TWO NEW ISSUES **Ratings: S&P Rating: "A-"**
(Book Entry Only) **See "RATINGS" herein.**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on both series of Bonds 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 both series of Bonds is exempt from Missouri income taxation by the State of Missouri and (3) none of the Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "**TAX MATTERS**" in this Official Statement.*

MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Refunding Revenue Bonds

$9,725,000	$2,200,000
(City of Independence, Missouri - Eastland Center Project)	(City of Independence, Missouri - Hartman Heritage Project)
Series 2017A	Series 2017B

Dated: Date of Delivery **Due: See Inside Cover Pages**

The Series 2017A Bonds and the Series 2017B Bonds (each as further described herein and, collectively, the "Bonds") are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. Principal of and semiannual interest on the Bonds will be paid from moneys available therefore under the applicable Indenture (herein defined) by Commerce Bank, Kansas City, Missouri, as Trustee and Paying Agent. Principal of the Bonds will be due as shown on the inside cover pages. Interest on the Bonds will be payable on each April 1 and October 1, beginning on October 1, 2017.

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

The Bonds are not subject to redemption prior to maturity.

The Bonds will be payable solely from, and will be secured by, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the applicable Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the applicable Indenture. The Series 2017A and Series 2017B Bonds will also be payable from certain moneys expected to be deposited in the Special Allocation Fund established for each of these projects as more fully described herein. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS."**

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

The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters in connection with this Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed on for the City by the City Counselor, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about July 18, 2017.

PiperJaffray®

The date of this Official Statement is June 22, 2017

MISSOURI DEVELOPMENT FINANCE BOARD

$9,725,000
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri - Eastland Center Project)
Series 2017A

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

Maturity Schedule

Due	Principal Amount	Interest Rate	Price	CUSIP
2018	$1,880,000	5.000%	102.463%	60636S GX6
2019	1,820,000	5.000	105.617	60636S GY4
2020	1,920,000	5.000	108.347	60636S GZ1
2021	2,025,000	5.000	110.803	60636S HA5
2022	2,080,000	5.000	113.062	60636S HB3

MISSOURI DEVELOPMENT FINANCE BOARD

$2,200,000
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri - Hartman Heritage Project)
Series 2017B

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

Maturity Schedule

Due	Principal Amount	Interest Rate	Price	CUSIP
2018	$1,095,000	3.000%	101.071%	60636S HC1
2019	1,105,000	3.000	102.273	60636S HD9

REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Refunding Revenue Bonds

$9,725,000	**$2,200,000**
(City of Independence, Missouri - Eastland Center Project)	**(City of Independence, Missouri - Hartman Heritage Project)**
Series 2017A	**Series 2017B**

INTRODUCTORY STATEMENT

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

Purpose of the Official Statement

This Official Statement, including the cover page and the Appendices, sets forth certain information in connection with (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the "Board"), of the above-described two separate series of bonds (separately, the "Series 2017A Bonds" and the "Series 2017B Bonds," and together the "Bonds"), (ii) the Board, (iii) the City of Independence, Missouri (the "City") and (iv) the refinancing of two separate projects as more fully described herein (the "Projects") through the current or advance refunding of certain bonds (the "Refunded Bonds" as further described herein) with the proceeds of each Series of the Bonds. Each Series of the Bonds is separately secured as described herein.

The Board

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

The City

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

Loan of Bond Proceeds

The proceeds of each Series of the Bonds will be loaned by the Board to the City pursuant to two separate Financing Agreements (each of said Financing Agreements, together with all amendments and supplements thereto, being referred to herein as a "Financing Agreement," and by Series, the "Series 2017A Financing Agreement" and the "Series 2017B Financing Agreement," and collectively, the "Financing Agreements"). The Financing Agreements are being entered into to refinance a portion of the costs of the Eastland Center Redevelopment Project and the Hartman Heritage Redevelopment Project (collectively, the "Projects"), each as described herein, and to pay the costs of issuing the Bonds, all as more fully described herein under the caption **"THE PROJECTS."** The Hartman Heritage Redevelopment Project and the Eastland Center Redevelopment Project are both Tax Increment Financing Projects approved by the City pursuant to the Tax Increment Financing Act (the "TIF Act"). See the caption **"TAX INCREMENT FINANCING IN MISSOURI"** herein. The Series 2017A Financing Agreement is being entered into to provide funds, together with other available money, to current refund $7,670,000 outstanding principal amount of Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project), Series 2007A (the "Series 2007A Refunded Bonds") and advance refund $4,795,000 of Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project), Series 2008C (the "Series 2008C Refunded Bonds"). The Series 2017B Financing Agreement is being entered into to provide funds, together with other available money, to current refund $3,135,000 outstanding principal amount of Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Hartman Heritage Centre Project), Series 2007B (the "Series 2007B Refunded Bonds", and together with the Series 2007A Refunded Bonds and the Series 2008C Refunded Bonds, the "Refunded Bonds").

The Bonds

The Bonds are being issued pursuant to the Act and two separate Bond Trust Indentures (each of said Bond Trust Indentures, together with all amendments and supplements thereto, being referred to herein as an "Indenture," and by Series the "Series 2017A Indenture" and the "Series 2017B Indenture"), all between the Board and Commerce Bank, Kansas City, Missouri (the "Trustee"), for the purpose of providing funds to make a loan to the City pursuant to the applicable Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of, premium, if any, and the interest on the Bonds, all as more fully described in the Financing Agreement and the Indenture relating to each Series of Bonds. A description of the Bonds is contained in this Official Statement under the caption **"THE BONDS."** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the applicable Indenture and the applicable Financing Agreement.

The Series 2017A Bonds are being issued as Additional Bonds under the Series 2017A Indenture on a parity with the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2012E issued in the original principal amount of $3,965,000 and currently outstanding in the amount of $2,315,000 (the "Series 2012E Bonds") and the Board's Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2014A issued in the original principal amount of $4,855,000 and currently outstanding in the amount of $3,325,000 (the "Series 2014A Bonds"), with respect to the security provided by the Series 2017A Financing Agreement, and in all other respects.

The Series 2017B Bonds are being issued as Additional Bonds under the Series 2017B Indenture on a parity with the Board's Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Hartman Heritage Project) Series 2011B issued in the original principal amount of $6,720,000 and currently outstanding in the amount of $4,365,000 (the "Series 2011B Bonds") with respect to the security provided by the Series 2017B Financing Agreement, and in all other respects.

Additional Parity Bonds

The Indentures relating to the Series 2017A and Series 2017B Bonds provide for the future issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the applicable Series of Bonds and any other bonds then outstanding under such Indenture issued on a parity with such Bonds. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds"** and **"SUMMARY OF THE INDENTURE – Additional Bonds"** in **Appendix C** hereto.

Security for the Bonds

Each Series of the Bonds and the interest thereon are special, limited obligations of the Board, payable by the Board solely from (1) certain payments to be made by the City under the applicable Financing Agreement, and (2) certain other funds held by the Trustee under the applicable Indenture and not from any other fund or source of the Board, and are separately and independently secured under the applicable Indenture and the applicable Financing Agreement as described herein. Payments under each Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series of Bonds relating to such Financing Agreement. Except as noted herein, all payments by the City under each Financing Agreement are subject to annual appropriation. Pursuant to each Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the applicable Financing Agreement, including all Loan Payments payable thereunder.

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2017A and Series 2017B Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. "Incremental Tax Revenues" consist of Payments in Lieu of Taxes ("PILOTS") and, subject to annual appropriation by the City, Economic Activity Taxes ("EATS"), as described in the section "**TAX INCREMENT FINANCING IN MISSOURI**" herein. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved for both projects.

Prospective investors should not rely upon the collection of Incremental Tax Revenues (PILOTS and EATS) as the sole source of repayment of the Series 2017A Bonds or the Series 2017B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2017A Bonds and the Series 2017B Bonds.

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

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

Bondowners' Risks

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

Continuing Disclosure

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

Funds established for the two Projects. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in **Appendix C**.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in **Appendix C** of this Official Statement. The Bonds of each Series are separately secured. The Indentures and Financing Agreements for the Series 2017A and Series 2017B Bonds are substantially similar to the Indenture and Financing Agreement summarized in **Appendix C**, except as otherwise noted. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, Corporate Trust Department, 922 Walnut, 10th Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, Piper Jaffray & Co., at 11635 Rosewood Street, Leawood, Kansas 66211 during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

THE BOARD

General

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

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, eight of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources serve as ex-officio, voting members of the Board. No more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified, unless such position becomes vacant under Missouri law.

Robert V. Miserez serves as Executive Director of the Board.

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

- ***Marie 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

- ***John E. Mehner*** — Treasurer, term as a member expires September 14, 2019. Mr. Mehner is President and CEO of the Cape Girardeau Area Chamber of Commerce in Cape Girardeau, Missouri.

- ***Matthew L. Dameron*** – Secretary, term as a member expires September 14, 2019. Mr. Dameron is a partner with Williams Dirks Dameron LLC in Kansas City, 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.

- ***Michael L. Parson*** — ex-officio member. The Honorable Michael Parson is the Lieutenant Governor of the State of Missouri.

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

- ***Chris Chinn*** — ex-officio member. Ms. Chinn is the Director of the Department of Agriculture.

- ***Carol Comer*** — ex-officio member. Ms. Comer is the Director of the Department of Natural Resources.

Other Indebtedness of the Board

The Board has sold and delivered other bonds and notes secured by instruments separate and apart from, and not secured by, the Indentures securing the Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Board pledged under the Indentures, and the owners of the Bonds will have no claim on assets, funds or revenues of the Board securing other bonds and notes. The Board has never defaulted on any of its bonds or notes.

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

EXCEPT FOR INFORMATION CONCERNING THE BOARD IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED **"THE BOARD"** AND **"LITIGATION – The Board,"** NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE

BOARD AND THE BOARD MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE CITY

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

THE PROJECTS

Eastland Center Redevelopment Project

The Eastland Redevelopment Area. The Eastland Redevelopment Area consists of approximately 212 acres of land located in the City at the southeast corner of the intersection of Interstate Highway 70 and U.S. Highway 291.

Approval of Eastland Center Redevelopment Plan. In 2000, following public hearings by the TIF Commission of the City, the City Council adopted the TIF Ordinances approving the Eastland Center Redevelopment Plan and the Eastland Center Redevelopment Project and designating the Eastland Redevelopment Area as a "blighted area" under the TIF Act, and adopting tax increment financing for the Eastland Redevelopment Area. The City amended the Eastland Center Redevelopment Plan, as further described below. Tax increment financing terminates in 2023 for Eastland Center.

The Eastland Center Redevelopment Project. The Eastland Center Redevelopment Plan provides for the construction of both a Public Project and a Private Project (each as defined below) within the Eastland Redevelopment Area (the "Area") in order to cure the blighted conditions that exist in the Area. The Area consists of 212 acres located immediately east of Interstate Highway 470, immediately south of Interstate 70 and immediately north of U.S. Highway 40. The developer of the project is Ehrhart Development Company based in St. Louis, Missouri (the "Eastland Developer").

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

Status of the Eastland Center Redevelopment Project Improvements. The Eastland Center public projects are substantially complete. The retail and hotel components of the private project have been completed, as has some smaller scale office development. One of the sites originally to be developed has since been developed by the City as a multipurpose Events Center, as described in **Appendix A**. Retail and restaurant development in Eastland Center includes Costco, Lowes, Panera and Chipotle, among others.

Eastland Center Tax Increment Revenues. The City's audited financial statements for the years ended June 30, 2015 and June 30, 2016 indicate that for those two fiscal years the City has deposited Incremental Tax Revenues from the Eastland Redevelopment Project into the Special Allocation Fund in the amounts of $4,758,754 and $4,980,819, respectively. Net maximum annual debt service on the Series 2012E Bonds, the Series 2014A Bonds and the Series 2017A Bonds will be $3,296,650, which would have resulted in coverage of 1.44x in FY 2015 and 1.51x in FY 2016.

Hartman Heritage Redevelopment Project

The Hartman Heritage Redevelopment Area. The Hartman Heritage Redevelopment Area is located in Eastern Jackson County within the corporate limits of the City and consists of approximately 60.29 acres of land located north of Interstate Highway 70 at its intersection with Little Blue Parkway and south of the Little Blue River.

Approval of Hartman Heritage Centre Redevelopment Plan. In 1998, following public hearings by the TIF Commission of the City, the City Council adopted the TIF Ordinances approving the Hartman Heritage Centre Redevelopment Plan and the Hartman Heritage Centre Redevelopment Project and designating the Hartman Heritage Redevelopment Area as a "blighted area" under the TIF Act, and adopting tax increment financing for the Hartman Heritage Redevelopment Area. Tax increment financing terminates in 2021 for Hartman Heritage.

The Hartman Heritage Centre Redevelopment Project. The Hartman Heritage Centre Redevelopment Plan provides for the construction of both public and private improvements within the Hartman Heritage Redevelopment Area in order to cure the blighted conditions that exist. The public improvements consist of public infrastructure. The private improvements consist of a mixed-use development. The original Developer of the project was Dial Realty Development Corp., a Nebraska corporation (the "Hartman Developer").

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

Status of the Hartman Heritage Centre Redevelopment Project Improvements. The public project components of the Harman Heritage Redevelopment Project are substantially complete. The center is the site of various retail and restaurant establishments including Bed, Bath and Beyond, buybuy BABY, and Hereford House restaurant as well as a 201 room Hilton Garden Inn with an 11,322 square foot ballroom.

Hartman Heritage Centre Tax Incremental Revenues. The City's audited financial statements for the years ended June 30, 2015 and June 30, 2016 indicate that for those two fiscal years the City has deposited Incremental Tax Revenues from the Hartman Heritage Redevelopment Project into the Special Allocation

Fund in the amounts of $1,301,468 and $1,476,062, respectively. Net maximum annual debt service on the Series 2011B Bonds and the Series 2017B Bonds will be $1,889,869, which would have resulted in coverage of 0.69x in FY 2015 and 0.78x in FY 2016.

Map of Eastland Redevelopment Area and Hartman Heritage Redevelopment Area

The map on the following page depicts the Eastland Redevelopment Area and the Hartman Heritage Redevelopment Area:

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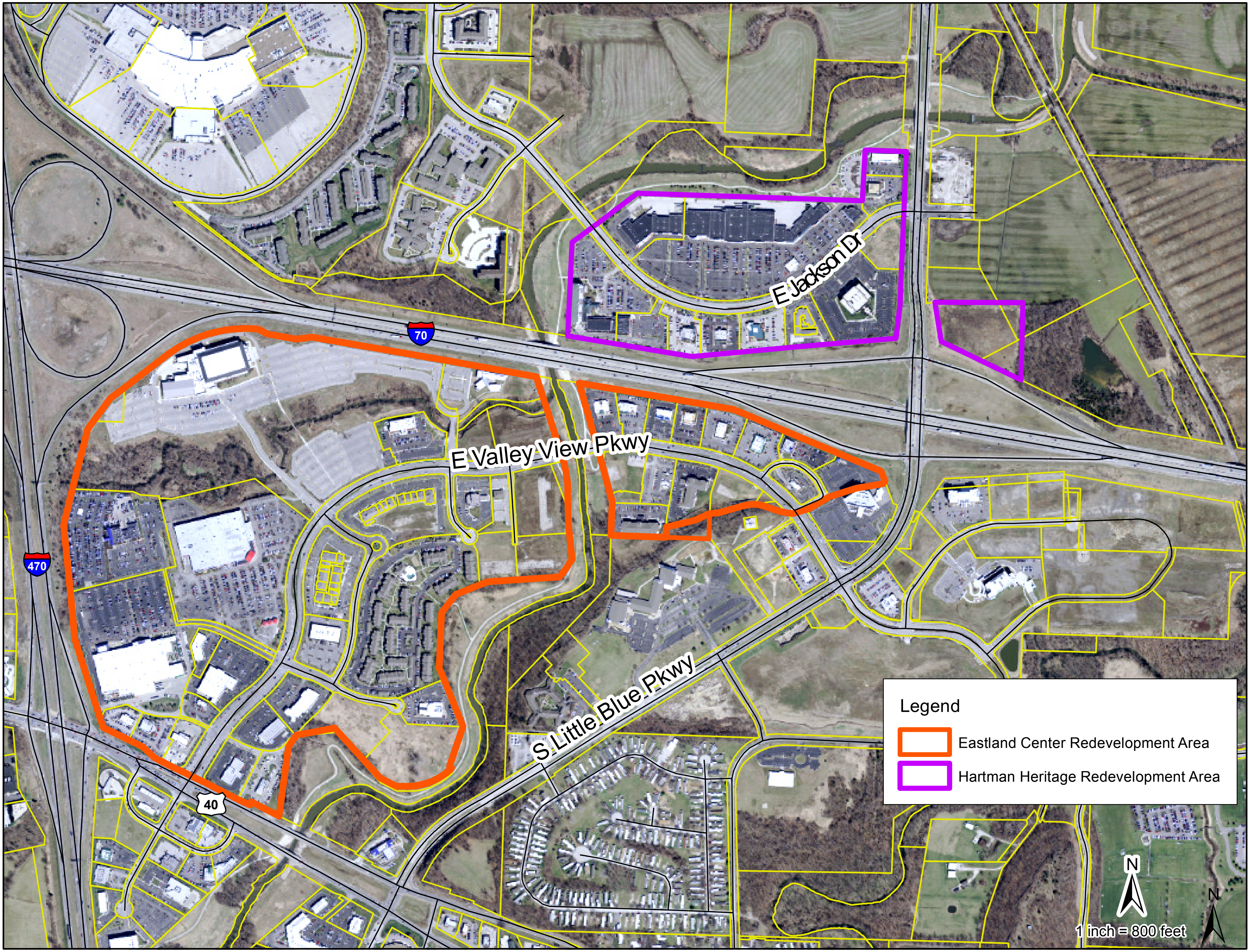

70
E Jackson Dr
E Valley View Pkwy
470
S Little Blue Pkwy
40
Legend
Eastland Center Redevelopment Area
Hartman Heritage Redevelopment Area
N
1 inch = 800 feet

Projected Incremental Tax Revenues

In recent years sales tax revenues in the City have in some cases decreased and/or been lower than original estimates. The City will continue to evaluate revenues, including projected Incremental Tax Revenues generated in the Eastland Center Redevelopment Area and Hartman Heritage Centre Redevelopment Area, as more information becomes available and in the structuring of Additional Bonds. There can be no assurance that Incremental Tax Revenues generated in the Redevelopment Areas will maintain past levels. See "**BONDOWNERS RISKS – Changes in Retail Sales Market Conditions**" and **"APPENDIX B - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2017."**

Administration of the Special Allocation Funds

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

Sources and Uses of Funds

Series 2017A Bonds

Sources of Funds:		
	Principal amount	$9,725,000.00
	Reoffering Premium	799,246.55
	Prior Issue Reserve Funds	2,438,161.86
	Total sources of Funds	$12,962,408.41
Uses of Funds:		
	Deposit to Series 2007A Escrow Fund	$7,789,097.29
	Deposit to Series 2008C Escrow Fund	4,996,479.92
	Costs of Issuance *	176,831.20
	Total uses of funds	$12,962,408.41

*includes Underwriter's Discount.

Series 2017B Bonds

Sources of Funds:		
	Principal amount	$2,200,000.00
	Reoffering Premium	36,844.10
	Prior Issue Reserve Fund	1,032,157.15
	Total sources of Funds	$3,269,001.25
Uses of Funds:		
	Deposit to Series 2007B Escrow Fund	$3,184,202.08
	Costs of Issuance *	84,799.17
	Total uses of funds	$3,269,001.25

*includes Underwriter's Discount.

See **"THE PROJECTS – Related Series of Bonds."**

Refunding Plan

Series 2007A Refunded Bonds

To effect the refunding of the Series 2007A Refunded Bonds, a portion of the proceeds of the 2017A Bonds together with other available funds will be deposited in a Series 2007A Escrow Fund created under an Escrow Trust Agreement (the "Eastland Escrow Agreement") among the Board, the City and the Trustee, as Escrow Agent. The moneys deposited in the Series 2007A Escrow Fund will be sufficient, without consideration of reinvestment, to pay and redeem the Series 2007A Refunded Bonds on July 24, 2017. The Escrow Agent will transfer sufficient moneys for the payment and redemption of the Series 2007A Refunded Bonds on the redemption date thereof to the Trustee, as paying agent for the Series 2007A Refunded Bonds.

Set forth below is a description of the Series 2007A Refunded Bonds:

Dated Date	Maturity Date	Principal Amount	Interest Rate	CUSIP Number	Redemption Date	Redemption Price
5/1/2007	4/1/18	$1,310,000	5.00	60636CVY2	7/24/2017	100%
5/1/2007	4/1/19	1,425,000	5.00	60636CVZ9	7/24/2017	100
5/1/2007	4/1/20	1,550,000	5.00	60636CWA3	7/24/2017	100
5/1/2007	4/1/21	2,570,000	5.00	60636CWB1	7/24/2017	100
5/1/2007	4/1/22	815,000	4.50	60636CWC9	7/24/2017	100

Series 2008C Refunded Bonds

To effect the refunding of the Series 2008C Refunded Bonds a portion of the proceeds of the 2017A Bonds together with other available funds will be deposited in a Series 2008C Escrow Fund created under the Eastland Escrow Agreement. The moneys deposited in the Series 2008C Escrow Fund will be sufficient, without consideration of reinvestment, to pay the scheduled principal and interest coming due on the Series 2008C Refunded Bonds through April 1, 2018, and to redeem the remaining Series 2008C Refunded Bonds on that date. The Escrow Agent will transfer sufficient moneys for the payment and redemption of the Series 2008C Refunded Bonds on the redemption date thereof to the Trustee, as paying agent for the Series 2008C Refunded Bonds.

Set forth below is a description of the Series 2008C Refunded Bonds:

Dated Date	Maturity Date	Principal Amount	Interest Rate	CUSIP Number	Redemption/ Maturity Date	Redemption Price
2/1/2008	4/1/19	$975,000	4.250%	60636CZW2	4/1/2018	100%
2/1/2008	4/1/22	3,820,000	5.125	60636CZZ5	4/1/2018	100

Series 2007B Refunded Bonds

To effect the refunding of the Series 2007B Refunded Bonds, a portion of the proceeds of the 2017B Bonds together with other available funds will be deposited in a Series 2007B Escrow Fund created under an Escrow Letter of Instructions (the "Series Hartman Escrow Agreement") among the Board, the City and the Trustee, as Escrow Agent. The moneys deposited in the Series 2007B Escrow Fund will be sufficient, without consideration of reinvestment, to pay and redeem the Series 2007B Refunded Bonds on July 24, 2017. The Escrow Agent will transfer sufficient moneys for the payment and redemption of the Series 2007B Refunded Bonds on the redemption date thereof to the Trustee, as paying agent for the Series 2007B Refunded Bonds.

Set forth below is a description of the Series 2007B Refunded Bonds:

Dated Date	Maturity Date	Principal Amount	Interest Rate	CUSIP Number	Redemption Date	Redemption Price
5/1/2007	4/1/18	$1,010,000	5.00%	60636CWP0	7/24/2017	100%
5/1/2007	4/1/19	1,065,000	5.00	60636CWQ8	7/24/2017	100
5/1/2007	4/1/20	1,060,000	5.00	60636CWR6	7/24/2017	100

Related Series of Bonds

Eastland Center Redevelopment Project. During 2000, 2001 and 2002 the Board issued four series of Bonds in the aggregate principal amount of $23,315,000 to fund costs related to the Eastland Center Redevelopment Project. All four series of these bonds were advance refunded and defeased with proceeds of the Series 2007A Bonds. Subsequently, the Board also issued multiple series of bonds to either fund costs of the Eastland Center Redevelopment Project or refinance existing bonds. Subsequent to the issuance of the Series 2017B Bonds, the Series 2012E Bonds and the Series 2014A Bonds will be the only other bonds outstanding related to the Eastland Center Redevelopment Project. The City does not currently anticipate the issuance of Additional Bonds to fund project costs, but will continue to evaluate refunding opportunities.

Hartman Heritage Redevelopment Project. The Board issued bonds in 2003 and 2007 to fund costs related to the Hartman Heritage Redevelopment Project. The Series 2011B Bonds refunded the Series 2003 Bonds. Subsequent to the issuance of the Series 2017B Bonds, the Series 2011B Bonds will be the only other bonds outstanding related to the Hartman Heritage Redevelopment Project. The City does not currently anticipate the issuance of Additional Bonds to fund project costs, but will continue to evaluate refunding opportunities.

TAX INCREMENT FINANCING IN MISSOURI

The following description of Tax Increment Financing in Missouri applies to the Incremental Tax Revenues which are pledged (subject to annual appropriation with respect to the pledge of EATS) to secure the Series 2017A Bonds and the Series 2017B Bonds. The Series 2017A Bonds and the Series 2017B Bonds are also secured by the annual appropriation obligation of the City as described herein under the caption ***"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City."***

Overview

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

When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property is improved, the assessed value of real property in the redevelopment area should increase above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a "tax increment" is produced. The annual tax increments (referred to as "Payments in Lieu of Taxes" or "Pilots") are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in the Pilots Account of a "special allocation fund." Similarly, an amount (referred to as "Economic Activity Tax Revenues" or "EATS") attributable to 50% of the increase in tax revenues generated by economic activities within the redevelopment area (including sales and utilities taxes, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments, other than payments in lieu of taxes, sales taxes levied pursuant to Section 70.500 RSMo and taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo) over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of tax increment financing for the Redevelopment Area by the City are transferred by the collecting agency to the treasurer of the city or county and deposited in an economic activity tax account of such special allocation fund. Tax increment financing for the Eastland Center Redevelopment Project was adopted in 2000. Tax increment financing for the Hartman Heritage Redevelopment Project was adopted in 1998. All or a portion of the moneys in the special allocation fund are used to pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The TIF Act

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

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

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

Tax Increment Financing Litigation

From time to time cases are filed in a Missouri court challenging certain aspects of the TIF Act. Circuit courts in Missouri are trial courts and decisions in those courts are not binding on other Missouri courts. Circuit court decisions, whether favorable or unfavorable with respect to the constitutionality and application of the TIF Act, may be appealed to a Missouri Court of Appeals, and, ultimately, the Missouri Supreme Court. If plaintiffs are successful in such cases, the court's decision may interpret the requirements of the TIF Act in a manner adverse to the establishment of tax increment financing for the Redevelopment Areas. It is not possible to predict whether an adverse holding in any current or future litigation would prompt a challenge to the adoption of tax increment financing in the Redevelopment Project Areas. If litigation challenging all or any part of the TIF Act were to be applied to the adoption of tax increment financing in the

Redevelopment Areas, Economic Activity Taxes and Payments in Lieu of Taxes may not be available to pay principal of and interest on the Bonds and the enforceability of the Indenture could be adversely affected. Neither the Board, the City nor any other party involved in the issuance and sale of the Bonds can predict or guarantee the outcome of any litigation challenging the constitutionality or the application of the TIF Act or the application by a court of a potential holding in any case to other tax increment projects.

Assessment and Collection of Ad Valorem Taxes

General. The City and the redevelopment areas are located within Jackson County, Missouri (the "County"). On or before September 1 in each year, each political subdivision located within the County which imposes ad valorem taxes (the "Taxing Districts") is required to estimate the amount of taxes that will be required during the next succeeding fiscal year. The Taxing Districts certify the amount of such taxes which shall be levied, assessed and collected on all taxable tangible property in the County to the County Assessor by September 1. All taxes levied must be based upon the assessed valuation of land and other taxable tangible property in the County as shall be determined by the records of the County Assessor and must be collected and remitted to the Taxing Districts. All the laws, rights and remedies provided by the laws of the State for the collection of State, county, city, school and other ad valorem taxes are applicable to the collection of taxes authorized to be collected in the Redevelopment Areas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Collection of Economic Activity Tax Revenues

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

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

Treasurer then distributes moneys on deposit in the special trust fund on behalf of each such political subdivision to such political subdivision on a monthly basis.

THE CITY'S GENERAL FUND

Proposed FY 2018 Operating Budget

The following information describing the City's General Fund has been excerpted from the City Manager's cover letter for the FY 2018 Operating Budget. The entire report is available from the City. Upon approval of the Operating Budget by the City Council, a final adopted version will be prepared and will be available from the City.

> I am pleased to present the proposed operating budget, in accordance with Section 8.2 of the City Charter, for the fiscal year July 1, 2017 through June 30, 2018. The proposed budget totals $314,980,145 or a decrease of $6,396,211, or 2%.
>
> One year ago, the City stood at a fiscal crossroads. Due to numerous external factors, we faced a budget deficit in our General Fund of nearly $4 million. Through determination and collaboration, our organization made the necessary decisions to close this fiscal gap. All City services were carefully evaluated, and non-essential items were suspended or eliminated. The City Council acted boldly to identify new revenue streams and shore up existing resources. City staff found creative ways to bring greater efficiencies to their daily activities and programs. Through this collective effort, we placed the City on a better path toward financial health.
>
> ***
>
> ***Focus on Financial Sustainability***
>
> This budget focuses on ensuring financial sustainability by meeting the City Council's objective of controlling long-term costs. Specifically, this budget addresses the strategy of advancing the employee wellness program to contain health insurance and workers compensation costs. Based on financial forecasts, I concur with the recommendation made by the Staywell Committee to make no changes to the health insurance premiums at this time. The Committee will review the Staywell Fund's financial position in August 2017 and make additional recommendations as needed.
>
> I recommend providing $150,000 to address the strategy of conducting a comprehensive market salary study. Data gathered from this market study will be used to guide future decisions and help retain an exceptional staff. In the future, employee compensation recommendations will be based on market analysis, fairness to all employee groups and long-term evaluation of the City's ability to pay.
>
> The budget also funds the commitments made in previously negotiated work agreements with represented employees. For all other employees, this budget meets City Council's objective of controlling long-term costs by providing a fair yet sustainable one percent (1%) wage increase. Moreover, this budget funds year two of a five-year commitment of $120,000 each year from the General Fund to implement a new modern financial and human resources management system. Our goal is to have the financial system fully implemented during Fiscal Year 2017-18 and be on target to bring the human resources system online in Fiscal Year 2018-19.
>
> This budget focuses on financial sustainability by meeting the City Council's objective of improving long-range financial planning and decision-making. A key component of this strategy has been updating and developing the City's financial policies, including setting a new unrestricted fund balance target of 16% for the General Fund. To meet this strategy, I recommend allocating $596,637

to the unrestricted fund balance of the General Fund, which will increase the balance from 5% to 5.64%, a significant step toward meeting our new target. Many of our sales tax and other special revenue funds already have balances which meet or exceed targets, but it will be critical in the coming years to monitor and, as needed, build fund balances to strengthen the financial health of our organization.

The budget further meets the objective of controlling long-term costs by eliminating 11 vacant positions at Independence Power & Light (IPL), the majority of which will come from the Production Division as we recognize changes in our generation needs. IPL made a concerted effort to reduce routine operating expenses, and this budget contains $843,656 in thoughtful budget cuts which can be made without impacting service levels in the electric utility. I will continue to work with IPL staff to address the strategy to evaluate utility costs of service and ensure appropriate customer rates.

To assure the financial sustainability of Independence Power & Light, I recommend $300,000 to commission a generation master plan study to define costs and strategies for meeting our future electricity needs. This generation master plan study would compare the long-term economics of maintaining versus retiring and replacing all or a portion of IPL's generating assets.

Long-term financial sustainability is also being achieved in our Water Department. The department plans to pursue a rate study next year to develop recommendations to ensure adequate funding is available to complete its mission. Moreover, Standard & Poor’s recently upgraded the credit rating for the Water Fund to A+ because of the strong capacity to meet the Department's financial commitments. Notably, there is a significant decrease in debt service from last fiscal year's $4.4 million debt service obligation to $2.5 million in Fiscal Year 2017-18.

This budget will also implement the recently adopted schedule of sanitary sewer rates for Water Pollution Control. This four-year schedule will fund many critical capital maintenance and improvement projects. Keeping up with routine maintenance and avoiding deferred costs will build the financial health of the Sanitary Sewer Fund.

***

Focus on Quality

To further align with the objective of improving the condition and maintenance of public infrastructure and facilities, I recommend funding for capital maintenance and improvement projects. Though not an exhaustive list, a few key projects merit special recognition, including:

- $75,000 to repair the retaining wall at the Police Headquarters along the intersection of Noland Road and Truman Road;
- $357,400 for the Parks & Recreation Capital Improvements Plan, including $75,000 to complete funding for the replacement of the windows at the Roger T. Sermon Community Center;
- $12,150,000 for the Independence Power & Light Capital Improvements Plan, including $7.1 million in capital needs at the Blue Valley Power Plant and $4 million in capital needs for the transmission and distribution system;
- $3,490,000 for the Sanitary Sewer Capital Improvements Program and $1,450,000 for the Storm Water Sales Tax Fund Capital Improvements Program;
- $3,780,000 for the Water Department Capital Improvements Program, including $1,950,000 in various water main replacement projects;

- $8,323,000 for capital improvements planned in the Streets Sales Tax Fund, including the annual asphalt overlap program.

Though this budget funds many needed capital improvements, the City's unmet needs are significant. Earlier this year, at the direction of the City Council, I reported that the City has nearly $1 billion in deferred capital needs. I suggested the City Council not only retain and strengthen its existing capital funding sources, but consider additional funding sources. I will continue to evaluate and monitor this need and make additional recommendations to the City Council as appropriate.

***

Addressing the Future Organizational Financial Sustainability

Although the proposed budget moves the City forward in establishing long-term financial sustainability while directly funding or otherwise implementing many of the strategies outlined in Independence for All, I must raise a word of caution. The means by which municipal services have long been funded continue to be eroded dramatically and rapidly. As such, there are three key factors that require responses beyond what can be accomplished in this budget:

1. Stagnant sales tax growth. While Independence continues to enjoy an economic renaissance, sales tax growth is virtually nonexistent outside of Tax Increment Financing (TIF) districts. In fact, net sales tax revenues are estimated to decline by $99,600. or 0.5% in the General Fund from last year's adopted budget. This is not surprising, given the shift in consumer spending away from brick-and-mortar retailers in favor of online shopping. To help offset this impact, I recommend that the City Council ask voters to implement a Use Tax in order to collect sales tax for out-of-state purchases.

2. Reclassification of data and wireless phone activities by the telecommunications industry. The continued evolution of the telecommunications industry has resulted in a reclassification of what user activities are subject to the City's franchise fee. This revenue source has been declining dramatically in the last several years, and this budget anticipates an additional decline in revenues of $488,672, a 13.4% decrease from last year's adopted budget.

3. Continued climate evolution. Our region continues to experience a sharp deviation from traditional weather patterns. This past summer, we experienced cooler temperatures and above-average rainfall totals. During the winter, we fell well below our average snowfall totals while greatly exceeding the average daily high temperatures. This shift has a profound impact on municipal revenues. For example, natural gas utility franchise fees are projected to decline $500,000, a decrease of 12.5% over last year's adopted budget. The decline in demand for these commodities during peak usage periods has resulted in lower franchise fee revenues from the gas, electric, and water utilities.

Due to smart budgeting last year and responsible management of expenses, a $1 million surplus is projected for the General Fund at the end of the current fiscal year. As described herein, I recommend using $400,000 of this one-time revenue to implement Independence for All strategies which will not obligate ongoing resources. The remaining dollars are reserved to bolster the General Fund unrestricted balance. It would be imprudent to direct this surplus to our multiple ongoing challenges. For example, personnel costs will increase by approximately $1,190,000 in the upcoming year due to previously negotiated employment contracts. Every available dollar of new, ongoing revenues in this budget is required to satisfy contractual obligations. In order to maintain the fiscal health we worked so hard to establish, we must work collectively to manage our finances and seek new, sustainable funding strategies.

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General Fund Revenue Comparison

The following is a comparison of General Fund Revenues for the periods indicated:

Source	Adopted Budget 2016-17	Revised Estimate 2016-17	City Manager Proposed 2017-18
Property Taxes	$7,561,000	$7,666,000	$7,691,000
Sales & Use Taxes	18,352,500	18,248,441	18,277,899
Utility Franchise Fees	9,107,000	8,698,035	8,692,831
PILOTS	19,103,195	19,043,456	19,637,772
Licenses & Permits	3,759,869	4,693,778	4,417,247
Grants & Shared Revenues	5,289,812	5,320,059	5,823,250
Charges for Services	2,002,725	2,338,509	2,195,857
Fines & Court Costs	3,623,000	4,067,033	4,195,000
Interest Income	101,500	126,499	101,500
Interfund Charges	5,073,016	5,073,016	5,080,432
Other Revenue	468,000	448,422	490,500
Total Revenue	**$74,441,617**	**$75,723,248**	**$76,603,288**

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For additional discussion of the City's General Fund see the caption **"BONDOWNERS' RISKS - Risk Factors Relating to the City's Obligations to Make Loan Payments"** herein **and** the Unaudited Financial and Operating Report for Period Ended March 31, 2017 in **Appendix B** hereto**.**

THE BONDS

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

General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

Discontinuation of Book Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board, the City and the Underwriter believe to be reliable, but the Board, the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participant, as the case may be.

Redemption

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

Transfer Outside Book-Entry Only System

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

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

Special, Limited Obligations

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

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2017A and Series 2017B Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City.

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as the sole source of repayment of the Series 2017A Bonds or the Series 2017B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2017A Bonds and the Series 2017B Bonds.

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

The Financing Agreements

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

Annual Appropriation Obligation of the City

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

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

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

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

No Debt Service Reserve Fund

Neither the Series 2017A Bonds nor the Series 2017B Bonds are secured by a Debt Service Reserve Fund.

