30** days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner herein provided, 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 herein provided, 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.

Corporate Trustee Required; Eligibility

There shall at all times be a Trustee under the Indenture which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, and having a combined capital and surplus of at least **\$25,000,000**. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of the Indenture, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, it shall resign immediately in the manner and with the effect specified in the Indenture.

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 Defeasance 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 clause (c) above, subject to receipt by the Trustee of (1) a verification report in form and substance satisfactory to the Trustee prepared by independent certified public accountants, or other verification agent, satisfactory to the Trustee and (2) an Opinion of Bond Counsel addressed and delivered to the Trustee and the Board in form and substance satisfactory to the Trustee to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Indenture has been provided for in the manner set forth in the Indenture 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.

The foregoing notwithstanding, the liability of the Board in respect of such Bonds shall continue, but the owners thereof shall thereafter be entitled to payment only out of the moneys and Defeasance Obligations deposited with the Trustee as aforesaid.

Moneys and Defeasance Obligations so deposited with the Trustee pursuant to the Indenture shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent, as the Trustee may determine) to the Persons entitled thereto, of the

principal (and premium, if any) and interest for whose payment such moneys and Defeasance Obligations have been deposited with the Trustee.

Satisfaction and Discharge of Indenture

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

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;
- (b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;
- (c) the Trustee receives an Opinion of 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;
- (d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in the Indenture to the satisfaction and discharge of the Indenture have been complied with; and
- (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

SUMMARY OF THE AUTHORIZING ORDINANCE

The following is a summary of certain provisions contained in the Authorizing Ordinance related to the Series 2015D Bonds. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Authorizing Ordinance for a complete recital of the terms thereof.

Definitions of Words and Terms

In addition to words and terms defined elsewhere in the Authorizing Ordinance, the following capitalized words and terms as used in the Authorizing Ordinance shall have the following meanings:

“Series 2015D Additional Payments” shall have the meaning set forth in the Series 2015D Financing Agreement.

“Series 2015D Bonds” means the not to exceed \$2,500,000 Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Capital Improvements Projects), Series 2015D, issued by the Board.

“Series 2015D Financing Agreement” means the Financing Agreement by and between the Board and the City pursuant to which the Board will loan the proceeds of the Series 2015D Bonds to the City.

“Series 2015D Loan” means the loan from the Board to the City made pursuant to the Series 2015D Financing Agreement.

“Series 2015D Loan Payments” shall have the meaning set forth in the Series 2015D Financing Agreement.

Limited Obligations

The City obligation to make Series 2015D Loan Payments and Series 2015D Additional Payments under the Series 2015D Financing Agreement shall be subject to annual appropriation and shall not constitute a debt, liability or indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction, all as more fully provided in the Series 2015D Financing Agreement.

Security for the Series 2015D Loan

The City’s obligation to make Series 2015D Loan Payments and Series 2015D Additional Payments pursuant to the Series 2015D Financing Agreement shall be subject to annual appropriation as provided in the Series 2015D Financing Agreement. The taxing power of the City is not pledged to the payment of the Series 2015D Loan either as to principal or interest. The Series 2015D Loan shall not constitute a general obligation of the City, nor shall it constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

SUMMARY OF THE FINANCING AGREEMENT

The following summarizes certain provisions of the Financing Agreement. This summary does not purport to be complete, and reference is made to the Financing Agreement for the complete provisions thereof.

Loan Payments

Subject to the limitations of the Financing Agreement relating to annual appropriation, the City shall pay the following amounts to the Trustee, all as “Loan Payments” under the Financing Agreement:

(a) *Debt Service Fund -- Interest:* On or before 10:00 A.M. on or before the Business Day preceding each March 1 and September 1, commencing on the Business Day preceding the date the first interest payment is due on the Series 2015D Bonds, an amount which is not less than the interest to become due on the next interest payment date on the Series 2015D Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

(b) *Debt Service Fund -- Principal:* On or before 10:00 A.M. on or before the Business Day preceding each March 1, commencing on the Business Day preceding the date the first principal payment is due on the Series 2015D Bonds, an amount which is not less than the next installment of principal due on the Series 2015D Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

(c) *Debt Service Fund - Redemption:* On or before 10:00 A.M. on or before the Business Day preceding the date required by the Financing Agreement or the Indenture, the amount of any Net Proceeds or other moneys received which is intended or required to redeem Series 2015D Bonds then Outstanding if the City exercises its right to redeem Series 2015D Bonds under any provision of the Indenture.

Notwithstanding any schedule of payments upon the Loan set forth in the Financing Agreement or the Indenture, the City shall make payments upon the Loan and shall be liable therefor at the times and in the amounts (including interest, principal, and redemption premium, if any) equal to the amounts to be paid as

interest, principal and redemption premium, if any, whether at maturity or by optional or mandatory redemption upon all Bonds from time to time Outstanding under the Indenture.

Any Supplemental Financing Agreement shall provide for similar deposits into the Debt Service Fund of amounts sufficient to insure the prompt payment of the principal of, premium, if any, and interest on any Additional Bonds as the same become due.

Unpaid Loan Payments shall bear interest at the Prime Rate. Any interest charged and collected on an unpaid Loan Payment shall be deposited to the credit of the Debt Service Fund and applied to pay interest on overdue amounts in accordance with the Indenture.

The City and the Board each acknowledge that they have no interest in the Debt Service Fund or the Rebate Fund, and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Bondowners and the United States of America as provided in the Indenture.

Credits on Loan Payments

Notwithstanding any provision contained in the Financing Agreement or in the Indenture to the contrary, in addition to any credits on the Loan resulting from the payment or prepayment of Loan Payments from other sources:

- (a) any moneys deposited (including earnings thereon) by the Trustee in the Debt Service Fund as interest (including moneys received as accrued interest from the sale of the Bonds and any initial deposit of capitalized interest made from the proceeds of the sale of any series of the Bonds) shall be credited against the obligation of the City to pay interest on the Loan as the same becomes due;
- (b) any moneys deposited (including earnings thereon) by the Trustee in the Debt Service Fund as principal shall be credited against the obligation of the City to pay the principal of the Loan as the same becomes due in the order of maturity thereof; and
- (c) the amount of any moneys transferred by the Trustee from any other fund held under the Indenture and deposited in the Debt Service Fund as interest or principal shall be credited against the obligation of the City to pay interest or principal, as the case may be, as the same become due.