The Indentures

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

Additional Bonds

<u>Series 2017A Bonds</u>

Additional Bonds, if issued, will be secured on a parity with the Series 2012E Bonds (except with respect to the Series 2012E Debt Service Reserve Fund which shall only be pledged to secure the Series 2012E Bonds), the Series 2014A Bonds (except with respect to the Series 2014A Debt Service Reserve Fund which shall only be pledged to secure the Series 2014A Bonds) and the Series 2017A Bonds, and therefore will share an equal claim on the Incremental Tax Revenues from the Eastland Redevelopment Area. No debt service reserve fund secures the Series 2017A Bonds.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2012E Bonds, the Series 2014A Bonds and the Series 2017A Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by a resolution adopted by the Board and an ordinance adopted by the City; (2) the Board and the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with Series 2012E Bonds, the Series 2014A Bonds and the Series 2017A Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds<u>. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2012E Bonds, the Series 2014A Bonds and the Series 2017A Bonds even if the Incremental Tax Revenues are not sufficient</u>

to provide for the Loan Payments on Series 2012E Bonds, the Series 2014A Bonds and the Series 2017A Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as the sole source of repayment of the Series 2017A Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2017A Financing Agreement. The Series 2017A Bonds are not secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.**

Series 2017B Bonds

Additional Bonds, if issued, will be secured on a parity with the Series 2011B Bonds (except with respect to the Series 2011B Debt Service Reserve Fund which shall only be pledged to secure the Series 2011B Bonds) and the Series 2017B Bonds, and therefore will share an equal claim on the Incremental Tax Revenues from the Hartman Heritage Redevelopment Area. No debt service reserve fund secures the Series 2017B Bonds.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2011B Bonds and the Series 2017B Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by a resolution adopted by the Board and an ordinance adopted by the City; (2) the Board and the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2011B Bonds and the Series 2017B Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2011B Bonds and the Series 2017B Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2011B Bonds and the Series 2017B Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as the sole source of repayment of the Series 2017B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2017B Financing Agreement. The Series 2017B Bonds are not secured by any deed of trust, mortgage or other lien on either Project or any other facilities or property of the City.**

BONDOWNERS' RISKS

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

General

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

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

General. Except as provided herein with respect to PILOTS pledged to secure the Series 2017A and Series 2017B Bonds, all payments by the City under each applicable Financing Agreement are subject to annual appropriation.

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

General Fund Capacity. The ending unassigned General Fund balance for the fiscal year ending June 30, 2016, was $3,684,710, which is approximately 5.0% of the General Fund revenue amount for Fiscal Year 2016 of $73,679,661.

General Fund Capacity. The projected ending unassigned General Fund balance for the fiscal year ending June 30, 2017, is $4,831,800, which is approximately 6.4% of the General Fund revenue amount for Fiscal Year 2017 of $75,723,248.

General Fund Expenses. For the fiscal year ending June 30, 2017, approximately 82.0% of the General Fund ($61,505,438) is projected to be spent for City personnel costs – salaries, wages and benefits. Any appropriations from the General Fund to pay debt service on the Bonds is likely to result in reductions to salaries, wages and benefits. Such reductions could be very difficult to implement and may impact the City's decision of whether to continue to support the payment of debt service on all the Bonds by continuing its annual appropriation pledge.

Of the 82.0% of the General Fund projected for salaries, wages and benefits in the fiscal year ending June 30, 2017, approximately 10.1% ($6,185,713) is projected for contributions to a defined benefit pension plan known as LAGERS and 18.1% ($11,102,533) is projected on a "pay-as-you-go" basis for expenses described as "Other Post-Employment Benefits" (OPEB). Such amounts are projected year end totals for FY 2017, which ends on June 30, 2017, and are unaudited. Audited numbers for Fiscal Year 2016 are contained in **Appendix B**. In addition, **Appendix B** presents multi-year trend information as of June 30, 2016, 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 H**. The most recent actuarial report received by the City relating to the projected OPEB is attached hereto as **Appendix I**. Prospective investors should evaluate whether the assumptions used in such reports are reasonable and the future impact such costs could have on the General Fund.

The City has secured multiple series of other bonds with the City's General Fund, subject to annual appropriation. Included are bonds issued to fund costs related to the Crackerneck Creek Redevelopment Project. To date, the City has expended $13,951,364 from its General Fund, $1,682,643 from utility funds,

$2,258,751 from sales tax funds, and $1,357,052 from transportation development district funds to support the payment of debt service on the Crackerneck Creek project bonds. Projections indicate that significant amounts will still need to be appropriated from the General Fund and other legally available sources to make debt service payments on Crackerneck Creek project bonds in the future.

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

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

Risk Factors Relating to the Collection of Incremental Tax Revenues

As noted herein the payment by the City of Loan Payments with respect to the Series 2017A Bonds and the Series 2017B Bonds is secured by Incremental Tax Revenues (PILOTS and EATS).

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as the sole source of repayment of the Series 2017A Bonds or the Series 2017B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2017A Bonds and the Series 2017B Bonds.

Although prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as the sole source of repayment of the Series 2017A Bonds or the Series 2017B Bonds, prospective investors should evaluate factors which could cause such Incremental Tax Revenues to be below the City's estimate in order to determine the capacity of the City's General Fund to provide for the Loan Payments with respect to the Series 2017A Bonds and the Series 2017B Bonds in the event such Incremental Tax Revenues are not sufficient to make such payments.

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

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

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Eastland Center Redevelopment Project or the Hartman Heritage Redevelopment Project will equal or exceed the expected assessed value. Even if the assessed value is initially determined as expected, there can be no assurance that such assessed value will be maintained throughout the term of the Series 2017A Bonds and the Series 2017B Bonds.

Changes in State and Local Tax Laws. The City's internal estimates of Incremental Tax Revenues assume no substantial change in the basis of extending, levying and collecting real property taxes, sales taxes, PILOTS and EATS Revenues. Any change in the current system of collection and distribution of real property taxes, sales taxes, PILOTS or EATS Revenues in the County or the City, including without limitation the reduction or elimination of any such tax, judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the availability of revenues to pay the principal of and interest on the Series 2017A Bonds and the Series 2017B Bonds.

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

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

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

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

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

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

No Debt Service Reserve Fund

Neither series of Bonds is secured by a Debt Service Reserve Fund. Potential investors should evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements.

Proposed Additional Bonds

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2017A Bonds or the Series 2017B Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2017A Bonds or the Series 2017B Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments relating to such the Series 2017A Bonds or the Series 2017B Bonds, without regard to the proposed Additional Bonds.

Loss of Premium Upon Early Redemption

Purchasers of Series 2017A Bonds and Series 2017B Bonds at a price in excess of their principal amount should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest under certain circumstances. See "**THE BONDS – Redemption.**"

Enforcement of Remedies

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

Amendment of Indentures

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

LITIGATION

The Board

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

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the Bonds by the Board, or questioning or affecting the validity of the Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board's right to enter into the Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures, the Act or the City's right to enter into the Financing Agreements. See "**TAX INCREMENT FINANCING IN MISSOURI – Tax Increment Financing Litigation**" for a description of how certain litigation could impact the Series 2017A Bonds and the Series 2017B Bonds.

LEGAL MATTERS

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

& Bell, P.C., Kansas City, Missouri. Certain legal matters relating to the Official Statement will be passed upon for the City by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by its counsel, Dayla Bishop Schwartz, City Counselor.

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

TAX MATTERS

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

Opinion of Bond Counsel

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

Federal and Missouri Tax Exemption. The interest on both series of Bonds 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 both series of 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. None of the Bonds have been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

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

Other Tax Consequences

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

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

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

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

RATINGS

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

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2016, and an unaudited Financial and Operating Report for the period ended March 31, 2017, are included in **Appendix B** to this Official Statement. The financial statements for the fiscal year ended June 30, 2016 have been audited by RSM US LLP, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto. The unaudited Financial and Operating report has been prepared by the City.

RSM US 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. RSM US LLP also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

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

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*." Certain filings were not cross referenced on EMMA by CUSIP number for certain issues. In addition, the City did not file material event notices relating to bond redemptions, defeasances or rating changes for one of more series of prior bond issues for which it was the "obligated person" in full compliance with its prior continuing disclosure undertakings. The City believes, however, that any prior deficiency with respect to those event notices is not material, as the information was disseminated or available through other sources.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a bond purchase agreement entered into by and among the Board, the City and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase the Series 2017A Bonds at a purchase price of $10,475,621.55 (which represents the principal amount of the Bonds, $9,725,000, plus premium of $799,246.55, less an underwriter's discount of $48,625.00). The bond purchase agreement provides that the Underwriter will purchase the Series 2017B Bonds at a purchase price of $2,225,844.10 (which represents the principal amount of the Bonds, $2,200,000, plus premium of $36,844.10, less an underwriter's discount of $11,000.00). In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all of the Bonds, including all Series of the Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The City has agreed in the bond purchase agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the bond purchase agreement.

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

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, Des Moines, Iowa as Municipal Advisor (the "Municipal Advisor") in connection with the preparation of the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

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

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

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

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/ Zachary Walker
City Manager

APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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THE CITY

General Information

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

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

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

Council Members	Occupation	District	Expiration of Term
Eileen Weir, Mayor	Public Relations	n/a	2018
John Perkins	Butcher	District 1	2020
Curt Dougherty	Electrician	District 2	2020
Scott Roberson	Dentist	District 3	2020
Tom Van Camp	Retired	District 4	2020
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. Zachary Walker is the City Manager, and has filled that position since October 1, 2016. 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

Note: The information under the heading "Employee Retirement System" has been excerpted from the notes to the City's audited financial statements for the fiscal year ended June 30, 2016 which are included in Appendix B hereto.

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600 - 70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for Police and Fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for Police and Fire) and receive a reduced allowance.

	2016 Valuation
Benefit Multiplier	2.00%
Final Average Salary	3 Years
Member Contribution	4.00%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4.00% per year.

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,015
Inactive employees entitled to but not yet receiving benefits	195
Active employees	996
	2,206

Contributions

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4.00% of gross salaries and wages. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City contribute 4.00% of their gross pay to the pension plan. The City contribution rates for the year ending June 30, 2016 were 14.30% (General), 15.50% (Police) and 16.10% (Fire) of annual covered payroll.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016. Standard update procedures were used to roll forward the total pension liability to June 30, 2016.

Actuarial Assumptions

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% price inflation; 3.25% wage inflation
Salary Increase	3.25% to 7.15% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were RP-2014 employee's mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that the City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

The following table shows the components of the changes in the net pension liability for the year:

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)- (b)
Balances at 6/30/2015	$ 447,529,430	394,204,423	53,325,007
Changes for the year:			
Service Cost	8,219,353		8,219,353
Interest	31,909,765		31,909,765
Difference between expected and actual experience	4,916,999		4,916,999
Changes in assumptions	17,199,406		17,199,406
Contributions - employer		10,603,882	(10,603,882)
Contributions - employee		2,861,145	(2,861,145)
Net investment income		(791,625)	791,625
Benefit payments, including refunds	(23,272,216)	(23,272,216)	
Administrative expense		(181,225)	181,225
Other (net transfer)		981,004	(981,004)
Net changes	38,973,307	(9,799,035)	48,772,342
Balances at 6/30/2016	$486,502,737	384,405,388	102,097,349

The amounts reported as changes in assumptions were primarily from changes to the mortality table, as well as salary increases and inflation.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower at 6.25% or one percentage point higher at 8.25% than the current rate.

	1% Decrease 6.25%	**Current Single Discount Rate Assumption 7.25%**	**1% Increase 8.25%**
Net Pension Liabi1ity (NPL)	$170,649,787	$102,097,349	$45,343,957

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 the City recognized pension expense of $20,485,884. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected & actual plan experience	$4,051,298	$(6,494,585)
Changes in assumptions	13,852,396	--
Difference between expected & actual investment earnings	35,670,636	--
Total	$53,574,330	$(6,494,585)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
2017	$12,276,705
2018	12,276,705
2019	12,646,035
2020	8,610,364
2021	841,974
Thereafter	427,962
	$47,079,745

Certain deferred inflows and outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement periods, which was 4.75 to 5.00, 5.00 to 6.78 and 5.00 to 6.45 for General, Police and Fire divisions, respectively. The differences on investment returns are being amortized over a closed 5-year period beginning in the current year.

Post-Employment Health Benefits

Note: The information under the heading "Post Employment Health Benefits" has been excerpted from the notes to the City's audited financial statements for the fiscal year ended June 30, 2016 which are included in Appendix B hereto.

In addition to the pension benefits described above, the City provides post-employment healthcare benefits to all retired employees meeting the service criteria for this benefit. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in a future year when it actually will be paid. Under the guidelines of GASB Statement No. 45, the City recognizes the cost of post-employment healthcare benefits in the year when the employee services are provided, reports the accumulated liability from prior years, and provides additional information useful to assess potential demands on the City's future cash flows. Recognition of the liability that has accumulated from prior year's service will be phased in over 30 years, commencing with the initial liability recorded in 2007-08.

Plan Description

The City provides for a continuation of medical, prescription drug, hearing and vision insurance benefits to employees that retire from City employment and who participate in the Missouri Local Government Employees Retirement System (LAGERS). The various benefit plan options offered by the City collectively operate as a single-employer defined benefit healthcare plan and are the same as provided to active City employees. Coverage is available for the lifetime of the retiree and their spouses upon payment of required retiree contribution premiums which includes an adjustment when the retiree becomes eligible to participate in the Medicare program. The contribution requirement for plan members is split between the retiree and the City at percentages that are comparable to active City employees and may be amended at any time by the City Council.

The number of participants that either are, or potentially could be, covered by the City's plan, as of January 1, 2016, 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	952
Retirees & covered spouses of retirees	773
Total Participants	1,725

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	$19,909,105
Interest on net OPEB obligation	3,014,788
Adjustment to annual required contribution	(3,519,966)
Annual OPEB cost (expense)	19,403,927
Less: Employer contributions	(6,542,000)
Increase in net OPEB obligation	12,861,927
Net OPEB obligation - July 1, 2015	86,136,814
Net OPEB obligation - June 30, 2016	$98,998,741

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**
6/30/14	$19,179,213	40.23%	$73,190,015
6/30/15	19,276,799	32.84	86,136,814
6/30/16	19,403,927	33.71	98,998,741

Funded Status and Funding Progress

As of January 1, 2016, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $286.1 million dollars. There are no assets set aside for funding the plan as of that date, thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $61.7 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 463.4%.

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

The schedule of funding progress set out below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress
Other Post Employee Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b)-(a)/(c) UAAL as a Percentage of Covered Payroll
1/1/2013	0	$263,513,494	$263,513,494	0%	$59,861,860	440%
1/1/2015	0	287,649,394	287,649,394	0	59,925,139	480
1/1/2016	0	286,120,154	286,120,154	0	61,742,912	463

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, 2016 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% investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 3.5%. The actuarial assumptions for healthcare cost trend is a growth factor of 6.50% for the first year and then declining by one half of one percent (0.25%) per year until 5.00% is reached. The 5.00% growth is used on a go-forward basis. The actuarial assumptions include a 2.75% rate for general inflation and a 2.00% 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 F**.

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a result, there are a number of claims and/or lawsuits to which the City is a party as a result of certain law enforcement activities, injuries, and various other matters and complaints arising in the ordinary course of City activities. The City is entitled to the defense of sovereign and official immunity against tort action that provides immunity except in two areas — motor vehicles and the condition of property of governmental entities. The City carries commercial property, boiler and machinery, liability, 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 Starr Indemnity & Liability 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. The escrow account of $200,000 is reflected as restricted assets in the Workers' Compensation Fund. 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 $32,104,334 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was $18,533,195. 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**	
	2015	**2016**	**2015**	**2016**
Beginning of year	$4,197,247	$4,564,144	$2,183,559	$1,925,134
Current year claims and changes in estimates	2,007,166	1,020,205	23,777,329	19,026,499
Claims payments	(1,640,269)	(1,222,868)	(24,035,754)	(19,193,092)
End of year	$4,564,144	$4,361,481	$1,925,134	$1,758,541

Payment Record

The City has never defaulted on any financial obligations.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
Independence School District	Public School District	2,200
Orbital ATK (Lake City)	Small Arms Ammunition	1,722
Centerpoint Medical Center	Health Care	1,400
City of Independence	Local Government	1,097
Government Employee Hospital (GEHA)	Medical Ins. Service Center	743
Rosewood Health Center at the Groves	Retirement Community	444
Burd & Fletcher	Paper Carton Manufacturing	274
Jackson County Circuit Court	Judicial System	274
Cable Dahmer Automotive	Automotive	271
Unilever	Food Manufacturing	260

Source: City of Independence, Missouri June 30, 2016 Comprehensive Annual Financial Report

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2009	2010	2015
City of Independence	111,797	112,301	113,288	114,128	121,212	117,255
Jackson County	629,266	633,232	654,880	669,287	674,920	687,623
State of Missouri	4,916,686	5,117,073	5,595,211	5,938,126	5,996,085	6,083,672

Sources: City of Independence, Missouri June 30, 2016 Continuing Disclosure Statement and U.S. Census Bureau

Population Distribution by Age

	City of Independence	Jackson County	State of Missouri
Under 5	6.8%	7.0%	6.3%
Age 5-9	6.5	6.9	6.5
Age 10-14	5.7	6.5	6.6
Age 15-19	5.4	6.3	6.8
Age 20-24	6.4	6.7	7.0
Age 25-34	13.9	14.9	13.1
Age 35-44	11.8	12.7	12.2
Age 45-54	13.6	14.0	14.2
Age 55-59	7.4	6.6	6.8
Age 60-64	5.7	5.6	5.9
Age 65-74	8.9	7.0	8.1
Age 75-84	5.5	4.1	4.6
Age 85 and older	2.5	1.8	2.0
Median Age	39.7	36.4	38.1

Source: City of Independence, Missouri June 30, 2016 Continuing Disclosure Statement

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.

	2012	2013	2014	2015	2016
Kansas City MSA (MO Part)					
Total Labor Force	637,983	634,382	654,708	663,505	669,607
Unemployed	45,890	44,503	41,459	35,206	30,705
Unemployment Rate	7.2%	7.0%	6.3%	5.3%	4.6%
Jackson County					
Total Labor Force	354,922	352,204	363,483	367,142	369,829
Unemployed	27,796	27,011	25,465	21,541	18,737
Unemployment Rate	7.8%	7.7%	7.0%	5.9%	5.1%
State of Missouri					
Total Labor Force	3,018,211	3,011,601	3,058,118	3,113,760	3,111,517
Unemployed	210,415	202,199	186,901	155,584	140,815
Unemployment Rate	7.0%	6.7%	6.1%	5.0%	4.5%

Source: MERIC MO Economic Research and Information Center

Income Statistics

The following table sets forth estimated income statistics for 2015:

	Per Capita	Mean Family
City of Independence	$23,390	$66,244
Jackson County	26,328	77,476
State of Missouri	26,006	77,368

Source: City of Independence, Missouri June 30, 2016 Continuing Disclosure Statement

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2015:

Year Round Units	Number of Units	Percentage of Units
Single Detached	39,148	72.10%
Single Attached	2,604	5.00
Double	1,684	3.40
3 to 19 Units	6,810	12.40
20 + Units	2,383	4.70
Mobile Home	1,159	2.30
All Other	26	0.00
Total Units	53,814	100.00%

Source: City of Independence, Missouri June 30, 2016 Continuing Disclosure Statement

The median value of owner occupied housing units in the area of the City and related areas was, for 2015, as follows:

	Owner Occupied Median Value
City	$98,800
Jackson County	125,800
State of Missouri	136,700

Source: City of Independence, Missouri June 30, 2016 Continuing Disclosure Statement

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.

The FY 2016 Non-Residential value increase is attributable to several projects with projected values in excess of $10,000,000. The FY 2017 Residential value increase is due to several multi-family projects. The City does not anticipate these values to recur on an annual basis.

	2012	**2013**	**2014**	**2015**	**2016**	**2017**[(1)]
Residential						
Number of Permits	193	181	179	211	212	222
Estimated Cost	$11,952,062	$15,361,748	$21,919,226	$18,098,763	$15,810,869	$43,418,781
Non-Residential						
Number of Permits	155	181	169	156	153	97
Estimated Cost	$17,197,248	$50,869,887	$38,221,049	$35,725,237	$90,442,753	$46,092,374

(1) Through May 24, 2017

Source: City of Independence, Missouri

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, 2016 was performed by RSM US 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:

Year	Total	Real Estate Tax	Railroad Utilities Tax	Cigarette Tax	Transient Guest Tax	Sales Tax	Franchise Tax	In Lieu of Taxes
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
2015	76,723,399	7,544,987	39,503	436,414	1,616,667	38,711,511	9,960,928	18,413,389
2016	75,928,390	7,545,518	41,184	461,964	1,954,406	38,881,241	8,528,741	18,515,336

Source: City of Independence, Missouri June 30, 2016 Comprehensive Annual Financial Report

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, 2016:

	Assessed Valuation*	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	$816,156,782	19%	$4,295,562,011
Commercial	241,685,369	32%	755,266,778
Agricultural	1,240,556	12%	10,337,967
Railroad and Utilities	8,329,016	32%	26,028,175
Real Estate Sub-Total	$1,067,411,723		$5,087,194,931
Personal Property	259,387,309	33.3%	778,940,868
Total	$1,326,799,032		$5,866,135,799

Source: City

* Assumes all personal property is assessed at 33-1/3%; because certain subclasses of tangible personal property are assessed at less than 33-1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation:

The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, for each of the following fiscal years ended June 30, has been as follows:

Year	Assessed Valuation	Percent Change
2017	$1,326,799,032	0.9%
2016	1,315,162,858	3.9
2015	1,265,681,078	-1.2
2014	1,280,827,879	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

Source: City

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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, 2016:

Name of Taxpayer	**Local Assessed Valuation**	**Percentage of Total Local Assessed Valuation**
Simon Property Group LP	$29,935,279	2.26%
Cole DRR Mt Independence LLC	12,556,958	0.95
Space Center of Kansas City	6,283,301	0.47
Southern Union Company	6,123,012	0.46
Unilever Bestfoods NA	5,547,178	0.42
Sprint	5,361,881	0.40
Aragon 2015/The Mansion LLC	4,925,942	0.37
Comcast	4,165,668	0.31
AT&T	3,935,502	0.30
Centerpoint Medical Center	3,724,095	0.28
Total	$82,558,816	6.22%

Source: City of Independence, Missouri and Jackson County, Missouri

Obligations of the City

General Obligation Debt

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "City purposes" not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate under a special election or four-sevenths under a general election, to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property. The additional indebtedness is allowed for the purpose of acquiring rights-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

The City had no General Obligation debt outstanding as of June 30, 2016.

As of May 1, 2017, the City had the following Neighborhood Improvement District bonds outstanding:

(i) $53,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of $111,000, and

(ii) $165,000 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 May 1, 2017 (excludes the Bonds):

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$33,645,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2010B	$17,615,000
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	48,600,000
47,180,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2016D	47,180,000

Water Fund – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$36,240,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds**	2013D	$26,455,000

Events Center – Secured by City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$11,815,000	MDFB	Infrastructure Facilities Revenue Bonds	2011A	$11,145,000
68,945,000	MDFB	Infrastructure Facilities Revenue Bonds	2012C	67,290,000
12,005,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2016A	11,505,000

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	$3,135,000
6,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2011B	4,365,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$2,285,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2016C	$1,955,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$14,030,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006B	$14,030,000
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
47,060,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2015C	47,060,000

<u>Centerpoint TIF Project – Secured by City's Annual Appropriation Powers</u>

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$12,050,000	MDFB	Infrastructure Facilities Revenue Bonds	2012D	$9,040,000
2,030,000	MDFB	Infrastructure Facilities Revenue Bonds	2014B	1,710,000
17,275,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2016B	16,130,000

<u>Eastland Center TIF Project – Secured by City's Annual Appropriation Powers</u>

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$19,390,000	MDFB	Infrastructure Facilities Revenue Bonds	2007A	$7,670,000
8,000,000	MDFB	Infrastructure Facilities Revenue Bonds	2008C	4,795,000
3,965,000	MDFB	Infrastructure Facilities Revenue Bonds	2012E	2,315,000
4,855,000	MDFB	Infrastructure Facilities Refunding Revenue Bonds	2014A	3,325,000

<u>Santa Fe TIF Project – Secured by City's Annual Appropriation Powers</u>

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$5,225,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2015A	$5,015,000
3,545,000	MDFB	Infrastructure Facilities Revenue Bonds	2015B	3,430,000

<u>Other Bonds Secured by the City's Annual Appropriation Powers</u>

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$4,020,000	MDFB	Infrastructure Facilities Revenue Bonds	2009G	$1,010,000
37,035,000	MDFB	Infrastructure Facilities Revenue Bonds***	2012B	33,930,000
43,800,000	MDFB	Infrastructure Facilities Revenue Bonds***	2013C	42,380,000
21,170,000	MDFB	Infrastructure Facilities Revenue Bonds***	2014C	20,455,000
2,390,000	MDFB	Infrastructure Facilities Revenue Bonds	2015D	2,390,000

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

Santa Fe Redevelopment Project

The Santa Fe Redevelopment Project (the "Santa Fe Project") consists of the redevelopment of approximately 29 acres in the City (the "Santa Fe Redevelopment Area"). Tax increment financing was approved for the Santa Fe Redevelopment Project in 2001. The project involved clearing existing retail, commercial and residential buildings within the 29 acre area and new mixed use commercial, retail and residential development and related off-site improvements. Total projected redevelopment costs are estimated at $25,567,017, including approximately $7,500,000 in reimbursable project costs funded from a series of bonds issued in 2001 by the Board.

To date, the 29 acre area has been cleared of buildings and debris and is ready for construction and no tenants have been secured which would allow for commencement of construction.

In 2007, the Board issued its $10,060,000 Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Santa Fe Project) (the "Series 2007C Bonds"), 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 2016 were $20,312. Under an agreement with Jackson County, the City also received certain economic activity taxes from certain automobile sales which amounted to $115,510 in FY 2016.

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 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, such amount to 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.

Events Center

The issuance of the Series 2011A Bonds, Series 2012C Bonds and Series 2016A Bonds described above either financed or refinanced construction of a multipurpose events center that is owned by the City (the "Events Center"). Such bonds are secured by a community improvement district sales tax within a designated area of the City, and if not paid from such tax by the City's general fund, subject to annual appropriation. The Events Center improvements consisted of three basic categories of improvements, which included the Events Center, an Adjacent Ice and Practice Facility, and related Infrastructure Improvements, each as further described below. Construction of the Events Center is complete and the facility is open and has been hosting events since November, 2009. The Events Center is located on an approximately 27 acre tract of land at the southeast quadrant of the intersection of Interstate 70 and Missouri Highway 291, as identified on the map on page 9. Pursuant to a naming rights agreement, the Events Center is now known as the Silverstein Eye Centers Arena.

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

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

The City, as owner of the Events Center, and Independence Professional Hockey LLC ("IPH") entered into an Amended and Restated Arena Lease dated August 13, 2009 ("Hockey Lease"), which authorizes IPH to play a minimum of 30 regular season home games per year, plus play-off games if necessary, and to utilize the Events Center for practices, training camp, and other team related activities. The initial term of the Hockey Lease expires on April 30, 2020, and IPH has the option to extend the term for one additional 10 year term. The Hockey Lease was assigned to Loretta Sports Ventures, LLC, a Texas limited liability company in January, 2015.

IPH, which owns and operates the Missouri Mavericks minor league hockey team that is currently playing its home games at the Events Center, entered into a License Agreement dated February 27, 2009, with Western Professional Hockey League, Inc. d/b/a Central Hockey League ("CHL") to operate at the Events Center. The CHL was absorbed into the East Coast Hockey League ("ECHL") prior to the 2014-15 season. The ECHL is a 28 team league.

The Events Center has also been home to the Missouri Comets Major Arena Soccer League (MISL) franchise. The MISL is a professional indoor soccer league. The Comets used the Events Center during the 2016-17 season but are not anticipated to use the facility in the future unless a new license agreement is reached with the team.

The Events Center is also home to the Kansas City Phantoms, an indoor American football team that is part of the 14 team Champions Indoor Football league. During the 2017 season, the team's first, which runs from March through early June, the Phantoms are scheduled to play 6 games in the Events Center. The 2017 season is being played under a one year license agreement, with a single one year renewal term.

The Events Center also has various other events scheduled over the coming months.

Adjacent Ice and Practice Facility

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

Management of the Events Center Project

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 Board of the IECMC hired Global Spectrum L.P. (now Spectra by Comcast Spectator) to manage the facility in 2014 pursuant to a 10 year contract with 10 year renewable option. The IECMC currently oversees Global Spectrum L.P. in its management of the facility.

Expenses for the operation of the Events Center are paid with revenues generated from the Events Center. If there are operational shortfalls, the City currently intends to pay the 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 July 1, 2015 through June 30, 2016, total operating revenue at the Events Center was $5,198,722 and total operating expenses were $5,042,898.

The Independence Events Center Community Improvement District that levies the community improvement district sales tax described above is currently being audited by the Missouri State Auditor. The City cannot predict what findings the Auditor may have.

Future Obligations

Centerpoint Project

The Centerpoint Redevelopment Project is 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. The City expects that approximately $400,000 in project costs for the Centerpoint 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.

- $20 million Sarah Cannon Cancer Center completed in 2017.
- $6.5 million addition – 3rd floor being added now.
- New medical office building planned for 2018/2019.

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 issuance of bonds by the Board in the amount of approximately $90,000,000 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. The City anticipates such bonds will be issued in the years 2017-18, 2018-19 and 2019-20.

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 were completed as required. 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 does not expect to issue additional bonds or other obligations secured by the City's annual appropriation authority.

Falls at Crackerneck Creek Redevelopment Project

General Description of the Crackerneck Creek Project

The City approved the Crackerneck Creek Tax Increment Financing Plan in 2004. This approval established the Crackerneck Creek Redevelopment Area (the "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 anticipated 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 of June 1, 2016, the Project included the Bass Pro Store, a hotel, and some retail and restaurant uses. Retail, hotel and restaurant uses include Hobby Lobby, Mardels (a retailer selling Christian-oriented merchandise), Cheddar's Casual Café, Pizza Ranch, the Stoney Creek Inn (a 167 room hotel with approximately 30,000 square feet of conference space), Los Cabos Mexican restaurant and the Duluth Trading Company. The City is not aware of any other existing leases or letters of intent for the Project. Retail and restaurant development is far short of the projected 300,000 square feet originally anticipated. Development of basic infrastructure for the Crackerneck Creek Project site was substantially completed in 2008. Improvements completed include roads, water and sewer line relocation, utility installation, lake and dam construction, grading and fill and related hard and soft costs.

As part of the Project, in 2004 the City entered into the Lease with Options (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. Pursuant to the Bass Pro Lease the City made $25,000,000 available to Bass Pro. This amount together with other costs related to development of the project site and completion of the Crackerneck Creek Project were funded from the proceeds of bonds issued by the Board at the request of the City. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City. The Bass Pro Store opened for business in March, 2008.

In November, 2005, the State granted the Project State TIF assistance. Under this program, subject to annual caps, the State, subject to annual appropriation by the General Assembly, through the year 2026 contributes the lesser of the annual cap amount or 50% of the 3% general revenue portion of the State sales tax on "net new sales" in the project. For the purpose of the State TIF approval, "net new sales" equals 40% of retail sales in the Project. Because of the lower than projected retail sales in the Project, the annual amounts received by the City pursuant to State TIF ("State TIF Revenues") have been materially below the annual cap amounts and the City projects that such shortfalls will continue through the termination of State TIF assistance in 2026.

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 one-cent sales tax on retail sales (the "TDD Sales Tax") to fund transportation improvements. An amount equal to $7/8^{th}$ of the TDD Sales Tax revenues are pledged by the City, subject to annual appropriation, to secure payments on certain of the bonds issued for the Crackerneck Creek project. Originally, the remaining 1/8th of the TDD Sales Tax revenues were to be used by the City to fund a transportation service serving the Crackerneck Creek Tax Redevelopment Area. To date, that service has not been established and the 1/8th cent has been used to pay principal and interest on the Crackerneck Creek Project bonds.

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, revenues generated by Tax Increment Financing in the Crackerneck Creek Redevelopment Area ("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 from the Crackerneck Creek Redevelopment Area, 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 bonds issued for the Crackerneck Creek Project described above. 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 Crackerneck Creek Project bonds. Consequently, even if significant additional development occurs, additional revenues sources will need to be allocated to the payment of debt service on the Crackerneck Creek Project bonds, which will include support from the City's General Fund.

Capital Leases

Capital leases payable at June 30, 2016 are comprised of the following:

Motorola Solutions, interest at 3.4593% semi-annual installments through 2022. A lease to purchase radio equipment.	$859,140
PNC Equipment Finance, interest at 3.00% annual installments through 2026. A lease to purchase a fire truck.	624,897
TOTAL	$1,484,037

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, 2016, and the percent attributable (on the basis of assessed valuation figures) to the City.

Jurisdiction	General Obligation Bond Issues Outstanding*	Percentage Applicable to City of Independence	Amount Applicable to City of Independence
Blue Springs R-4 School District	$121,465,000	5.20%	$6,316,180
Independence School District	161,865,449	93.31	151,036,650
Raytown School District	78,369,855	8.42	6,598,742
Fort Osage R-1 School District	56,127,610	12.50	7,015,951
Subtotal, overlapping debt			$170,967,524
City direct debt			161,006,543
Total direct and overlapping debt			$331,974,067

* 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, 2016; UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 31, 2017

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ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2016

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City of Independence, Missouri

Historic City of the Trails

For the Fiscal Year Ended

June 30, 2016

Comprehensive Annual Financial Report

CITY OF INDEPENDENCE, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Mayor
Eileen Weir

City Council

John Perkins	District #1
Curt Dougherty	District #2
Scott Roberson	District #3
Thomas Van Camp	District #4
Karen DeLuccie	At-large
Chris Whiting	At-large

City Manager

Zachary Walker

Prepared by the Department of Finance

Brian C. Watson, Director of Finance

THE CITY OF INDEPENDENCE

MISSOURI

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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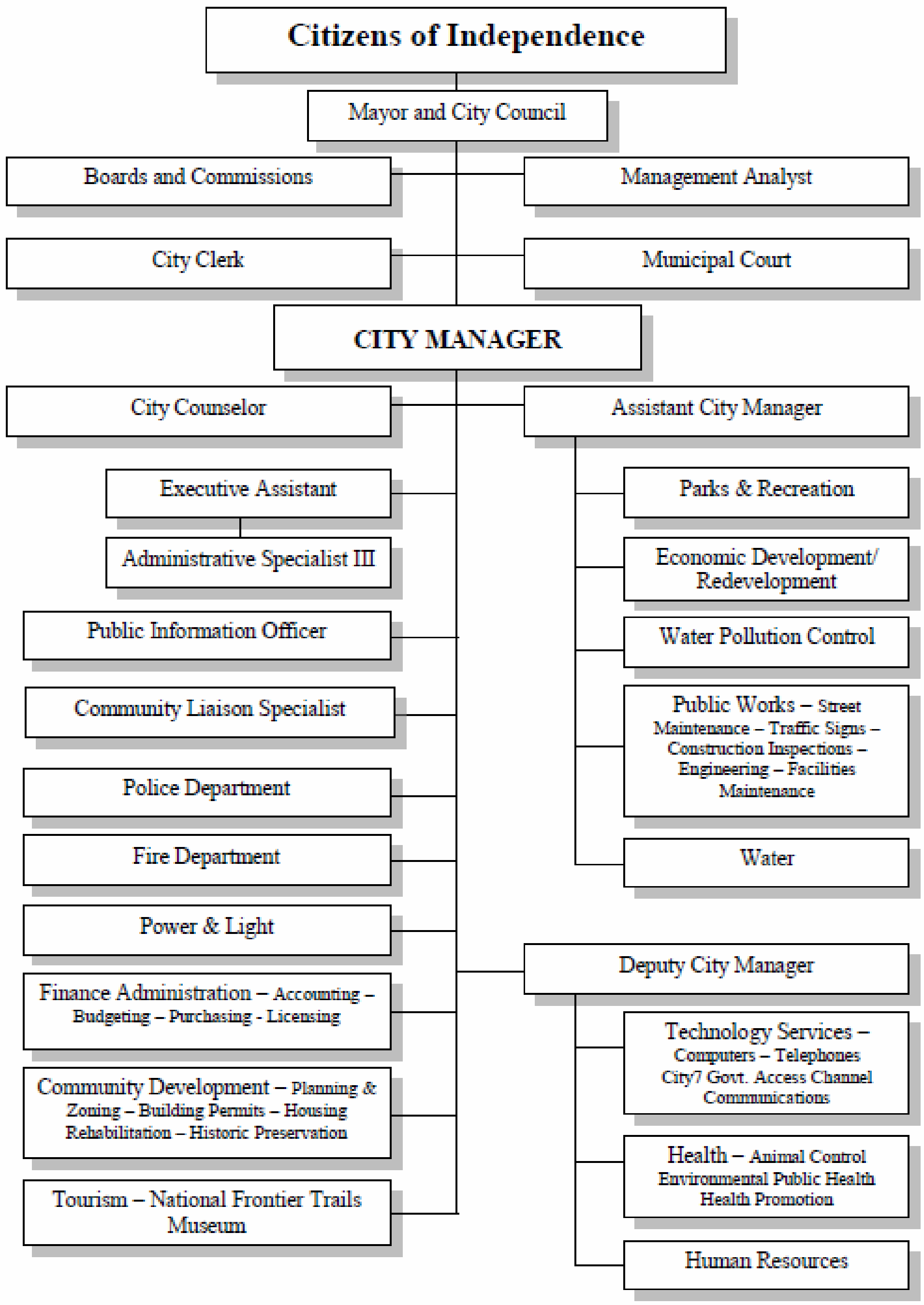
THE CITY OF INDEPENDENCE
MISSOURI


Citizens of Independence
Mayor and City Council
Boards and Commissions
Management Analyst
City Clerk
Municipal Court
CITY MANAGER
City Counselor
Assistant City Manager
Executive Assistant
Administrative Specialist III
Parks & Recreation
Economic Development/ Redevelopment
Public Information Officer
Water Pollution Control
Community Liaison Specialist
Public Works – Street Maintenance – Traffic Signs – Construction Inspections – Engineering – Facilities Maintenance
Police Department
Fire Department
Water
Power & Light
Deputy City Manager
Finance Administration – Accounting – Budgeting – Purchasing - Licensing
Technology Services – Computers – Telephones City7 Govt. Access Channel Communications
Community Development – Planning & Zoning – Building Permits – Housing Rehabilitation – Historic Preservation
Health – Animal Control Environmental Public Health Health Promotion
Tourism – National Frontier Trails Museum
Human Resources

THE CITY OF INDEPENDENCE

MISSOURI

City of Independence

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

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

December 20, 2016

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, 2016. 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 RSM US 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, 2016 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, 2016, 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 fifth largest city in Missouri with an estimated population of 117,255.

As the beginning of the Santa Fe, Oregon, and California Trails, the City has 16 heritage attractions including the Harry S. Truman Library and Museum, the Truman Home, Victorian mansions, 1859 Jail and Marshal's Home, the National Frontier Trails Museum, historic square, and religious sites. Patricia Schultz included several tourism attractions in Independence in her travel book, *1,000 Places to See in the United States and Canada Before You Die*.

Its central location in the "Heart of America" offers residents and businesses unique location advantages and means that traveling, shipping, receiving and communications are more economical because of shorter distances to most parts of the country. Situated along major interstate highways (I-70, I-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 - Spectra Venue Management (formerly known as Global Spectrum), 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, 2016, 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 Silverstein Eye Centers Arena, formerly known as 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 Silverstein Eye Centers Arena (Arena) 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 2018. The Arena 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
2016*	5.0%	5.3%	4.9%
2015	5.5%	5.9%	5.2%
2014	6.7%	7.0%	6.1%
2013	6.9%	7.5%	6.5%
2012	7.1%	7.7%	6.9%

Source: MERIC MO Economic Research and Information Center/MO Dept of Economic Development
*Average estimated thru June 2016.

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 2016-2017 includes projects totaling an estimated $32.5 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 5.0% 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 5.0% 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, 2016 was 5.0% of the General Fund revenues and transfers from utility payments in lieu of taxes. There was no change from last year's percentage.

Major initiatives

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 2017-18, 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, 2015. 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, 2015. 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 RSM US LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,

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, 2015

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, 2016, 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 Silverstein Eye Centers Arena (Arena), 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 46 percent, respectively, of the total assets and total revenues of the major enterprise fund and 0.19 percent and 3 percent, respectively, of the total assets and total revenues of the business-type activities. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arena 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, 2016, 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, the Budgetary Comparison Schedules, and the pension and postemployment information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We 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, 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.

RSM US LLP

Kansas City, Missouri
December 20, 2016

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, 2016. 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 $17.3 million. The City's 'governmental activities' had a decrease of $9.9 million and the 'business-type activities' had a decrease of $7.4 million. A large portion of the decreases were due to an increase in the net pension liability and additional pension expense booked as a requirement of the Governmental Accounting Standards Board's Statement No. 68 – *Accounting and Financial Reporting for Pensions.* This statement was first implemented in the 2014-15 fiscal year.

Sales tax revenue increased by $365,863, or 0.7%. 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, Power and Light, Water, Sewer, and Sanitary Sewer Sales Tax Funds have 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 this 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 $1,608,947 less than originally projected. Weather has also impacted revenues from sales of electricity and water.

The Silverstein Eye Centers Arena (Arena), formerly known as 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 arena. The Arena'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). The City engaged Spectra Venue Management, formerly known as Global Spectrum on July 1, 2014 to manage the activities and operation of the facility.

Overview of the Financial Statements

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

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

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

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

- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the Power and Light system, Water system, Sanitary Sewer system, and the Silverstein Eye Centers Arena.

- 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

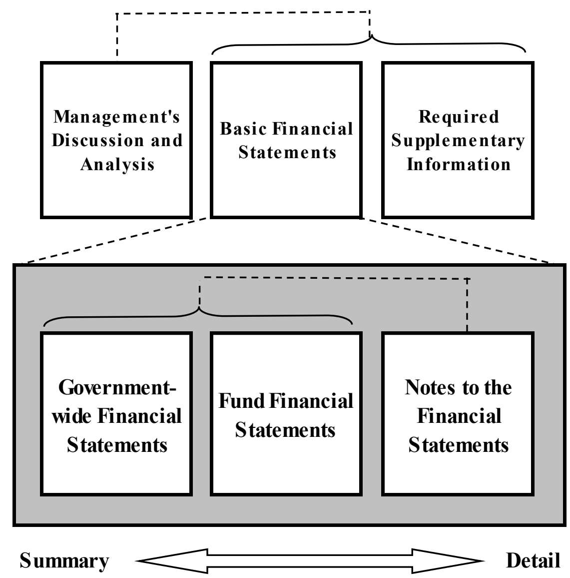


Figure MD-2
Major Features of the City of Independence's Government-wide and Fund Financial Statements

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

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows/outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. The term "net position" refers to the difference between the City's assets, liabilities, and deferred inflows/outflows of resources and is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To further assess the overall health of the City, additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads should be considered.

The government-wide financial statements of the City can be divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, as well as, general administration. Property taxes, sales taxes, and state and federal grants finance most of these activities.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's Power and Light, Water, Sanitary Sewer, and Events Center funds are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by the City's Charter, State Statutes, and bond covenants.

The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary funds – Business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

    - The City's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

    - The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds. These are the self-funded 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Positon

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	
		2016	**2015 (as restated)**	**2016**	**2015 (as restated)**	**2016**	**2015 (as restated)**
Current and other assets	$	82,089,600	60,211,582	161,046,547	166,360,936	243,136,147	226,572,518
Capital assets		333,491,728	337,307,557	548,350,991	546,246,076	881,842,719	883,553,633
Total assets		415,581,328	397,519,139	709,397,538	712,607,012	1,124,978,866	1,110,126,151
Total deferred outflows of resources		36,660,071	14,514,326	32,919,862	17,140,559	69,579,933	31,654,885
Long-term obligations		330,679,232	297,206,407	427,757,995	412,543,564	758,437,227	709,749,971
Other liabilities		15,862,558	14,691,050	22,595,633	16,781,645	38,458,191	31,472,695
Total liabilities		346,541,790	311,897,457	450,353,628	429,325,209	796,895,418	741,222,666
Total deferred inflows of resources		19,975,839	4,544,307	2,811,929	3,839,787	22,787,768	8,384,094
Net position							
Net investment in capital assets		330,518,564	334,319,837	238,427,241	230,396,460	568,945,805	564,716,297
Restricted		14,823,334	16,335,599	17,608,769	16,587,288	32,432,103	32,922,887
Unrestricted (deficit)		(259,618,128)	(255,063,735)	33,115,833	49,598,827	(226,502,295)	(205,464,908)
Total net position	$	85,723,770	95,591,701	289,151,843	296,582,575	374,875,613	392,174,276

The City's combined net position decreased 4.4% to $374.9 million from $392.2 million. Net position of the City's Governmental activities decreased 10.3% to $85.7 million. Governmental assets increased $18.1 million and liabilities increased $34.6 million. Long-term obligations for Governmental activities increased $33.5 million. Business-type activities assets decreased $3.2 million and liabilities increased $21.0 million. Long-term obligations for business-type activities increased $15.2 million. For both Governmental and Business-type activities the decrease in net position and increase in long-term obligations are primarily from the current year increase in the net pension liability due to requirements of GASB No. 68, mentioned earlier. Another factor for the Governmental activities is the debt restructure for the Crackerneck Creek Tax Increment Financing project.

The City's total unrestricted net position (deficit) was ($226.5) million. The Governmental activities were ($259.6) million with a decrease of $4.6 million from the previous year, and Business-type activities were $33.1 million with a decrease of $16.5 million from the previous year. The net investment in capital assets for Business-type activities was $238.4 million with an increase of $8.0 million from the previous year.

Change In Net Position

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

Table MD-2
City of Independence's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	$ 16,674,169	16,568,993	193,810,543	194,735,447	210,484,712	211,304,440
Operating grants & contributions	9,025,480	8,844,808	—	—	9,025,480	8,844,808
Capital grants & contributions	575,703	1,930,309	1,425,612	1,613,406	2,001,315	3,543,715
General revenues						
Property taxes	8,485,768	8,546,600	—	—	8,485,768	8,546,600
Sales taxes	44,683,858	44,459,358	5,741,439	5,600,076	50,425,297	50,059,434
Intergovernmental activity taxes	10,351,536	8,830,000	—	—	10,351,536	8,830,000
Other taxes	8,549,857	9,977,451	—	—	8,549,857	9,977,451
Interest	311,028	256,159	176,436	32,746	487,464	288,905
Other	796,842	1,960,753	2,202,550	1,456,086	2,999,392	3,416,839
Total revenues	99,454,241	101,374,431	203,356,580	203,437,761	302,810,821	304,812,192
Expenses						
Administrative services	9,054,549	9,348,081	—	—	9,054,549	9,348,081
Public safety	59,265,485	57,226,139	—	—	59,265,485	57,226,139
Public works	18,062,959	17,740,128	—	—	18,062,959	17,740,128
Health & welfare	3,597,625	3,672,055	—	—	3,597,625	3,672,055
Culture & recreation	8,500,729	8,004,845	—	—	8,500,729	8,004,845
Community development	4,694,568	4,876,851	—	—	4,694,568	4,876,851
Storm water	3,381,187	2,917,670	—	—	3,381,187	2,917,670
General government	10,082,656	9,462,575	—	—	10,082,656	9,462,575
Tax increment financing	11,319,659	11,531,889	—	—	11,319,659	11,531,889
Interest	116,229	176,912	—	—	116,229	176,912
Power and light	—	—	134,873,700	136,825,933	134,873,700	136,825,933
Water	—	—	21,913,607	20,921,367	21,913,607	20,921,367
Sanitary sewer	—	—	23,512,501	21,822,803	23,512,501	21,822,803
Events center	—	—	11,734,030	11,218,628	11,734,030	11,218,628
Total expenses	128,075,646	124,957,145	192,033,838	190,788,731	320,109,484	315,745,876
Excess (deficiency) of revenues over expenses before transfers	(28,621,405)	(23,582,714)	11,322,742	12,649,030	(17,298,663)	(10,933,684)
Transfers - In (Out)	18,753,474	18,676,005	(18,753,474)	(18,676,005)	—	—
Change in net position	(9,867,931)	(4,906,709)	(7,430,732)	(6,026,975)	(17,298,663)	(10,933,684)
Net position, beginning of year	95,591,701	100,498,410	296,582,575	302,609,550	392,174,276	403,107,960
Net position, end of year	$ 85,723,770	95,591,701	289,151,843	296,582,575	374,875,613	392,174,276

Total revenues decreased 0.7% or $2.0 million, Business-type activities decreased $81,181, and Governmental revenues decreased 1.9% or $1.9 million. The increase in Operating grants and contributions is due to an increase in the Community Development Block Grant revenues during the current fiscal year and the decrease in Capital grants and contributions is primarily due to larger grants winding down or decreases in funding under the Governmental activities. Of significance is the small increase from sales taxes of 0.7% or $365,863. There continues to be a lagging growth in sales tax revenues due to the economy and retail competition. The decrease in charges for services for Business-type activities is primarily the result of rate weather conditions which impacted charges for services for the Power and Light and Water funds.

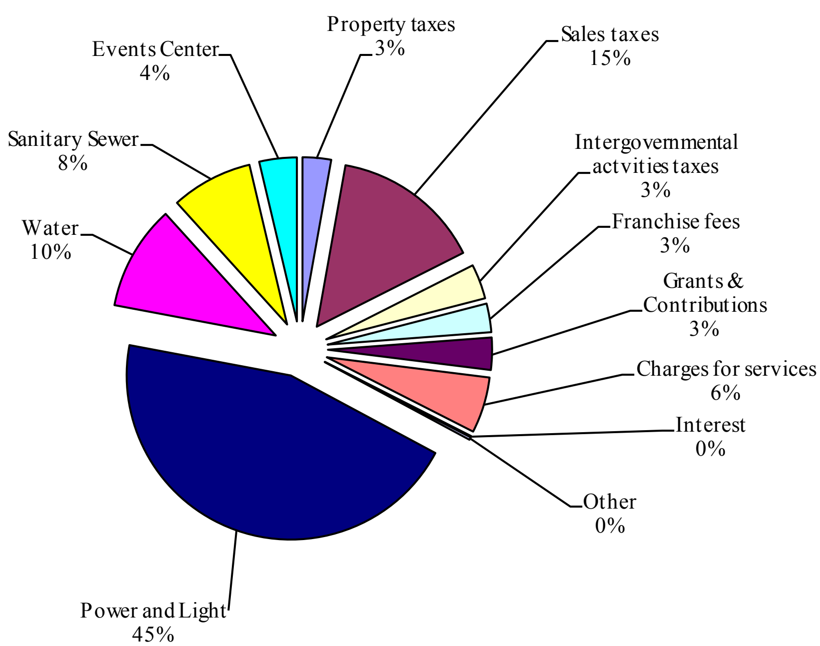
Total expenses increased 1.4% or $4.4 million, Governmental expenses increased 2.5% or $3.1 million and Business-type expenses increased 0.7% or $1.2 million.

For both Governmental and Business-type activities the increase in expenses are primarily from the current year increase to the pension expense due to requirements of GASB No. 68, mentioned earlier. Another factor for Business-type expenses is attributed 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, 2016 revenues totaled $302.8 million. Of this amount charges for services (Governmental and Business-type) were $210.5 million or 69.5% of the total. Revenue from Business-type activities represents $203.4 million or 67.2% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenues for FY 2016

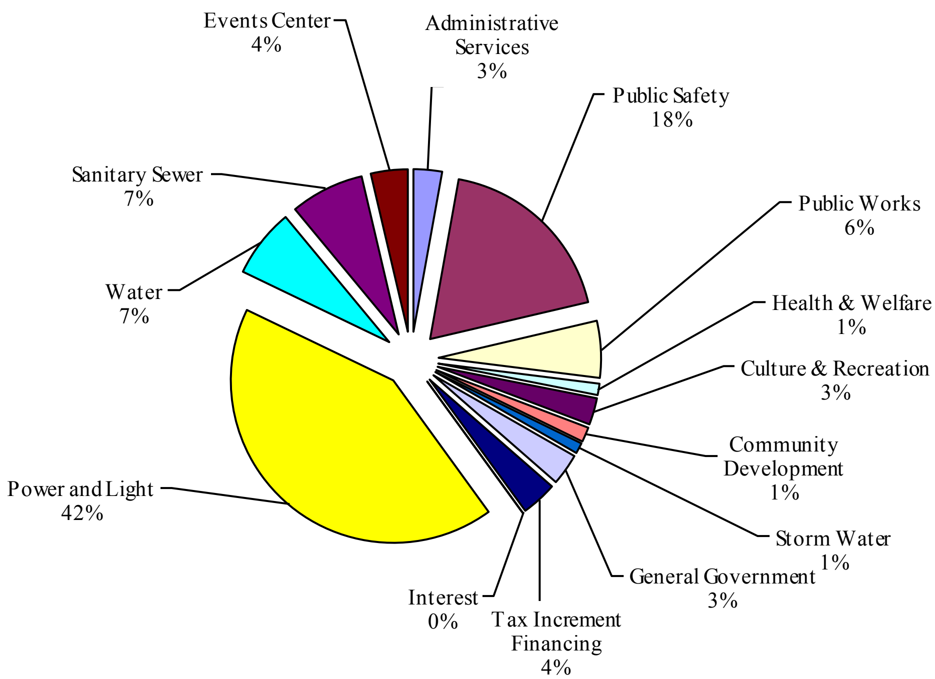


Revenues from Governmental activities were $99.5 million. Sales taxes, the largest Governmental category, were $44.7 million or 44.9%. All taxes represent $72.1 million or 72.5% of Governmental revenue. Operating and capital grants were $9.6 million or 9.7% of Governmental revenues. Charges for services at $16.7 million were 16.8% of the total.

Expenses

For the fiscal year ending June 30, 2016 expenses totaled $320.1 million. Of this amount the Power and Light was $134.9 million or 42.1% of the total. Business-type expenses represent $192.0 million or 60.0% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses FY 2016



Expenses from Governmental activities were $128.1 million. Public safety expenses, the largest Governmental category, were $59.3 million or 46.3% of the total. Public Works is the next largest category at $18.1 million, which is 14.1% of the total.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Administrative services	$ 9,054,549	9,348,081	1,006,956	1,819,350
Public safety	59,265,485	57,226,139	52,575,139	49,982,713
Public works	18,062,959	17,740,128	12,745,534	11,212,976
Health & Welfare	3,597,625	3,672,055	2,755,006	2,489,160
Culture & Recreation	8,500,729	8,004,845	7,607,123	7,034,745
Community development	4,694,568	4,876,851	1,665,815	2,019,832
Storm water	3,381,187	2,917,670	3,206,956	2,917,670
General government and interest on long-term debt	10,198,885	9,639,487	10,198,885	9,639,487
Tax increment financing	11,319,659	11,531,889	10,038,880	10,497,102
Total	$ 128,075,646	124,957,145	101,800,294	97,613,035

As noted in Table MD-3 expenses from Governmental activities for fiscal year 2016 were $128.1 million. However, the net costs of these services were $101.8 million. The difference represents direct revenues received from charges for services of $16.7 million, operating grants and contributions of $9.0 million, and capital grants and contributions of $0.6 million. Taxes and other revenues of $73.2 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's Business-type activities decreased $81,181 and expenses increased $1.2 million. This change in revenues is primarily the result of scheduled rate increases for the Sanitary Sewer Fund and unfavorable weather conditions for the Electric and Water utilities. Fluctuations in weather for the Power and Light and Water funds 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 $45.6 million. The fund balance of the General Fund decreased $3,835 and the TIF Debt Service fund increased $1.8 million, during fiscal year 2016. The unassigned portion of the General Fund's fund balance decreased $56,965. The General Fund's fund balance was impacted by several of the financial highlights pointed out earlier, as well as the following:

Position vacancies continued to be managed by timing when positions are filled and replacing only essential personnel.

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 $288.4 million. The net position of the Power and Light fund decreased $12.8 million, the Water fund increased $6.7 million, the Sewer fund decreased $2.4 million, and the Events Center fund decreased $550,513. Net position was impacted by several of the financial highlights pointed out earlier, as well as the following:

The lagging growth in sales tax revenues due to the struggling economy has impacted the Events Center Community Improvement District sales tax revenues which have been enough to cover the debt service payments, but not the depreciation and miscellaneous expenses for the Events Center fund.

General Fund Budgetary Highlights

Resources available for appropriation increased $129,354 from the original estimate. Actual revenues and other financing sources at the end of the year were less than projected by $2.8 million. The largest variances were in the areas of payments in lieu of taxes, which were $353,260 below estimated and utility franchise fees, which were $2.8 million below estimated. A large variance also occurred in the area of fines and court costs, which were $707,896 below estimated due to recent changes in State legislation.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $821,429 in the General Fund. These budget amendments generally fall into the following categories:

- Approval of new grants or the extension of current grants that was not previously included in the approved budget. These adjustments generally also include offsetting revenues.

- Transfer of previously approved salary and benefit appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.

- Increase or decrease appropriations for unanticipated events, including overtime costs, which may arise throughout the fiscal year.

Actual expenditures, including encumbrances, were $2.0 million less than the amount appropriated, representing operating savings of 2.7%. This was largely the result of an intentional under-spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset projected declining revenues and fund balance reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the City had invested \$881.0 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets decreased \$1.7 million or 0.2% during the period.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Land & land imp	\$ 38,856,820	38,269,346	12,167,247	12,163,412	51,024,067	50,432,758	1.17%
Buildings & Improvements	62,735,492	63,264,397	—	—	62,735,492	63,264,397	-0.84%
Office furniture & equipment	13,014	20,318	—	—	13,014	20,318	-35.95%
Computer equipment	601,400	765,145	—	—	601,400	765,145	-21.40%
Mobile equipment	7,575,442	7,161,556	—	—	7,575,442	7,161,556	5.78%
Other equipment	3,111,635	3,272,785	11,798,240	12,553,353	14,909,875	15,826,138	-5.79%
Infrastructure	206,695,277	196,610,003	441,127,478	422,618,024	647,822,755	619,228,027	4.62%
Construction in progress	13,902,648	27,944,007	83,258,026	98,911,287	97,160,674	126,855,294	-23.41%
Total	\$ 333,491,728	337,307,557	548,350,991	546,246,076	881,842,719	883,553,633	-0.19%

The budget for fiscal year 2017 projects the City will spend an additional \$32.5 million for capital projects. The largest category at \$16.4 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.

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Loans and bonds payable	$ 1,489,128	1,951,192	344,168,539	354,386,824	345,657,667	356,338,016	-3.00%
TIF loans payable	157,734,792	160,482,813	—	—	157,734,792	160,482,813	-1.71%
Capital lease obligations	1,484,037	1,036,529	—	—	1,484,037	1,036,529	43.17%
Neighborhood Improvemt District	298,586	378,531	—	—	298,586	378,531	-21.12%
Total	$ 161,006,543	163,849,065	344,168,539	354,386,824	505,175,082	518,235,889	-2.52%

The City at the end of fiscal year 2016 had a total of $505.2 million of outstanding obligations. This was a decrease of $13.1 million or 2.5% from the previous fiscal year. None of these amounts relate to general obligations of the City and $344.2 million or 68.1% 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 3,621 jobs, with current total employment at 57,059 jobs. Unemployment by mid-2016 was 5.0%; this is lower than Jackson County at 5.3% and higher than the State at 4.9%. Average household income for 2016 is estimated to be $55,297, compared to $68,065 for the State as a whole. Per capita income for 2016 is estimated to be $24,313, compared to $27,384 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.

THE CITY OF INDEPENDENCE

MISSOURI

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets:			
Pooled cash and investments	$ 34,482,773	82,174,144	116,656,917
Receivables:			
Taxes	24,762,458	902,023	25,664,481
Accounts, net	735,689	13,176,795	13,912,484
Unbilled revenue	—	12,813,301	12,813,301
Special assessment principal	1,245,634	135,225	1,380,859
Internal balances	(178,874)	178,874	—
Due from other governments	2,389,925	1,105,140	3,495,065
Inventory	152,864	7,270,505	7,423,369
Prepaid items	12,295	386,421	398,716
Restricted cash and investments	—	4,643,257	4,643,257
Total current assets	63,602,764	122,785,685	186,388,449
Noncurrent assets:			
Capital assets:			
Nondepreciable	45,876,573	95,425,273	141,301,846
Depreciable, net	287,615,155	452,925,718	740,540,873
Goodwill	—	999,203	999,203
Other assets	—	272,532	272,532
Restricted cash and investments	18,486,836	36,989,127	55,475,963
Total noncurrent assets	351,978,564	586,611,853	938,590,417
Total assets	415,581,328	709,397,538	1,124,978,866
Deferred outflows of resources:			
Deferred charge on refunding	6,301,505	9,704,098	16,005,603
Pension related amounts	30,358,566	23,215,764	53,574,330
Total deferred outflows of resources	36,660,071	32,919,862	69,579,933
Total assets and deferred outflows of resources	$ 452,241,399	742,317,400	1,194,558,799
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities:			
Accounts and contracts payable	$ 2,165,681	7,413,922	9,579,603
Accrued items	6,042,189	3,660,940	9,703,129
Other current liabilities	699,124	395,326	1,094,450
Unearned revenue	599,494	683,874	1,283,368
Current portion of long-term obligations	13,692,100	12,326,064	26,018,164
Self-insurance claims payable	3,771,560	—	3,771,560
Liabilities payable from restricted assets	236,048	10,305,785	10,541,833
Total current liabilities	27,206,196	34,785,911	61,992,107
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	191,402,782	339,920,191	531,322,973
Self-insurance claims payable	2,348,462	—	2,348,462
Other post-employment benefits	67,743,153	31,255,588	98,998,741
Net pension liability	57,841,197	44,256,152	102,097,349
Advances for construction	—	135,786	135,786
Total noncurrent liabilities	319,335,594	415,567,717	734,903,311
Total liabilities	346,541,790	450,353,628	796,895,418
Deferred inflows of resources:			
Real estate tax revenue	16,293,183	—	16,293,183
Pension related amounts	3,682,656	2,811,929	6,494,585
Total deferred inflows of resources	19,975,839	2,811,929	22,787,768
Net position:			
Net investment in capital assets	330,518,564	238,427,241	568,945,805
Restricted for:			
Public safety	3,694,247	—	3,694,247
Public works	3,309,810	—	3,309,810
Storm water	7,344,873	—	7,344,873
General government	135,072	—	135,072
Debt service	139,332	12,448,436	12,587,768
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	—	4,267,793	4,267,793
Unrestricted (deficit)	(259,618,128)	33,115,833	(226,502,295)
Total net position	85,723,770	289,151,843	374,875,613
Total liabilities, deferred inflows of resources and net position	$ 452,241,399	742,317,400	1,194,558,799

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2016

Functions/Programs		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:						
Governmental activities:						
Administrative services	$	9,054,549	8,026,010	21,583	—	(1,006,956)
Public safety		59,265,485	4,757,394	1,905,052	27,900	(52,575,139)
Public works		18,062,959	376,062	4,604,233	337,130	(12,745,534)
Health and welfare		3,597,625	198,147	564,472	80,000	(2,755,006)
Culture and recreation		8,500,729	821,976	71,630	—	(7,607,123)
Community development		4,694,568	1,230,826	1,797,927	—	(1,665,815)
Storm water		3,381,187	—	43,558	130,673	(3,206,956)
General government		10,082,656	—	—	—	(10,082,656)
Tax increment financing		11,319,659	1,263,754	17,025	—	(10,038,880)
Interest on long-term debt		116,229	—	—	—	(116,229)
Total governmental activities		128,075,646	16,674,169	9,025,480	575,703	(101,800,294)
Business-type activities:						
Power and light		134,873,700	134,747,475	—	1,135,134	1,008,909
Water		21,913,607	30,858,398	—	290,478	9,235,269
Sewer		23,512,501	23,743,340	—	—	230,839
Events center		11,734,030	4,461,330	—	—	(7,272,700)
Total business-type activities		192,033,838	193,810,543	—	1,425,612	3,202,317
Total primary government	$	320,109,484	210,484,712	9,025,480	2,001,315	(98,597,977)

		Governmental Activities	Business-Type Activities	Total
Changes in net position:				
Net (expense) revenue	$	(101,800,294)	3,202,317	(98,597,977)
General revenues:				
Taxes				
Property taxes		8,485,768	—	8,485,768
Sales and use taxes		44,683,858	5,741,439	50,425,297
Intergovernmental activity taxes		10,351,536	—	10,351,536
Franchise taxes		8,528,741	—	8,528,741
Financial institutions tax		21,116	—	21,116
Investment earnings		311,028	176,436	487,464
Miscellaneous		796,842	2,202,550	2,999,392
Transfers in (out)		18,753,474	(18,753,474)	—
Total general revenues, special items and transfers		91,932,363	(10,633,049)	81,299,314
Change in net position		(9,867,931)	(7,430,732)	(17,298,663)
Net position, beginning		95,591,701	296,582,575	392,174,276
Net position, ending	$	85,723,770	289,151,843	374,875,613

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2016

Assets		General	TIF Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	$	4,697,597	7,867,697	10,970,855	23,536,149
Receivables:					
Taxes		11,645,306	9,536,650	3,580,502	24,762,458
Accounts, net		233,767	378,962	24,726	637,455
Special assessment principal		465,296	—	780,338	1,245,634
Due from other funds		897,212	—	3,284,970	4,182,182
Due from other governments		845,557	1,020,263	524,105	2,389,925
Prepaid items		11,424	—	665	12,089
Restricted cash and investments		236,048	17,955,600	95,188	18,286,836
Total assets	$	19,032,207	36,759,172	19,261,349	75,052,728
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	252,953	17,012	1,708,159	1,978,124
Due to other funds		—	1,240	3,563,025	3,564,265
Accrued items		3,697,824	—	206,348	3,904,172
Other current liabilities		664,138	—	34,986	699,124
Unearned revenue		—	—	599,494	599,494
Liabilities payable from restricted assets:					
Deposits and court bonds		236,048	—	—	236,048
Total liabilities		4,850,963	18,252	6,112,012	10,981,227
Deferred inflows of resources:					
Unavailable revenue - special assessments		465,296	—	780,338	1,245,634
Unavailable revenue - real estate taxes		8,062,563	9,107,856	24,800	17,195,219
Total deferred inflows of resources		8,527,859	9,107,856	805,138	18,440,853
Fund balances:					
Nonspendable		11,424	—	665	12,089
Restricted		273,164	27,633,064	15,231,335	43,137,563
Committed		348,001	—	41,772	389,773
Assigned		1,336,086	—	—	1,336,086
Unassigned (deficit)		3,684,710	—	(2,929,573)	755,137
Total fund balance		5,653,385	27,633,064	12,344,199	45,630,648
Total liabilities, deferred inflows of resources and fund balance	$	19,032,207	36,759,172	19,261,349	75,052,728

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, 2016

Fund balances – total governmental funds	$	45,630,648
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		593,454,372
Less accumulated depreciation		(260,079,313)
		333,375,059
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid		(2,090,521)
Receivables not collected within 60 days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds		2,147,670
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, net of the amount allocated to business-type activities		3,019,286
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		(161,049,000)
Capital lease obligations		(1,484,037)
Compensated absences		(15,263,170)
Discounts (premiums)		1,526,494
Deferred charge on refunding		6,301,505
Other post-employment benefits		(66,903,803)
Net pension liability		(57,111,928)
Unreimbursed certified costs - TIF		(28,679,256)
		(322,663,195)
Pension related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred inflows of resources - pension related amounts		(3,630,808)
Deferred outflows of resources - pension related amounts		29,935,631
		26,304,823
Net position of governmental activities (Exhibit 1)	$	85,723,770

See accompanying notes to financial statements.

Exhibit 4

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2016

	General	TIF Debt Service	Nonmajor Funds	Total Funds
Revenues:				
Taxes	$ 34,310,898	14,402,781	23,102,156	71,815,835
Licenses and permits	3,588,466	—	213,752	3,802,218
Intergovernmental	5,303,538	—	3,871,457	9,174,995
Charges for services	2,075,958	—	1,197,941	3,273,899
Interfund charges for support services	4,913,709	—	—	4,913,709
Fines, forfeitures, and court costs	4,214,064	—	—	4,214,064
Investment income	108,463	154,472	23,153	286,088
Developer contributions	—	17,025	—	17,025
Other	649,229	1,379,264	523,174	2,551,667
Total revenues	55,164,325	15,953,542	28,931,633	100,049,500
Expenditures:				
Current:				
Administrative services	7,556,113	—	20,615	7,576,728
Public safety	44,745,696	—	5,767,488	50,513,184
Public works	4,542,415	—	151,245	4,693,660
Health and welfare	2,557,116	—	573,067	3,130,183
Culture and recreation	1,538,291	—	4,350,469	5,888,760
Community development	2,985,685	—	1,318,050	4,303,735
Storm water	—	—	1,769,844	1,769,844
General government	8,899,694	—	21,311	8,921,005
Tax increment financing	—	859,000	—	859,000
Capital outlay	168,113	—	13,722,851	13,890,964
Debt service:				
Principal	109,319	6,116,598	608,071	6,833,988
Interest and fiscal agent fees	30,902	8,414,352	96,240	8,541,494
Debt issuance costs	—	1,156,904	—	1,156,904
Total expenditures	73,133,344	16,546,854	28,399,251	118,079,449
Excess (deficiency) of revenues over expenditures	(17,969,019)	(593,312)	532,382	(18,029,949)
Other financing sources (uses):				
Debt issuance	—	49,450,000	624,897	50,074,897
Reoffering premium/original issue discount	—	(1,168,942)	—	(1,168,942)
Payment to refunded loans escrow agent	—	(47,379,813)	—	(47,379,813)
Transfers in – utility payments in lieu of taxes	18,515,336	—	—	18,515,336
Transfers in	—	2,011,205	953,736	2,964,941
Transfers out	(550,152)	(531,832)	(1,644,819)	(2,726,803)
Total other financing sources (uses)	17,965,184	2,380,618	(66,186)	20,279,616
Net change in fund balances	(3,835)	1,787,306	466,196	2,249,667
Fund balances, beginning	5,657,220	25,845,758	11,878,003	43,380,981
Fund balances, ending	$ 5,653,385	27,633,064	12,344,199	45,630,648

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, 2016

Net change in fund balances – total governmental funds		$ 2,249,667
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		15,795,692
Depreciation expense		(19,437,373)
		(3,641,681)
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, if any, resulting in a gain (loss) on the sale of capital assets in the statement of activities.		
Book value of assets disposed		(169,477)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(400,786)
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 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		(49,450,000)
Reoffering premium/original issue discount		1,168,942
Payment to refunded loans escrow agent		47,379,813
Principal payments		6,667,390
Debt premiums, discounts & deferred refunding amortizations		(825,760)
Issuance of capital lease		(624,897)
		4,315,488
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		106,678
Accrued interest		299,455
Other post-employment benefits		(8,804,011)
Pension related amount - LAGERS pension expense		(5,702,084)
Unreimbursed certified costs - TIF		(183,577)
		(14,283,539)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities:		2,062,397
Change in net position of governmental activities (Exhibit 2)		$ (9,867,931)

See accompanying notes to financial statements

Exhibit 5

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

Proprietary Funds

June 30, 2016

	Enterprise funds					Governmental Activities
Assets and Deferred Outflows of Resources	**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Internal Service Funds**
Current assets:						
Pooled cash and investments	$ 48,957,807	16,095,081	12,565,666	4,555,590	82,174,144	10,946,624
Receivables:						
Taxes	—	—	—	902,023	902,023	—
Accounts (net of allowance of $955,906)	9,056,680	2,377,376	1,691,869	50,870	13,176,795	98,234
Unbilled revenue	9,731,663	1,835,213	1,246,425	—	12,813,301	—
Special assessment principal	135,225	—	—	—	135,225	—
Due from other governments	1,009,675	—	95,465	—	1,105,140	—
Inventory	6,591,542	636,737	38,561	3,665	7,270,505	152,864
Prepaid items	249,754	1,405	585	134,677	386,421	206
Restricted cash and investments	3,308,352	719,702	615,203	—	4,643,257	—
Total current assets	79,040,698	21,665,514	16,253,774	5,646,825	122,606,811	11,197,928
Noncurrent assets:						
Capital assets:						
Nondepreciable	23,882,069	5,120,705	60,626,184	5,796,315	95,425,273	93,979
Depreciable, net	201,471,837	104,235,082	90,667,770	56,551,029	452,925,718	22,690
Goodwill	—	—	—	999,203	999,203	—
Other assets	—	272,532	—	—	272,532	—
Restricted cash and investments	11,948,436	4,127,210	13,942,159	6,971,322	36,989,127	200,000
Total noncurrent assets	237,302,342	113,755,529	165,236,113	70,317,869	586,611,853	316,669
Total assets	316,343,040	135,421,043	181,489,887	75,964,694	709,218,664	11,514,597
Deferred outflows of resources:						
Deferred charge on refunding	1,977,279	1,224,926	—	6,501,893	9,704,098	—
Pension related amounts	16,977,787	3,622,935	2,615,042	—	23,215,764	422,935
Total deferred outflows of resources	18,955,066	4,847,861	2,615,042	6,501,893	32,919,862	422,935
Total assets & deferred outflows of resources	$ 335,298,106	140,268,904	184,104,929	82,466,587	742,138,526	11,937,532
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts and contracts payable	$ 6,383,804	128,907	807,750	93,461	7,413,922	187,557
Due to other funds	—	—	—	617,917	617,917	—
Accrued items	2,074,786	665,985	671,094	249,075	3,660,940	47,496
Other current liabilities	205,483	39,843	—	150,000	395,326	—
Unearned revenue	—	—	—	683,874	683,874	—
Current portion of long-term obligations	5,549,021	3,726,885	2,220,158	830,000	12,326,064	59,383
Self-insurance claims payable	—	—	—	—	—	3,771,560
Liabilities payable from restricted assets	7,026,929	913,658	1,340,971	1,024,227	10,305,785	—
Total current liabilities	21,240,023	5,475,278	5,039,973	3,648,554	35,403,828	4,065,996
Noncurrent liabilities:						
Revenue bonds payable	120,878,231	27,190,920	97,631,730	88,887,658	334,588,539	—
Compensated absences – long-term	3,753,399	1,048,747	529,506	—	5,331,652	86,530
Other post employment benefits	18,448,828	7,186,404	5,620,356	—	31,255,588	839,350
Net pension liability	32,388,004	6,878,400	4,989,748	—	44,256,152	729,269
Self-insurance claims payable	—	—	—	—	—	2,348,462
Advances for construction	30,154	105,632	—	—	135,786	—
Total noncurrent liabilities	175,498,616	42,410,103	108,771,340	88,887,658	415,567,717	4,003,611
Total liabilities	196,738,639	47,885,381	113,811,313	92,536,212	450,971,545	8,069,607
Deferred inflows of resources:						
Pension related amounts	2,047,032	459,124	305,773	—	2,811,929	51,848
Total deferred inflows of resources	2,047,032	459,124	305,773	—	2,811,929	51,848
Net position:						
Net investment in capital assets	102,922,954	83,742,003	65,659,383	(13,897,099)	238,427,241	116,669
Restricted for:						
Debt service/capital outlay	11,948,436	500,000	—	—	12,448,436	—
Workers compensation escrow	—	—	—	—	—	200,000
Dogwood SPP escrow	61,500	—	—	—	61,500	—
Southwest Power Pool collateral	831,040	—	—	—	831,040	—
Community improvement district	—	—	—	4,267,793	4,267,793	—
Unrestricted	20,748,505	7,682,396	4,328,460	(440,319)	32,319,042	3,499,408
Total net position (deficit)	136,512,435	91,924,399	69,987,843	(10,069,625)	288,355,052	3,816,077
Total liabilities, deferred inflows of resources and net position	$ 335,298,106	140,268,904	184,104,929	82,466,587		11,937,532
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					796,791	
Net position of business-type activities					$ 289,151,843	