Additional Payments

Subject to the limitations of the Financing Agreement relating 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 and 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 the Indenture necessary 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 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 limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2015D Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the Series 2015D 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

The City's obligations to pay the Loan Payments and Additional Payments described in the Financing Agreement and any amounts required to be paid under the Financing Agreement, shall be limited, special obligations of the City payable solely from, and secured as to the payment of principal and interest by, a pledge of, subject to annual appropriation by the City as provided in the Financing Agreement, all general fund revenues of the City. 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.

Additional Bonds

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board and the City; (2) the Board and the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment

of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

Events of Default Defined

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

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

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

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, as provided in the Indenture.

The provisions of the Financing Agreement 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 the Financing Agreement 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

No remedy conferred or reserved in the Financing Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Financing Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon a Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Financing Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Financing Agreement.

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements

Without Consent of Bondowners

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

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

With Consent of Bondowners

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

- (a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where (except as may be required in connection with the appoint of a successor Trustee), 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 Financing Agreement governing Supplemental Financing Agreements with the consent of the owners, 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 Indenture. 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 Financing Agreement, but it shall be sufficient if such act shall approve the substance thereof.

Execution of Supplemental Financing Agreements

In executing or consenting to any Supplemental Financing Agreement permitted by the Financing Agreement, the Board and the Trustee shall be entitled to receive, and, subject to the Indenture, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Financing Agreement is authorized and permitted by and in compliance with the Financing Agreement. The Trustee may, but shall not be obligated to, consent to any such Supplemental Financing Agreement which affects the Trustee's own rights, duties or immunities under the Financing Agreement, the other Transaction Documents or otherwise.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following summarizes certain provisions of the Continuing Disclosure Undertaking. This summary does not purport to be complete, and reference is made to the Continuing Disclosure Undertaking for the complete provisions thereof.

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

Definitions

Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Indenture.

“Annual Financial Information” shall mean the information specified in the Disclosure Undertaking.

“Beneficial Owner” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“City” shall mean the City of Independence, Missouri, a municipality of the State of Missouri constituting a political subdivision, and any successor thereto.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures.

“Disclosure Undertaking” means the Continuing Disclosure Undertaking executed by the City related to the Bonds.

“Fiscal Year” means the 12-month period beginning on July 1 and ending on June 30 or any other 12-month period selected by the City as the Fiscal Year of the City for financial reporting purposes.

“GAAP” shall mean generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Obligated Person” shall mean the person (including an issuer of separate securities) that is committed by contract or other arrangements structured to support payment of all or part of the obligations under the municipal securities.

“Official Statement” shall mean the Official Statement related to the Series 2015C Bonds.

“Rule 15c2-12” shall mean Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended from time to time.

“Underwriter” shall mean Stifel Nicolaus & Company, Incorporated.

Obligations to Provide Continuing Disclosure

(a) Obligations of the City.

(i) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than January 2 of each year commencing January 2, 2016 (or, if the City’s Fiscal Year shall no longer end on June 30, 180 days after the end of each of its Fiscal Years) to the MSRB via EMMA, the City’s Comprehensive Annual Financial Report (the “Annual Report”), which includes (A) the audited financial statements of the City for the prior fiscal year, and (B) updates to the information in the tables in Appendix A to the Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE CITY – Current Assessed Valuation, – History of Property Valuation, – Major Taxpayers, – Obligations of the City, and – Overlapping or Underlying Indebtedness”. If the City’s Comprehensive Annual Report is not then available, unaudited financial statements in a format similar to the financial statements contained in the final Official Statements relating to the Bonds and the operating information described in (B) above shall be provided no later than January 2 of each year commencing January 2, 2016 (or, if the City’s Fiscal Year shall no longer end on June 30, 180 days after the end of each of its Fiscal Years) and the Comprehensive Annual Report shall be delivered to the MSRB if and when it becomes available. The Annual Report shall be provided to the MSRB in such manner and format as prescribed by the MSRB.

(ii) The Trustee, based upon information that has been provided to and actually received by it in its capacity as Trustee, if other than an officer of the City, shall notify the City of the occurrence of any of the events with respect to the Bonds listed in Section 2(a)(iii) hereof promptly upon becoming aware of the occurrence of any such event.

(iii) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide to the MSRB via EMMA and 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 Bonds, 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 City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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.

(iv) The City shall also provide to the MSRB in a timely manner notice of any failure of the City to provide the MSRB the Annual Report or financial statements required by paragraph (i) of this Section 2(a) on or before the date specified.

(b) Termination or Modification of Disclosure Obligation. The City's obligations herein shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the City's obligations hereunder are assumed in full by some other entity, such person shall be responsible for compliance with the Disclosure Undertaking in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds the City shall give notice of such termination or substitution in the same manner as for a Material Event under the Disclosure Undertaking.

(c) Other Information. Nothing herein shall be deemed to prevent the City from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the City should disseminate any such additional information, the City shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

Annual Financial Information

(a) Specified Information. The Annual Financial Information of the City shall consist of the Annual Report as described in the Disclosure Undertaking.

(b) Incorporation by Reference. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an

“obligated person” (as defined by the Rule), which have been provided to the MSRB and is available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB via EMMA. The City shall clearly identify each such other document so included by reference.

(c) Informational Categories. The requirements contained in the Disclosure Undertaking are intended to set forth a general description of the type of financial information and operating data to be provided by the City, such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of the Disclosure Undertaking call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Financial Statements

The annual financial statements of the City for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS. The annual financial statements may be provided by specific incorporation by reference to any other documents which have been filed with the MSRB and the Securities and Exchange Commission.

Remedies

If the City should fail to comply with any provision of the Disclosure Undertaking, 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 Disclosure Undertaking; provided that the sole and exclusive remedy for breach of the Disclosure Undertaking shall be an action to compel specific performance of the obligations of such party hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with Sections 2 and 3 hereunder 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 hereunder. Failure of any party to perform its obligations hereunder shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Amendments

(a) 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 the Disclosure Undertaking 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 herein, 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.

(b) Annual Financial Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent in a timely manner by the City to the MSRB.

Termination

The Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Indenture; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance of the Bonds, the City shall provide notice of such defeasance to the MSRB and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

October 20, 2015

Missouri Development Finance Board
Jefferson City, Missouri

Stifel Nicolaus & Company, Incorporated
St. Louis, Missouri

City of Independence, Missouri
Independence, Missouri

Commerce Bank, as Trustee
Kansas City, Missouri

Re: \$2,390,000 Missouri Development Finance Board Infrastructure Facilities Revenue
Bonds (City of Independence, Missouri – Capital Improvements Projects) Series
2015D

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 October 1, 2015 (said Bond Trust Indenture, together with all amendments and supplements thereto, 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 October 1, 2015, (said Financing Agreement, together with all amendments and supplements thereto, the “Financing Agreement”), between the Board and the City.