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

Year ended June 30, 2016

	Enterprise funds: Power and Light	Enterprise funds: Water	Enterprise funds: Sanitary Sewer	Enterprise funds: Events Center	Enterprise funds: Total	Governmental Activities: Internal Service Funds
Operating revenues:						
Charges for services	$ 132,838,218	30,557,373	23,482,958	4,461,330	191,339,879	27,564,706
Miscellaneous	1,909,257	301,025	260,382	—	2,470,664	—
Total operating revenues	134,747,475	30,858,398	23,743,340	4,461,330	193,810,543	27,564,706
Operating expenses:						
Personal services	29,867,615	8,364,198	6,626,058	—	44,857,871	1,022,881
Other services	24,012,236	4,935,962	9,596,884	185,624	38,730,706	24,183,437
Supplies	52,066,572	1,870,984	563,780	—	54,501,336	783,282
Capital outlay	4,403	14,476	—	—	18,879	—
Other expenses	9,850,457	3,863,723	109,472	5,232,752	19,056,404	—
Depreciation and amortization	15,643,492	3,227,140	3,182,756	1,891,143	23,944,531	4,671
Total operating expenses	131,444,775	22,276,483	20,078,950	7,309,519	181,109,727	25,994,271
Operating income	3,302,700	8,581,915	3,664,390	(2,848,189)	12,700,816	1,570,435
Nonoperating revenues (expenses):						
Interest revenue	105,496	25,074	26,623	19,243	176,436	24,940
Miscellaneous revenue	626,703	1,899,925	522,211	961,505	4,010,344	2,091,384
Interest and amortization expense	(4,669,586)	(1,064,472)	(4,197,698)	(4,424,511)	(14,356,267)	—
Sales tax	—	—	—	5,741,439	5,741,439	—
Total nonoperating revenue (expenses)	(3,937,387)	860,527	(3,648,864)	2,297,676	(4,428,048)	2,116,324
Income (loss) before contributions and transfers	(634,687)	9,442,442	15,526	(550,513)	8,272,768	3,686,759
Capital contributions	1,135,134	290,478	—	—	1,425,612	—
Transfers out – utility payments in lieu of taxes	(13,212,505)	(2,959,611)	(2,343,220)	—	(18,515,336)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	(83,642)	(72,490)	(92,006)	—	(248,138)	—
Change in net position	(12,795,700)	6,700,819	(2,409,700)	(550,513)	(9,055,094)	3,686,759
Total net position (deficit):						
Beginning of the year	149,308,135	85,223,580	72,397,543	(9,519,112)		129,318
End of the year	$ 136,512,435	91,924,399	69,987,843	(10,069,625)		3,816,077

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,624,362
Change in net position of business-type activities	$ (7,430,732)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2016

	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	$ 136,356,808	31,937,772	23,897,350	5,628,198	197,820,128	30,025,788
Payments to suppliers	(76,503,701)	(11,013,768)	(10,421,801)	(5,573,649)	(103,512,919)	(25,519,256)
Payments to employees	(24,293,490)	(6,802,617)	(5,261,557)	—	(36,357,664)	(816,426)
Payments to other funds	—	—	—	89,518	89,518	—
Net cash provided by operating activities	35,559,617	14,121,387	8,213,992	144,067	58,039,063	3,690,106
Cash flows from noncapital financing activities:						
Transfers in	—	—	10,000	—	10,000	—
Transfers (out)	(83,642)	(72,490)	(92,006)	—	(248,138)	—
Transfers out – payments in lieu of taxes	(13,212,505)	(2,959,611)	(2,343,220)	—	(18,515,336)	—
Sales tax	—	—	—	5,741,439	5,741,439	—
Net cash provided by (used in) noncapital financing activities	(13,296,147)	(3,032,101)	(2,425,226)	5,741,439	(13,012,035)	—
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(17,291,784)	(2,752,184)	(3,862,107)	—	(23,906,075)	—
Interest paid on revenue bonds and equipment contracts	(5,539,956)	(915,397)	(4,373,881)	(4,793,216)	(15,622,450)	—
Debt expense paid on revenue bonds		(8,001)	(7,500)	—	(15,501)	—
Redemption of revenue bonds	(3,395,000)	(4,260,000)	(1,535,000)	—	(9,190,000)	—
Net cash (used in) capital and related financing activities	(26,226,740)	(7,935,582)	(9,778,488)	(4,793,216)	(48,734,026)	—
Cash flows from investing activities:						
Interest on investments	35,265	25,074	26,623	19,243	106,205	24,940
Net cash provided by investing activities	35,265	25,074	26,623	19,243	106,205	24,940
Net increase (decrease) in cash and cash equivalents	(3,928,005)	3,178,778	(3,963,099)	1,111,533	(3,600,793)	3,715,046
Cash and cash equivalents at beginning of year	68,142,600	17,763,215	31,086,127	10,415,379	127,407,321	7,431,578
Cash and cash equivalents at end of year	$ 64,214,595	20,941,993	27,123,028	11,526,912	123,806,528	11,146,624
Noncash capital and related financing activities:						
Contributed capital	$ 1,135,134	290,478	—	—	1,425,612	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	$ 48,957,807	16,095,081	12,565,666	4,555,590	82,174,144	10,946,624
Restricted assets	15,256,788	4,846,912	14,557,362	6,971,322	41,632,384	200,000
Total pooled cash and investments	$ 64,214,595	20,941,993	27,123,028	11,526,912	123,806,528	11,146,624
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 3,302,700	8,581,915	3,664,390	(2,848,189)	12,700,816	1,570,435
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	15,643,492	3,227,140	3,182,756	1,891,143	23,944,531	4,671
Miscellaneous revenue	626,703	1,899,925	522,211	961,505	4,010,344	2,091,384
Change in assets and liabilities:						
Accounts receivable	282,842	(420,530)	(106,001)	39,434	(204,255)	369,698
Inventory	3,449,591	(73,280)	2,020	2,308	3,380,639	(19,991)
Prepaid items and other assets	2,983	—	(585)	(89,131)	(86,733)	(206)
Unbilled revenue	1,695,058	(407,070)	(71,270)	—	1,216,718	—
Due from other governments	(1,009,675)	—	(190,930)	—	(1,200,605)	—
Special assessments receivable	14,405	—	—	—	14,405	—
Accounts and contracts payable	1,640,418	(443,096)	(155,734)	(25,465)	1,016,123	(164,320)
Internal balances	—	—	—	89,518	89,518	—
Accrued and other liabilities	4,339,128	194,802	(18,304)	(36,749)	4,478,877	(156,825)
Other post-employment benefits & net pension liability	5,419,359	1,521,072	1,453,874	—	8,394,305	187,721
Self-insurance claims payable	—	—	—	—	—	(202,663)
Deferred revenue	—	—	—	165,929	165,929	—
Customer deposits	70,021	—	48,471	(6,236)	112,256	—
Compensated absences	82,592	40,509	(116,906)	—	6,195	10,202
Total adjustments	32,256,917	5,539,472	4,549,602	2,992,256	45,338,247	2,119,671
Net cash provided by operating activities	$ 35,559,617	14,121,387	8,213,992	144,067	58,039,063	3,690,106

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

		Private-Purpose Trust Funds		Agency Funds
Assets:				
Pooled cash and investments	$	6,475		156,280
Accrued interest receivable		—		491
Total assets		6,475		156,771
Liabilities:				
Accounts and contracts payable		231		56,671
Flexible benefit payable		—		100,100
Total liabilities		231	$	156,771
Net position:				
Held in trust	$	6,244		

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended June 30, 2016

		Private-Purpose Trust Funds
Additions:		
Charges for services	$	14,064
Interest		13
Other		129
Total additions		14,206
Deductions:		
Preservation and maintenance expense		19,507
Total deductions		19,507
Change in net position		(5,301)
Net position, beginning		11,545
Net position, ending	$	6,244

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2016

(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) and the Silverstein Eye Centers Arena, formerly known as the Independence Events Center managed by Spectra Venue Management (Spectra) as blended component units. These component units are reflected in the City's Events Center fund, a proprietary fund. The Corporation performs management functions for the facility. No separate financial statements are issued by the Corporation. The City engaged Spectra on July 1, 2014 to manage the activities and operations of the facility. Separate financial statements are issued for the Silverstein Eye Centers Arena.

The Events Center Community Improvement District (CID) and Crackerneck Creek Transportation Development District (TDD) are included in the financial statements of the City as blended component units. The TDD and CID account for the taxes that are collected within these districts, and they provide services exclusively for the City as the taxes collected by these districts are utilized to repay outstanding debt. The TDD is governed by a 5-member board, appointed by property owners within the district. The City as a property owner appoints three members which are City employees. The CID is governed by a 5-member board, of which three are City employees appointed by the City Council. The CID is reported as a blended component unit in the Events Center fund and the TDD is reported as a blended component unit in the TIF Debt Service fund. Financial statements for the TDD and CID may be obtained by writing to the City Clerk, City of Independence, P.O. Box 1019, Independence, MO 64051.

The Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission) is a blended component unit under the Debt Service Fund category of the City because the outstanding debt of the TIF commission is expected to be repaid from payments in lieu of taxes and economic activity taxes collected by the City. The Commission is governed by an 11-member board, of which six members are appointed by the City Council. The remaining five members (two from the county, two from the local school district and one from other taxing jurisdictions) are appointed by the respective taxing districts' boards. Financial transactions of the Commission are processed by the Finance Department of the City on the Commission's behalf. No separate financial statements are issued by the Commission.

(b) Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations of internal charges and interfund balances have been made to minimize the double-counting of internal activities. However, interfund activity between governmental and enterprise funds has not been eliminated. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

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

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

The City reports the following major governmental funds:

> ***General Fund*** – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> ***Tax Increment Financing Debt Service Fund*** – This fund is used to account for the financing of redevelopment project expenses through payments in lieu of taxes and economic activity taxes.

The City reports the following major enterprise funds:

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

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

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

Events Center Fund **–** This fund accounts for the acquisition and maintenance of the Silverstein Eye Centers Arena, formerly known as the Independence Events Center. This fund also includes the operational activities which are managed by the Corporation, operational activities of Spectra, 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. Cost reimbursement grants are recorded as unearned revenue when proceeds are received in advance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual under this definition. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Agency Funds. Agency funds only have asset and liability accounts and the accrual basis of accounting is used to recognize receivables and payables within these accounts. Agency funds do 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, other than the external investment pool, are recorded at fair value. The City's investment in the external investment pool (MOSIP) is not SEC registered and is regulated by the State of Missouri. This external investment pool is reported at amortized cost pursuant to the criteria set forth in GASB Statement No. 79.

(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 position.

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 acquisition 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 $15,570,496. Of this amount, $1,214,229 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:

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

	Years
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
Machinery and equipment	7-25
Water Fund:	
Source of supply	15-50
Pumping	20-50
Water treatment	40-50
Transmission and distribution system	20-100
General plant	5-50
Acquisition adjustment	30
Nonutility property	10
Machinery and equipment	5-22
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25
Machinery and equipment	5-20
Events Center Fund:	
Buildings and improvements	20-40
Improvements other than buildings	20
Machinery and equipment	4-20

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

(j) Bond Premiums/Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using 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.

(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 has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred pension related amounts 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. The pension related deferred outflow consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, plan experience, and changes in assumptions.

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 City has two types of items that qualify for reporting in this category, unavailable revenue and deferred pension related amounts. 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. The government-wide and the proprietary fund statements of net position report pension related deferred inflows, which consists of the unamortized portion of the difference between expected and actual experience on plan assumptions, and real estate taxes, which will become an inflow in the year for which they are levied.

(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.

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) Pensions

The net pension liability, deferred inflows and outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) Fund Balances

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

Non-Spendable – consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – consists of amounts where constraints are placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council, which is the highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified amounts by use of the same formal action that it employed to previously commit the funds.

Assigned – consists of amounts which are constrained by City management's intent for these to be used for a specific purpose but are neither formally restricted by external sources nor committed by City Council action. The 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. Residual deficit amounts of other governmental funds are reported as unassigned.

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.

(o) 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 $3,627,210 for Water, $13,942,159 for Sewer and $6,971,322 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 $875,995 for the License Surcharge and $2,231,745 for the Street Sales Tax; $7,344,873 for Storm Water Sales Tax; $3,694,247 for Public Safety Sales Tax; $12,587,768 for debt service; and $4,267,793 for the Events Center Community Improvement District.
>
> ***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.

(p) 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.

(q) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(r) New Accounting Pronouncements

The Governmental Accounting Standards Board has issued several statements that are not yet effective and have not yet been implemented by the City. The statements which might impact the City are as follows:

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB), and to improve information provided by state and local governmental employer about financial support for OPEB that is provided by other entities. The City will implement GASB Statement No. 75 beginning with the year ended June 30, 2018.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to improve financial reporting by giving users essential information that is not consistently or comprehensively reported to the public regarding the nature and magnitude of tax abatements. The City will implement GASB Statement No. 77 beginning with the year ended June 30, 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The City will implement GASB Statement No. 78 beginning with the year ended June 30, 2017.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirement for certain component units. The City will implement GASB Statement No. 80 beginning with the year ended June 30, 2017.

In March 2016, GASB issued Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, 68 and 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. The City will implement GASB Statement No. 82 beginning with the year ended June 30, 2017.

In December 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain Asset Retirement Obligations, including obligations that may not have been previously reported. The statement will also require disclosures related to those Asset Retirement Obligations. The City will implement GASB Statement No. 83 beginning with the year ended June 30, 2019.

The City's management has not yet determined the effect, if any, these statements will have on the City's financial statements, although management believes that GASB Statement No. 75 will have a significant impact.

(2) Deposits and Investments

Fair Value Measurements

During the fiscal year ending June 30, 2016, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The City categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

> Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.
>
> Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
>
> Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the City's own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

At June 30, 2016, the carrying values of deposits and investments are summarized as follows:

			Fair Value Measurement
Investments measured at fair value:			
Short-term investments held in trust (bond reserves):			
Federal National Mortgage Association	$	25,610,173	Level 2
Federal Home Loan Bank		19,189,167	Level 2
U.S. Treasury Bill		200,000	Level 1
Other investments:			
U.S. Treasury Bond		30,057	Level 1
Investments measured at amortized cost:			
Money Market Accounts		7,314,776	
Local government investment pool - MOSIP		90,006,404	
Total investments		142,350,578	
Cash and cash equivalents:			
Deposits and repurchase obligations		34,578,008	
Petty cash		10,306	
Total	$	176,938,892	

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	$	116,656,917	162,755	116,819,672
Restricted cash and investments		60,119,220	—	60,119,220
	$	176,776,137	162,755	176,938,892

Investment Policy

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

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in U.S. Government securities, a local government investment pool, and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned on the cash and cash equivalents is allocated to the funds on the basis of average monthly cash and investment balances, and investment interest earned is based on each funds share of the investment balances at the beginning of the fiscal year. 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	13.48%
Federal National Mortgage Association	AAA	17.99%
Local government investment pool - MOSIP	AAAm (S & P)	N/A

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, 2016, 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, 2016.

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, 2016, 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 $30,057 that will mature in 2027.

(3) Tax Revenue

Tax revenue, including interest and penalties for the year ended June 30, 2016 is as follows:

	General	TIF Debt Service	Nonmajor Governmental Funds	Total
Real estate tax	$ 7,520,295	8,128,484	25,223	15,674,002
Railroad utilities tax	41,184	—	—	41,184
Cigarette tax	461,964	—	—	461,964
Transient guest tax	—	—	1,954,406	1,954,406
Sales tax	17,758,714	6,274,297	21,122,527	45,155,538
Franchise tax	8,528,741	—	—	8,528,741
	$ 34,310,898	14,402,781	23,102,156	71,815,835

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. Property taxes are recognized as a receivable at the time they become an enforceable legal claim (the lien date), and revenue is recognized in the year for which the property tax is levied. 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, 2015, on which the fiscal 2016 levy was based, was $1,315,162,858.

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, 2016 were $0.4871 for the General Fund, $0.2294 for Public Health and Recreation, and $0.5638 for the Independence Square Benefit District Fund.

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2016 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal			
Department of Agriculture	$ —	48,417	48,417
Department of Housing & Urban Development			
Community Development Block Grant	—	1,045,242	1,045,242
Neighborhood Stabilization Program	—	125,422	125,422
Home Investment Partnership	—	268,150	268,150
Department of the Interior	—	12,085	12,085
Department of Justice	—	342,665	342,665
Department of Transportation	—	1,001,088	1,001,088
Department of Health & Human Services	25,000	314,747	339,747
Executive Office of the President	—	208,019	208,019
Department of Homeland Security	—	194,897	194,897
Total Federal	25,000	3,560,732	3,585,732
State & Local			
Department of Health & Human Services	—	147,851	147,851
Department of Public Safety	—	39,062	39,062
Department of Revenue			
Motor Vehicle Fuel Tax	3,084,967	—	3,084,967
Motor Vehicle License	516,314	—	516,314
Motor Vehicle Sales Tax	983,997	—	983,997
Financial Institutions Tax	21,116	—	21,116
Missouri Highway & Transportation Commission	—	16,413	16,413
Jackson County Anti Drug Tax	445,762	—	445,762
Jackson County DARE	226,382	—	226,382
Healthcare Foundation of Greater Kansas City	—	11,525	11,525
Other	—	95,874	95,874
Total State & Local	5,278,538	310,725	5,589,263
Grand Total	$ 5,303,538	3,871,457	9,174,995

Amounts due from other governments at June 30, 2016 are as follows:

		Federal	State	Local	Total
General Fund :					
Department of Health & Human Services	$	4,175	—	—	4,175
Department of Revenue					
Motor Vehicle Fuel Tax		—	520,000	—	520,000
Motor Vehicle Sales Tax		—	85,000	—	85,000
Motor Vehicle License Fees		—	120,000	—	120,000
DARE		—	—	116,382	116,382
		4,175	725,000	116,382	845,557
TIF Debt Service:					
State Sales Tax		—	105,000	—	105,000
County Sales Tax		—	—	719,394	719,394
Kansas City Zoo Tax		—	—	111,140	111,140
Noland Road Community Improvement District		—	—	42,699	42,699
39th St Transportation Development District		—	—	42,030	42,030
		—	105,000	915,263	1,020,263
Nonmajor Governmental Funds:					
Department of Agriculture		27,632	—	—	27,632
Department of Housing & Urban Development					
Community Development Block Grant		114,193	—	—	114,193
Home Investment Partnership		41,806	—	—	41,806
Neighborhood Stabilization Program		58,569	—	—	58,569
Department of Justice		84,904	—	—	84,904
Department of Transportation		71,376	—	—	71,376
Department of Health & Human Services		34,853	—	—	34,853
Department of Homeland Security		46,180	—	—	46,180
Executive Office of the President		32,677	—	—	32,677
Missouri Department of Health		—	11,915	—	11,915
		512,190	11,915	—	524,105
Power and Light Fund:					
Department of Homeland Security		1,009,675	—	—	1,009,675
		1,009,675	—	—	1,009,675
Sanitary Sewer Fund					
Department of Homeland Security		95,465	—	—	95,465
		95,465	—	—	95,465
Totals	$	1,621,505	841,915	1,031,645	3,495,065

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2016, consisted of the following:

		Due from Nonmajor Governmental	Due from TIF Debt Service	Due from Events Center	Total
Due to:					
Governmental activities:					
General Fund	$	278,055	1,240	617,917	897,212
Nonmajor governmental		3,284,970	—	—	3,284,970
Total governmental activities	$	3,563,025	1,240	617,917	4,182,182

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 2016 were as follows:

		Interfund Charges		Rent
Nonmajor governmental funds	$	70,394	$	—
Power and Light Fund		2,669,194		62,844
Sanitary Sewer Fund		996,317		19,989
Water Fund		1,177,804		29,843
	$	4,913,709	$	112,676

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 2016, and are included as a credit to Water's operating expenses as follows:

Sanitary Sewer Fund	$	1,507,759
Power and Light Fund		300,035
	$	1,807,794

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2016, and are included as a credit to Power and Light's operating expenses as follows:

Sanitary Sewer Fund	$	222,451
Water Fund		1,112,973
	$	1,335,425

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of $13,212,505, $2,959,611 and $2,343,220 in fiscal year 2016 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, 2016, consisted of the following:

	Transfer Out						
	General	Tax Increment Financing	Nonmajor Governmental	Power and Light	Water	Sanitary Sewer	Total
Transfers In:							
Tax Increment Financing	$ 540,152	531,832	691,083	83,642	72,490	92,006	2,011,205
Sanitary Sewer Fund	10,000	—	—	—	—	—	10,000
Nonmajor governmental	—	—	953,736	—	—	—	953,736
Total Primary Government	$ 550,152	531,832	1,644,819	83,642	72,490	92,006	2,974,941

Transfers are for capital projects, general operations and debt service payments.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 31,725,385	248,540	—	31,973,925
Construction work in progress	27,944,007	13,011,113	(27,052,472)	13,902,648
Total nondepreciable capital assets	59,669,392	13,259,653	(27,052,472)	45,876,573
Depreciable capital assets:				
Land improvements	9,112,262	787,851	—	9,900,113
Buildings	51,536,728	—	—	51,536,728
Building improvements	16,701,183	1,295,105	—	17,996,288
Improvements other than buildings	33,190,894	1,838,132	—	35,029,026
Office furniture and equipment	531,391	—	(8,881)	522,510
Computer equipment	3,628,415	249,127	—	3,877,542
Mobile equipment	24,351,205	1,985,716	(1,370,337)	24,966,584
Other equipment	8,878,776	526,762	—	9,405,538
Infrastructure	371,743,192	22,905,818	—	394,649,010
Total depreciable capital assets	519,674,046	29,588,511	(1,379,218)	547,883,339
Less accumulated depreciation for:				
Land improvements	(2,568,301)	(448,917)	—	(3,017,218)
Buildings	(15,598,423)	(1,225,179)	—	(16,823,602)
Building improvements	(7,832,239)	(804,641)	—	(8,636,880)
Improvements other than buildings	(14,733,746)	(1,632,322)	—	(16,366,068)
Office furniture and equipment	(511,073)	(7,304)	8,881	(509,496)
Computer equipment	(2,863,270)	(412,872)	—	(3,276,142)
Mobile equipment	(17,189,649)	(1,402,353)	1,200,860	(17,391,142)
Other equipment	(5,605,991)	(687,912)	—	(6,293,903)
Infrastructure	(175,133,189)	(12,820,544)	—	(187,953,733)
Total accumulated depreciation	(242,035,881)	(19,442,044)	1,209,741	(260,268,184)
Total depreciable capital assets, net	277,638,165	10,146,467	(169,477)	287,615,155
Governmental activities capital assets, net	$ 337,307,557	23,406,120	(27,221,949)	333,491,728

Depreciation expense was charged to functions as follows:

Administrative services	$	188,043
Public safety		3,015,240
Public works		11,812,937
Health and welfare		103,236
Culture and recreation		1,880,377
Community development		65,432
Storm water		1,436,182
General government		935,926
Total		19,437,373
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		4,671
Total depreciation expense	$	19,442,044

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

		Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Business-type activities:					
Power and Light Fund:					
Nondepreciable capital assets:					
Land	$	3,875,930	—	—	3,875,930
Construction in progress		9,797,310	19,357,086	(9,148,257)	20,006,139
Total nondepreciable capital assets		13,673,240	19,357,086	(9,148,257)	23,882,069
Depreciable capital assets:					
Infrastructure:					
Production plant		225,035,905	143,384	(15,083)	225,164,206
Transmission plant		41,506,919	976,358	(321,576)	42,161,701
Distribution plant		160,759,365	6,992,086	(1,329,433)	166,422,018
General plant		6,730,060	—	—	6,730,060
Other		2,755,568	—	—	2,755,568
Total infrastructure		436,787,817	8,111,828	(1,666,092)	443,233,553
Machinery and equipment		23,931,547	1,036,430	—	24,967,977
Total depreciable capital assets		460,719,364	9,148,258	(1,666,092)	468,201,530
Less accumulated depreciation:					
Infrastructure		(235,837,143)	(15,069,419)	2,260,215	(248,646,347)
Machinery and equipment		(16,830,846)	(1,252,500)	—	(18,083,346)
* Total accumulated depreciation		(252,667,989)	(16,321,919)	2,260,215	(266,729,693)
Total depreciable capital assets, net		208,051,375	(7,173,661)	594,123	201,471,837
Total power and light capital assets	$	221,724,615	12,183,425	(8,554,134)	225,353,906

* See page 58 note regarding depreciation.

		Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Water Fund:					
Nondepreciable capital assets:	$				
Land		2,164,776	35	—	2,164,811
Construction in progress		2,245,051	2,600,948	(1,890,105)	2,955,894
Total nondepreciable capital assets		4,409,827	2,600,983	(1,890,105)	5,120,705
Depreciable capital assets:					
Infrastructure:					
Nonutility property		40,014	—	—	40,014
Source of supply		7,827,901	107,916	—	7,935,817
Pumping plant		15,672,886	91,617	(12,037)	15,752,466
Treatment plant		23,092,028	50,232	(59,628)	23,082,632
Transmission plant		88,327,557	1,623,540	(80,587)	89,870,510
General plant		2,061,366	35,689	(7,298)	2,089,757
Other		12,547,766	—	—	12,547,766
Total infrastructure		149,569,518	1,908,994	(159,550)	151,318,962
Machinery and equipment		6,498,421	193,845	(107,332)	6,584,934
Total depreciable capital assets		156,067,939	2,102,839	(266,882)	157,903,896
Less accumulated depreciation:					
Intrastructure		(46,500,903)	(2,903,402)	168,242	(49,236,063)
Machinery and equipment		(4,164,661)	(382,720)	114,630	(4,432,751)
* Total accumulated depreciation		(50,665,564)	(3,286,122)	282,872	(53,668,814)
Total depreciable capital assets, net		105,402,375	(1,183,283)	15,990	104,235,082
Total water capital assets	$	109,812,202	1,417,700	(1,874,115)	109,355,787

* See page 58 note regarding depreciation.

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	$ 330,191	—	—	330,191
Construction in progress	86,868,926	3,934,442	(30,507,375)	60,295,993
Total nondepreciable capital assets	87,199,117	3,934,442	(30,507,375)	60,626,184
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	99,180,307	4,760,482	—	103,940,789
Pumping plant	5,179,724	25,565,878	—	30,745,602
Treatment plant	14,426,605	—	(342,595)	14,084,010
General plant	1,548,817	31,680	—	1,580,497
Total infrastructure	120,381,821	30,358,040	(342,595)	150,397,266
Machinery and equipment	7,026,637	220,831	(64,951)	7,182,517
Total depreciable capital assets	127,408,458	30,578,871	(407,546)	157,579,783
Less accumulated depreciation:				
Infrastructure	(58,096,050)	(2,856,066)	342,595	(60,609,521)
Machinery and equipment	(6,040,753)	(326,690)	64,951	(6,302,492)
Total accumulated depreciation	(64,136,803)	(3,182,756)	407,546	(66,912,013)
Total depreciable capital assets, net	63,271,655	27,396,115	—	90,667,770
Total sewer capital assets	150,470,772	31,330,557	(30,507,375)	151,293,954

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Events Center fund:				
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	(9,272,287)	(1,639,536)	—	(10,911,823)
Machinery and equipment	(1,422,922)	(251,607)	—	(1,674,529)
Total accumulated depreciation	(10,695,209)	(1,891,143)	—	(12,586,352)
Total depreciable capital assets, net	58,442,172	(1,891,143)	—	56,551,029
Total events center capital assets	64,238,487	(1,891,143)	—	62,347,344
Total business-type activities capital assets	$ 546,246,076	43,040,539	(40,935,624)	548,350,991

Depreciation expense was charged to functions as follows:

Business-type activities:		
Power and light	$	15,643,492
Water		3,227,140
Sanitary sewer		3,182,756
Events center		1,891,143
Total business-type activities depreciation expense	$	23,944,531

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, 2016 the difference for Power and Light is $678,427 and the difference for Water is $58,982.

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. The retirement of these assets can cause the decrease in accumulated depreciation to be higher than the decrease of the capital asset due to the cost of removal.

(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, 2016:

		Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:						
Loans and notes payable:						
Loans payable	$	1,945,000	—	460,000	1,485,000	475,000
TIF loans		161,275,000	49,450,000	51,460,000	159,265,000	6,240,000
Capital lease obligations		1,036,529	624,897	177,389	1,484,037	185,724
Neighborhood Improvement District (NID)		379,000	—	80,000	299,000	81,000
Premium (discount), net		(786,464)	(1,168,942)	(428,912)	(1,526,494)	—
Total loans and note payable		163,849,065	48,905,955	51,748,477	161,006,543	6,981,724
Other liabilities:						
Compensated absences		15,505,559	5,891,114	5,987,590	15,409,083	6,400,952
Other post-employment benefits		58,825,959	8,917,194	—	67,743,153	—
Net pension liability		30,530,145	27,311,052	—	57,841,197	—
TIF developer obligations		28,495,679	350,175	166,598	28,679,256	309,424
Total other liabilities		133,357,342	42,469,535	6,154,188	169,672,689	6,710,376
Total Governmental Activities	$	297,206,407	91,375,490	57,902,665	330,679,232	13,692,100

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

The following is a summary of changes in long-term debt of the Proprietary Funds for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	$ 123,375,000	—	3,395,000	119,980,000	3,530,000
Premium on bonds payable	4,642,832	—	214,601	4,428,231	—
Total revenue bonds	128,017,832	—	3,609,601	124,408,231	3,530,000
Compensated absences	5,658,396	2,649,811	2,535,787	5,772,420	2,019,021
Other post-employment benefits	16,035,537	2,413,291	—	18,448,828	—
Net pension liability	16,673,477	15,714,527	—	32,388,004	—
Total Power and Light Fund	166,385,242	20,777,629	6,145,388	181,017,483	5,549,021
Water Fund:					
Revenue bonds	33,990,000	—	4,260,000	29,730,000	3,275,000
Premium on bonds payable	791,113	—	55,193	735,920	—
Total revenue bonds	34,781,113	—	4,315,193	30,465,920	3,275,000
Compensated absences	1,471,057	576,284	546,709	1,500,632	451,885
Other post-employment benefits	6,297,767	888,637	—	7,186,404	—
Net pension liability	3,572,283	3,306,117	—	6,878,400	—
Total Water Fund	46,122,220	4,771,038	4,861,902	46,031,356	3,726,885
Sanitary Sewer Fund:					
Revenue Bonds	100,245,000	—	1,535,000	98,710,000	1,945,000
Premium on bonds payable	900,156	—	33,426	866,730	—
Total revenue bonds	101,145,156	—	1,568,426	99,576,730	1,945,000
Compensated absences	921,570	438,107	555,012	804,664	275,158
Other post-employment benefits	4,977,551	642,805	—	5,620,356	—
Net pension liability	2,549,102	2,440,646	—	4,989,748	—
Total Sanitary Sewer Fund	109,593,379	3,521,558	2,123,438	110,991,498	2,220,158
Events Center Fund:					
Revenue bonds	90,555,000	—	730,000	89,825,000	830,000
Premium on bonds payable	151,379	—	6,654	144,725	—
Discount on bonds payable	(263,656)	—	(11,589)	(252,067)	—
Total Events Center Fund	90,442,723	—	725,065	89,717,658	830,000
Total business-type activities	$ 412,543,564	29,070,225	13,855,794	427,757,995	12,326,064

Debt service requirements on long-term debt with schedules maturities at June 30, 2016 are as follows:

	Governmental Activities							
	Loans Payable		NID Payable		TIF Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 475,000	52,153	81,000	15,999	6,240,000	6,860,737	6,796,000	6,928,889
2018	495,000	32,741	86,000	11,732	6,535,000	6,605,011	7,116,000	6,649,484
2019	515,000	11,266	91,000	7,202	6,865,000	6,322,705	7,471,000	6,341,173
2020	—	—	7,000	2,409	8,355,000	6,024,330	8,362,000	6,026,739
2021	—	—	7,000	1,998	9,050,000	5,659,365	9,057,000	5,661,363
2022-2026	—	—	27,000	3,466	47,305,000	22,984,899	47,332,000	22,988,365
2027-2031	—	—	—	—	40,125,000	10,965,695	40,125,000	10,965,695
2032-2036	—	—	—	—	12,350,000	6,072,481	12,350,000	6,072,481
2037-2041	—	—	—	—	9,400,000	3,836,794	9,400,000	3,836,794
2042-2045	—	—	—	—	13,040,000	1,528,081	13,040,000	1,528,081
	$ 1,485,000	96,160	299,000	42,806	159,265,000	76,860,098	161,049,000	76,999,064

	Business-type Activities									
	Power and Light		Water		Sewer		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 3,530,000	5,404,157	3,275,000	1,114,613	1,945,000	4,327,756	830,000	4,094,094	9,580,000	14,940,620
2018	3,685,000	5,246,707	1,480,000	1,043,288	2,000,000	4,272,306	965,000	4,063,931	8,130,000	14,626,232
2019	3,850,000	5,082,257	1,530,000	998,138	2,060,000	4,212,806	1,055,000	4,022,981	8,495,000	14,316,182
2020	4,945,000	4,910,356	1,575,000	951,563	2,130,000	4,145,256	1,210,000	3,976,706	9,860,000	13,983,881
2021	4,045,000	4,700,057	1,630,000	895,338	2,205,000	4,070,631	1,370,000	3,923,906	9,250,000	13,589,932
2022-2026	22,855,000	20,798,433	9,345,000	3,283,238	12,375,000	18,992,041	9,450,000	18,611,056	54,025,000	61,684,768
2027-2031	27,905,000	15,545,358	10,895,000	1,061,869	15,170,000	16,196,900	19,635,000	16,013,481	73,605,000	48,817,608
2032-2036	35,705,000	8,498,524	—	—	18,935,000	12,426,900	33,135,000	10,211,669	87,775,000	31,137,093
2037-2041	13,460,000	646,500	—	—	24,235,000	7,136,244	22,175,000	1,679,050	59,870,000	9,461,794
2042-2044	—	—	—	—	17,655,000	1,162,238	—	—	17,655,000	1,162,238
	$ 119,980,000	70,832,349	29,730,000	9,348,047	98,710,000	76,943,078	89,825,000	66,596,874	338,245,000	223,720,348

(a) Governmental activities

(1) Loans Payable – Missouri Development Finance Board

Governmental activities loans payable at June 30, 2016 are comprised of the following:

$4,020,000 Series 2009 (Streets Projects) annual installments of $395,000 to $515,000 through 2019; interest at 3.50% to 4.375%.	$	1,485,000
Total Governmental Activities Loans Payable	$	1,485,000

(2) Neighborhood Improvement District

The Neighborhood Improvement District Bonds constitute a valid and legally binding indebtedness of the City, payable as to both principal and interest from special assessments to be assessed on certain real property within the District which will be benefited by the improvements and, if not so paid, from monies in the Bond Reserve Fund and, to the extent required, from first available moneys in the City's general fund or other legally available fund. The full faith and credit of the City are irrevocably pledged for the prompt payment, when due, of the principal and interest on the Bonds; provided, however, the City is not obligated nor authorized to levy taxes for the purpose of paying principal of or interest on the Bonds and the taxing power of the City is not pledged to the payment of the Bonds.

Neighborhood Improvement District bonds payable at June 30, 2016 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%	$	240,000
$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%		59,000
Total Neighborhood Improvement District	$	299,000

(3) Capital Lease Obligations

Capital leases payable at June 30, 2016 are comprised of the following:

Motorola Solutions (radio equipment) semi-annual installments of $56,700 to $78,539 through 2022; interest at 3.4593%	$	859,140
PNC Equipment Finance (fire truck) annual installments of $51,525 to $71,106 through 2026; interest at 3.00%		624,897
Total Capital Lease Obligations	$	1,484,037

The net book value of assets acquired under the capital leases described above amounted to $2,748,010 as of June 30, 2016.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

2017	$	233,029
2018		233,029
2019		233,029
2020		233,029
2021		233,029
2022-2026		525,970
		1,691,115
Less imputed interest		(207,078)
Present value of minimum lease payments	$	1,484,037

(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 $236 million in tax increment financing loans (TIF Loans) issued at various dates beginning in 1999 to finance redevelopment projects within each of the respective TIF plans. The loans are payable solely from the incremental increase in property taxes and sales taxes generated within the TIF plans. TIF revenues were projected to produce sufficient funds to meet debt service requirements over the life of the TIF loans. Should TIF revenues not be sufficient to meet the required debt service obligations, neither the City nor the Commission is obligated to make such loan payments from any other sources of its revenues. However, the City intends to annually appropriate funds sufficient to make all payments required by the bonds for the next fiscal year. During this fiscal year, the City paid $540,152 from the General Fund, $691,083 from the Storm Water Sales Tax Fund, $83,642 from the Power & Light Fund, $72,490 from the Water Fund, $92,006 from the Sewer Fund, and $182,000 from the Crackerneck Transportation Development District in debt service payments for the Crackerneck Creek development. Management does not anticipate that any of the City's general, sales tax, or proprietary funds will be required to make up any deficiency in loan payments during the next fiscal year.

Developer obligations represent developer project costs that have been certified by the City as eligible for reimbursement from tax increment financing revenues attributable to each respective project. Under tax increment financing plans, the developer may be reimbursed up to the certified cost amount from incremental taxes during a period not to exceed 23 years. Accordingly, certified project costs in excess of amounts reimbursed to date are reflected as a long-term obligation of the Commission. TIF revenues were projected to produce sufficient funds to reimburse the developer for certified costs. The developer obligations are limited solely to the amount of incremental taxes received attributable to each respective project; any deficiencies are the sole responsibility of the developer and do not constitute an obligation of the Commission or of the City.

At June 30, 2016, total principal and interest remaining on the loans was $236 million and the outstanding developer obligations was $28.7 million. The loans are scheduled to mature at varying amounts through 2045 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 $14.5 million. Incremental revenues from the City included $4.0 million in sales taxes and $0.8 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, City and developer contributions, cash reserves, and debt trust funds.

Missouri Development Finance Board Loans Payable

$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of $50,000 to $90,0000 through 2020; interest at 3.00% to 4.50%	$	340,000
$14,030,000 Series 2006 B (Crackerneck Creek TIF) annual installments of $1,340,000 to $8,225,000 through 2026; interest at 5.30% to 6.00%		14,030,000
$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%		615,000
$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%		3,720,000
$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%		8,865,000
$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%		4,070,000
$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%		315,000
$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%		15,240,000
$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of $370,000 to $2,515,0000 through 2022; interest at 4.00% to 5.125%		5,330,000
$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%		980,000
$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of $365,000 to $1,815,000 through 2021; interest at 2.000% to 4.125%		4,805,000
$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%		55,000
$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%		9,675,000
$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%		2,660,000

$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%		3,845,000
$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%		1,815,000
$5,225,000 Series 2015 A (Santa Fe TIF) annual installments of $100,000 to $285,000 through 2044; interest at 3.000% to 4.000%		5,125,000
$3,545,000 Series 2015 B (Santa Fe TIF) annual installments of $55,000 to $215,000 through 2044; interest at 3.000% to 5.250%		3,490,000
$47,060,000 Series 2015 C (Crackerneck Creek TIF) annual installments of $1,200,000 to $5,670,000 through 2045; interest at 3.000% to 5.000%		47,060,000
$2,390,000 Series 2015 D (Crackerneck Creek TIF) annual installments of $1,180,000 to $1,210,000 through 2024; interest at 2.750% to 3.000%		2,390,000
Total TIF Loans Payable	$	159,265,000

Restricted assets held by the Commission of $17,955,600 consist of funds available for costs related to the redevelopment of the Santa Fe, Hartman Heritage, Eastland Center, Crackerneck Creek and HCA areas.

(1) Tax Increment Financing Refunding

On October 6, 2015, the City entered into a loan payable through the Missouri Development Finance Board of $47,060,000 with an interest rate ranging from 3.00% to 5.00%, to refund $23,595,000 of the outstanding 2006 A Crackerneck Project TIF loan payable, with interest rates ranging from 5.30% to 6.00% and $12,790,000 of the outstanding 2006 C Crackerneck Project TIF loan payable, with interest rates at 5.00% and to advance refund $1,205,000 of the outstanding 2006 A Crackereneck Project TIF, with interest rates ranging from 4.30% to 5.70% and $7,920,000 of the outstanding 2008 B Crackerneck TIF loan payable, with interest rates ranging from 4.00% to 5.125%. The acquisition of the new refunding loan carried a discount of $1,144,496 and resulted in a deferred charge on refunding of $2,242,393. Both items will be amortized over the life of the bonds. This refunding was undertaken to restructure the debt to align debt service payments to known revenues. The restructure of the debt also included adding 17 years to the end of the term of the loan payable. A lower interest rate was achieved, but by restructuring the term to add 17 years to the end of the term it caused an increase in debt service payments of $21,596,422 and an economic savings of $1,574,546.

(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, 2016, $8,200,000 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. In March 2015, Stoney Creek Hotel & Conference Center opened with 167 guest rooms and 30,000 square feet of conference space. The City and the developer remain in discussions regarding securing additional retail development for the project. However, no additional agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

As part of the Project, the City has entered into the Lease Agreement (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City will own a 150,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions as contained in the Bass Pro Lease. Under the Bass Pro Lease, the City was obligated to make $25,000,000 available to Bass Pro. This amount was funded from the proceeds of the Series 2006A Bonds. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City.

The initial term of the Bass Pro Lease is 20 years. Bass Pro has various renewal options under the lease agreement. During the initial 20-year term, Bass Pro is required to pay the City "Percentage Rent" rent equal to 2% of "Gross Sales" as defined in the Bass Pro Lease except that the "Minimum Percentage Rent" will not be less than of $1,000,000 during each year of the initial term. During any of the nine one-year renewal options, Bass Pro will pay rent equal to $10 per year provided the TIF bond financing provided by the City in a maximum of $35,000,000 has been paid in full, or until the expiration of the third one-year renewal option (whichever occurs first), Bass Pro shall be obligated to pay $1,000,000 per year to the City. During any of the three five-year renewal options, Bass Pro will pay rent equal to 1% of "Gross Sales" as defined in the lease agreement.

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

Calendar Year		Amount
2016	$	1,000,000
2017		1,000,000
2018		1,000,000
2019		1,000,000
2020		1,000,000
2021 - 2025		5,000,000
2026		1,000,000
Total	$	11,000,000

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

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

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2016 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%	$	17,615,000
$55,185,000 Series 2012 A annual installments of $150,000 to $11,900,000 through 2037; interest at 2.00% to 5.00%		53,765,000
$52,525,000 Series 2012 F annual installments of $140,000 to $3,630,000 through 2037; interest at 3.00% to 4.00%		48,600,000
Total Power and Light fund		119,980,000
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%		29,730,000
Total Water Fund		29,730,000
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%		34,740,000
$43,800,000 Series 2013 C annual installments of $250,000 to $2,855,000 through 2042; interest at 2.00% to 5.25%		43,050,000
$21,170,000 Series 2014 C annual installments of $250,000 to $6,150,000 through 2043; interest at 2.00% to 5.00%		20,920,000
Total Sanitary Sewer fund		98,710,000
Events Center Fund:		
$12,325,000 Series 2008 D semi-annual installments of $30,000 to $410,000 through 2038; interest at 4.00% to 5.75%		10,820,000
$11,815,000 Series 2011 A annual installments of $70,000 to $1,585,000 through 2038; interest at 2.00% to 5.50%		11,255,000
$68,945,000 Series 2012 C annual installments of $105,000 to $12,540,000 through 2038; interest at 2.00% to 4.00%		67,750,000
Total Events Center Fund		89,825,000
Total revenue bonds	$	338,245,000

The power and light revenue bond ordinance and the water revenue bond indenture require that the systems be accounted for in separate enterprise funds. They also require that after sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts in the following sequences:

Account	Restriction
Principal and interest	For the monthly accumulation of monies to meet the maturing revenue bond principal-and-interest requirements
Depreciation and emergency (water only)	For the accumulation of $500,000 to finance emergency repairs and system improvements

Surplus account monies are reflected as unrestricted cash. The above required reserves and other reserves are reported in the accompanying statement of net position as restricted assets as follows:

	Enterprise Funds			
Account	Power and Light	Water	Sanitary Sewer	Events Center
Principal and interest	$ 11,948,436	—	—	—
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	—	3,627,210	13,942,159	6,971,322
Total revenue bond reserves	11,948,436	4,127,210	13,942,159	6,971,322
Customer deposits	2,415,812	719,702	615,203	—
Purchase of Dogwood Plant	61,500	—	—	—
Southwest Power Pool collateral	831,040	—	—	—
Total	$ 15,256,788	4,846,912	14,557,362	6,971,322

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) 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, 2016 is as follows:

Date Issued	Description	Purpose of Debt	Revenue Pledged	Term of Commitment		Principal & Interest Remaining	Principal & Interest 2015-2016	Net Available Revenues 2015-2016
11/2010	Power and Light Leasehold Revenue Bonds	Electric System Projects	Appropriated Revenues	through 2035		26,942,550	2,510,588	
03/2012	Power and Light Revenue Bonds	Electric System - Dogwood	Appropriated Revenues	through 2037		95,721,049	2,631,219	
12/2012	Power and Light Leasehold Revenue Bonds - Refunding	Electric System Projects	Appropriated Revenues	through 2037		68,148,750	3,793,150	
					$	190,812,349	8,934,957	25,097,750
11/2013	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2029		39,078,047	5,466,338	
					$	39,078,047	5,466,338	15,222,607
08/2012	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2041		59,194,403	2,274,906	
09/2013	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2042		78,839,369	2,580,650	
11/2014	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2043		37,619,306	1,053,325	
					$	175,653,078	5,908,881	8,505,662

(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, 2016, District revenues paid to the City for debt service totaled $4,397,238. The remaining debt service amounts of $8,322 were funded from capitalized interest funds that were established at the time the Bonds were issued. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in payments during the next fiscal year.

(8) Advances for Construction

As new developments are constructed, the Power and Light (Enterprise) Fund requires a nonrefundable cash payment from a customer or developer to be paid toward the cost of extending the distribution system, installation of street lights, and other additions or modifications solely for the benefit of the customer or developer. The advances for construction at June 30, 2016, were $30,154.

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, 2016, were $105,632.

(9) Employee Retirement System

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for Police and Fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for Police and Fire) and receive a reduced allowance.

	2016 Valuation
Benefit Multiplier	2.00%
Final Average Salary	3 Years
Member Contributions	4.00%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4.00% per year.

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,015
Inactive employees entitled to but not yet receiving benefits	195
Active employees	996
	2,206

Contributions

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4.00% of gross salaries and wages. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City contribute 4.00% of their gross pay to the pension plan. The City contribution rates for the year ending June 30, 2016 were 14.30% (General), 15.50% (Police) and 16.10% (Fire) of annual covered payroll.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016. Standard update procedures were used to roll forward the total pension liability to June 30, 2016.

Actuarial Assumptions

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% price inflation; 3.25% wage inflation
Salary Increase	3.25% to 7.15% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employee's mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that the City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

The following table shows the components of the changes in the net pension liability for the year:

		Increase (Decrease)		
		Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2015	$	447,529,430	394,204,423	53,325,007
Changes for the year:				
Service Cost		8,219,353	—	8,219,353
Interest		31,909,765	—	31,909,765
Difference between expected and actual experience		4,916,999	—	4,916,999
Changes in assumptions		17,199,406	—	17,199,406
Contributions - employer		—	10,603,882	(10,603,882)
Contributions - employee		—	2,861,145	(2,861,145)
Net investment income		—	(791,625)	791,625
Benefit payments, including refunds		(23,272,216)	(23,272,216)	—
Administrative expense		—	(181,225)	181,225
Other (net transfer)		—	981,004	(981,004)
Net changes		38,973,307	(9,799,035)	48,772,342
Balances at 6/30/2016	$	486,502,737	384,405,388	102,097,349

The amounts reported as changes in assumptions were primarily from changes to the mortality table, as well as salary increases and inflation.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower at 6.25% or one percentage point higher at 8.25% than the current rate.

		1% Decrease 6.25%	**Current Single Discount Rate Assumption 7.25%**	**1% Increase 8.25%**
Net Pension Liability (NPL)	$	170,649,787	102,097,349	45,343,957

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 the City recognized pension expense of $20,485,884. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual plan experience	$	4,051,298	(6,494,585)
Changes in assumptions		13,852,396	—
Difference between expected & actual investment earnings		35,670,636	—
Total	$	53,574,330	(6,494,585)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:		
2017	$	12,276,705
2018		12,276,705
2019		12,646,035
2020		8,610,364
2021		841,974
Thereafter		427,962
	$	47,079,745

Certain deferred inflows and outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement periods, which was 4.75 to 5.00, 5.00 to 6.78 and 5.00 to 6.45 for General, Police and Fire divisions, respectively. The differences on investment returns are being amortized over a closed 5-year period beginning in the current year.

(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, 2016, 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	952
Retirees & covered spouses of retirees	773
Total Participants	1,725

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	$	19,909,105
Interest on net OPEB obligation		3,014,788
Adjustment to annual required contribution		(3,519,966)
Annual OPEB cost (expense)		19,403,927
Less: Employer contributions		(6,542,000)
Increase in net OPEB obligation		12,861,927
Net OPEB obligation – July 1, 2015		86,136,814
Net OPEB obligation – June 30, 2016	$	98,998,741

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, 2016 is as follows:

		Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
Fiscal year ending:						
June 30, 2014	$	19,179,213	%	40.23	$	73,190,015
June 30, 2015		19,276,799		32.84		86,136,814
June 30, 2016		19,403,927		33.71		98,998,741

Funded Status and Funding Progress

As of January 1, 2016, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $286.1 million dollars. There are no assets set aside for funding the plan as of that date, thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $61.7 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 463.4%.

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, 2016 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% investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 3.5%. The actuarial assumptions for healthcare cost trend is a growth factor of 6.50 % for the first year and then declining by one half of one percent (0.25%) per year until 5.00% is reached. The 5.00% growth is used on a go-forward basis. The actuarial assumptions include a 2.75% rate for general inflation and a 2.00% 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.

(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, liability, 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 Starr Indemnity & Liability 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. The escrow account of $200,000 is reflected as restricted assets in the Workers' Compensation Fund. 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 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 $32,104,334 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was $18,533,195. 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	
		2015	2016	2015	2016
Beginning of year	$	4,197,247	4,564,144	2,183,559	1,925,134
Current year claims and changes in estimates		2,007,166	1,020,205	23,777,329	19,026,499
Claims payments		(1,640,269)	(1,222,868)	(24,035,754)	(19,193,092)
End of year	$	4,564,144	4,361,481	1,925,134	1,758,541

(12) Commitments

Construction Commitments

At June 30, 2016, the City had commitments of approximately $21.4 million to complete construction contracts. Of this amount, $16.2 million relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

The City purchases a portion of its power supply needs under four 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), a renewable energy purchase agreement with Smoky Hills Wind Project II, LLC (Smoky Hills) and a renewable energy purchase agreement with Marshall Wind Energy LLC (Marshall Wind).

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 $146,000,000 through the year 2049. During fiscal year 2016, the delivered cost of capacity and energy under the agreement, including all demand, energy, and debt service was approximately $15,300,000 for 412,849 megawatt-hours of wholesale energy. For fiscal year 2017, the projected costs under the agreement are estimated to be approximately $16,400,000.

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 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 $199,000,000 through the year 2038. During fiscal year 2016, the delivered cost of capacity and energy under the agreement, including all demand, energy, and debt service was approximately $19,100,000 for 330,313 megawatt-hours of wholesale energy. For fiscal year 2017, the projected costs under the agreement are estimated to be approximately $20,300,000.

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 2016, the cost of the energy purchases was approximately $2,500,000 for 55,734 megawatt-hours of wholesale energy.

In May 2015, the City entered into a renewable energy purchase agreement with Marshall Wind Energy LLC. Under this agreement, the City purchases a 27.78% share (20 megawatts) of a 72 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 Marshall Wind 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 March 22, 2016 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties. During fiscal year 2016, the cost of the energy purchases was approximately $600,000 for 18,674 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, 2016 were $136,029 and depreciation expense for fiscal year end June 30, 2016 was $974,633.

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 $204,286 in the Street Improvements Fund, $712 in the Community Development Block Grant Fund, $2,697,859 in the Parks Sales Tax Fund, $10,169 in the Buildings and Other Improvements Fund, $16,155 in the Storm Drainage Fund, $542,795 in the Workers' Compensation Fund, $281,252 in the Central Garage Fund, $10,069,625 in the Events Center Fund, $1,173,289 in the Santa Fe TIF project, $67,594 in the Hartman Heritage TIF project, $873 in the Marketplace Shopping Center TIF project, and $362 in the TIF Application Fee project will be eliminated by future revenues or transfers.

(14) Subsequent Events

The City evaluated subsequent events through December 20, 2016, the date the financial statements were available to be issued.

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

$12,005,000 Series 2016 A revenue bonds for the Events Center Project.

$17,275,000 Series 2016 B TIF loan payable for the Centerpoint TIF Project.

$2,285,000 Series 2016 C TIF loan payable for the Drumm Farm TIF Project.

$47,180,000 Series 2016 D revenue bonds for the Power and Light Fund.

(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	$ 11,424	—	665	12,089
Total fund balances nonspendable	11,424	—	665	12,089
Restricted for:				
Protested revenues	$ 35,832	—	—	35,832
Police equipment	237,332	—	—	237,332
Tourism	—	—	853,628	853,628
Independence square benefit district	—	—	28,880	28,880
Grants	—	—	7	7
License surcharge	—	—	875,995	875,995
Street sales tax	—	—	2,231,745	2,231,745
Storm water sales tax	—	—	7,444,385	7,444,385
Police sales tax	—	—	1,840,023	1,840,023
Fire sales tax	—	—	1,855,783	1,855,783
Debt service fund	—	—	100,889	100,889
TIF debt service	—	27,633,064	—	27,633,064
Total fund balances restricted	273,164	27,633,064	15,231,335	43,137,563
Committed for:				
Domestic violence	25,266	—	—	25,266
Capital projects	—	—	41,772	41,772
Strategic goals	210,902	—	—	210,902
Vandalism reward	3,000	—	—	3,000
Economic development	108,833	—	—	108,833
Total fund balances committed	348,001	—	41,772	389,773
Assigned for:				
Encumbrances:				
Professional services	303,405	—	—	303,405
Capital outlay/equipment	201,278	—	—	201,278
Supplies	113,918	—	—	113,918
Maintenance	108,132	—	—	108,132
Communication services	6,728	—	—	6,728
Accrued leave payouts	333,500	—	—	333,500
Miscellaneous	269,125	—	—	269,125
Total fund balances assigned	1,336,086	—	—	1,336,086
Unassigned	3,684,710	—	(2,929,573)	755,137
Total fund balance	$ 5,653,385	27,633,064	12,344,199	45,630,648

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 $1,349,387 and Non-Major Funds $6,749,619.

Required Supplementary Information

THE CITY OF INDEPENDENCE
MISSOURI

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Taxes	$ 36,455,904	36,455,904	34,310,898	(2,145,006)
Licenses and permits	3,403,687	3,403,687	3,588,466	184,779
State and county shared revenue	5,275,139	5,275,139	5,303,538	28,399
Charges for current services	2,020,770	2,027,829	2,075,959	48,130
Interfund charges for support services	4,741,289	4,741,289	4,913,709	172,420
Fines and forfeitures	4,921,960	4,921,960	4,214,064	(707,896)
Other revenue	614,900	737,195	757,691	20,496
Total revenues	57,433,649	57,563,003	55,164,325	(2,398,678)
Other financing sources:				
Payments in lieu of taxes	18,868,596	18,868,596	18,515,336	(353,260)
Total other financing sources	18,868,596	18,868,596	18,515,336	(353,260)
Total revenues and other financing sources	76,302,245	76,431,599	73,679,661	(2,751,938)
Expenditures:				
City Council	453,821	455,742	404,507	51,235
City Clerk	366,691	369,980	355,632	14,348
City Manager	984,378	990,358	940,383	49,975
Technology services	1,867,106	1,882,096	1,797,208	84,888
Municipal court	836,066	841,913	818,738	23,175
Law	741,884	842,763	850,315	(7,552)
Finance	1,968,698	1,982,409	1,906,719	75,690
Human resources	459,444	490,421	490,421	—
Community development	3,257,399	3,268,519	3,006,680	261,839
Police	27,034,885	27,168,707	26,652,723	515,984
Fire	17,042,758	18,035,458	18,046,196	(10,738)
Health	2,650,711	2,706,578	2,689,975	16,603
Public works	5,812,067	5,074,373	4,464,751	609,622
Parks and recreation	1,634,988	1,661,249	1,545,842	115,407
General government	8,916,027	8,769,842	9,235,092	(465,250)
City Council strategic goals	250,000	557,944	246,206	311,738
Capital outlay	400,000	400,000	229,951	170,049
Total expenditures	74,676,923	75,498,352	73,681,339	1,817,013
Other financing uses:				
Transfers out	1,555,149	1,555,149	550,152	1,004,997
Total expenditures and other financing uses	76,232,072	77,053,501	74,231,491	2,822,010
Excess of revenue and other financing sources over (under) expenditures and other financing uses	$ 70,173	(621,902)	(551,830)	70,072
Unassigned fund balance at beginning of year			3,741,675	
Cancellation of prior year encumbrances			215,706	
Change in other fund balance components during the year			279,159	
Unassigned fund balance at end of year			$ 3,684,710	

Exhibit 10.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2016

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	$	73,679,661
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	73,679,661
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	73,681,339
Basis differences – budget to GAAP:		
Capital lease		—
Outstanding encumbrances at year-end charged to the current year's budget		(1,283,731)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		735,736
		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	$	73,133,344

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2016

(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 2015-2016 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for most funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Improvements Sales Tax, Storm Water Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax, and Grant Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

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

Exhibit 11

CITY OF INDEPENDENCE, MISSOURI

Schedule of Funding Progress

Other Post Employment Benefit Plan

Schedule of Funding Progress:

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, 2013	$ —	$ 263,513,494	$ 263,513,494	0%	$ 59,861,860	440%
January 1, 2015	—	287,649,394	287,649,394	0%	59,925,139	480%
January 1, 2016	—	286,120,154	286,120,154	0%	61,742,912	463%

See accompanying note (10) to financials for additional information on Other Post Employment Benefits and assumptions

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

LAGERS Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2016

		2016	2015
Total Pension Liability			
Service Cost	$	8,219,353	8,279,026
Interest on the Total Pension Liability		31,909,765	31,404,337
Difference between expected and actual experience		4,916,999	(10,375,729)
Assumption Changes		17,199,406	—
Benefit Payments		(23,272,216)	(21,374,778)
Refunds		—	—
Net Change in Total Pension Liability		38,973,307	7,932,856
Total Pension Liability beginning		447,529,430	439,596,574
Total Pension Liability ending	$	486,502,737	447,529,430
Plan Fiduciary Net Position			
Contributions-employer		10,603,882	9,475,216
Contributions-employee		2,861,145	2,738,899
Pension Plan Net Investment income		(791,625)	7,836,996
Benefit Payments		(23,272,216)	(21,374,778)
Refunds		—	—
Pension Plan Administrative expense		(181,225)	(198,235)
Other		981,004	(5,341,994)
Net Change in Plan Fiduciary Net Position		(9,799,035)	(6,863,896)
Plan Fiduciary Net Position beginning		394,204,423	401,068,319
Plan Fiduciary Net Position ending	$	384,405,388	394,204,423
Employer Net Pension Liability	$	102,097,349	53,325,007
Plan Fiduciary Net Position as a percentage of the total pension liability		79.01%	88.08%
Covered Employee Payroll	$	69,847,339	67,691,063
Employer's Net Pension Liability as a percentage of covered employee payroll		146.17%	78.78%

Notes to schedule:

2014-15 was the City's first year implementing GASB 68 for Net Pension Liability. This schedule will become a ten year schedule, as information becomes available, in accordance with GASB Statement No. 68 requirements.

During 2015-16 amounts reported as assumption changes were primarily from changes to the mortality table, as well as salary increases and inflation.

CITY OF INDEPENDENCE, MISSOURI
LAGERS Schedule of Contributions
Last Ten Fiscal Years

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$	13,178,343	12,187,371	11,568,730	10,954,525	9,709,369	8,784,873	4,699,896	4,494,600	4,821,020	5,830,554
Contributions in relation to the actuarially determined contribution		10,603,401	9,477,315	8,724,862	7,962,390	7,273,562	6,751,554	5,498,789	4,494,598	4,821,019	5,731,339
Contribution deficiency (excess)	$	2,574,942	2,710,056	2,843,868	2,992,135	2,435,807	2,033,319	(798,893)	2	1	99,215
Covered-employee payroll	$	71,525,107	68,487,854	68,032,518	67,337,696	67,174,192	68,743,946	67,077,233	64,997,189	62,443,412	58,360,904
Contributions as a percentage of covered-employee payroll		14.82%	13.84%	12.82%	11.82%	10.83%	9.82%	8.20%	6.92%	7.72%	9.82%

Notes to schedule:

Valuation Date	Actuarially determined contribution rates were calculated as of February 29, 2016 prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll, closed.
Remaining Amortization Period	Multiple bases from 13 to 23 years.
Asset Valuation Method	5 years smoothed market; 20% corridor.
Inflation	3.25% wage inflation and 2.50% price inflation.
Salary Increases	3.25% to 7.15%; including wage inflation.
Investment Rate of Return	7.25%, net of investment and administrative expenses.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.
	Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other information:	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

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

Debt Service Fund

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

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

Assets		Special Revenue (Exhibit 16)	Capital Projects (Exhibit 29)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	$	10,899,961	64,005	6,889	10,970,855
Receivables:					
Taxes		3,580,502	—	—	3,580,502
Accounts		24,726	—	—	24,726
Special assessment principal and accrued interest		—	437,976	342,362	780,338
Due from other funds		3,284,970	—	—	3,284,970
Due from other governments		524,105	—	—	524,105
Prepaid items		665	—	—	665
Restricted cash and investments		—	1,188	94,000	95,188
Total assets	$	18,314,929	503,169	443,251	19,261,349
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	1,643,316	64,843	—	1,708,159
Due to other funds		3,374,677	188,348	—	3,563,025
Accrued items		206,348	—	—	206,348
Other current liabilities		34,146	840	—	34,986
Unearned revenue		599,494	—	—	599,494
Total liabilities		5,857,981	254,031	—	6,112,012
Deferred inflows of resources:					
Unavailable revenue - special assessments		—	437,976	342,362	780,338
Unavailable revenue - real estate taxes		24,800	—	—	24,800
Total deferred inflows of resources		24,800	437,976	342,362	805,138
Fund balances:					
Nonspendable		665	—	—	665
Restricted		15,130,446	—	100,889	15,231,335
Committed		—	41,772	—	41,772
Unassigned		(2,698,963)	(230,610)	—	(2,929,573)
Total fund balances		12,432,148	(188,838)	100,889	12,344,199
Total liabilities, deferred inflows of resources and fund balances	$	18,314,929	503,169	443,251	19,261,349

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2016

	Special Revenue (Exhibit 17)	Capital Projects (Exhibit 30)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 23,102,156	—	—	23,102,156
Licenses and permits	213,752	—	—	213,752
Intergovernmental	3,409,656	461,801	—	3,871,457
Charges for services	1,073,225	11,243	113,473	1,197,941
Investment income	21,783	634	736	23,153
Other	522,974	200	—	523,174
Total revenues	28,343,546	473,878	114,209	28,931,633
Expenditures:				
Current:				
Administrative services	20,615	—	—	20,615
Public safety	5,767,488	—	—	5,767,488
Public works	151,245	—	—	151,245
Health and welfare	573,067	—	—	573,067
Culture and recreation	4,350,469	—	—	4,350,469
Community development	1,318,050	—	—	1,318,050
Storm water	1,769,844	—	—	1,769,844
General government	20,269	—	1,042	21,311
Capital outlay	12,634,104	1,088,747	—	13,722,851
Debt service:				
Principal	528,071	—	80,000	608,071
Interest and fiscal agent fees	75,737	—	20,503	96,240
Total expenditures	27,208,959	1,088,747	101,545	28,399,251
Excess (deficiency) of revenues over expenditures	1,134,587	(614,869)	12,664	532,382
Other financing sources (uses):				
Proceeds from capital leases/bond issuance	624,897	—	—	624,897
Transfers in	460,045	493,691	—	953,736
Transfers out	(1,644,819)	—	—	(1,644,819)
Total other financing sources (uses)	(559,877)	493,691	—	(66,186)
Net change in fund balances	574,710	(121,178)	12,664	466,196
Fund balances, beginning	11,857,438	(67,660)	88,225	11,878,003
Fund balances, ending	$ 12,432,148	(188,838)	100,889	12,344,199

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2016

Assets		Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 27)	License Surcharge	Grants	Total
Pooled cash and investments	$	715,900	24,144	5,153	—	9,020,644	875,995	258,125	10,899,961
Receivables:									
Taxes		200,000	29,536	—	—	3,350,966	—	—	3,580,502
Accounts		1,525	—	—	—	—	—	23,201	24,726
Due from other funds		—	—	—	—	3,284,970	—	—	3,284,970
Due from other governments		—	—	114,193	41,806	—	—	368,106	524,105
Prepaid items		73	—	38	—	525	—	29	665
Total assets	$	917,498	53,680	119,384	41,806	15,657,105	875,995	649,461	18,314,929
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	$	31,632	—	2,577	10,321	1,576,422	—	22,364	1,643,316
Due to other funds		—	—	79,415	26,447	3,268,815	—	—	3,374,677
Accrued items		30,471	—	11,558	—	136,716	—	27,603	206,348
Other current liabilities		1,694	—	26,546	5,031	875	—	—	34,146
Unearned revenue		—	—	—	—	—	—	599,494	599,494
Total liabilities		63,797	—	120,096	41,799	4,982,828	—	649,461	5,857,981
Deferred inflows of resources:									
Unavailable revenue - real estate taxes		—	24,800	—	—	—	—	—	24,800
Total deferred outflows of resources		—	24,800	—	—	—	—	—	24,800
Fund balances:									
Nonspendable		73	—	38	—	525	—	29	665
Restricted		853,628	28,880	—	7	13,371,936	875,995	—	15,130,446
Unassigned		—	—	(750)	—	(2,698,184)	—	(29)	(2,698,963)
Total fund balances (deficits)		853,701	28,880	(712)	7	10,674,277	875,995	—	12,432,148
Total liabilities, deferred inflows of resources, and fund balances	$	917,498	53,680	119,384	41,806	15,657,105	875,995	649,461	18,314,929

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2016

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 28)	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 1,954,406	25,223	—	—	21,122,527	—	—	23,102,156
Licenses and permits	—	—	—	—	—	213,752	—	213,752
Intergovernmental	—	—	1,045,242	268,150	—	—	2,096,264	3,409,656
Charges for services	40,874	—	—	—	528,179	—	504,172	1,073,225
Investment income	993	235	—	—	19,337	1,218	—	21,783
Other	86,378	—	—	—	387,589	—	49,007	522,974
Total revenues	2,082,651	25,458	1,045,242	268,150	22,057,632	214,970	2,649,443	28,343,546
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	20,615	20,615
Public safety	—	—	—	—	4,367,157	—	1,400,331	5,767,488
Public Works	—	—	—	—	132,290	—	18,955	151,245
Health and welfare	—	—	—	—	—	—	573,067	573,067
Culture and recreation	1,800,541	—	—	—	2,429,211	—	120,717	4,350,469
Community development	—	—	534,142	268,150	—	—	515,758	1,318,050
Storm water	—	—	—	—	1,769,844	—	—	1,769,844
General government	—	—	—	—	20,269	—	—	20,269
Capital outlay	—	29,297	—	—	12,604,807	—	—	12,634,104
Debt service:								
Principal	—	—	—	—	528,071	—	—	528,071
Interest and fiscal agent fees	—	—	—	—	75,737	—	—	75,737
Total expenditures	1,800,541	29,297	534,142	268,150	21,927,386	—	2,649,443	27,208,959
Excess (deficiency) of revenues over expenditures	282,110	(3,839)	511,100	—	130,246	214,970	—	1,134,587
Other financing sources (uses):								
Proceeds from bond issuance	—	—	—	—	624,897	—	—	624,897
Transfers in	—	—	—	—	460,045	—	—	460,045
Transfers out	—	—	(511,100)	—	(1,083,696)	(50,023)	—	(1,644,819)
Total other financing sources (uses)	—	—	(511,100)	—	1,246	(50,023)	—	(559,877)
Net change in fund balances	282,110	(3,839)	—	—	131,492	164,947	—	574,710
Fund balances (deficits), beginning	571,591	32,719	(712)	7	10,542,785	711,048	—	11,857,438
Fund balances (deficits), ending	$ 853,701	28,880	(712)	7	10,674,277	875,995	—	12,432,148

THE CITY OF INDEPENDENCE

MISSOURI

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2016

		Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
		Original	Final		
Revenues:					
Transient guest taxes	$	1,800,000	1,831,402	1,954,406	123,004
Interest		200	400	993	593
Other revenue		68,000	62,653	127,252	64,599
Total revenues		1,868,200	1,894,455	2,082,651	188,196
Expenditures:					
Tourism		1,851,593	1,851,593	1,857,506	(5,913)
Total expenditures		1,851,593	1,851,593	1,857,506	(5,913)
Excess of revenues over (under) expenditures	$	16,607	42,862	225,145	194,109
Fund balance at beginning of year				571,591	
Cancellation of prior year encumbrances				17,625	
Increase (Decrease) in Prior Year Encumbrances				39,340	
Fund balance at end of year				$ 853,701	

Exhibit 18.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2016

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,082,651
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,082,651
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,857,506
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(173,657)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		116,692
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,800,541

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

Exhibit 19

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Federal grant - CDBG	$ 750,000	750,000	1,045,242	295,242
Total revenues	750,000	750,000	1,045,242	295,242
Expenditures:				
CDBG administration	155,416	152,522	151,374	1,148
CDBG expenditures	594,584	932,820	453,343	479,477
Commercial facade program	—	75,165	—	75,165
Total expenditures	750,000	1,160,507	604,717	555,790
Other financing uses:				
Transfers out	—	75,000	511,100	(436,100)
Total other financing uses	—	75,000	511,100	(436,100)
Total expenditures and other uses	750,000	1,235,507	1,115,817	119,690
Excess of revenues over (under) expenditures and other financing uses	$ —	(485,507)	(70,575)	414,932
Fund balance at beginning of year			(712)	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			70,575	
Fund balance at end of year			$ (712)	

Exhibit 19.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Community Development Block Grant Fund

Year ended June 30, 2016

		Community Development Block Grant
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,045,242
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,045,242
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	604,717
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(70,575)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	534,142

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

Exhibit 20

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Rental Rehabilitation
Year Ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
HOME program grant	$ 308,121	308,121	268,150	(39,971)
Total revenues	308,121	308,121	268,150	(39,971)
Expenditures:				
HOME administration	30,812	56,580	26,847	29,733
Multi family housing	277,309	363,751	335,551	28,200
First Time Home Buyers	—	—	55,815	(55,815)
Community housing development	—	95,447	—	95,447
Total expenditures	308,121	515,778	418,213	97,565
Excess of revenues over (under) expenditures	$ —	(207,657)	(150,063)	57,594
Fund balance at beginning of year			7	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			150,063	
Fund balance at end of year			$ 7	

Exhibit 20.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2016

		Rental Rehabilitation
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	268,150
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	268,150
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	418,213
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(150,063)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	268,150

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

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Street Improvements Sales Tax Fund
Year ended June 30, 2016

		Budgeted Amounts		Actual Amounts	Variance with Final
		Original	**Final**	**(Budget Basis)**	**Budget**
Revenues:					
Sales taxes	$	7,996,718	8,350,000	8,399,825	49,825
Interest		900	200	3,416	3,216
Other revenue		—	83,000	109,000	26,000
Total revenues		7,997,618	8,433,200	8,512,241	79,041
Other Financing sources:					
Transfers in		—	1,667	239,707	238,040
Total other financing sources		—	1,667	239,707	238,040
Total revenues and other financing sources		7,997,618	8,434,867	8,751,948	317,081
Expenditures:					
General Government		13,200	13,200	13,513	(313)
Street maintenance		265,323	265,323	151,340	113,983
Capital outlay		7,323,591	10,340,201	14,337,829	(3,997,628)
Debt service		532,694	532,694	532,194	500
Total expenditures		8,134,808	11,151,418	15,034,876	(3,883,458)
Other financing uses:					
Transfers out		—	274,592	326,602	(52,010)
Total other financing uses		—	274,592	326,602	(52,010)
Total expenditures and other financing uses		8,134,808	11,426,010	15,361,478	(3,935,468)
Excess of revenues and other financing sources over (under) expenditures	$	(137,190)	(2,991,143)	(6,609,530)	(3,618,387)
Fund balance at beginning of year				4,552,577	
Cancellation of prior year encumbrances				—	
Increase (Decrease) in Prior Year Encumbrances				4,288,698	
Fund balance at end of year				$ 2,231,745	

Exhibit 21.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2016

		Streets Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	8,512,241
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	8,512,241
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	15,034,876
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(4,288,698)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	10,746,178

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

Exhibit 22

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Park Improvements Sales Tax Fund
Year ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:				
Sales taxes	$ 3,998,359	4,180,000	4,200,126	20,126
Charges for services	—	—	110,223	110,223
Adventure Oasis Water Park	440,000	315,148	417,957	102,809
Other revenue	136,000	111,055	16,699	(94,356)
Total revenues	4,574,359	4,606,203	4,745,005	138,802
Expenditures:				
Culture and recreation	2,021,361	2,023,115	2,460,800	(437,685)
General government	558,602	558,602	6,756	551,846
Capital outlay	435,000	651,129	482,178	168,951
Total expenditures	3,014,963	3,232,846	2,949,734	283,112
Other financing uses:				
Transfers out	7,000	7,000	66,011	(59,011)
Total other financing uses	7,000	7,000	66,011	(59,011)
Total expenditures and other financing uses	3,021,963	3,239,846	3,015,745	224,101
Excess of revenues and other financing sources over (under) expenditures	$ 1,552,396	1,366,357	1,729,260	362,903
Fund balance (deficit) at beginning of year			(4,458,708)	
Cancellation of prior year encumbrances			28,285	
Increase (Decrease) in Prior Year Encumbrances			3,304	
Fund balance (deficit) at end of year			$ (2,697,859)	

Exhibit 22.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2016

		Park Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,745,005
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,745,005
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,949,734
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(176,606)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		145,017
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,918,145

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

Exhibit 23

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Storm Water Sales Tax Fund

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Sales taxes	$ 3,998,359	4,180,000	4,200,147	20,147
Interest	3,000	4,000	10,699	6,699
Other revenue	—	—	176,121	176,121
Total revenues	4,001,359	4,184,000	4,386,967	202,967
Other financing sources:				
Transfers in	—	220,338	220,338	—
Total other financing sources	—	220,338	220,338	—
Total revenues and other financing sources	4,001,359	4,404,338	4,607,305	202,967
Expenditures:				
Storm water				
Administration	302,237	309,037	135,959	173,078
Maintenance	1,822,754	1,822,754	1,311,976	510,778
Permit completion	361,425	361,425	358,050	3,375
General government	6,800	6,800	6,756	44
Capital outlay	1,555,000	6,335,188	2,087,779	4,247,409
Total expenditures	4,048,216	8,835,204	3,900,520	4,934,684
Other financing uses:				
Transfers out	691,083	684,283	691,083	(6,800)
Total other financing uses	691,083	684,283	691,083	(6,800)
Total expenditures and other financing uses	4,739,299	9,519,487	4,591,603	4,927,884
Excess of revenues over (under) expenditures	$ (737,940)	(5,115,149)	15,702	5,130,851
Fund balance at beginning of year			7,385,985	
Cancellation of prior year encumbrances			67,493	
Increase (Decrease) in Prior Year Encumbrances			(24,595)	
Fund balance at end of year			$ 7,444,585	

Exhibit 23.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2016

		Storm Water Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,386,967
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,386,967
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	3,900,520
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(127,978)
Current year expenditures of encumbrances outstanding at the end of the prior		85,080
fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	3,857,622

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

Exhibit 24

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Police Public Safety Sales Tax Fund
Year Ended June 30, 2016

		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budget Basis)	Variance with Final Budget
Revenues:					
Sales taxes	$	2,136,926	2,210,000	2,221,976	11,976
Investment income		900	600	2,345	1,745
Other revenue		—	44,063	66,810	22,747
Total revenues		2,137,826	2,254,663	2,291,131	36,468
Expenditures:					
Public safety					
Communications		351,944	351,944	259,828	92,116
Facilities		569,000	569,000	739,687	(170,687)
Equipment		1,163,489	1,166,789	1,013,176	153,613
Debt service		—	—	38,278	(38,278)
Total expenditures		2,084,433	2,087,733	2,050,969	36,764
Other financing uses:					
Transfers out/capital outlay		3,300	3,300	—	3,300
Total other financing uses		3,300	3,300	—	3,300
Total expenditures and other financing uses		2,087,733	2,091,033	2,050,969	40,064
Excess of revenues over (under) expenditures and other financing uses	$	50,093	163,630	240,162	76,532
Fund balance at beginning of year				1,557,817	
Cancellation of prior year encumbrances				41,250	
Increase (Decrease) in Prior Year Encumbrances				794	
Fund Balance at end of year			$	1,840,023	