Reference is made to an opinion of even date herewith of the City Counselor of the City, 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, the Financing Agreement and the Tax Compliance Agreement and to perform its obligations thereunder.

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

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

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

5. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Board and the City have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

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

Very truly yours,

APPENDIX F

**ACTUARIAL REPORT OF
GABRIEL ROEDER SMITH & COMPANY
DATED FEBRUARY 28, 2015**

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SUMMARY OF THE RESULTS OF THE FORTY-SEVENTH ANNUAL ACTUARIAL VALUATION
FEBRUARY 28, 2015
COVERING THE PARTICIPATION OF THE CITY OF INDEPENDENCE
IN THE **MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM**

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OUTLINE OF CONTENTS

Summary of the Annual Actuarial Valuation Covering The City of Independence

Pages	Items
2	Cover Letter
	<i>Financial Principles</i>
3	Financing diagram
4	Actuarial valuation process
	<i>Benefit Provisions and Data Furnished</i>
5-7	Benefit summary
8-10	Summary of covered person data furnished
	<i>Valuation Results</i>
11	Actuarial accrued liabilities and assets
12	Computed employer contributions
13-15	Comparative schedules

June 23, 2015

The City of Independence
Independence, Missouri

Ladies and Gentlemen:

Submitted in this report is a summary of the results of the **Forty-Seventh 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 some of the actuarial information needed for applicable Governmental Accounting Standards Board (GASB) Statements. 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, 2015. 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, 2016.

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.

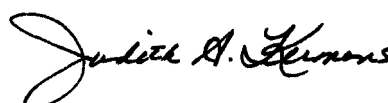
The fundamental financial objective of LAGERS is to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Missouri citizens. To test how well the fundamental objective is being achieved, annual actuarial valuations 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.

Mita D. Drazilov and Judith A. Kermans 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.

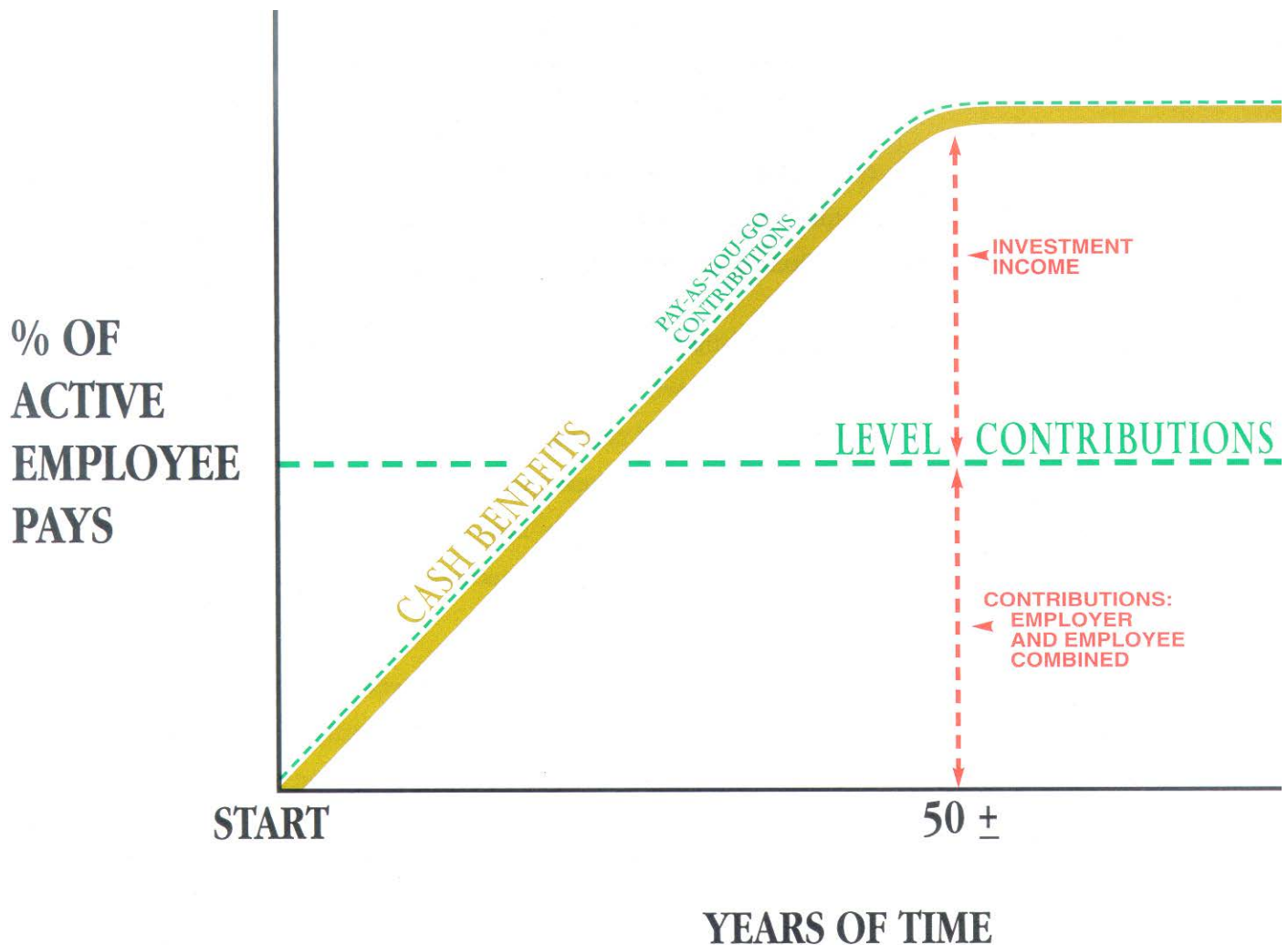
Respectfully submitted,
Gabriel, Roeder, Smith and Company



Mita D. Drazilov, ASA, MAAA



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) 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, 2015
(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 964 retirees and beneficiaries with total annual benefits of \$18,883,023 reported as of February 28, 2015.

The City of Independence
Retirees and Beneficiaries Added To and Removed From Rolls
Comparative Schedule

Valuation Date	Added to Rolls *		Removed from Rolls		Year End	
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits #
2/28/2010	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
2/28/2014	61	1,833,089	21	416,765	921	17,415,231
2/28/2015	68	1,823,860	25	356,068	964	18,883,023

* 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 economic and demographic experience associated with the retiree and beneficiary population is shared amongst all LAGERS participating employers. In general, this experience does not affect a particular employer's computed employer contribution each year. However it may be useful to note the liabilities associated with the above retirees and beneficiaries. The present value of future benefits associated with the above retirees and beneficiaries is \$226,229,218 as of February 28, 2015.