Exhibit 24.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2016

		Police Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,291,131
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,291,131
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,050,969
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(191,162)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		149,118
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,008,925

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

Exhibit 25

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Fire Public Safety Sales Tax Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	**Final**		
Revenues:				
Sales taxes	$ 2,002,902	2,100,000	2,100,451	451
Investment income	800	200	2,877	2,677
Other revenue	—	—	18,960	18,960
Total revenues	2,003,702	2,100,200	2,122,288	22,088
Other financing sources:				
Capital lease proceeds	—	624,897	624,897	—
Total other financing sources	—	624,897	624,897	—
Total revenues and other financing sources	2,003,702	2,725,097	2,747,185	22,088
Expenditures:				
Public safety	1,943,275	3,002,172	2,828,187	173,985
Total expenditures	1,943,275	3,002,172	2,828,187	173,985
Other financing uses:				
Transfers out/capital outlay	—	4,000	—	4,000
Total other financing uses	—	4,000	—	4,000
Total expenditures and other financing uses	1,943,275	3,006,172	2,828,187	177,985
Excess of revenues over (under) expenditures and other financing uses	$ 60,427	(281,075)	(81,002)	200,073
Fund balance at beginning of year			1,505,114	
Cancellation of prior year encumbrances			7,518	
Increase (Decrease) in Prior Year Encumbrances			424,153	
Fund balance at end of year			$ 1,855,783	

Exhibit 25.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2016

		Fire Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,122,288
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,122,288
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,828,187
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(456,361)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		24,690
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,396,516

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

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2016

		Budgeted Amounts		Actual Amounts	Variance with Final
		Original	Final	(Budget Basis)	Budget
Revenues:					
Grants and other shared revenue	$	847,104	3,542,220	2,096,264	(1,445,956)
Charges for current services		308,540	515,346	504,172	(11,174)
Interest income and other revenue		—	70,163	49,007	(21,156)
Total revenues		1,155,644	4,127,729	2,649,443	(1,478,286)
Expenditures:					
Law department		31,944	37,460	19,635	17,825
Human Resources		—	1,179	1,132	47
Police department		404,663	1,636,143	1,275,191	360,952
Fire department		82,808	152,412	147,310	5,102
Public works		—	18,955	18,955	—
Health department		427,229	1,331,481	598,621	732,860
Community development		209,000	824,604	561,173	263,431
Culture and recreation		—	125,495	125,495	—
Total expenditures		1,155,644	4,127,729	2,747,512	1,380,217
Excess of revenues over (under) expenditures	$	—	—	(98,069)	(98,069)
Fund balance at beginning of year				—	
Cancellation of prior year encumbrances				—	
Increase (Decrease) in Prior Year Encumbrances				98,069	
Fund balance at end of year			$	—	

Exhibit 26.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2016

		Grants
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,649,443
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,649,443
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,747,512
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(98,069)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,649,443

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

Exhibit 27

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2016

Assets		**Street Sales Tax**	**Park Improvements Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total (Exhibit 16)**
Pooled cash and investments	$	2,181,612	—	3,636,626	1,613,783	1,588,623	9,020,644
Receivables:							
Taxes		1,337,258	668,628	668,629	342,007	334,444	3,350,966
Due from other funds		—	—	3,284,970	—	—	3,284,970
Prepaid items		—	325	200	—	—	525
Total assets	$	3,518,870	668,953	7,590,425	1,955,790	1,923,067	15,657,105

Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	1,279,021	23,501	90,849	115,767	67,284	1,576,422
Due to other funds		—	3,268,815	—	—	—	3,268,815
Accrued items		8,104	73,621	54,991	—	—	136,716
Other current liabilities		—	875	—	—	—	875
Total liabilities		1,287,125	3,366,812	145,840	115,767	67,284	4,982,828
Fund balances:							
Nonspendable		—	325	200	—	—	525
Restricted		2,231,745	—	7,444,385	1,840,023	1,855,783	13,371,936
Unassigned		—	(2,698,184)	—	—	—	(2,698,184)
Total fund balances (deficit)		2,231,745	(2,697,859)	7,444,585	1,840,023	1,855,783	10,674,277
Total liabilities and fund balances	$	3,518,870	668,953	7,590,425	1,955,790	1,923,067	15,657,105

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2016

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 17)
Revenues:						
Taxes	$ 8,399,825	4,200,128	4,200,147	2,221,976	2,100,451	21,122,527
Charges for services	—	528,179	—	—	—	528,179
Investment income	3,416	—	10,699	2,345	2,877	19,337
Other	109,000	16,698	176,121	66,810	18,960	387,589
Total revenues	8,512,241	4,745,005	4,386,967	2,291,131	2,122,288	22,057,632
Expenditures:						
Current:						
Public safety	—	—	—	1,970,647	2,396,510	4,367,157
Public works	132,290	—	—	—	—	132,290
Culture and recreation	—	2,429,211	—	—	—	2,429,211
Storm water	—	—	1,769,844	—	—	1,769,844
General government	13,513	6,756	—	—	—	20,269
Capital outlay	10,068,181	448,848	2,087,778	—	—	12,604,807
Debt service:						
Principal	460,000	32,026	—	36,045	—	528,071
Interest and fiscal agent fees	72,194	1,304	—	2,233	6	75,737
Total expenditures	10,746,178	2,918,145	3,857,622	2,008,925	2,396,516	21,927,386
Excess (deficiency) of revenues over expenditures	(2,233,937)	1,826,860	529,345	282,206	(274,228)	130,246
Other financing sources (uses):						
Proceeds from debt issuance	—	—	—	—	624,897	624,897
Transfers in	239,707	—	220,338	—	—	460,045
Transfers out	(326,602)	(66,011)	(691,083)	—	—	(1,083,696)
Total other financing sources (uses)	(86,895)	(66,011)	(470,745)	—	624,897	1,246
Net change in fund balances	(2,320,832)	1,760,849	58,600	282,206	350,669	131,492
Fund balances (deficit), beginning	4,552,577	(4,458,708)	7,385,985	1,557,817	1,505,114	10,542,785
Fund balances (deficit), ending	$ 2,231,745	(2,697,859)	7,444,585	1,840,023	1,855,783	10,674,277

Exhibit 29

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2016

Assets	Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 14)
Pooled cash and investments	$ —	19,817	—	—	44,188	64,005
Receivables:						
Special assessment principal and accrued interest	437,976	—	—	—	—	437,976
Restricted cash and investments	—	—	1,188	—	—	1,188
Total assets	$ 437,976	19,817	1,188	—	44,188	503,169
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$ 43,450	—	—	—	21,393	64,843
Due to other funds	160,836	—	11,357	16,155	—	188,348
Other current liabilities	—	—	—	—	840	840
Total liabilities	204,286	—	11,357	16,155	22,233	254,031
Deferred inflows of resources:						
Unavailable revenue - special assessments	437,976	—	—	—	—	437,976
Total deferred inflows of resources	437,976	—	—	—	—	437,976
Fund balances (deficit):						
Committed	—	19,817	—	—	21,955	41,772
Unassigned	(204,286)	—	(10,169)	(16,155)	—	(230,610)
Total fund balances (deficit)	(204,286)	19,817	(10,169)	(16,155)	21,955	(188,838)
Total liabilities, deferred inflows of resources and fund balances	$ 437,976	19,817	1,188	—	44,188	503,169

Exhibit 30

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2016

	Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 15)
Revenues:						
Intergovernmental	$ 461,801	—	—	—	—	461,801
Charges for services	11,243	—	—	—	—	11,243
Investment income	484	30	81	—	39	634
Other	—	—	200	—	—	200
Total revenues	473,528	30	281	—	39	473,878
Expenditures:						
Capital outlay	618,089	—	133,165	—	337,493	1,088,747
Total expenditures	618,089	—	133,165	—	337,493	1,088,747
Excess (deficiency) of revenues over expenditures	(144,561)	30	(132,884)	—	(337,454)	(614,869)
Other financing sources:						
Transfers in	156,287	—	—	—	337,404	493,691
Total other financing sources	156,287	—	—	—	337,404	493,691
Net change in fund balances	11,726	30	(132,884)	—	(50)	(121,178)
Fund balances (deficit), beginning	(216,012)	19,787	122,715	(16,155)	22,005	(67,660)
Fund balances (deficit), ending	$ (204,286)	19,817	(10,169)	(16,155)	21,955	(188,838)

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Component Unit - Tax Increment Financing

June 30, 2016

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	Trinity
Pooled cash and investments	$	63,923	43,216	—	—	1,160,544	4,729,354	44,213	35,844	20,726	795,955	5,908	16,526	36,843
Receivables:														
Taxes		14,883	43,141	13,372	892,795	508,021	2,212,404	23,755	947	10,850	710,796	911,026	111,503	296,998
Accounts		—	—	—	—	—	295,629	—	—	—	83,333	—	—	—
Due from other funds		—	—	—	—	—	2,986,710	—	—	—	—	—	—	—
Due from other governments		504	52,554	43,601	96,728	2,368	479,240	1,549	158	—	184,883	1,068	21,202	26,949
Restricted cash and investments		—	—	537,777	1,033,458	—	3,317,000	—	—	—	9,378,631	—	—	—
Total assets	$	79,310	138,911	594,750	2,022,981	1,670,933	14,020,337	69,517	36,949	31,576	11,153,598	918,002	149,231	360,790
Liabilities, Deferred Inflows of Resources and Fund Balances														
Liabilities:														
Accounts and contracts payable	$	—	—	—	—	—	—	—	—	—	1,136	—	—	—
Due to other funds		—	—	1,754,668	1,231,680	—	—	—	—	—	1,240	—	—	—
Total liabilities		—	—	1,754,668	1,231,680	—	—	—	—	—	2,376	—	—	—
Deferred inflows of resources:														
Unavailable revenue - real estate taxes		14,882	25,941	13,371	858,895	505,421	2,022,605	22,195	947	10,850	591,512	910,046	100,704	283,698
Total deferred inflows of resources		14,882	25,941	13,371	858,895	505,421	2,022,605	22,195	947	10,850	591,512	910,046	100,704	283,698
Fund balances:														
Restricted		64,428	112,970	—	—	1,165,512	11,997,732	47,322	36,002	20,726	10,559,710	7,956	48,527	77,092
Unassigned		—	—	(1,173,289)	(67,594)	—	—	—	—	—	—	—	—	—
Total fund balances (deficits)		64,428	112,970	(1,173,289)	(67,594)	1,165,512	11,997,732	47,322	36,002	20,726	10,559,710	7,956	48,527	77,092
Total liabilities, deferred inflows of resources and fund balances	$	79,310	138,911	594,750	2,022,981	1,670,933	14,020,337	69,517	36,949	31,576	11,153,598	918,002	149,231	360,790

Assets		HCA	23rd & Noland Project 1	23rd & Noland Project 2	23rd & Noland Project 3	23rd & Noland Project 4	Independence Square	Little Blue Parkway 1	Little Blue Parkway 3	Marketplace Shopping Center	TIF App Fees	Eliminations	Total
Pooled cash and investments	$	712,679	12,992	2,857	11,732	53,456	100,569	2,653	2,704	15,003	—	—	7,867,697
Receivables:													
Taxes		3,454,452	29,961	3,440	5,121	73,853	64,956	6,300	148,076	—	—	—	9,536,650
Accounts		—	—	—	—	—	—	—	—	—	—	—	378,962
Due from other funds		—	—	—	—	—	—	—	—	—	—	(2,986,710)	—
Due from other governments		5,691	11,056	662	2,809	56,825	2,104	10,706	19,606	—	—	—	1,020,263
Restricted cash and investments		3,688,734	—	—	—	—	—	—	—	—	—	—	17,955,600
Total assets	$	7,861,556	54,009	6,959	19,662	184,134	167,629	19,659	170,386	15,003	—	(2,986,710)	36,759,172
Liabilities, Deferred Inflows of Resources and Fund Balances													
Liabilities:													
Accounts and contracts payable	$	—	—	—	—	—	—	—	—	15,876	—	—	17,012
Due to other funds		—	—	—	—	—	—	—	—	—	362	(2,986,710)	1,240
Total liabilities		—	—	—	—	—	—	—	—	15,876	362	(2,986,710)	18,252
Deferred inflows of resources:													
Unavailable revenue - real estate taxes		3,451,752	26,661	3,440	5,121	53,053	60,956	—	145,806	—	—	—	9,107,856
Total deferred inflows of resources		3,451,752	26,661	3,440	5,121	53,053	60,956	—	145,806	—	—	—	9,107,856
Fund balances:													
Restricted		4,409,804	27,348	3,519	14,541	131,081	106,673	19,659	24,580	—	—	—	28,875,182
Unassigned		—	—	—	—	—	—	—	—	(873)	(362)	—	(1,242,118)
Total fund balances (deficits)		4,409,804	27,348	3,519	14,541	131,081	106,673	19,659	24,580	(873)	(362)	—	27,633,064
Total liabilities, deferred inflows of resources and fund balances	$	7,861,556	54,009	6,959	19,662	184,134	167,629	19,659	170,386	15,003	—	(2,986,710)	36,759,172

CITY OF INDEPENDENCE, MISSOURI

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

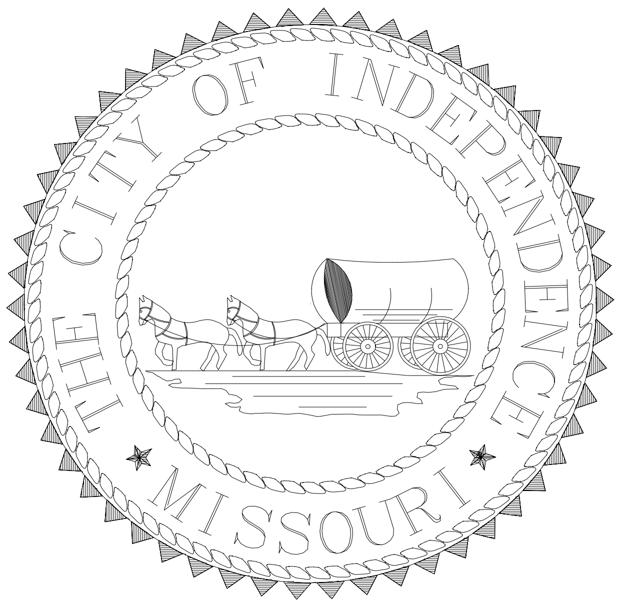
Component Unit - Tax Increment Financing

Year ended June 30, 2016

	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	$ 9,458	279,611	20,312	1,476,062	518,502	4,980,819	35,958	1,916	10,210	1,707,987	346,253	246,207
Investment income	124	84	471	5,163	2,466	126,707	58	56	31	8,111	4,566	36
Developer contributions	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	115,510	—	—	—	—	—	—	1,248,754	—	—
Total revenues	9,582	279,695	136,293	1,481,225	520,968	5,107,526	36,016	1,972	10,241	2,964,852	350,819	246,243
Expenditures:												
Tax increment financing	184	2,715	12,568	33,664	17,562	266,859	713	18	205	71,989	8,684	—
Debt service:												
Principal	30,175	—	155,000	1,285,000	320,000	2,490,000	—	—	—	—	—	42,689
Interest and fiscal agent fees	—	218,000	380,121	430,869	119,244	991,738	—	—	—	3,859,697	346,000	212,311
Debt issuance costs	—	—	—	—	—	—	—	—	—	1,156,904	—	—
Total expenditures	30,359	220,715	547,689	1,749,533	456,806	3,748,597	713	18	205	5,088,590	354,684	255,000
Excess (deficiency) of revenues over expenditures	(20,777)	58,980	(411,396)	(268,308)	64,162	1,358,929	35,303	1,954	10,036	(2,123,738)	(3,865)	(8,757)
Other financing sources:												
Issuance of debt	—	—	—	—	—	—	—	—	—	49,450,000	—	—
Reoffering premium/original issue discount	—	—	—	—	—	—	—	—	—	(1,168,942)	—	—
Payment to refunded loans escrow agent	—	—	—	—	—	—	—	—	—	(47,379,813)	—	—
Transfers in	—	—	336,832	—	—	—	—	—	—	1,674,373	—	—
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources	—	—	336,832	—	—	—	—	—	—	2,575,618	—	—
Net change in fund balances	(20,777)	58,980	(74,564)	(268,308)	64,162	1,358,929	35,303	1,954	10,036	451,880	(3,865)	(8,757)
Fund balances (deficits), beginning	85,205	53,990	(1,098,725)	200,714	1,101,350	10,638,803	12,019	34,048	10,690	10,107,830	11,821	57,284
Fund balances (deficits), ending	$ 64,428	112,970	(1,173,289)	(67,594)	1,165,512	11,997,732	47,322	36,002	20,726	10,559,710	7,956	48,527

Exhibit 32

	Trinity	HCA	23rd & Noland Project 1	23rd & Noland Project 2	23rd & Noland Project 3	23rd & Noland Project 4	Independence Square	Little Blue Parkway 1	Little Blue Parkway 3	Marketplace Shopping Center	TIF App Fees	Total
Revenues:												
Taxes	$ 488,302	3,484,708	82,977	8,434	25,949	367,213	111,678	72,469	127,756	—	—	14,402,781
Investment income	1,257	4,737	25	2	12	233	113	77	113	4	26	154,472
Developer contributions	—	—	—	—	—	17,025	—	—	—	—	—	17,025
Other	—	—	—	—	—	—	—	—	—	15,000	—	1,379,264
Total revenues	489,559	3,489,445	83,002	8,436	25,961	384,471	111,791	72,546	127,869	15,004	26	15,953,542
Expenditures:												
Tax increment financing	8,780	390,135	2,181	92	420	16,376	3,396	1,437	2,147	15,877	2,998	859,000
Debt service:												
Principal	28,734	1,700,000	65,000	—	—	—	—	—	—	—	—	6,116,598
Interest and fiscal agent fees	446,266	1,410,106	—	—	—	—	—	—	—	—	—	8,414,352
Debt issuance costs	—	—	—	—	—	—	—	—	—	—	—	1,156,904
Total expenditures	483,780	3,500,241	67,181	92	420	16,376	3,396	1,437	2,147	15,877	2,998	16,546,854
Excess (deficiency) of revenues over expenditures	5,779	(10,796)	15,821	8,344	25,541	368,095	108,395	71,109	125,722	(873)	(2,972)	(593,312)
Other financing sources:												
Issuance of debt	—	—	—	—	—	—	—	—	—	—	—	49,450,000
Reoffering premium/original issue discount	—	—	—	—	—	—	—	—	—	—	—	(1,168,942)
Payment to refunded loans escrow agent	—	—	—	—	—	—	—	—	—	—	—	(47,379,813)
Transfers in	—	—	—	—	—	—	—	—	—	—	—	2,011,205
Transfers out	—	—	—	—	(11,000)	(325,832)	—	(75,000)	(120,000)	—	—	(531,832)
Total other financing sources	—	—	—	—	(11,000)	(325,832)	—	(75,000)	(120,000)	—	—	2,380,618
Net change in fund balances	5,779	(10,796)	15,821	8,344	14,541	42,263	108,395	(3,891)	5,722	(873)	(2,972)	1,787,306
Fund balances (deficits), beginning	71,313	4,420,600	11,527	(4,825)	—	88,818	(1,722)	23,550	18,858	—	2,610	25,845,758
Fund balances (deficits), ending	$ 77,092	4,409,804	27,348	3,519	14,541	131,081	106,673	19,659	24,580	(873)	(362)	27,633,064


THE CITY OF INDEPENDENCE
MISSOURI

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units on a cost-reimbursement basis.

Central Garage – This fund is used to account for costs of maintenance of the City's fleet of vehicles and mobile equipment and related charges to other departments.

Staywell Health Care – This fund is used to account for the costs of the City's self-insured healthcare plan.

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

Exhibit 33

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

		Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:					
Current assets:					
Pooled cash and investments	$	669,083	6,399,059	3,878,482	10,946,624
Accounts receivable		1,437	96,797	—	98,234
Inventory		152,864	—	—	152,864
Prepaid items		200	—	6	206
Total current assets		823,584	6,495,856	3,878,488	11,197,928
Noncurrent assets:					
Capital assets:					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		211,562	—	—	211,562
Less accumulated depreciation		(188,872)	—	—	(188,872)
Restricted cash and investments		—	—	200,000	200,000
Total noncurrent assets		116,669	—	200,000	316,669
Total assets		940,253	6,495,856	4,078,488	11,514,597
Deferred outflows of resources:					
Pension related amounts		332,227	—	90,708	422,935
Total deferred outflows of resources		332,227	—	90,708	422,935
Total assets & deferred outflows of resources	$	1,272,480	6,495,856	4,169,196	11,937,532
Liabilities:					
Current liabilities:					
Accounts and contracts payable	$	37,304	97,191	53,062	187,557
Accrued liabilities		42,365	—	5,131	47,496
Compensated absences – current		45,653	—	13,730	59,383
Self-insurance claims payable		—	1,758,541	2,013,019	3,771,560
Total current liabilities		125,322	1,855,732	2,084,942	4,065,996
Noncurrent liabilities:					
Compensated absences – long-term		54,481	—	32,049	86,530
Other post employment benefits		773,063	—	66,287	839,350
Net pension liability		560,804	—	168,465	729,269
Self-insurance claims payable		—	—	2,348,462	2,348,462
Total noncurrent liabilities		1,388,348	—	2,615,263	4,003,611
Total liabilities		1,513,670	1,855,732	4,700,205	8,069,607
Deferred inflows of resources:					
Pension related amounts		40,062	—	11,786	51,848
Total deferred inflows of resources		40,062	—	11,786	51,848
Net position:					
Net Investment in capital assets		116,669	—	—	116,669
Restricted for:					
Worker's compensation escrow		—	—	200,000	200,000
Unrestricted		(397,921)	4,640,124	(742,795)	3,499,408
Total net position (deficit)		(281,252)	4,640,124	(542,795)	3,816,077
Total liabilities, deferred inflows of resources and net position	$	1,272,480	6,495,856	4,169,196	11,937,532

Exhibit 34

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2016

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:				
Charges for services	$ 1,849,770	23,153,936	2,561,000	27,564,706
Total operating revenues	1,849,770	23,153,936	2,561,000	27,564,706
Operating expenses:				
Personal services	841,112	—	181,769	1,022,881
Other services	317,921	22,072,397	1,793,119	24,183,437
Supplies	774,478	6,101	2,703	783,282
Depreciation and amortization	4,671	—	—	4,671
Total operating expenses	1,938,182	22,078,498	1,977,591	25,994,271
Operating income (loss)	(88,412)	1,075,438	583,409	1,570,435
Nonoperating revenues:				
Interest revenue	1,017	16,402	7,521	24,940
Miscellaneous revenue	25,449	1,912,049	153,886	2,091,384
Total nonoperating revenue	26,466	1,928,451	161,407	2,116,324
Change in net position	(61,946)	3,003,889	744,816	3,686,759
Total net position:				
Beginning of the year (deficit)	(219,306)	1,636,235	(1,287,611)	129,318
End of the year (deficit)	$ (281,252)	4,640,124	(542,795)	3,816,077

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2016

	Internal Service Funds			
	Central Garage	**Staywell Health Care**	**Workers' Compensation**	**Total (Exhibit 7)**
Cash flows from operations:				
Receipts from customers	$ 1,875,956	25,362,946	2,786,886	30,025,788
Payments to suppliers	(1,188,216)	(22,386,694)	(1,944,346)	(25,519,256)
Payments to employees	(662,600)	—	(153,826)	(816,426)
Net cash provided by operating activities	25,140	2,976,252	688,714	3,690,106
Cash flows from investing activities:				
Interest on investments	1,017	16,402	7,521	24,940
Net cash provided by investing activities	1,017	16,402	7,521	24,940
Net increase in cash and cash equivalents	26,157	2,992,654	696,235	3,715,046
Cash and cash equivalents at beginning of year	642,926	3,406,405	3,382,247	7,431,578
Cash and cash equivalents at end of year	$ 669,083	6,399,059	4,078,482	11,146,624
Components of cash and short-term investments at end of fiscal year				
Unrestricted assets	669,083	6,399,059	3,878,482	10,946,624
Resticted assets	—	—	200,000	200,000
Pooled cash and investments	$ 669,083	6,399,059	4,078,482	11,146,624
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (88,412)	1,075,438	583,409	1,570,435
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,671	—	—	4,671
Miscellaneous revenue	25,449	1,912,049	153,886	2,091,384
Change in assets and liabilities:				
Accounts receivable	737	296,961	72,000	369,698
Inventory	(19,991)	—	—	(19,991)
Prepaid items	(200)	—	(6)	(206)
Accounts and contracts payable	(75,626)	(141,603)	52,909	(164,320)
Accrued liabilities	8,532	(166,593)	1,236	(156,825)
Other post-employment benefits and net pension liability	160,081	—	27,640	187,721
Self-insurance claims payable	—	—	(202,663)	(202,663)
Compensated absences	9,899	—	303	10,202
Total adjustments	113,552	1,900,814	105,305	2,119,671
Net cash provided by operating activities	$ 25,140	2,976,252	688,714	3,690,106

Exhibit 36

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2016

		Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016 (Exhibit 8)
Flexible Benefit Plan:					
Assets:					
Pooled cash and investments	$	115,530	73,045	88,475	100,100
	$	115,530	73,045	88,475	100,100
Liabilities:					
Flexible benefit payable	$	115,530	465,261	480,691	100,100
Susie Block Trust:					
Assets:					
Pooled cash and investments	$	32,334	1,334	1,152	32,516
Accrued interest receivable		490	1,326	1,325	491
	$	32,824	2,660	2,477	33,007
Liabilities:					
Funds held in escrow	$	32,824	1,335	1,152	33,007
Seniors Travel Programs:					
Assets:					
Pooled cash and investments	$	21,165	55,972	53,473	23,664
Liabilities:					
Accounts and contracts payable	$	2,410	46,676	49,086	—
Funds held in escrow		18,755	53,577	48,668	23,664
	$	21,165	100,253	97,754	23,664
All Agency Funds:					
Assets:					
Pooled cash and investments	$	169,029	130,351	143,100	156,280
Accrued interest receivable		490	1,326	1,325	491
	$	169,519	131,677	144,425	156,771
Liabilities:					
Flexible benefit payable	$	115,530	465,261	480,691	100,100
Accounts and contracts payable		2,410	46,676	49,086	—
Funds held in escrow		51,579	54,912	49,820	56,671
	$	169,519	566,849	579,597	156,771

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2016 and 2015

	2016			2015		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			$ 3,297,204			2,582,941
Gas			4,802,869			5,267,007
Oil			183,531			73,740
Total production fuel			8,283,604			7,923,688
Purchased power:						
Purchased energy			16,304,652			19,548,418
Purchased capacity (net)			23,780,567			23,547,992
Border customers			71,571			63,095
Control and dispatching			2,533,442			2,205,955
Total purchased power			42,690,233			45,365,460
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 875,114	810,144	1,685,258	759,819	697,068	1,456,887
Steam	886,878	2,726,468	3,613,345	849,097	2,822,142	3,671,239
Electric	816,584	1,438,618	2,255,202	844,441	253,776	1,098,217
Structures and improvements	—	109,960	109,960	—	519,166	519,166
Allowance	52,581	—	52,581	433	—	433
Miscellaneous	1,433,191	863,998	2,297,189	1,272,734	597,612	1,870,346
	4,064,347	5,949,187	10,013,534	3,726,524	4,889,763	8,616,287
Missouri City Station:						
Supervision and engineering	39,268	24,299	63,567	5,557	4,777	10,334
Steam	323,017	522,170	845,187	242,967	545,506	788,472
Electric	324,654	21,452	346,106	257,623	68,330	325,953
Structures and improvements	208,860	13,462	222,322	—	11,392	11,392
Miscellaneous	—	44,941	44,941	303,821	138,261	442,082
	895,799	626,324	1,522,122	809,968	768,265	1,578,234
Combustion Turbine Station:						
Supervision and engineering	2,737,083	6,902	2,743,985	1,462,047	2,376	1,464,423
Generation expenses	20,940	2,171,769	2,192,710	1,830	405,716	407,545
Structures and improvements	—	2,471	2,471	1,140,625	6,028	1,146,653
Miscellaneous	1,691	131,242	132,932	19,583	193,567	213,150
	2,759,714	2,312,384	5,072,098	2,624,084	607,687	3,231,771
Total production (other)	$ 7,719,860	8,887,895	16,607,755	7,160,577	6,265,716	13,426,293
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 486,165	21,813	507,979	432,673	22,513	455,186
Overhead expenses	34,525	8,970	43,495	3,125	—	3,125
Station expenses	8,575	499,722	508,298	153,861	582,729	736,590
Wheeling charges	6,759,850	—	6,759,850	7,814,657	—	7,814,657
Underground line expense	—	468	468	—	281	281
Miscellaneous	123	—	123	1,763	—	1,763
Total transmission	7,289,239	530,974	7,820,213	8,406,078	605,524	9,011,602

Exhibit 37

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2016 and 2015

		2016			2015	
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Distribution:						
Supervision and engineering	$ 341,121	80,896	422,017	165,718	87,613	253,330
Overhead lines	953,849	4,646,199	5,600,049	1,010,983	3,842,789	4,853,772
Station expenses	7,701	1,184,981	1,192,682	3,850	786,805	790,655
Street lights and traffic signals	243,037	546,914	789,951	212,545	479,322	691,867
Meters	133,652	713,547	847,199	126,223	550,050	676,272
Customer installations	3,912	—	3,912	391	—	391
Underground lines	700,155	825,719	1,525,874	755,650	608,521	1,364,172
Dispatching communication	1,016,890	—	1,016,890	1,011,700	—	1,011,700
Line transformers	—	160,286	160,286	—	137,443	137,443
Miscellaneous	781,305	636,392	1,417,696	820,140	839,925	1,660,065
Total distribution	4,181,622	8,794,934	12,976,556	4,107,201	7,332,467	11,439,668
Total transmission and distribution	$ 11,470,861	9,325,907	20,796,768	12,513,279	7,937,990	20,451,270
Customer service:						
Supervision			$ 207,087			126,862
Meter reading			664,426			571,830
Customer records and collections			2,432,848			2,388,351
Provisions for doubtful accounts			670,618			689,513
Miscellaneous			272,268			386,539
Total customer service			4,247,247			4,163,095
General and administrative:						
Salaries			1,642,103			1,336,277
Office supplies			456,772			996,453
Insurance			1,147,089			1,250,561
Injuries and damage			1,164,849			1,143,182
Employee benefits			12,108,398			11,096,903
Outside services			3,911,393			2,988,467
Miscellaneous			1,469,054			1,325,356
Administrative expenses – transfers			(61,742)			(68,521)
Total general and administrative			21,837,916			20,068,677
Depreciation and amortization			15,643,492			19,604,151
Payroll taxes			1,337,760			1,251,325
Total operating expenses			$ 131,444,775			132,253,959

Exhibit 38

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2016

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**KWH**
Sale of electric energy:				
Metered:				
Residential	51,662	51,911	$ 69,205,535	489,821,904
Small general services	2,991	2,943	4,538,906	26,412,423
General services – space heating	9	9	15,886	125,663
Large general services	1,608	1,617	38,203,808	309,755,947
Large general services – prime voltage	6	6	980,885	8,489,421
Large general services – space heating	15	14	257,395	2,128,995
Total electric general services	112	120	5,789,472	60,322,796
Schools, churches, and hospitals	207	211	1,278,486	9,664,456
Schools, churches, and hospitals, all electric	2	2	2,061	7,294
Education	68	65	2,893,475	24,800,051
Education, all electric	8	8	430,157	4,584,840
Large power services	3	2	1,901,967	19,546,800
Combined interruptible services	2	2	2,510,770	19,546,800
Sewer pumping	6	7	493,384	3,862,113
City traffic signals	64	63	77,480	111,872
Wholesale (border customers)	—	—	213,897	3,170,396
Wholesale (interchange)	—	—	3,084,418	158,897,313
Wholesale (border customers)	56,763	56,980	131,877,984	1,141,249,084
Ur Wholesale (interchange)				
Private security lighting	2,041	1,774	396,357	1,856,470
City Public Street lighting	12,153	12,145	295,375	4,015,037
	14,194	13,919	691,732	5,871,507
Change in unbilled revenue			(1,695,059)	(7,915,366)
Other operating revenue			3,832,569	—
EVTC			40,249	—
Total operating revenue and total energy sales			$ 134,747,475	1,139,205,225
Net generation				286,004,245
Wholesale power purchased				910,482,993
Unintentional interchange				—
Net generation and power purchased				1,196,487,238
Retail energy sales				1,145,980,793
Wholesale (border customers) sales				3,170,396
Power and light usage (building and substations)				1,386,876
Net disposition				1,150,538,065
Transmission and distribution operating losses				45,949,173

Exhibit 39

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2016 and 2015

	2016			2015		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production:						
Source of supply:						
Supervision and engineering	$ 30,287	—	30,287	29,936	—	29,936
Labor and expenses	310,710	—	310,710	318,412	—	318,412
Structures and improvements	—	—	—	—	91	91
Miscellaneous	—	623,195	623,195	—	299,373	299,373
Total source of supply	340,997	623,195	964,192	348,348	299,464	647,812
Power and pumping:						
Supervision and engineering	43,832	22,471	66,303	42,882	26,583	69,465
Fuel/power purchased	2,017,365	—	2,017,365	1,792,336	—	1,792,336
Labor and expenses	252,706	—	252,706	249,600	—	249,600
Structures and improvements	—	17,984	17,984	—	13,322	13,322
Miscellaneous	—	—	—	—	211	211
Total power and pumping	2,313,903	40,455	2,354,358	2,084,818	40,116	2,124,934
Water treatment:						
Supervision and engineering	51,777	21,877	73,654	50,590	20,596	71,186
Chemicals	1,426,872	—	1,426,872	1,230,072	—	1,230,072
Labor and expenses	671,191	—	671,191	649,511	—	649,511
Structures and improvements	—	684,916	684,916	—	84,875	84,875
Miscellaneous	—	286,141	286,141	—	313,698	313,698
Total water treatment	2,149,840	992,934	3,142,774	1,930,173	419,169	2,349,342
Total production	$ 4,804,740	1,656,584	6,461,324	4,363,339	758,749	5,122,088
Transmission and distribution:						
Supervision and engineering	$ 96,544	57,436	153,980	87,570	55,493	143,063
Storage facilities	21,375	40,000	61,375	20,730	51,508	72,238
Transmission and distribution lines	744,007	911,018	1,655,025	729,972	1,024,755	1,754,727
Meters	47,789	68,956	116,745	27,711	84,323	112,034
Customer installations	112,411	—	112,411	88,156	—	88,156
Services	—	171,101	171,101	—	121,340	121,340
Hydrants	—	69,231	69,231	—	91,686	91,686
Miscellaneous	568,432	202,760	771,192	602,778	237,432	840,210
Total transmission and distribution	$ 1,590,558	1,520,502	3,111,060	1,556,917	1,666,537	3,223,454
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 209,183			162,698
Meter reading			1,138,278			1,270,688
Customer records			204,701			311,108
Provision for uncollectible amounts			104,921			192,813
Total customer accounting paid and collecting			1,657,083			1,937,307
Sales promotion:						
Expenses			41,251			43,158
Total customer service			1,698,334			1,980,465
General and administrative:						
Salaries			599,558			564,254
Office supplies and expense			347,842			354,816
Injuries and damages			453,261			451,614
Employee benefits			2,571,775			2,448,300
Outside services			1,262,662			1,115,523
Miscellaneous			321,014			304,434
Total general and administrative			5,556,112			5,238,941
Depreciation and amortization			3,227,141			3,277,777
Payroll taxes			324,281			317,281
Other			65,248			61,126
Total operating expenses			20,443,500			19,221,132
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			1,832,983			1,821,352
			$ 22,276,483			21,042,484

Exhibit 40

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2016

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**MGS***
Sale of water:				
Residential	44,760	44,985	$ 14,272,445	2,739,822
Commercial	3,086	3,088	3,759,332	788,945
Industrial	6	6	694,902	216,786
Public authority	78	81	281,902	58,618
Resale	14	14	9,461,694	4,893,719
Private fire protection	440	441	191,403	—
Public fire protection	—	—	1,488,625	—
	48,384	48,615	30,150,303	8,697,890
Change in unbilled revenue			407,070	
Other operating revenue			301,029	
Total operating revenue			$ 30,858,402	
Thousands of gallons pumped:				
Courtney Bend Plant				9,901,753
Less total sales				8,697,890
Unaccounted for water				1,203,863

* Thousand gallons sold.

Exhibit 41

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2016

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**CCF***
Sale of sanitary sewer services:				
Residential	41,312	41,080	$ 12,121,229	2,479,500
Commercial:				
Base	3,470	3,469	4,794,560	1,523,514
Surcharge	—	—	608,128	—
Contract waste treatment	11	10	346,699	—
Regulatory Compliance	—	—	4,812,381	—
Intermunicipal agreements:				
Sugar Creek	—	—	610,288	—
Kansas City	—	—	128,042	—
	44,793	44,559	23,421,327	4,003,014
Other operating revenue			250,743	
Change in unbilled revenue			71,270	
Total operating revenue			$ 23,743,340	

* Hundred cubic feet.