The City of Independence

Retirees and Beneficiaries on Rolls as of February 28, 2015 By Disbursing Fund and Type of Benefit Being Paid

Type of Benefit	Number	Annual Benefits [#]
Service Early & Deferred		
Life Option	298	\$5,663,235
Option A	219	4,795,040
Option B	206	5,041,542
Option C	42	559,541
Beneficiary Receiving	86	805,359
Totals	851	16,864,717
Duty Disability		
Life Option	24	594,038
Option A	8	192,497
Option B	8	226,024
Option C	1	23,924
Totals	41	1,036,484
Non-Duty Disability		
Life Option	13	236,282
Option A	7	103,962
Option B	8	190,077
Option C	3	62,390
Totals	31	592,711
Beneficiary receiving	12	152,204
Total Disability	84	1,781,399
Death-In-Service		
Spouse Receiving	27	229,005
Children Receiving	2	7,903
Totals	29	236,907
Totals	964	\$18,883,023

Dollar amounts will not always add up, due to rounding.

The City of Independence

Active and Vested Former Members as of February 28, 2015

Division	Active Members					Number of Vested Former Members
	Number	Annual Payroll	Averages *			
			Annual Pay	Age	Service	
General	649	\$43,225,806	\$66,604	47.8 yrs.	13.7 yrs.	152
Police	193	13,633,099	70,638	40.8	13.2	26
Fire	161	10,832,158	67,280	42.3	14.4	11

* 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, 2015

Division	Accrued Liabilities (1)	Reported Assets (Cost Basis)			Actuarial Value of Assets (5)	Unfunded Accrued Liabilities (6)=(1)-(5)
		EAF (2)	MDF (3)	Total (4)=(2)+(3)		
General	\$134,346,683	\$60,071,514	\$7,807,844	\$67,879,358	\$80,871,467	\$53,475,216
Police	43,998,288	12,258,775	2,536,169	14,794,944	17,626,696	26,371,592
Fire	36,556,669	21,246,239	2,083,304	23,329,543	27,794,818	8,761,851

The City of Independence
Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2016

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%	7.9%	15.3%
Police	6.9	0.3	9.3	16.5
Fire	10.0	0.3	5.7	16.0

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 and duty death-in-service 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 16.7%. The uncapped employer contribution rate for the Police division was computed to be 23.3%.

**The City of Independence
General Division**

Employer Contributions – Comparative Schedule

Valuation Date	Active Members					Vested Former Members	Employer Contribution Rate
		Annual Payroll	Averages *				
			Annual Pay	Age	Service		
2/28/2010	741	\$42,788,003	\$57,744	47.9 yrs.	14.2 yrs.	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
2/28/2014	638	44,303,678	69,442	48.4	14.4	149	14.3
2/28/2015	649	43,225,806	66,604	47.8	13.7	152	15.3

* 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
2/28/2010	\$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
2/28/2014	142,817,360	83,324,476	58.3	59,492,884	134.3
2/28/2015	134,346,683	80,871,467	60.2	53,475,216	123.7

Amortization of Unfunded Accrued Liabilities as of February 28, 2015

Amortization Period #	Remaining Unamortized Liability	Amortization Payment
14	\$17,957,836	\$1,656,707
16	13,993,187	1,166,822
24	27,306,767	1,721,168
15	(5,782,574)	(506,077)

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
		Annual Payroll	Averages *				
			Annual Pay	Age	Service		
2/28/2010	201	\$12,649,929	\$62,935	40.2 yrs.	13.2 yrs.	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
2/28/2014	191	13,939,985	72,984	40.8	13.1	25	15.5
2/28/2015	193	13,633,099	70,638	40.8	13.2	26	16.5

* These items are included for their general interest, but are not used in the valuation.

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/28/2010	\$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
2/28/2014	44,115,009	17,095,330	38.8	27,019,679	193.8
2/28/2015	43,998,288	17,626,696	40.1	26,371,592	193.4

Amortization of Unfunded Accrued Liabilities as of February 28, 2015

Amortization Period #	Remaining Unamortized Liability	Amortization Payment
14	\$15,546,775	\$1,434,273
16	4,163,092	347,139
24	7,041,703	443,844
15	(379,978)	(33,255)

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					Vested Former Members	Employer Contribution Rate
	Number	Annual Payroll	Averages *				
			Annual Pay	Age	Service		
2/28/2010	162	\$10,187,651	\$62,887	43.2 yrs.	15.4 yrs.	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
2/28/2014	163	11,220,146	68,835	41.7	13.7	10	16.1
2/28/2015	161	10,832,158	67,280	42.3	14.4	11	16.0

* These items are included for their general interest, but are not used in the valuation.

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/28/2010	\$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
2/28/2014	36,524,576	24,807,106	67.9	11,717,470	104.4
2/28/2015	36,556,669	27,794,818	76.0	8,761,851	80.9

Amortization of Unfunded Accrued Liabilities as of February 28, 2015

Amortization Period #	Remaining Unamortized Liability	Amortization Payment
14	\$2,591,588	\$239,088
16	3,146,984	262,411
24	5,951,111	375,103
15	(2,927,832)	(256,237)

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.

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APPENDIX G

ACTUARIAL REPORT OF LEWIS & ELLIS INC.

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CITY OF INDEPENDENCE
POSTRETIREMENT HEALTH INSURANCE

GASB 45 INFORMATION

FOR

FISCAL YEAR ENDING
JUNE 30, 2015

BASED ON A
VALUATION DATE OF JANUARY 1, 2015

JULY 2015



Dallas

Glenn A. Tobleman, F.S.A., F.C.A.S.
 S. Scott Gibson, F.S.A.
 Cabe W. Chadick, F.S.A.
 Michael A. Mayberry, F.S.A.
 David M. Dillon, F.S.A.
 Gregory S. Wilson, F.C.A.S.
 Steven D. Bryson, F.S.A.
 Bonnie S. Albritton, F.S.A.
 Brian D. Rankin, F.S.A.
 Wesley R. Campbell, F.S.A., F.C.A.S.
 Jacqueline B. Lee, F.S.A.
 Xiaoxiao (Lisa) Jiang, F.S.A.

Baltimore

David A. Palmer, C.F.E.

**Kansas City**

Gary L. Rose, F.S.A.
 Terry M. Long, F.S.A.
 Leon L. Langlitz, F.S.A.
 D. Patrick Glenn, A.S.A., A.C.A.S.
 Christopher H. Davis, F.S.A.
 Karen E. Elsom, F.S.A.
 Jill J. Humes, F.S.A.
 Christopher J. Merkel, F.S.A.
 Kimberly S. Shores, F.S.A.
 Michael A. Brown, F.S.A.
 Naomi J. Kloeppersmith, F.S.A.
 Stephanie T. Crownhart, F.S.A.
 Mark W. Birdsall, F.S.A.
 Jan E. DeClue, A.S.A.
 Patricia A. Peebles, A.S.A.
 Jeffrey D. Lee, A.S.A.
 Thomas L. Handley, F.S.A. (Of Counsel)

London/Kansas City

Timothy A. DeMars, F.S.A., F.I.A.
 Scott E. Morrow, F.S.A., F.I.A.
 Roger K. Annin, F.S.A., F.I.A. (Of Counsel)

Denver

Mark P. Stukowski, F.S.A.

July 17, 2015

Nancy Cooper
 Accounting Supervisor
 City of Independence
 111 East Maple
 Independence, MO 64050

Dear Ms. Cooper:

This report presents actuarial information in accordance with Governmental Accounting Standards Board Statement No. 45 ("GASB 45") regarding the health insurance benefits available to retirees of the City of Independence ("City"). The purpose of this report is to:

- Present information that provides a basis for financial statement disclosure as of June 30, 2015, and
- Determine the Annual OPEB Cost for the fiscal year beginning July 1, 2014.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. Employee data, claim experience, and plan information 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 substantive plan as of the time of the performance of this valuation. The substantive plan refers to the plan provisions that operate in practice. Each actuarial assumption used in this valuation represents reasonable expectations of future experience.

The undersigned is a member of the American Academy of Actuaries and meets its qualification standards to render the actuarial information contained herein.

Respectfully submitted,

LEWIS & ELLIS, INC.

A handwritten signature in blue ink that reads "Patrick Glenn".

Patrick Glenn, ASA, ACAS, MAAA, CPA (inactive)

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SUMMARY

The valuation procedures noted below and information presented in this report are based on provisions underlying GASB 45. GASB stipulates retiree benefits should be based on age-adjusted costs. The excess of expected costs by age less retiree contribution premiums equals the projected employer cost (i.e. retiree 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 retiree benefits provided during the year.

VALUATION PROCEDURES

The financial information for fiscal year 2014-15 is based upon an actuarial valuation performed as of January 1, 2015 using the participant census as of January 1, 2015. The prior valuation, covering fiscal year 2013-14, was performed as of January 1, 2013, using the participant census as of January 1, 2013.

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, Open Access Plan 1 and 2, are available through the City's group insurance program. Coverage is available for each of the lifetimes of retirees and their spouses upon payment of required contribution premiums. The City's program is 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.

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 3.5% is assumed for valuation. This is unchanged from the prior valuation.

SUMMARY (CONTINUED)

RESULTS

The Annual OPEB Cost is a charge of \$19.3 million for fiscal year 2014-15. The Actuarial Accrued Liability (AAL) as of January 1, 2015 is \$287.6 million. The financial results are detailed on pages 4 through 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 % 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 2014-15 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.

Changes and items of impact relative to the prior valuation are described below:

- The assumed proportion of future retirees with a covered spouse was decreased from 60% to 55%. This is based on an analysis of spousal elections of actives near retirement eligibility and of current retirees.
- Assumed mortality was updated to reflect the Society of Actuaries 2014 tables.
- Per capita costs were lower than expected.
- The valuation projection takes into account the 3% decrease in retiree premium rates effective July 1, 2015.
- The number of spouses provided in the prior valuation census was understated.

SUMMARY (CONTINUED)

RESULTS (continued)

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, 2015 based on the January 1, 2013 valuation parameters is \$284.5 million. Valuation parameters include census data, claim experience, assumptions and actuarial methods. The actual AAL as of January 1, 2015 under current valuation parameters is \$287.6 million. The increase in the number of spouses and the change to the Society of Actuaries 2014 mortality tables with generational improvement increased the present value costs. Lower per capita costs decreased the present value costs.

The Net OPEB Obligation at any point in time equals the accumulated Annual OPEB Cost minus accumulated Employer Contributions since implementation of GASB 45. The expected Employer Contributions for 2015-16, based on the January 1, 2015 valuation, are shown below.

	Fiscal Year 2015-16
Expected Retiree Costs	\$9,051,000
Expected Retiree Contributions	<u>1,576,000</u>
Projected Employer Contributions	<u>\$7,475,000</u>

ANNUAL OPEB COST FOR 2014-15

A.	<u>Actuarial Present Value of Benefits</u>	
	Current Retirees	149,505,525
	Future Retirees	<u>224,653,814</u>
		<u>374,159,339</u>
B.	<u>Actuarial Accrued Liability</u>	
	Current Retirees	149,505,525
	Future Retirees	<u>138,143,869</u>
		287,649,394
C.	OPEB Plan Assets	<u>0</u>
D.	Unfunded Actuarial Accrued Liability (B - C)	287,649,394
E.	Amortization Factor (Based on 30 Year Open, Level %-of-Pay)	24.47092
F.	Amortization of Unfunded	11,958,683
G.	Normal Cost	<u>7,747,363</u>
H.	Annual Required Contribution (ARC) (F + G)	19,706,046
I.	Net OPEB Obligation at Beginning of Year	73,190,015
J.	Interest on Net OPEB Obligation to end of year (I x .035)	2,561,651
K.	Adjustment to the ARC (I / E)	2,990,898
L.	Annual OPEB Cost (H + J - K)	19,276,799
M.	Valuation Interest Rate	3.5%
N.	Aggregate Payroll Growth	2.0%
O.	Measurement Date	Jan 1, 2015

DISCLOSURE INFORMATION

1. Annual OPEB Cost for 2014-15

A. Normal Cost	7,747,363
B. Amortization of Unfunded Actuarial Accrued Liability	<u>11,958,683</u>
C. Annual Required Contribution (ARC)	19,706,046
D. Interest on Net OPEB Obligation	2,561,651
E. Adjustment to the ARC	<u>2,990,898</u>
F. Annual OPEB Cost (C + D – E)	<u>19,276,799</u>

2. Employer Contributions for 2014-15

A. Expected Retiree Claims & Fixed Costs	7,930,000
B. Expected Retiree Contributions	<u>1,600,000</u>
C. Employer Contributions (A - B)	<u>6,330,000</u>

3. Schedule of Employer Contributions

Fiscal Year Ending June 30

Year Ending	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2013	19,284,602	6,613,000	34.29%	61,726,951
2014	19,179,213	7,716,149	40.23%	73,190,015
2015	19,276,799	6,330,000	32.84%	86,136,814