THE CITY OF INDEPENDENCE

MISSOURI

STATISTICAL DATA

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

THE CITY OF INDEPENDENCE

MISSOURI

STATISTICAL SECTION

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

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

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities											
Net investment in capital assets	$	195,251,671	233,350,380	289,028,019	305,569,028	321,072,648	334,320,197	336,357,164	333,902,700	334,319,837	330,518,564
Restricted		28,164,683	25,270,518	15,475,723	16,889,552	16,275,115	17,220,970	16,853,297	16,931,671	16,335,599	14,823,334
Unrestricted		(3,132,802)	(4,410,121)	(10,487,249)	(23,784,298)	(41,705,135)	(219,659,905)	(231,199,039)	(233,876,307)	(255,063,735)	(259,618,128)
Total governmental activities net position	$	220,283,552	254,210,777	294,016,493	298,674,282	295,642,628	131,881,262	122,011,422	116,958,064	95,591,701	85,723,770
Business-type activities	$										
Net investment in capital assets		267,330,916	285,931,913	281,280,070	279,970,114	272,062,890	262,631,937	251,523,417	240,517,938	230,396,460	238,427,241
Restricted		731,101	5,216,672	3,691,325	3,692,885	6,423,693	14,629,418	15,545,776	16,288,747	16,587,288	17,608,769
Unrestricted		60,010,180	31,311,367	29,929,991	32,197,583	37,479,969	46,597,826	45,095,514	59,212,898	49,598,827	33,115,833
Total business-type activities net position	$	328,072,197	322,459,952	314,901,386	315,860,582	315,966,552	323,859,181	312,164,707	316,019,583	296,582,575	289,151,843
Primary government											
Net investment in capital assets	$	462,582,587	519,282,293	570,308,089	585,539,142	593,135,538	596,952,134	587,880,581	574,420,638	564,716,297	568,945,805
Restricted		28,895,784	30,487,190	19,167,048	20,582,437	22,698,808	31,850,388	32,399,073	33,220,418	32,922,887	32,432,103
Unrestricted		56,877,378	26,901,246	19,442,742	8,413,285	(4,225,166)	(173,062,079)	(186,103,525)	(174,663,409)	(205,464,908)	(226,502,295)
Total primary government net position	$	548,355,749	576,670,729	608,917,879	614,534,864	611,609,180	455,740,443	434,176,129	432,977,647	392,174,276	374,875,613

Note: 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.

Note: In 2015 the City adopted GASB Statement No. 68, which restated beginning net position. For the years prior to 2015, the amounts in this schedule have not been restated.

Table 2

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Administrative services	$ 7,749,779	8,487,120	8,216,824	9,172,736	9,305,826	8,344,371	9,225,738	9,096,123	9,348,081	9,054,549
Public safety	38,253,819	44,390,164	47,972,502	49,861,503	53,067,764	53,836,564	55,139,731	56,859,801	57,226,139	59,265,485
Public works	13,231,006	13,013,430	13,197,612	13,687,890	13,647,390	15,562,839	17,428,294	18,079,671	17,740,128	18,062,959
Health and welfare	2,898,542	3,287,200	3,599,725	3,607,469	3,732,795	3,575,162	3,810,863	3,622,207	3,672,055	3,597,625
Culture and recreation	6,965,260	7,813,486	8,135,903	7,604,501	7,947,692	8,476,301	7,275,087	7,435,735	8,004,845	8,500,729
Community development	4,096,835	4,381,932	4,003,876	4,386,689	7,032,272	5,128,323	5,318,490	6,316,004	4,876,851	4,694,568
Storm water	2,193,290	2,270,858	2,445,470	2,569,381	2,876,073	2,765,629	2,862,544	3,000,734	2,917,670	3,381,187
General government	8,225,760	7,921,217	8,374,983	9,421,062	9,366,479	9,293,399	8,405,914	8,730,105	9,462,575	10,082,656
Tax increment financing	—	—	—	—	—	2,992,581	14,281,820	14,273,775	11,531,889	11,319,659
Debt service component unit	—	—	—	—	7,709,611	—	—	—	—	—
Interest on long-term debt	1,050,153	1,073,318	891,473	640,902	625,778	10,125,399	379,760	252,213	176,912	116,229
Total governmental activities expenses	84,664,444	92,638,725	96,838,368	100,952,133	115,311,680	120,100,568	124,128,241	127,666,368	124,957,145	128,075,646
Business-type activities:										
Power and light	89,265,988	101,665,442	101,097,606	105,486,932	113,956,212	124,533,699	127,959,254	138,801,854	136,825,933	134,873,700
Water	17,723,114	19,131,054	20,250,295	20,324,005	20,239,748	20,563,502	21,886,576	22,140,775	20,921,367	21,913,607
Sewer	12,721,171	14,451,363	15,233,127	15,268,389	16,304,874	16,157,412	18,900,129	19,015,060	21,822,803	23,512,501
Events center	—	179,032	1,888,027	4,862,017	13,764,087	12,869,289	13,091,457	10,859,704	11,218,628	11,734,030
Total business-type activities expenses	119,710,273	135,426,891	138,469,055	145,941,343	164,264,921	174,123,902	181,837,416	190,817,393	190,788,731	192,033,838
Total primary government expenses	$ 204,374,717	228,065,616	235,307,423	246,893,476	279,576,601	294,224,470	305,965,657	318,483,761	315,745,876	320,109,484
Program Revenues										
Governmental activities:										
Charges for services:										
Administrative services	$ 5,696,158	5,905,973	6,247,933	6,276,153	6,453,890	6,676,240	6,611,432	6,904,917	7,526,268	8,026,010
Public safety	4,202,328	4,202,059	4,432,454	4,867,364	4,943,734	4,829,421	4,567,625	5,154,144	5,016,016	4,757,394
Public works	1,338,479	739,643	449,172	462,490	437,032	398,071	362,732	401,793	391,816	376,062
Health and welfare	723,574	791,825	776,194	819,659	732,116	817,774	735,708	758,211	659,329	198,147
Culture and recreation	845,560	925,880	842,523	771,890	796,820	871,799	727,220	613,238	689,980	821,976
Community development	2,292,638	1,949,275	1,172,512	1,242,376	1,167,853	968,438	934,442	1,089,720	1,285,797	1,230,826
Storm water	—	645	—	—	—	—	—	—	—	—
General government	—	—	—	—	—	1,012,898	1,037,506	978,491	999,787	1,263,754
Operating grants and contributions	9,957,178	8,902,787	8,223,227	9,182,959	13,517,593	12,487,041	9,462,570	10,680,433	8,844,808	9,025,480
Capital grants and contributions	23,963,312	27,772,386	41,557,506	11,912,031	12,598,018	14,465,335	3,590,902	3,769,347	1,930,309	575,703
Total governmental activities program revenues	49,019,227	51,190,473	63,701,521	35,534,922	40,647,056	42,527,017	28,030,137	30,350,294	27,344,110	26,275,352
Business-type activities:										
Charges for services:										
Power and light	103,133,249	107,619,947	105,064,847	114,744,814	126,755,826	139,878,341	137,749,295	138,813,984	139,078,098	134,747,475
Water	17,744,404	18,114,183	18,607,799	20,134,421	22,203,258	24,635,637	26,642,646	27,545,623	27,838,244	30,858,398
Sewer	15,058,695	15,283,055	15,347,894	15,263,586	17,061,489	18,233,724	20,231,637	21,471,299	23,545,640	23,743,340
Events center	—	—	—	—	4,874,623	8,370,481	4,345,469	3,359,318	4,273,465	4,461,330
Operating grants and contributions	—	—	—	—	4,813,612	5,000	—	—	—	—
Capital grants and contributions	5,562,049	4,363,127	3,396,999	7,760,380	4,012,182	1,122,019	763,127	2,386,511	1,613,406	1,425,612
Total business-type activities program revenues	141,498,397	145,380,312	142,417,539	157,903,201	179,720,990	192,245,202	189,732,174	193,576,735	196,348,853	195,236,155
Total primary government program revenues	$ 190,517,624	196,570,785	206,119,060	193,438,123	220,368,046	234,772,219	217,762,311	223,927,029	223,692,963	221,511,507

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	$ (35,645,217)	(41,448,252)	(33,136,847)	(65,417,211)	(74,664,624)	(77,573,551)	(96,098,104)	(97,316,074)	(97,613,035)	(101,800,294)
Business-type activities	21,788,124	9,953,421	3,948,484	11,961,858	15,456,069	18,121,300	7,894,758	2,759,342	5,560,122	3,202,317
Total primary government net expense	$ (13,857,093)	(31,494,831)	(29,188,363)	(53,455,353)	(59,208,555)	(59,452,251)	(88,203,346)	(94,556,732)	(92,052,913)	(98,597,977)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 6,952,380	7,067,966	7,963,698	7,276,215	7,458,788	8,652,704	7,618,559	7,993,199	8,546,600	8,485,768
Sales and use taxes	37,728,799	38,086,941	37,353,520	36,021,505	36,030,316	39,836,686	40,689,725	41,142,183	44,459,358	44,683,858
Intergovernmental activity taxes	—	—	—	—	—	9,534,652	9,635,263	10,809,061	8,830,000	10,351,536
Franchise taxes	8,209,734	16,519,852	13,138,965	11,823,113	10,696,214	10,914,940	10,414,823	10,292,488	9,960,928	8,528,741
Financial institutions tax	34,802	31,960	44,195	15,669	28,410	21,646	15,225	19,381	16,523	21,116
Investment earnings	1,785,111	1,476,448	605,453	197,476	138,471	228,812	302,467	302,394	256,159	311,028
Special item - litigation settlement	—	—	—	—	—	—	—	2,203,430	—	—
Miscellaneous	589,469	348,143	438,354	466,775	1,079,391	397,567	1,049,065	695,896	1,960,753	796,842
Payments to component unit	—	—	—	—	—	—	—	—	—	—
Transfers	13,180,055	14,181,015	13,398,378	14,274,247	16,201,380	17,329,950	18,232,349	18,804,684	18,676,005	18,753,474
Total governmental activities	68,480,350	77,712,325	72,942,563	70,075,000	71,632,970	86,916,957	87,957,476	92,262,716	92,706,326	91,932,363
Business-type activities:										
Sales and use taxes	—	—	—	—	—	—	5,291,682	5,397,059	5,600,076	5,741,439
Investment earnings	2,532,853	1,850,519	485,895	69,869	171,413	28,936	66,215	45,754	32,746	176,436
Special item - litigation settlement	—	—	—	—	—	—	—	12,796,570	—	—
Miscellaneous	47,953	37,982	1,405,433	609,962	679,868	2,212,916	557,965	1,660,835	1,456,086	2,202,550
Transfers	(13,180,055)	(14,181,015)	(13,398,378)	(14,274,247)	(16,201,380)	(17,329,950)	(18,232,349)	(18,804,684)	(18,676,005)	(18,753,474)
Total business-type activities	(10,599,249)	(12,292,514)	(11,507,050)	(13,594,416)	(15,350,099)	(15,088,098)	(12,316,487)	1,095,534	(11,587,097)	(10,633,049)
Total primary government	$ 57,881,101	65,419,811	61,435,513	56,480,584	56,282,871	71,828,859	75,640,989	93,358,250	81,119,229	81,299,314
Changes in Net Position										
Governmental activities	$ 32,835,133	36,264,073	39,805,716	4,657,789	(3,031,654)	9,343,406	(8,140,628)	(5,053,358)	(4,906,709)	(9,867,931)
Business-type activities	11,188,875	(2,339,093)	(7,558,566)	(1,632,558)	105,970	3,033,202	(4,421,729)	3,854,876	(6,026,975)	(7,430,732)
Total primary government	$ 44,024,008	33,924,980	32,247,150	3,025,231	(2,925,684)	12,376,608	(12,562,357)	(1,198,482)	(10,933,684)	(17,298,663)

Note: 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.

Note: In 2015 the City adopted GASB Statement No. 68, which restated beginning net position. For the years prior to 2015, the amounts in this schedule have not been restated.

Table 3

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

	Fiscal Year		
	2007	2008	2009
General Fund			
Reserved	$ 2,200,693	1,265,717	1,319,086
Unreserved	4,534,005	8,062,100	5,739,682
Total General Fund	$ 6,734,698	9,327,817	7,058,768
All other governmental funds			
Reserved	$ 10,928,435	41,091,787	19,583,280
Unreserved, reported in:			
Special revenue funds	17,620,241	12,648,957	5,357,555
Capital project funds	(1,859,546)	(29,245,744)	(10,675,562)
Debt service funds	82,229	71,068	56,553
Permanent funds	9,670	—	—
Total all other governmental funds	$ 26,781,029	24,566,068	14,321,826

	2010	2011	2012	2013	2014	2015	2016
General Fund							
Nonspendable	$ —	—	—	—	14,141	—	11,424
Restricted	236,365	442,556	584,917	417,361	402,899	142,966	273,164
Committed	2,277,479	1,413,292	453,285	391,399	437,083	471,606	348,001
Assigned	662,881	667,065	593,561	464,633	398,283	1,300,973	1,336,086
Unassigned	2,012,374	2,302,039	1,831,406	600,662	3,591,990	3,741,675	3,684,710
	$ 5,189,099	4,824,952	3,463,169	1,874,055	4,844,396	5,657,220	5,653,385
All other governmental funds							
Nonspendable	$ —	—	—	480,253	—	—	665
Restricted	17,329,836	16,659,329	44,378,155	43,513,724	44,679,472	43,356,113	42,864,399
Committed	440,243	437,150	1,404,187	451,142	204,117	164,507	41,772
Unassigned	(5,118,794)	(5,369,883)	(6,237,737)	(6,951,949)	(6,167,243)	(5,796,859)	(2,929,573)
	$ 12,651,285	11,726,596	39,544,605	37,493,170	38,716,346	37,723,761	39,977,263

Note: 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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	$ 52,890,913	58,474,761	55,131,682	55,953,427	59,053,886	68,437,032	68,799,104	70,380,577	71,412,311	71,815,835
Licenses, fees and permits	5,472,192	4,642,719	3,695,971	3,483,767	3,426,859	3,319,496	3,255,877	3,464,631	3,785,532	3,802,218
Intergovernmental	16,534,433	10,862,317	19,131,915	16,921,164	24,785,082	24,127,728	12,724,286	13,672,530	10,337,589	9,174,995
Charges for services	2,587,783	2,784,144	2,774,284	2,759,317	3,015,294	3,095,040	2,966,943	2,699,813	2,905,601	3,273,899
Interfund charges for support services	3,105,514	3,222,406	3,389,629	3,580,384	3,743,875	3,791,444	3,835,972	3,987,029	4,544,233	4,913,709
Fines, forfeitures, and court costs	3,900,967	3,724,608	4,009,673	4,510,754	4,398,111	4,329,537	4,061,879	4,790,383	4,652,309	4,214,064
Investment earnings	1,588,358	1,197,790	495,337	165,939	124,223	214,584	287,686	259,908	250,763	286,088
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	35,000	17,025
Other	799,580	740,435	924,092	816,818	1,115,938	2,355,665	2,263,964	2,281,201	2,042,419	2,382,870
Total revenues	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792	110,503,075	98,433,816	101,786,072	99,965,757	99,880,703
Expenditures										
Administrative services	7,592,963	7,460,421	7,728,128	7,867,425	7,862,603	7,332,146	6,997,537	7,547,357	7,640,238	7,576,728
Public safety	39,693,647	40,950,718	40,956,235	45,150,437	48,037,112	45,457,931	46,169,791	49,093,577	49,529,374	50,513,184
Public works	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868	5,191,326	5,645,470	5,899,660	5,386,719	4,693,660
Health and welfare	2,835,949	2,875,392	3,150,172	3,226,705	3,277,614	3,055,362	3,362,706	3,322,766	3,206,732	3,130,183
Culture and recreation	5,098,826	5,800,784	5,942,029	6,160,686	5,995,558	6,205,463	5,694,462	5,747,828	5,793,101	5,888,760
Community development	4,182,354	4,090,318	3,657,531	4,119,818	6,730,888	4,877,604	5,029,870	6,007,452	4,460,559	4,303,735
Storm water	1,538,857	1,388,856	1,542,289	1,668,148	1,772,387	1,581,460	1,532,184	1,686,782	1,629,842	1,769,844
General government	7,582,224	7,612,540	7,486,977	8,541,586	8,507,142	8,343,550	7,461,577	7,688,526	8,622,570	8,921,005
Tax increment financing	—	—	—	—	—	2,992,581	2,578,489	2,886,495	1,290,274	859,000
Capital outlay	31,736,638	28,561,029	42,442,528	26,346,981	22,527,627	24,697,928	15,475,351	12,296,360	14,159,976	13,890,964
Debt Service										
Principal	3,256,394	3,378,132	7,277,755	3,465,682	2,963,391	12,935,067	12,223,792	7,614,702	8,513,930	6,833,988
Debt service component unit	—	—	—	—	3,566,752	—	—	—	—	—
Interest	1,001,306	1,114,072	977,116	814,620	600,864	10,283,032	9,505,756	8,844,986	9,243,134	8,541,494
Debt issuance costs	—	—	—	—	—	258,358	1,059,129	201,254	240,698	1,156,904
Total expenditures	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806	133,211,808	122,736,114	118,837,745	119,717,147	118,079,449
Excess of revenues over (under) expenditures	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)	(17,757,014)	(22,708,733)	(24,302,298)	(17,051,673)	(19,751,390)	(18,198,746)
Other Financing Sources (Uses)										
Transfers in	2,102,299	1,266,294	3,897,938	3,069,619	2,499,761	8,446,498	9,771,846	2,630,331	2,119,880	2,964,941
Transfers out	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)	(2,461,566)	(8,446,498)	(9,560,573)	(1,969,709)	(1,857,265)	(2,726,803)
Issuance of debt	8,477,809	100,695	101,734	4,020,000	—	8,694,700	40,855,000	6,981,126	8,770,000	50,074,897
Premiums/Discounts on debt issued	—	—	—	18,402	—	(99,950)	(14,334)	74,056	(99,693)	(1,168,942)
Payment to refunded loans escrow agent	—	—	—	—	—	(6,426,286)	(38,713,690)	(6,982,279)	(7,887,707)	(47,379,813)
Transfers in - utility payments in lieu of taxes	13,039,463	13,702,586	13,503,735	14,225,247	16,211,380	17,329,950	18,021,077	18,144,063	18,413,389	18,515,336
Sale of capital assets	50,834	23,581	40,269	38,572	218,603	100,901	302,423	164,172	113,025	168,797
Total other financing sources (uses)	21,708,698	13,721,505	13,540,381	18,351,221	16,468,178	19,599,315	20,661,749	19,041,760	19,571,629	20,448,413
Special items:										
Litigation settlement	—	—	—	—	—	—	—	2,203,430	—	—
Net change in fund balances	$ 399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)	(3,109,418)	(3,640,549)	4,193,517	(179,761)	2,249,667
Debt service as a percentage of non capital expenditures	5.42%	5.63%	9.75%	5.04%	3.83%	21.55%	20.60%	15.90%	17.45%	15.03%

Note: 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:		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Apparel stores	$	126,307	132,957	125,832	124,168	103,406	109,372	100,727	105,579	92,839	93,001
General merchandise		436,832	430,331	434,782	408,200	388,061	424,435	431,720	433,166	447,692	433,583
Food stores		173,595	170,099	178,747	179,031	166,018	177,019	167,729	165,814	187,945	192,720
Eating and drinking establishments		190,478	194,970	201,085	211,739	207,363	220,458	220,621	223,733	239,711	252,009
Home furnishings and appliances		84,366	80,420	72,902	67,124	54,274	55,222	49,381	45,410	43,012	43,858
Building materials and farm tools		25,578	22,720	19,998	17,213	16,937	14,753	17,949	17,133	19,654	19,840
Construction/Remodeling		2,040	4,724	3,415	3,596	3,317	4,383	3,356	2,919	2,716	2,496
Auto dealers and supplies		33,865	35,314	38,260	36,967	41,703	39,526	37,625	38,257	40,621	32,234
Service stations		61,586	62,430	65,741	68,633	70,891	75,773	81,702	74,396	83,447	88,123
Other retail stores		227,864	222,237	245,406	233,860	219,787	236,382	222,049	228,625	226,899	242,964
All other outlets		121,081	119,236	113,711	119,813	118,046	123,443	128,081	116,758	119,810	125,626
Total	$	1,483,592	1,475,438	1,499,879	1,470,344	1,389,803	1,480,766	1,460,940	1,451,790	1,504,346	1,526,454

Note: Amounts for 2016 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	0.500	0.500	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	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.250	0.250	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	2.250	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	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375

Total Local Option Sales Tax Rate	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	1.125	1.125	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	0.125	0.125	0.125	0.125	0.125
City of Independence	2.250	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	7.725	7.725	7.725	7.725	7.725	7.850	7.850	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: Residential Property	Real Property: Agricultural Property	Real Property: Commercial Property	Real Property: State Assessed	Real Property: Total	Other Property: Personal Property	Other Property: Railroads & Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
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%
2015	779,384,690	1,138,682	232,114,740	5,387,691	1,018,025,803	244,122,675	2,857,999	1,265,006,477	0.7393	5,595,741,171	22.61%
2016	814,095,793	1,227,696	242,938,873	5,523,260	1,063,785,622	248,605,246	2,771,990	1,315,162,858	0.7165	5,826,614,435	22.57%

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

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

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

Table 8

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

		City Direct Rates				Overlapping Rates			
Fiscal Year ending (June 30)	Taxing Year	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
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
2015	2014	0.5026	0.2367	—	0.7393	0.2374	5.700	1.0317	0.030
2016	2015	0.4871	0.2294	—	0.7165	0.2343	5.913	1.0038	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	0.1442
General Fund	0.1356
Road & Bridge Fund	0.1319
Park Fund	0.0839
Mid-Continent Public Library	0.3146
Developmentally Disabled	0.0738
Mental Health	0.1198
Total County	1.0038

(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	5.7000
Blue Springs Reorganized #4	5.7286
Kansas City School District	4.9599

Table 9

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

	2016			2007		
Taxpayer	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	$ 27,649,830	1	2.10%	$ 19,238,350	1	1.37%
Cole DDR Mt Independence LLC	12,556,958	2	0.95%			
Space Center of Kansas City	6,283,301	3	0.48%	8,846,690	3	0.63%
Southern Union Company	5,953,893	4	0.45%	4,257,589	9	0.30%
Comcast Cablevision	5,384,210	5	0.41%			
Mansion Apartment	4,925,942	6	0.37%	3,321,200	10	
Sprint	4,732,041	7	0.36%	5,607,925	4	0.40%
Walmart	4,270,143	8	0.32%			
A T & T	4,270,063	9	0.32%			
Independence Station Inc	3,331,913	10	0.25%			
DDR MDT Indpendence Commons				9,611,830	2	0.69%
Bradley Operating LTD PTP				5,499,410	5	0.39%
Burd & Fletcher				5,157,954	6	0.37%
Noland Fashion Square Partners				5,103,999	7	0.36%
Unilever Best Foods				4,751,475	8	0.34%
Total	$ 79,358,294		6.03%	$ 71,396,422		4.86%

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
2007	$ 6,905,547	$ 6,557,341	94.96%	$ 345,002	$ 6,902,343	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%	485,124	7,292,326	100.07%
2010	7,232,424	6,883,318	95.17%	325,426	7,208,743	99.67%
2011	7,493,616	7,145,073	95.35%	312,480	7,457,553	99.52%
2012	7,495,895	6,971,357	93.00%	365,754	7,337,111	97.88%
2013	7,402,402	7,065,183	95.44%	302,549	7,367,732	99.53%
2014	7,625,313	7,145,159	93.70%	299,779	7,444,938	97.63%
2015	7,468,109	7,164,660	95.94%	162,126	7,326,787	98.11%
2016	7,633,251	7,182,858	94.10%	—	7,182,858	94.10%

Source: City of Independence

Table 11

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

Sales by Category:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Power and Light:										
Residential	$ 53,326,000	55,218,000	52,555,000	56,500,000	64,723,000	71,334,000	71,667,000	72,259,000	70,622,000	68,081,000
Commercial	43,673,000	44,708,000	45,171,000	48,273,000	52,003,000	58,366,000	56,044,000	56,809,000	58,251,000	54,249,000
Industrial	2,891,000	2,999,000	2,904,000	3,085,000	3,292,000	4,462,000	4,839,000	4,867,000	4,727,000	4,187,000
Sold to Other Utilities	796,000	2,081,000	1,765,000	4,039,000	3,077,000	1,909,000	2,380,000	2,254,000	2,369,000	3,298,000
Other	1,214,000	1,328,000	1,434,000	1,621,000	1,551,000	1,644,000	606,000	599,000	493,000	367,000
Water:										
Residential	8,657,593	8,994,600	9,037,744	9,403,985	10,726,567	11,699,971	13,080,814	13,052,557	13,147,584	14,272,445
Commercial	2,347,234	2,458,013	2,450,246	2,404,953	2,835,271	3,325,167	3,847,161	3,555,507	3,491,458	3,759,332
Industrial	367,863	308,642	300,577	407,313	450,156	479,477	547,930	769,857	605,223	694,902
Public Authority	228,957	267,428	281,615	297,218	263,137	256,730	270,391	262,012	318,503	281,902
Sold to Other Utilities	5,232,779	5,023,444	4,930,608	6,302,495	6,659,302	7,153,628	7,714,290	8,136,297	8,322,743	9,461,694
Other	1,060,453	1,081,606	1,344,666	1,217,907	1,245,524	1,289,923	1,531,318	1,760,366	1,845,426	1,981,057
Sanitary Sewer:										
Residential	9,584,113	9,854,124	9,841,314	9,733,214	9,873,906	10,460,524	10,601,887	11,329,939	11,545,538	12,121,229
Commercial	4,585,890	4,559,524	4,560,728	4,569,721	4,841,546	5,099,839	5,288,864	5,755,295	5,875,596	5,402,688
Other	854,930	881,836	906,142	897,895	2,443,875	2,628,416	4,340,296	4,295,186	6,073,994	6,148,154
Total	$ 134,819,812	139,763,217	137,482,640	148,752,701	163,985,284	180,108,675	182,758,951	185,705,016	187,688,065	184,305,403

Source: City of Independence

Table 12

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

Rates by Category:		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Power and Light (per Kwh):	$										
Residential		0.10	0.10	0.10	0.11	0.12	0.14	0.14	0.14	0.14	0.14
Commercial		0.09	0.09	0.09	0.10	0.10	0.12	0.12	0.12	0.13	0.12
Industrial		0.06	0.07	0.07	0.07	0.08	0.09	0.09	0.09	0.09	0.08
Sold to Other Utilities		0.04	0.05	0.03	0.03	0.03	0.02	0.03	0.04	0.03	0.02
Other		0.13	0.14	0.15	0.16	0.15	0.15	0.06	0.10	0.12	0.09
Water (per 1,000 gallons):											
Residential		2.63	2.80	3.06	3.35	3.61	3.91	4.14	4.49	4.89	5.21
Commercial		2.41	2.52	2.78	3.08	3.33	3.59	3.82	4.10	4.44	4.77
Industrial		1.34	1.44	1.73	1.97	2.23	2.25	2.29	2.42	2.75	3.21
Public Authority		2.42	2.58	2.86	3.11	3.34	3.67	3.89	4.16	4.36	4.81
Sold to Other Utilities		1.10	1.03	1.10	1.23	1.35	1.46	1.57	1.69	1.80	1.93
Sanitary Sewer (per 100 cubic feet):											
Residential		3.18	3.35	3.50	3.40	3.62	3.90	4.16	4.31	4.49	4.89
Commercial		2.64	2.68	2.69	3.08	3.09	3.42	3.09	3.81	3.74	3.55
Total	$	16.13	16.84	18.16	19.70	21.05	22.73	23.39	25.49	26.98	28.81

Source: City of Independence

Table 13

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

Utility Customer - Power and Light	2016 Total Sales	2016 Rank	2016 Percentage of Total Sales	2007 Total Sales	2007 Rank	2007 Percentage of Total Sales
Centerpoint Medical Center	1,762,306	1	1.35%			
Unilever (Thomas J. Lipton Co)	1,498,222	2	1.15%	1,436,959	1	1.41%
Burd and Fletcher (5151 Geospace)	1,064,545	3	0.82%	777,816	2	0.76%
Smart Warehouse/Commercial Distributions Center	957,222	4	0.74%	960,920	4	0.94%
Simon Property Group LP	934,290	5	0.72%	1,016,115	3	1.00%
HCP MOB Centerpoint (Boyer Company)	646,898	6	0.50%			
City's Rock Creek Sanitary Sewer Plant	631,750	7	0.49%	391,850	9	0.38%
Costco Wholesales Inc.	562,693	8	0.43%	387,244	10	0.38%
Independence Events Center	517,731	9	0.40%			
Price Chopper (Noland Road)	434,335	10	0.33%	469,382	5	0.46%
Price Chopper (23rd Street)	—		0.00%	440,434	7	0.43%
Independence Regional Health Center	—		0.00%	463,120	6	0.45%
Burd and Fletcher (3000 Geospace)	—		0.00%	404,119	8	0.40%
Total	$ 9,009,992		6.92%	$ 6,747,959		6.62%

Source: City of Independence

Table 14

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

	2016			2007		
Utility Customer - Water	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	$ 5,099,910	1	16.75%	$ 2,938,404	1	16.42%
Blue Springs	1,419,284	2	4.66%	1,368,662	2	7.65%
District #2, Jackson County	841,936	3	2.76%	313,931	4	1.75%
District #1, Lafayette County	455,002	4	1.49%	321,207	3	1.79%
Audubon (Lafarge) Corporation	385,549	5	1.27%	153,429	8	0.86%
Oak Grove	382,392	6	1.26%	305,270	5	1.71%
Grain Valley	335,536	7	1.10%	219,137	6	1.22%
District #15, Jackson County	305,070	8	1.00%	167,758	7	0.94%
District #16, Jackson County	207,876	9	0.68%			
Buckner	187,681	10	0.62%	141,431	9	0.79%
Unilever (Thomas J. Lipton Co)				130,447	10	0.73%
Total	$ 9,620,236		31.59%	$ 6,059,676		33.86%

Source: City of Independence

Table 15

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

Utility Customer - Sewer	2016 Total Sales	2016 Rank	2016 Percentage of Total Sales	2007 Total Sales	2007 Rank	2007 Percentage of Total Sales
BP/AMOCO	$ 310,172	1	1.31%	$ 166,465	2	1.11%
Unilever (Thomas J. Lipton Co)	185,909	2	0.79%	469,393	1	3.12%
City of Independence, Power & Light	165,798	3	0.70%	165,058	3	1.10%
Space Center of KC	59,902	4	0.25%			
Centerpoint Medical Center	59,351	5	0.25%			
Simon Property Group LP	52,166	6	0.22%	36,923	5	0.25%
Midwest Ferrelwood MHP	46,975	7	0.20%			
Highland Park Investors	43,720	8	0.18%			
Smart Warehouse/Commercial Distributions Center	28,609	9	0.12%	28,110	6	0.19%
Price Chopper (23rd Street)	20,566	10	0.09%	7,712	10	0.05%
Independence Regional Health Center				44,169	4	0.29%
Medical Center of Independence				21,676	7	0.14%
Price Chopper (Noland)				17,350	8	0.12%
Community of Christ				8,130	9	0.05%
Total	$ 973,168		4.11%	$ 964,986		6.42%

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
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	(2)	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	—
2015		162,434,005	378,531	1,036,529	—
2016		159,223,920	298,586	1,484,037	—

Fiscal Year	Business-Type Activities						
	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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
2015	354,386,824	—	—	—	518,235,889	18.75%	4,410.74
2016	344,168,539	—	—	—	505,175,082	17.72%	4,308.35

Notes:

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

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

Table 17

City of Independence, Missouri

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Less Amounts Available in Debt Service	General Bonded Debt Outstanding: Total	Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
2007	$ —	$ —	$ —	0.00%	$ —
2008	—	—	—	0.00%	—
2009	—	—	—	0.00%	—
2010	—	—	—	0.00%	—
2011	—	—	—	0.00%	—
2012	—	—	—	0.00%	—
2013	—	—	—	0.00%	—
2014	—	—	—	0.00%	—
2014	—	—	—	0.00%	—
2015	—	—	—	0.00%	—
2016	—	—	—	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, 2016

Governmental Unit		Debt Outstanding	Estimated Percentage Applicable		Estimated Share of Overlapping Debt
Debt repaid with property taxes					
Independence School District	$	161,865,449	93.31%	$	151,036,650
Fort Osage Reorganized #1 School District		56,127,610	12.50%		7,015,951
Blue Springs Reorganized #4 School District		121,465,000	5.20%		6,316,180
Raytown School District		78,369,855	8.42%		6,598,742
Subtotal, overlapping debt					170,967,524
City direct debt					161,006,543
Total direct and overlapping debt				$	331,974,067

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit (1)	$ 280,122,203	282,386,511	282,386,511	259,768,195	257,431,508	255,846,718	255,830,677	256,165,576	253,001,295	263,032,572
Total net debt applicable to limit	840,870	790,240	790,240	650,505	585,340	515,768	455,018	368,810	290,306	197,697
Legal Debt Margin	$ 279,281,333	281,596,271	281,596,271	259,117,690	256,846,168	255,330,950	255,375,659	255,796,766	252,710,989	262,834,875
Total net debt applicable to the limit as a percentage of debt limit	0.300%	0.280%	0.280%	0.250%	0.227%	0.202%	0.178%	0.144%	0.115%	0.075%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Value	$ 1,315,162,858
Debt Limit (20% of assessed value)	263,032,572
General obligation:	
City-Wide	—
Neighborhood Improvement Districts	298,586
Revenue Bonds	344,168,539
Total Bonded Debt	344,467,125
Less:	
Electric Utility Bonds	124,408,231
Water Utility Bonds	30,465,920
Sewer Utility Bonds	99,576,730
Events Center Bonds	89,717,658
Debt Service Fund Balance	100,889
Total net debt applicable to limit	197,697
Legal debt margin	$ 262,834,875

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

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

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

Table 20

City of Independence, Missouri

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service Principal	Debt Service Interest (2)	Coverage
Power & Light (2)						
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
2015	139,687,551	107,899,251	31,788,300	3,265,000	5,670,556	3.56
2016	135,479,674	110,381,924	25,097,750	3,395,000	5,539,957	2.81
Water (2)						
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	21,979,071	14,628,914	7,350,157	2,525,000	2,495,816	1.46
2011	24,133,141	15,051,480	9,081,661	2,790,000	2,263,273	1.80
2012	26,383,701	15,282,735	11,100,966	2,965,000	2,150,678	2.17
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
2015	29,739,720	16,376,953	13,362,767	4,230,000	1,281,338	2.42
2016	32,783,397	17,560,790	15,222,607	4,260,000	1,206,338	2.78
Sanitary Sewer						
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
2015	23,586,443	14,891,692	8,694,751	1,015,000	3,979,597	1.74
2016	24,292,174	15,786,512	8,505,662	1,535,000	4,373,881	1.44

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, net pension expense (GASB 68), 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)
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%
2014	117,494	2,763,928,856	23,524	41.80	24,304	6.70%
2015	117,255	2,850,820,815	24,313	38.60	25,173	5.60%

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

	2016			2007		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Independence School District	2,200	1	3.86%	1,800	2	3.17%
Orbital ATK (Lake City)	1,722	2	3.02%	2,250	1	3.96%
Centerpoint Medical Center	1,400	3	2.45%			
City of Independence	1,097	4	1.92%	1,176	3	2.07%
Government Employee Health Association	743	5	1.30%	550	6	0.97%
Rosewood Health Center at the Groves	444	6	0.78%	400	7	0.70%
Burd & Fletcher	274	7	0.48%	350	8	0.62%
Jackson County Circuit Court	274	8	0.48%	274	10	0.48%
Cable Dahmer Automotive	271	9	0.47%			
Unilever	260	10	0.46%	330	9	0.58%
Mid-Continent Library						
Independence Regional Health Center				1,035	4	1.82%
Medical Center of Independence				565	5	0.99%
Total	8,685		14.67%	8,730		15.36%

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00
City manager	10.50	10.50	10.50	9.50	9.50	7.00	7.00	7.00	7.00	7.00
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.00	—
Technology services	21.00	21.00	21.00	21.00	21.00	22.00	22.00	22.00	23.00	24.00
Municipal court	13.00	14.00	14.00	14.00	14.00	14.00	14.67	14.65	14.65	14.65
Law - General fund	6.75	6.51	6.50	6.50	6.00	6.25	6.25	6.25	6.23	6.23
Law - Grant fund	0.50	0.37	0.25	0.25	0.25	0.25	0.25	0.25	0.28	0.28
Finance	26.00	25.00	24.15	24.15	24.15	22.65	22.65	22.65	22.15	22.15
Human resources	7.50	7.50	7.50	7.50	6.50	6.50	6.44	7.44	6.75	6.75
Public Safety										
Police - General fund	281.50	283.00	290.40	290.40	292.90	274.65	276.91	291.91	296.91	296.91
Police - Grant fund	10.00	14.00	15.00	15.00	13.00	14.00	13.00	13.00	7.00	7.00
Fire - General fund	173.25	173.25	173.25	173.25	173.25	173.25	173.25	169.25	169.75	173.75
Fire - Grant fund	0.75	0.75	0.75	0.75	0.75	0.75	0.75	4.75	5.25	1.25
Public Works										
General Fund	83.00	82.00	82.00	82.00	83.00	79.90	79.90	80.27	80.27	80.27
Street Sales Tax Fund	—	—	—	—	—	—	3.00	3.00	3.00	3.00
Health and Welfare										
General fund	34.25	35.25	35.25	35.25	36.00	35.16	40.20	29.33	28.56	28.56
Grant fund	7.70	6.25	7.10	5.35	4.95	8.65	7.65	9.06	6.86	7.13
Culture and Recreation										
General fund	35.53	32.65	32.65	33.46	31.71	28.71	30.15	27.85	27.10	27.10
Tourism fund	4.41	4.41	4.41	4.41	4.41	4.66	4.66	5.66	8.18	14.18
Park Improvement Sales Tax fund	17.12	25.29	25.29	23.98	22.48	21.75	20.75	24.70	26.61	26.61
Community Development										
General fund	25.75	26.64	26.05	27.55	27.05	27.30	27.30	27.30	28.68	28.68
Community Dev Block Grant fund	2.50	2.11	2.70	2.00	2.00	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	—	—	—	—	—
Storm Water Sales Tax fund	8.00	8.00	8.00	8.00	8.00	13.00	13.00	13.00	13.00	13.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
Power and Light	220.00	220.00	217.00	218.00	222.00	233.00	236.00	238.00	239.00	239.00
Water										
Finance - General fund	0.17	0.15	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Water	97.48	98.50	101.65	101.65	101.65	93.65	93.42	92.42	93.42	93.42
Sewer										
Public Works - General fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	73.20
Central Garage fund	9.00	10.00	10.00	9.75	9.75	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	2.00	2.00
Total	1,195.66	1,208.88	1,218.00	1,216.30	1,216.90	1,196.93	1,209.05	1,220.59	1,223.75	1,229.22

Source: City of Independence Budget

Table 24

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Police Incident Calls	126,301	122,667	125,899	126,087	100,096	98,282	112,197	90,403	105,840	99,355
Traffic Unit Citations Issued	30,984	31,241	31,969	38,465	19,082	19,977	33,234	40,761	36,864	37,921
Fire										
Total Alarms	13,354	13,130	15,374	16,081	16,931	16,907	17,126	16,929	18,737	20,175
Public Education Audience	18,502	18,830	10,291	38,133	35,243	19,508	26,099	25,591	14,787	6,692
Public Works										
Street Overlay (lane miles)	26	—	53	63	16	35	32	39	49	69
Street Patching Jobs	3,897	6,822	3,168	6,163	7,181	5,069	4,319	7,718	7,561	4,319
Health and Welfare										
Food Handlers Trained	8,663	10,112	8,850	9,333	7,036	6,582	5,863	5,187	5,712	4,845
Flu Shots Given	1,118	764	789	7,369	661	422	—	—	3,200	2,434
Animal Control Service Calls	8,415	6,641	9,314	9,489	6,957	7,499	6,343	6,255	5,452	5,008
Culture and Recreation										
Park Shelter Reservations	457	646	872	715	730	524	579	657	698	652
Number of Sermon Center Memberships	1,095	1,500	1,323	1,574	1,577	1,577	1,671	1,332	1,618	2,065
Community Development										
Permits Issued	4,048	4,100	3,782	3,246	4,538	3,177	2,728	3,049	3,155	3,002
Tourism										
Site Attendance	260,342	244,524	230,483	222,104	287,466	374,525	130,249	293,772	409,320	299,457
Leisure Visitor Inquiries	34,116	35,446	33,392	39,925	38,828	50,517	37,126	31,282	33,117	32,198
National Frontiers Trails Museum										
Number of visitors to museum	14,621	15,095	14,900	16,691	15,126	14,123	12,932	13,470	13,532	14,645
Power and Light										
Average number of monthly customers	56,562	56,790	56,656	56,585	56,458	56,292	56,297	56,474	56,709	56,908
Water										
Number of customers	48,358	48,350	48,318	47,822	48,089	48,145	48,121	48,253	48,384	48,615
Water main breaks	271	179	171	202	267	249	402	318	227	184
Sewer										
Number of customers	44,351	44,210	44,279	44,232	44,078	44,085	44,062	44,166	44,793	44,559
Wastewater Treated (Million Gallons)	2,348	2,701	3,080	3,249	2,515	2,261	2,361	2,124	2,558	3,229

Source: City of Independence

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

	Fiscal Year									
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Police stations	4	4	4	5	4	3	5	5	5	3
Vehicles	203	206	201	215	166	180	191	191	194	185
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	1	1
Vehicles	45	42	45	48	47	45	44	45	46	45
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	550	564	547	557	565	565	560	560	560	578
Culture and Recreation										
Park acreage	826	728	728	781	730	843	843	887	887	843
Parks	44	42	42	45	43	45	46	42	43	46
Community Centers	3	3	3	3	3	4	3	3	3	3
Fitness Centers	2	2	2	2	2	2	2	3	3	2
Ball Fields	53	54	54	57	54	42	45	44	44	44
Power and Light										
Power stations	5	5	5	5	5	6	6	6	6	6
Transmission/Distribution Circuits (miles)	829	835	840	844	847	859	853	869	870	888
Maximum daily use (Mwh)	5,865	5,579	5,472	4,909	5,456	5,780	5,654	4,818	4,754	4,983
Water										
Water mains (miles)	736	741	742	746	750	757	758	759	760	760
Fire hydrants	4,520	4,635	4,679	4,728	4,787	4,854	4,875	4,910	4,933	4,950
Maximum daily pumpage (millions of gallons)	44	39	38	35	42	42	47	40	37	39
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	590	578	596	597	596	614	614	614	614	616
Maximum daily capacity of treatment (MGD)	18	16	18	18	18	16	16	32	32	32

Source: City of Independence

THE CITY OF INDEPENDENCE

MISSOURI

City of Independence

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

UNAUDITED FINANCIAL AND OPERATING REPORT
FOR PERIOD ENDED MARCH 31, 2017

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CITY OF INDEPENDENCE, MISSOURI
FINANCIAL AND OPERATING REPORT

FOR PERIOD ENDED

March 2017

PREPARED BY:
FINANCE DEPARTMENT

City of Independence

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

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

May 22, 2017

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

Re: March 2017 Financial Report

The Financial Report of the City of Independence for the period ended March 31, 2017 is submitted herewith. This report reflects 75.0 % of the 2016-17 fiscal year operations for the funds represented.