4. Net OPEB Obligation at 6/30/2015

A. Balance at 6/30/2014	73,190,015
B. Annual OPEB Cost for 2014-15	19,276,799
C. Employer Contributions for 2014-15	6,330,000
D. Other Adjustments	<u>0</u>
E. Balance at 6/30/2015 (A + B – C + D)	<u>86,136,814</u>

DISCLOSURE INFORMATION (CONTINUED)

5. Schedule of Funding Progress

Valuation Date	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll *	UAAL as a Percent Of Covered Payroll
7/1/2007	0	156,700,731	156,700,731	0%	54,887,375	285.5%
7/1/2009	0	198,767,219	198,767,219	0%	61,350,244	324.0%
7/1/2011	0	246,341,296	246,341,296	0%	65,353,754	377.0%
7/1/2013	0	263,513,494	263,513,494	0%	59,861,860	440.2%
7/1/2015	0	287,649,394	287,649,394	0%	59,925,139	480.0%

* Annualized pay of active employees (not waiving coverage) as of the valuation date.

6. Valuation Parameters

Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal – Level % of Pay
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Not Applicable
Valuation Interest Rate (assumed investment return)	3.50%
Projected Salary Scale	3.00%
Projected Medical Inflation	6.50% grading down in increments of .25 points to 5.00%
Inflation Rate (not used directly)	2.75% (Reasonable in conjunction with other assumptions)
Aggregate Payroll Growth (inflationary effects only)	2.00%

RESULTS BY ACCOUNTING FUND

Accounting Fund	Number of Employees	Number of Retirees / Surviving Spouses
Central Garage	8	7
Community Dev Block Grant	2	0
General	571	475
Grants	4	2
Home Program	0	0
Parks Improv. Sales Tax	13	4
Power and Light	206	176
Sanitary Sewer	52	35
Storm Water Sales Tax	9	0
Tourism	4	0
Water	74	48
Worker's Compensation	1	0
Total	944	747

Accounting Fund	Actuarial Accrued Liability	Normal Cost
Central Garage	2,288,486	65,595
Community Dev Block Grant	318,801	9,386
General	182,698,486	5,065,729
Grants	393,784	33,144
Home Program	0	0
Parks Improv. Sales Tax	2,480,993	101,448
Power and Light	62,996,092	1,478,770
Sanitary Sewer	14,843,263	404,863
Storm Water Sales Tax	1,353,955	75,459
Tourism	399,287	39,681
Water	19,665,143	470,074
Worker's Compensation	211,104	3,214
Total	287,649,394	7,747,363

RESULTS BY ACCOUNTING FUND (CONTINUED)

Accounting Fund	Net OPEB at 6/30/2014	2014-15 Expense	2014-15 Expected Contributions	Net OPEB at 6/30/2015
Central Garage	575,974	157,358	61,528	671,804
Community Dev Block Grant	113,434	21,975	19	135,390
General	47,025,889	12,385,404	3,959,427	55,451,866
Grants	562,264	46,217	15,526	592,955
Home Program *	0	0	0	0
Parks Improv. Sales Tax	833,759	199,702	44,364	989,097
Power and Light	13,564,849	4,018,202	1,547,514	16,035,537
Sanitary Sewer	4,317,285	996,634	336,368	4,977,551
Storm Water Sales Tax	485,304	128,902	848	613,358
Tourism	262,756	54,740	370	317,126
Water	5,405,852	1,255,925	364,010	6,297,767
Worker's Compensation	42,649	11,740	26	54,363
Total	73,190,015	19,276,799	6,330,000	86,136,814

* No participants are remaining in the Fund.

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 valuation. (Active employees waiving coverage were not valued and are not included in the counts below.)

PARTICIPANT SUMMARY

	Census as of	
	<u>January 1, 2013</u>	<u>January 1, 2015</u>
<u>Active Employees</u>		
General Employees	557	532
Police & Fire	<u>415</u>	<u>412</u>
Total Count	<u>972</u>	<u>944</u>
Average Age – General Employees	49.2 years	48.7 years
Average Service – General Employees	15.7 years	14.8 years
Average Age – Police & Fire	41.6 years	42.1 years
Average Service – Police & Fire	13.0 years	13.3 years
<u>Current Benefit Recipients</u>		
Retirees / Disableds / Surviving Spouses	699	747
Spouses of Covered Retirees / Disableds	<u>295</u>	<u>403</u>
Total Count	<u>994</u>	<u>1,150</u>
Average Attained Age – Subscribers	69.7 years	70.0 years

MEDICAL COVERAGE TIER AS OF JANUARY 1, 2015

Status	Single	Single + Spouse	Single + Children	Family	Total
Active	263	163	165	353	944
Retiree	335	373	9	30	747
Total	598	536	174	383	1,691

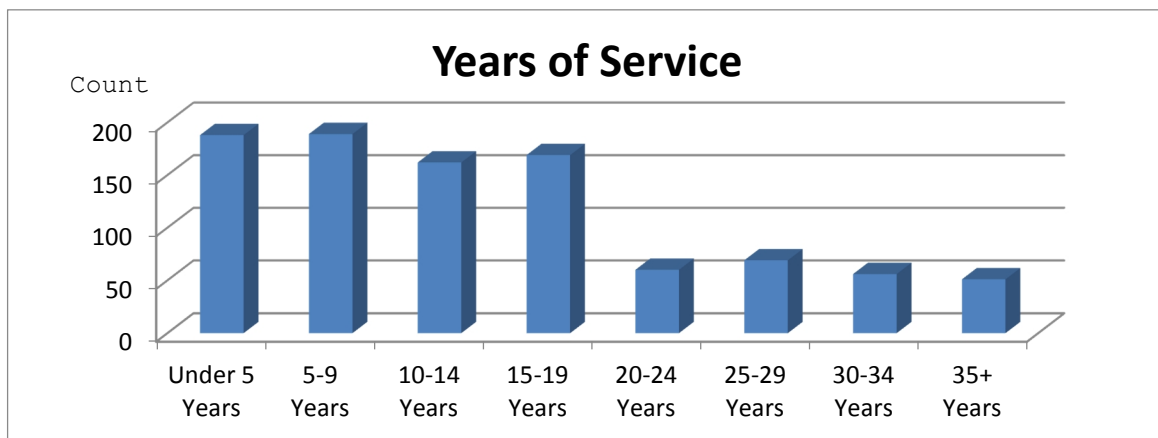
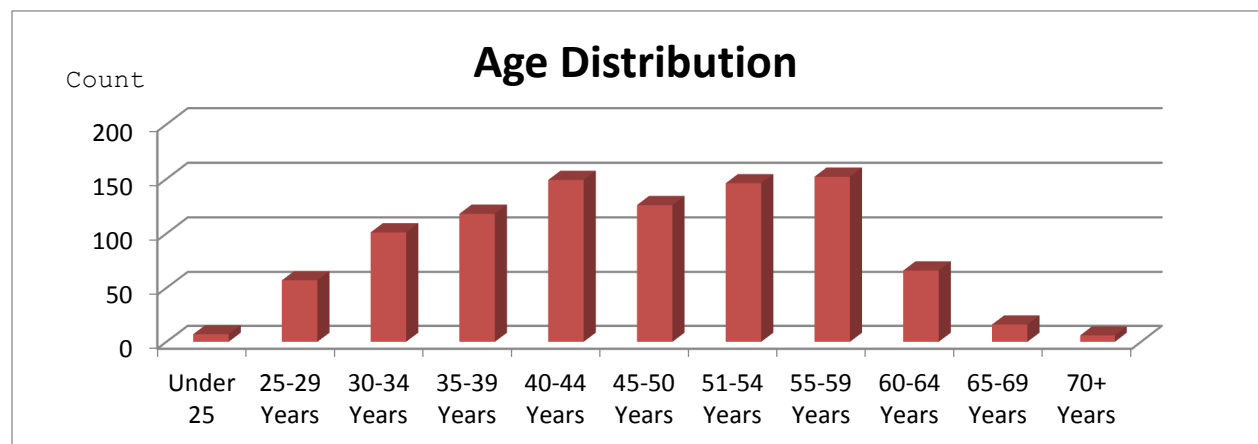
MEDICAL PLAN AS OF JANUARY 1, 2015

Status	OAP 1	OAP 2	Total
Active	902	42	944
Retiree	740	7	747
Total	1,642	49	1,691

SUMMARY OF PARTICIPANT DATA (CONTINUED)

Distribution of Active Participants

Age	Years of Service as of January 1, 2015								Total
	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35+	
Under 25	7								7
25-29	40	17							57
30-34	41	44	16						101
35-39	27	35	35	21					118
40-44	26	24	34	59	6				149
45-49	19	18	22	36	18	12	1		126
50-54	11	22	20	27	17	28	13	8	146
55-59	10	14	18	14	15	22	33	26	152
60-64	6	8	15	10	4	3	7	13	66
65-69		4	2	2		3	1	4	16
70+	1	3				1	1		6
Totals	188	189	162	169	60	69	56	51	944



SUMMARY OF PARTICIPANT DATA (CONTINUED)

Distribution of Retirees / Disableds / Surviving Spouses

Age	Subscribers
≤55	11
56	11
57	7
58	25
59	18
60	30
61	35
62	30
63	31
64	31
65	32
66	28
67	33
68	39
69	27
70	32
71	29
72	28
73	33
74	26
75	25
76	18
77	19
78	7
79	22
80	15
81	14
82	14
83	14
84	9
85+	54
Totals	<u>747</u>
Average Age	70.0

SUMMARY OF PLAN PROVISIONS

The City of Independence 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.

OPEB 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

Pension eligibility under the Missouri Local Government Employees Retirement System (LAGERS) is shown below for reference.

Category	Pension Eligibility	
	Unreduced Retirement	Reduced Early Retirement
General Employees	60 & 5	55 & 5
	Rule of 80*	
Police & Fire Employees	55 & 5	50 & 5
	Rule of 80*	

* The City has not elected Rule of 80.

SUMMARY OF PLAN PROVISIONS (CONTINUED)

PLAN OF OPERATION

Retiree medical and prescription drug coverage is provided through the City's self-insured group insurance program. Two plan options, Open Access Plan 1 and Open Access Plan 2, are available.

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.

ANNUAL RETIREE CONTRIBUTION PREMIUMS

Participants must contribute a stipulated percentage of the plan premiums to maintain coverage. The monthly contribution levels shown below for January 1, 2015 serve as a starting point for the valuation and are assumed to increase at the same rate of health care costs in the future. (Effective July 1, 2015 a 3% reduction was applied to the rates below. This was factored into the valuation.)

Coverage	OAP 1 *	OAP 1 **	OAP 2
<u>Pre-Medicare</u>			
Single	99.72	117.30	90.06
Single + Spouse	241.31	283.90	217.95
<u>Medicare without Part D</u>			
Single	94.25	110.88	85.12
Single + Spouse (2 on Medicare)	188.52	221.79	170.27
Single + Spouse (1 on Medicare)	191.88	225.74	173.30

* OAP 1 – Retired Prior to November 1, 2009

** OAP 1 – Retired on or after November 1, 2009

SUMMARY OF PLAN PROVISIONS (CONTINUED)

PLAN DESIGN

A summary of the most current plan parameters (effective January 1, 2015) are shown below:

Open Access 1	PPO In-Network		PPO Out of Network
Deductible Individual / Family	\$800 / \$2,000		\$1,600 / \$4,000
Coinsurance – Plan Pays	80%		60%
Out of Pocket Individual / Family	\$3,000 / \$7,500		\$6,000 / \$15,000
Office Visit Copays Primary Care Specialist	\$35 \$45		Deductible + Coinsurance
Wellness Benefit	100% Covered		Deductible + Coinsurance
Emergency Room	\$200 Copay + 80% Coinsurance		
Prescription Drugs Generic Brand Formulary Non-formulary	Retail \$15 \$40 \$75	Mail Order \$30 \$80 \$150	Deductible + Coinsurance
Lifetime Limit	Unlimited		

Open Access 2	PPO In-Network		PPO Out of Network
Deductible Individual / Family	\$1,500 / \$3,000		\$3,000 / \$6,000
Coinsurance – Plan Pays	80%		60%
Out of Pocket Individual / Family	\$3,000 / \$6,000		\$6,000 / \$12,000
Office Visit Copays Primary Care & Specialist	Deductible + Coinsurance		Deductible + Coinsurance
Wellness Benefit	100% Covered		Deductible + Coinsurance
Emergency Room	Deductible + 80% Coinsurance		
Prescription Drugs	Deductible + Coinsurance		Deductible + Coinsurance
Lifetime Limit	Unlimited		

COST ANALYSIS BY AGE

The benefit that is valued under GASB 45 equals the expected age-adjusted cost less the retiree contribution premium. Age-adjusted costs are the estimated average costs that would result if a credible-size group of like-age participants was measured.

Age-adjusted costs are based on industry information, plan experience, PPACA fees and vendor contract rates for administrative / stop-loss premium costs. We studied claims experience for Medical and Prescription Drug from January 2012 to February 2015. The plan experience was analyzed separately for pre Medicare and Medicare retirees. Age-adjusted expected costs during plan year 2015 on a per member per month (“PMPM”) basis are shown below at sample ages. These age-adjusted cost levels serve as a starting point for projecting costs into the future.

Expected Cost Levels (PMPM) for OAP 1

Age	Medical / Rx Claims	Admin	Total
55	707	62	769
58	800	62	862
62	930	62	992
64	986	62	1,048
65	301	25	326
70	365	25	390
75	429	25	454
80	484	25	509
85	538	25	563

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 3.5% per annum

B. Valuation Date January 1, 2015

C. Medical / Rx Trend

Year	Trend
2015	6.50%
2016	6.25%
2017	6.00%
2018	5.75%
2019	5.50%
2020	5.25%
2021 (to Ultimate)	5.00%

D. Age Adjusted Costs The estimated age-adjusted cost for retiree insurance coverage during 2015 at sample ages is shown in the “Cost Analysis by Age” section.

E. Future Retiree Enrollment One hundred percent (100%) of future eligible retirees are assumed to participate in the City’s program.

F. Plan Election Future eligible retirees and current retirees are assumed to continue with the current plan option.

G. Duration of Coverage Retirees and spouses are assumed to continue coverage for each of their own lifetimes.

H. Healthy Life Mortality SOA RPH-2014 Total Dataset Mortality Table with Scale MP-2014 Full Generational Improvement

I. Disabled Life Mortality SOA RPH-2014 Disabled Retiree Mortality Table with Scale MP-2014 Full Generational Improvement

ACTUARIAL ASSUMPTIONS (CONTINUED)

J. Disability Incidence

Assumed disability is based on rates used for the LAGERS pension actuarial valuation. Assumed annual probabilities of disablement are shown below for selected ages:

Age	Police	Fire	General	
			Male	Female
30	0.10%	0.07%	0.19%	0.02%
40	0.20%	0.23%	0.32%	0.06%
45	0.31%	0.37%	0.42%	0.12%
50	0.52%	0.57%	0.54%	0.25%
55	NA	NA	0.71%	0.47%

K. Proportion of Disability Coverage due to Duty Disability

General Employees – 0%
Safety Employees – 100%

L. Future Spousal Participation

Fifty-five percent (55%) of future participating retirees are assumed to have a covered spouse. This is based on coverage elections of current retirees and employees near retirement age eligibility. Actual spouse elections were valued for spouses of current retirees.

M. Spouse Age Difference

Males are assumed to be 3 years older than their female spouses for future retirees. Actual spouse age was valued for spouses of current retirees when available.

N. Non-Spouse Dependents

Deemed immaterial to the liability results and not valued.

O. Timing of Claim Payments

Mid-year

P. Medicare Eligibility Age

Age 65

Q. Medicare Part D Enrollment

None assumed for future retirees. Seventeen (17) current retirees elected Part D and were valued assuming no City Rx coverage.

ACTUARIAL ASSUMPTIONS (CONTINUED)

R. Salary Scale (per employee) 3.0% per year

S. Aggregate Payroll Growth 2.0% per year (inflationary effects only)

T. 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.

	Age(s)	General Members		Police	Fire
		Men	Women		
No Rule of 80	50-54	N/A	N/A	0.030	0.025
	55-56	0.025	0.030	0.100	0.150
	57	0.025	0.030	0.100	0.100
	58-59	0.025	0.030	0.100	0.150
	60	0.100	0.100	0.100	0.200
	61	0.100	0.100	0.100	0.100
	62	0.250	0.150	0.250	0.300
	63	0.250	0.150	0.200	0.300
	64	0.200	0.150	0.200	0.250
	65	0.250	0.200	1.000	1.000
	66	0.250	0.250		
	67-68	0.200	0.200		
	69	0.200	0.150		
	70+	1.000	1.000		

ACTUARIAL ASSUMPTIONS (CONTINUED)

U. Turnover Incidence

Assumed turnover rates are based on rates used for the LAGERS pension actuarial valuation. Turnover rates are not applied when retirement eligibility is achieved. Annual rates of turnover are shown below at sample ages and levels of service:

Police					
Age	Years of Service				
	0-1	1-2	2-3	3-4	4-5
All Ages	.18	.17	.16	.13	.12
Age	Years of Service > 5				
	Rate				
25	.101				
30	.080				
35	.061				
40	.047				
50	.018				

Fire					
Age	Years of Service				
	0-1	1-2	2-3	3-4	4-5
All Ages	.08	.07	.06	.06	.05
Age	Years of Service > 5				
	Rate				
25	.050				
30	.040				
35	.028				
40	.022				
50	.010				

General						
Gender	Age	Years of Service				
		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
Age	Years of Service > 5					
	Male		Female			
25	.075		.107			
30	.065		.094			
35	.051		.072			
40	.038		.055			
50	.024		.034			

ACTUARIAL METHODS

A. POPULATION VALUED

The valuation is based on a closed group. Covered retirees and employees as of the valuation date of January 1, 2015 are considered; no provision is made for future new 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 GASB 45.

- The actuarial present value (“APV”) 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 decrement ages.
- The portion of the APV allocated to the valuation year is called the Normal Cost.
- The APV of benefits allocated to prior years of service is called the AAL.
- The Unfunded AAL represents the difference between the AAL and the actuarial value of assets as of the valuation date.
- The $APV = AAL$ for current retirees as all benefits have effectively been “earned.”

C. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The amortization of the Unfunded AAL is calculated over 30 years using on an open-period, level percent-of-pay methodology.

D. ANNUAL REQUIRED CONTRIBUTION (ARC)

The sum of the Normal Cost and the amortization of the Unfunded AAL comprise the ARC.

ACTUARIAL METHODS (CONTINUED)

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 employer costs (or retiree benefits). These estimated benefits are 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.

Age-Adjusted Cost. The projected cost that would result if a credible-sized group of like-age participants was measured.

Age-Subsidy. The difference between the age-adjusted cost and the plan premium. An age-subsidy may occur because the plan premium, based on the combined pool of actives and retirees, is lower than the age-adjusted cost at retiree ages.

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 under accrual accounting 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.

Employer Contribution. An employer may make contributions through an irrevocable transfer of assets to a qualifying trust. Without a trust and self-funded, the contribution equals retiree claims plus admin costs, less any retiree contribution premiums. Without a trust and not self-funded, the contribution equals age-adjusted premium costs, less any retiree contribution premiums.

GLOSSARY

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 the amount of Annual OPEB Cost and Employer Contributions. This is the liability required to be recognized under accrual accounting.

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.