The current budget for General Fund estimated revenue is $74,441,617. Projected revenues for the year are expected to be $1,281,631 more than the estimate. The projected revenues, for the most part, reflect trends that developed this last year. Note this projection is based on nine months of actual operating results. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Utility franchise fees are $408,965 less than the original estimate, and the City owned utilities are $59,739 below the original estimate for their Payments In-Lieu of Taxes (PILOTS). Revenues for Licenses & Permits, Grants, Charges for Services, Fines & Forfeitures, and Interest are all projected to be above the original estimates. The positive variance for Charges for Services includes the year-to-date Police Forfeiture funds received of $323,389. These funds are restricted for Police equipment, and are not included in the original estimated revenues of $74,441,617. Detail for all General Fund revenues can be found at the end of this letter.

General Fund Revenues

		Original Est. Revenue	Adjusted Est. Revenue	Projected	Variance of Proj. to Adj.	%
Taxes & PILOTS	$	54,123,695	54,123,695	53,655,932	(467,763)	-0.9%
Licenses & Permits		3,759,869	3,759,869	4,693,778	933,909	19.9%
Grants		5,289,812	5,289,812	5,320,059	30,247	0.6%
Charges for Services		2,002,725	2,002,725	2,338,509	335,784	14.4%
Interfund Services		5,073,016	5,073,016	5,073,016	(0)	0.0%
Fines & Forfietures		3,623,000	3,623,000	4,067,033	444,033	10.9%
Interest		101,500	101,500	126,499	24,999	19.8%
Other Revenue		468,000	468,000	448,422	(19,578)	-4.4%
Debt Proceeds		-	-	-	-	
Total	$	74,441,617	74,441,617	75,723,248	1,281,631	1.7%

Fiscal year to date expenditures for the General Fund are $54,894,238 and encumbrances are $1,836,583. The total is $56,730,821. This represents 75.5% of the adjusted budget. This is slightly more than the current month's proportion of 75.0%. This includes a number of blanket encumbrances written at the beginning of the year. The variance column adjusts for salary and expenditure savings which are projected in various departments. This variance may increase or decrease during the year. Salary and benefit projections show that 73.7% of the budget for this category has been expended.

General Fund Expenditures & Encumbrances

	Adopted Budget	Adjusted Budget	Actual To Date	%	Projected	Variance of Proj. to Adj.
General Government	$ 7,394,059	7,394,059	5,922,266	80.1%	7,753,515	359,456
Public Safety	47,937,459	48,720,959	37,232,116	76.4%	49,195,977	475,018
Public Works	5,419,548	5,435,148	3,835,337	70.6%	5,349,995	(85,153)
Health	2,608,660	1,825,160	1,385,081	75.9%	1,587,972	(237,188)
Parks & Recreation	1,490,728	1,490,728	1,062,844	71.3%	1,431,063	(59,665)
Council Goals	200,000	200,000	42,738	21.4%	200,000	-
TIF Distribution	-	-	-	0.0%	-	-
Other	9,733,922	10,067,422	7,250,439	72.0%	9,490,523	(576,899)
TOTAL	$ 74,784,376	75,133,476	56,730,821	75.5%	75,009,045	(124,431)

Projected Financial Position – FY 2016-17:

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 includes components, such as, Capital Projects, Council Strategic Goals, TIF Distributions; and the Unassigned Fund Balance. Total projected Fund Balance is decreasing by $114,621 as a result of the decrease of restricted, committed or assigned funds of $1,261,710 and the $1,147,089 increase of unassigned funds.

Fund Balance Activity

Beginning Fund Balance	$ 5,653,386
Current Fiscal Year	
Revenues	75,723,248
Expenditures	75,009,045
Rev. over/(under) Expenditures	714,203
Prior Year Encumbrances	1,015,887
Transfers In	197,063
Transfers Out	10,000
Projected Ending Fund Balance	$ 5,538,765

Projected Unassigned Fund Balance – FY 2016-17:

Of the $5,653,386 of beginning fund balance reported above, the unassigned portion is $3,684,711. The difference represents restricted, committed and assigned fund balance components. The unassigned portion is expected to increase by $1,147,089 to a projected unassigned fund balance of $4,831,800 at the end of this fiscal year. Several factors are impacting this change, including the revenue and expenditure variances. The City Manager is continuing this year to evaluate vacancies to measure salary savings during the fiscal year. Several of the revenue and expenditure accounts will fluctuate from month to month. 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	$ 3,684,711
Approved Budget Variances	(691,859)
Projection Variances:	
Revenue Variance	1,281,631
Expenditure Variance	(124,431)
Net Budget Variance	714,203
Transfers Authorized by the Budget	
Other:	
Increases	766,275
Decreases	333,389
Projected Ending Unassigned Fund Balance	$ 4,831,800

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 Budget from Prior Year	$ 15,901		
Current Year Authorization	200,000		
	$ 215,901		
Current Year Allocations:			
Community Gardens	38	38	-
Neighborhood Cleanup Program	9,920	9,920	-
Economic Development	8,830	8,830	-
Graffiti Abatement	943	943	-
Rental Ready Permit & Zoning Technician	85,000	19,608	65,392
Dangerous Buildings	50,000	19,300	30,700
NWCDC	20,000	-	20,000
Total	$ 174,731	58,639	116,092
Unallocated Balance	$ 41,170		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 are $220,479 and the unassigned fund balance is $655,402.

Street Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for FY 2016-17 is $745,326.

Street Improvement Sales Tax Fund

Revenues:	Actual As Of Prior Fiscal Year	Current Fiscal Year Budget	Projected	Variance
Sales Tax	$ 8,399,825	8,350,000	8,350,000	-
Interest	3,416	900	11,000	10,100
Intergovernmental	-	2,360,300	2,360,300	-
Other	109,000	-	85,000	85,000
Total Revenues	8,512,241	10,711,200	10,806,300	95,100
Expenditures:				
Non-Departmental	13,513	-	-	-
Public Works	132,290	582,777	582,777	-
Debt Service	532,194	530,154	530,154	-
Capital Appropriatons	10,068,181	11,077,692	11,077,692	-
Total Expenditures	10,746,178	12,190,623	12,190,623	-
Excess of Revenues Over (Under) Expenditures	(2,233,937)		(1,384,323)	
Other Fin. Sources (Uses)				
Debt Proceeds	-	-	-	-
Transfers In	239,707	-	190,255	190,255
Transfers Out	326,602	-	292,351	292,351
Total Other Financing	(86,895)	-	(102,096)	(102,096)
Fund Balance:				
Restricted - Encumbrances	4,288,698		-	
Reserved - Other	-		-	
Restricted	(2,056,953)		745,326	
Total	$ 2,231,745		745,326	

Park Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for FY 2016-17 is ($1,616,487).

Park Improvement Sales Tax Fund

Revenues:	Actual As Of Prior Fiscal Year	Current Fiscal Year Budget	Projected	Variance
Sales Tax	$ 4,200,128	4,180,000	4,180,000	-
Interest	-	-	-	-
Charges for Services	528,179	321,451	321,451	-
Other	16,698	106,700	106,700	-
Total Revenues	4,745,005	4,608,151	4,608,151	-
Expenditures:				
Non-Departmental	6,756	-	-	
Debt Service	33,330	-	-	-
Operating	2,429,211	3,035,898	3,035,898	-
Capital	448,848	483,888	483,888	-
Total Expenditures	2,918,145	3,519,786	3,519,786	-
Excess of Revenues Over (Under) Expenditures	1,826,860		1,088,365	
Other Fin. Sources (Uses)				
Debt Proceeds	-		-	
Transfers In	-		1,932	
Transfers Out	66,011		8,925	
Total Other Financing	(66,011)		(6,993)	
Fund Balance:				
Restricted - Encumbrances	275,111		-	
Reserved - Other	-		-	
Restricted	(2,972,970)		(1,616,487)	
Total	$ (2,697,859)		(1,616,487)	

Fire Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for FY 2016-17 is $1,437,913.

Fire Sales Tax Fund

Revenues:	Actual As Of Prior Fiscal Year	Current Fiscal Year Budget	Projected	Variance
Sales Tax	$ 2,100,451	2,100,000	2,100,000	-
Interest	2,877	800	8,500	7,700
Other	18,960	-	9,951	9,951
Total Revenues	2,122,288	2,100,800	2,118,451	17,651
Expenditures:				
Non-Departmental	-		-	-
Debt Service	-	-	-	-
Operating	2,396,510	2,536,321	2,536,321	-
Capital	-	-	-	-
Total Expenditures	2,396,510	2,536,321	2,536,321	-
Excess of Revenues Over (Under) Expenditures	(274,222)		(417,870)	
Other Fin. Sources (Uses)				
Debt Proceeds	624,897		-	
Transfers In	-		-	
Transfers Out	-		-	
Total Other Financing	624,897		-	
Fund Balance:				
Restricted - Encumbrances	456,739		-	
Reserved - Other	-		-	
Restricted	1,399,044		1,437,913	
Total	$ 1,855,783		1,437,913	

Police (Capital) Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for FY 2016-17 is $1,585,156.

Police (Capital) Sales Tax Fund

Revenues:	Actual As Of Prior Fiscal Year	Current Fiscal Year Budget	Projected	Variance
Sales Tax	$ 2,221,976	2,210,000	2,210,000	-
Interest	2,345	600	8,500	7,900
Other	66,810	-	73,236	73,236
Total Revenues	2,291,131	2,210,600	2,291,736	81,136
Expenditures:				
Debt Service	38,278	-	-	-
Capital	1,970,647	2,546,603	2,546,603	-
Total Expenditures	2,008,925	2,546,603	2,546,603	-
Excess of Revenues Over (Under) Expenditures	282,206		(254,867)	
Other Fin. Sources (Uses)				
Debt Proceeds	-		-	
Transfers In	-		-	
Transfers Out	-		-	
Total Other Financing	-		-	
Fund Balance:				
Restricted - Encumbrances	191,162		-	
Reserved - Other	-		-	
Restricted	1,648,861		1,585,156	
Total	$ 1,840,023		1,585,156	

Storm Water Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for FY 2016-17 is $2,456,988.

Storm Water Sales Tax Fund

Revenues:	Actual As Of Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$ 4,200,147	4,180,000	4,180,000	-
Intra-governmental	-	-	-	-
Interest	10,699	4,000	37,000	33,000
Other	176,121	-	58	58
Total Revenues	4,386,967	4,184,000	4,217,058	33,058
Expenditures:				
Operating	1,769,844	3,058,952	3,058,952	-
Capital	2,087,778	5,454,620	5,454,620	-
Total Expenditures	3,857,622	8,513,572	8,513,572	-
Excess of Revenues Over (Under) Expenditures	529,345		(4,296,514)	
Other Financing Sources (Uses)				
Transfers In	220,338	-	-	-
Transfers Out	691,083	691,083	691,083	-
Debt Proceeds	-	-	-	-
Total Other Financing	(470,745)	(691,083)	(691,083)	-
Fund Balance				
Restricted - Encumbrances	1,001,213		-	
Reserved - Other	-		-	
Restricted	6,443,372		2,456,988	
Total	$ 7,444,585		2,456,988	

Central Garage

The Garage Fund realized net loss of $1,548 for this month of the fiscal year and a net loss of $121,394 for the year to date. The Director of Public Works must review this closely to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for this fiscal year. Also, the Director should look at any fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage for nine months of the fiscal year.

Central Garage Operating Statement

	Current Month	Year to Date
Revenue:		
Repairs & Other Income	$ 165,277	1,270,253
Operating Expenses:		
Personal Services	65,117	577,807
Other Services	40,014	284,467
Supplies	63,264	541,005
Capital Outlay	-	-
Depreciation Expense	300	2,992
Total Expenses	168,695	1,406,271
Net Income from Operations	(3,418)	(136,018)
Other Income/Expense:		
Interest Income/(Expense)	433	2,989
Misc. Income	1,437	11,635
Net Income/(Loss)	**$ (1,548)**	**(121,394)**
Fund Equity, Beginning		(281,255)
Transfers In/(Out)		-
Fund Equity, Ending		**$ (402,649)**

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 $425,768 that is 'Due from Other', $0.00 has been submitted; approximately $425,768 is retained from payments to contractors, leaving $0.00 which hasn't been submitted.

Street Improvements Fund

Assets		
Cash	$	-
Special Assessment Receivable		-
Due From Federal Government		-
Due From Other Local Government		-
Due From Other		425,768
Contributions Receivable		-
Total		425,768
Liabilities & Credits		
Accounts Payable		-
Deferred Revenue		425,768
Due To Other Funds		206,669
Funds In Escrow		-
Total		632,437
Fund Balance	$	(206,669)

Workers' Compensation Fund

The Worker's Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims 49.9% of $4,982,083 or $2,488,182 is long term liabilities. Current incurred but not reported (IBNR) claims are estimated to be $943,711. Non-current IBNR is estimated at $486,154. Current liabilities include $0.00 for major claims. Non-current liabilities include $1,203,446 for major claims.

Stay Well Health Care Plan

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

Worker's Compensation Fund

Assets		
Pooled cash and investments	$	4,175,631
Accounts receivable		-
Restricted Assets		200,000
Deferred Outlfows Pension		90,708
Total Assets		4,466,339
Current Liabilities		
Accounts and contracts payable		-
Accrued liabilities		3,423
Compensated absences		14,893
Deferred Revenue		619,000
Worker's Comp claims		1,550,190
IBNR		943,711
Total Current Liabilities		3,131,217
Noncurrent liabilities		
Compensated absences		34,499
Other Post Employment Benefits		243,695
Worker's Comp claims		2,002,028
IBNR		486,154
Deferred Inflows Pension		11,786
Total noncurrent liabilities		2,778,162
Total Liabilities		5,909,379
Net Assets		
Invested in capital assets, net of debt		-
Unrestricted		(1,443,040)
Total net assets (deficit)		(1,443,040)
Total liabilities and net assets	$	4,466,339

Power and Light Fund

Total operating revenues of the Power and Light Fund of $103,241,106 reflect a decrease of $1,156,843 over fiscal year 2015-16 operating revenues of $104,397,949 or 1.1%. The decreased revenues are due to decreases: in sales to other utilities of $759,659, and in other operating revenues of $3,383,480 which was offset by increases in retail energy sales of $1,873,262, and in unbilled revenue of $1,113,034.

Total operating expenses of the Power and Light Fund of $97,857,746 reflect a decrease of $6,850,607 or 6.5 % over the fiscal year 2015-16 operating expenses of $104,708,353. The decreased expenses were due to decreases: in production expenses of $2,637,515, in transmission expenses of $784,682, in customer accounts of $188,582, in general and administrative expenses of $694,553 and in depreciation and amortization expenses of $2,593,448 which was offset by an increase in distribution expenses of $273,827.

Water Fund

Total operating revenues of the Water Fund of $23,877,841 reflect an increase of $1,341,965 from fiscal year 2015-16 total operating revenues of $22,535,876 or 6.0%. An October rate increase is responsible for the overall increase.

Total operating expenses of the Water Fund of $16,169,258 reflect a decrease of $39,134 from fiscal year 2015-16 total operating expenses of $16,208,392 or 0.2%. Increased costs of purchased power and outside services employed have been outweighed by a decrease in treatment plant maintenance expenses.

Sanitary Sewer Fund

Total operating revenues of the Sanitary Sewer Fund of $19,494,406 reflect an increase of $1,841,915 from fiscal year 2015-16 total operating revenues of $17,652,490 or 10.4%. This increase is attributable to an increase commercial-base charge and regulatory compliance bills issued this year.

Total operating expenses of the Sanitary Sewer Fund of $16,476,666 reflect an increase of $762,574 from fiscal year 2015-16 total operating expenses of $15,714,092 or 4.9 %. This increase is attributable to an increase in the amount calculated for Payment in Lieu of Taxes during the fiscal year as well as an increase in the amount paid for inter-jurisdictional expenses and an increase in the charge for depreciation.

Brian C. Watson
Director of Finance

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Total Projected Revenue	Variance To Budgeted Revenues
		Property Taxes:					
		General Property Taxes:					
2	3011	Real Estate	$ 7,520,000	7,520,000	7,658,969	7,625,000	105,000
2	3013	R.R. & Other Utility	41,000	41,000	41,536	41,000	(0)
		Total Property Taxes	7,561,000	7,561,000	7,700,505	7,666,000	105,000
		Sales and Use Taxes:					
2	3041	Local Option Sales Tax	17,927,500	17,927,500	13,243,183	17,783,441	(144,059)
2	3042	Cigarette Tax	425,000	425,000	351,068	465,000	40,000
		Total Sales and Use Taxes	18,352,500	18,352,500	13,594,251	18,248,441	(104,059)
		Utility Franchise Fees:					
2	3052	Water	27,000	27,000	20,629	33,008	6,008
2	3053	Gas	4,000,000	4,000,000	2,393,020	3,235,125	(764,875)
2	3054	Telephone	3,650,000	3,650,000	2,548,595	3,417,328	(232,672)
2	3055	Electricity	530,000	530,000	553,968	712,574	182,574
2	3057	Cable Television	900,000	900,000	1,009,925	1,300,000	400,000
		Total Utility Franchise Fees	9,107,000	9,107,000	6,526,136	8,698,035	(408,965)
		Payments in Lieu of Taxes					
2	3281	Power & Light in Lieu of Taxes	13,581,285	13,581,285	10,312,575	13,387,850	(193,435)
2	3282	Water Service in Lieu of Taxes	3,010,371	3,010,371	2,366,147	3,113,868	103,497
2	3283	Sanitary Sewer in Lieu of Taxes	2,511,539	2,511,539	1,925,203	2,541,738	30,199
		Total Payments in Lieu of Taxes	19,103,195	19,103,195	14,603,925	19,043,456	(59,739)
		Total Taxes	54,123,695	54,123,695	42,424,817	53,655,932	(467,763)
		Business Licenses & Permits:					
2	3101	Occupation Licenses	1,597,000	1,597,000	1,111,597	1,980,371	383,371
2	3102	Liquor Licenses	107,000	107,000	11,330	115,967	8,967
2	3103	Bld. Trades Licenses and Exams	110,000	110,000	106,781	113,294	3,294
2	3104	Fin - Other License/Permits	108,619	108,619	104,005	136,183	27,564
2	3108	Building Permits, Com. Develop.	875,000	875,000	1,123,587	1,200,000	325,000
2	3109	Construction Permits, Public Works	165,000	165,000	234,731	281,291	116,291
2	3120	Nursing Home Permits	650	650	1,300	1,300	650
2	3121	Day Care Permits	6,600	6,600	7,084	7,234	634
2	3122	Food Handler's Permits	97,000	97,000	72,190	92,278	(4,722)
2	3123	Massage Therapist Appl	5,000	5,000	5,970	6,445	1,445
2	3124	Other Food Permits	155,000	155,000	209,492	215,132	60,132
2	3125	Ambulance Permits & Licenses	27,000	27,000	26,698	37,308	10,308
2	3126	Plan Reviews - Health Dept.	6,000	6,000	6,375	6,975	975
		Subtotal Bus. Licenses & Permits	3,259,869	3,259,869	3,021,140	4,193,778	933,909
		Non-business Licenses & Permits:					
2	3151	Motor Vehicle Licenses	500,000	500,000	513,075	500,000	(0)
		Subtotal Non-bus. Lic. & Permits	500,000	500,000	513,075	500,000	(0)
		Total Licenses & Permits	3,759,869	3,759,869	3,534,215	4,693,778	933,909
		Intergovernmental Revenue:					
		Federal:					
2	3210	Emergency Management	—	—	—	—	—
2	3211	Public Health Nursing	—	—	—	—	—
2	3212	Community Health ed	—	—	—	—	—
2	3218	Dial-a-ride	—	—	—	—	—
2	3219	Other	—	—	—	—	—
		Total Federal	—	—	—	—	—

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

Account Number		Description (Months of Actual Revenue: 9)	Original Budget	Revised Budget	Actual Revenue Through March	Total Projected Revenue	Variance To Budgeted Revenues
		State:					
2	3241	Financial Institutions Tax	25,000	25,000	34,130	34,130	9,130
2	3242	Gasoline Tax	3,150,000	3,150,000	2,366,227	3,114,215	(35,785)
2	3243	Motor Vehicle License Fees	515,000	515,000	345,575	500,000	(15,000)
2	3244	Motor Vehicle Sales Tax	975,000	975,000	747,898	1,039,020	64,020
2	3250	Other	—	—	—	—	—
		Total State	4,665,000	4,665,000	3,493,830	4,687,365	22,365
		Other:					
2	3272	Jackson County Drug Task Force	373,430	373,430	289,178	373,430	(0)
2	3274	Jackson County Dare Program	226,382	226,382	116,382	234,264	7,882
2	3275	Mid Am Reg Council	25,000	25,000	18,742	25,000	0
2	3279	Other Misc. Grants	—	—	—	—	—
		Total Other	624,812	624,812	424,302	632,694	7,882
		Total Intergovernmental Revenue	5,289,812	5,289,812	3,918,132	5,320,059	30,247
		Charges for Current Services:					
		General Government:					
2	3302	Planning & Zoning Fees	15,000	15,000	21,011	26,914	11,914
2	3303	Board of Adjustment Fees	3,000	3,000	1,800	2,850	(150)
2	3304	Sale of Maps, Books, Plans	100	100	25	25	(75)
2	3305	Sale of Police Reports	31,000	31,000	26,419	34,694	3,694
2	3306	Sale of Fire Reports	1,750	1,750	893	1,917	167
2	3307	Computer Service Charges	300	300	—	0	(300)
2	3309	Transit Rider Fares	155,000	155,000	140,136	179,171	24,171
		Health:					
2	3311	Animal Shelter Fees	300	300	330	510	210
2	3312	Animal Shelter Services	6,000	6,000	5,980	6,150	150
2	3313	Other Health Programs	9,000	9,000	15,185	16,135	7,135
		Public Safety:					
2	3316	Reimb. For Police Services	18,300	18,300	23,892	30,193	11,893
2	3317	School Resource Officers	491,225	491,225	337,018	491,225	(0)
2	3318	Alarm Charges - Police	32,000	32,000	75	75	(31,925)
2	3319	Alarm Charges - Fire	5,700	5,700	2,150	5,700	(0)
		Recreation:					
2	3322	Program Fees	35,120	35,120	26,540	33,049	(2,071)
2	3323	Concessions	—	—	—	—	—
2	3326	Pool Fees	—	—	—	—	—
2	3327	Center Fees/Club Memberships	58,000	58,000	54,747	63,353	5,353
2	3329	Facility Rentals	56,000	56,000	31,916	56,604	604
		National Frontier Trails Center:					
2	3331	NFTC - Admissions & Rentals	—	—	—	—	—
2	3332	NFTC - Gift Shop	—	—	37	0	0
		Cemetery:					
2	3341	Sale of Cemetery Lots	5,250	5,250	3,250	5,350	100
2	3342	Sale of Monument Bases	3,000	3,000	1,417	1,880	(1,120)
2	3343	Grave Opening Charges	55,000	55,000	31,600	39,900	(15,100)
		Other Charges:					
2	3392	Sale of Street Signs	500	500	105	105	(395)
2	3393	Special Assessments	180,000	180,000	126,331	162,319	(17,681)
2	3396	Sale of Recycled Material	11,180	11,180	4,464	5,120	(6,060)
2	3397	Solid Waste Disp Fees	80,000	80,000	67,258	101,881	21,881
2	3398	Miscellaneous Charges	750,000	750,000	554,807	1,073,389	323,389
		Total Charges for Current Services	2,002,725	2,002,725	1,477,385	2,338,509	335,784

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Total Projected Revenue	Variance To Budgeted Revenues
		Fines and Court Costs					
2	3401	Fines & Forfeitures	3,150,000	3,150,000	2,558,705	3,550,000	400,000
2	3402	Court Costs	334,000	334,000	254,830	354,685	20,685
2	3403	Police Training	42,000	42,000	34,249	47,627	5,627
2	3404	Domestic Violence	82,800	82,800	68,012	94,524	11,724
2	3405	Dwi/drug	14,200	14,200	17,084	20,197	5,997
2	3406	Special Warrant Collection	—	—	—	—	—
		Total Fines and Court Costs	3,623,000	3,623,000	2,932,879	4,067,033	444,033
		Interest Income					
2	3411	Interest	1,500	1,500	25,844	26,260	24,760
2	3412	Special Assessments - Interest	—	—	239	239	239
2	3413	Interest - Other	100,000	100,000	63,544	100,000	0
		Total Interest Income	101,500	101,500	89,626	126,499	24,999
2	3421	Interfund Chgs. For Supp. Serv.	5,073,016	5,073,016	3,771,712	5,073,016	(0)
		Other Revenue:					
2	3431	Sale of Land	—	—	—	—	—
2	3432	Sale of Fixed Assets	75,000	75,000	536	600	(74,400)
2	3433	Rents	181,000	181,000	147,681	186,524	5,524
2	3434	Damage Claims	2,000	2,000	—	2,000	0
2	3435	Contributions	10,000	10,000	5,165	10,000	0
2	3437	Housing Auth. In Lieu of Taxes	—	—	—	—	—
2	3439	Cash Over/Short	—	—	(231)	(231)	(231)
2	3440	Discounts Taken	—	—	47	47	47
2	3449	Misc. Non-operating Revenue	200,000	200,000	333,934	249,482	49,482
2	3501	Proceed from Capital Lease	—	—	—	—	—
		Total Other Revenue	468,000	468,000	487,132	448,422	(19,578)
		Total Revenue	$ 74,441,617	74,441,617	58,635,898	75,723,248	1,281,631

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

	Budget	March 31st	Variance
Beginning Unassigned Fund Balance	$ 3,677,030	3,684,711	7,681
Current Fiscal Year Activity:			
Estimated Revenues:			
City Council Approved Revenue Estimates	74,441,617	74,441,617	—
Projected Revenue Variances for the Year	—	1,281,631	1,281,631
Net Projected Revenues	74,441,617	75,723,248	1,281,631
Appropriations/Expenditures:			
City Council Approved Appropriations	74,784,376	75,133,476	349,100
Projected Expenditure Variances for the Year	—	(124,431)	(124,431)
Net Projected Expenditures	74,784,376	75,009,045	224,669
Net Revenues Over/(Under) Expenditures	(342,759)	714,203	1,056,962
Transfers Out:			
Council Goals	—	—	—
Crackerneck Creek TIF	—	—	—
Storm Water Fund	—	10,000	10,000
Total	—	10,000	10,000
Transfers In:			
Storm Water Fund	197,063	197,063	—
Total	197,063	197,063	—
Other:			
Reservations of Fund Balance:			—
Police Forfeitures	—	(323,389)	(323,389)
Protested Revenues	—	—	—
Economic Development	—	—	—
Cancellation of Prior Year Encumbrances	—	35,712	35,712
Transfer from/(to) Restricted, Committed or Assigned Fund Balance	—	—	—
Appropriations funded from Fund Balance Components:			—
City Council Strategic Goals Budgeted Above	—	200,000	200,000
Assigned Fund Balance - Prior Year	—	333,500	333,500
TIF Distributions (GTIF)	—	—	—
Transfer (from)/to Unassigned Fund Balance	—	—	—
Total	—	245,823	245,823
Projected Year End Unassigned Fund Balance	$ 3,531,334	4,831,800	1,300,466

City of Independence, Missouri
Balance Sheet
Governmental Funds
March 31, 2017

Assets		General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	$	4,591,545	26,920,989	31,512,534
Receivables:				
Taxes		6,482,665	6,754,740	13,237,405
Accounts		274,558	253,171	527,729
Special assessment principal and accrued interest		574,431	674,818	1,249,249
Due from other funds		-	-	-
Due from component unit to primary gvmt		-	-	-
Due from component unit to component unit		-	-	-
Due from other governments		1,078,069	705,718	1,783,787
Prepaid items		-	-	-
Restricted assets		211,928	17,892,976	18,104,904
Total assets	$	13,213,195	53,202,413	66,415,608
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	$	162,511	87,564	250,075
Due to other funds		-	-	-
Due to primary government from component unit		-	-	-
Accrued items		2,318,215	128,221	2,446,436
Other current liabilities		615,561	10,424	625,986
Deferred revenue		1,001,826	1,213,241	2,215,068
Liabilities payable from restricted assets:				
Deposits and court bonds		211,928	-	211,928
Total liabilities		4,310,042	1,439,451	5,749,492
Fund Balances:				
Nonspendable		-	-	-
Restricted		706,348	51,517,092	52,223,440
Restricted Operating Reserve		-	451,368	451,368
Committed		140,495	(205,498)	(65,003)
Assigned		2,073,125	-	2,073,125
Unassigned		5,983,185	-	5,983,185
Total fund balance		8,903,154	51,762,962	60,666,116
Total liabilities and fund balance	$	13,213,195	53,202,413	66,415,608

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Nine Months Ending March 31, 2017

		General	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$	27,820,892	31,113,611	58,934,503
Licenses and permits		3,534,215	220,478	3,754,693
Intergovernmental		3,918,132	1,909,803	5,827,935
Charges for services		1,477,385	710,743	2,188,128
Interfund charges for support services		3,771,712	-	3,771,712
Fines, forfeitures, and court costs		2,932,879	-	2,932,879
Investment Income		89,626	193,039	282,665
Sale of property, plant, and equipment		536	125,359	125,895
TIF Developer Contributions		-	-	-
Reimbursements from component unit		-	-	-
Other		486,596	998,171	1,484,768
Total revenues		44,031,973	35,271,204	79,303,177
Expenditures:				
Current:				
General government		5,890,027	21,800	5,911,828
Public safety		33,875,462	3,227,565	37,103,027
Public works		3,504,137	122,461	3,626,598
Health and welfare		1,422,880	454,068	1,876,948
Culture and recreation		1,029,553	3,124,018	4,153,571
Community development		2,796,226	867,376	3,663,602
Storm Water		-	1,727,378	1,727,378
Nondepartmental/other		6,712,116	1,325	6,713,441
Capital outlay		221,270	7,030,191	7,251,461
Debt service:				
Principal		93,897	1,553,682	1,647,579
Interest and fiscal agent fees		27,625	5,643,837	5,671,462
Total expenditures		55,573,193	23,773,701	79,346,895
Excess (deficiency) of revenues over expenditures		(11,541,220)	11,497,503	(43,717)
Other financing sources (uses):				
Proceeds from capital leases/bond issuance		-	-	-
Proceeds from bond issuance		-	19,560,000	19,560,000
Reoffering premium/original issue discount		-	2,585,491	2,585,491
Payment to refunded loans escrow agent		-	-	-
Transfers in-utility payments in lieu of taxes		14,603,925	-	14,603,925
Transfers in		197,063	1,979,503	2,176,566
Transfers out		(10,000)	(23,731,217)	(23,741,217)
Total other financing sources (uses)		14,790,988	393,777	15,184,765
Net change in fund balances		3,249,768	11,891,280	15,141,047
Fund balances, beginning		5,653,386	39,871,682	45,525,068
Fund balances, ending	$	8,903,154	51,762,962	60,666,116

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Nine Months Ending March 31, 2017

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	$ 482,118	482,118	401,682	635	402,317	1,618
City Clerk	321,384	321,384	253,034	166	253,200	397
City Manager	918,674	918,674	1,064,157	655	1,064,812	-
National Frontier Trails Center	-	-	-	-	-	-
Technology Services	1,748,129	1,748,129	1,317,980	1,845	1,319,825	3,615
Municipal Court	853,290	853,290	595,376	19	595,395	4,374
Law	732,848	732,848	511,536	1,102	512,638	5,120
Finance	1,846,418	1,846,418	1,343,803	12,621	1,356,424	36,391
Human Resources	491,198	491,198	383,184	2,231	385,415	-
Total General Government	7,394,059	7,394,059	5,870,753	19,274	5,890,027	51,514
Public Safety:						
Community Development	3,088,434	3,871,934	2,763,890	32,337	2,796,226	183,136
Police	27,066,600	27,066,600	20,249,678	32,829	20,282,507	348,954
Fire	17,782,425	17,782,425	13,625,389	2,896	13,628,285	61,068
Total Public Safety	47,937,459	48,720,959	36,638,956	68,061	36,707,018	593,159
Public Works	5,419,548	5,435,148	3,367,064	137,073	3,504,137	468,273
Storm Water	-	-	-	-	-	-
Health	2,608,660	1,825,160	1,254,332	168,549	1,422,880	130,749
Parks and Recreation	1,490,728	1,490,728	1,023,433	6,119	1,029,553	39,411
Non-Departmental	9,357,222	9,690,722	6,585,824	170,468	6,756,292	509,657
Council Goals	200,000	200,000	30,438	11,578	42,016	12,300
Debt Service	-	-	-	-	-	-
Capital Outlay	376,700	376,700	123,438	97,833	221,270	31,520
TIF Distribution	-	-	-	-	-	-
Total Other	19,452,858	19,018,458	12,384,528	591,620	12,976,149	1,191,910
Total Expenditures & Encumbrances	$ 74,784,376	75,133,476	54,894,238	678,956	55,573,193	1,836,583

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

March 31, 2017

		Enterprise Funds					
Assets		**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Internal Service Funds**
Current assets:							
Pooled cash and investments	$	66,774,716	20,564,256	14,471,508	(693,972)	101,116,508	11,759,161
Receivables:							
Accounts (net of allowance of $987,611)		8,049,015	2,061,541	1,566,803	815,422	12,492,781	2,433
Unbilled revenue		5,955,964	1,248,126	1,233,349	—	8,437,439	—
Special assessment principal and accrued interest		123,762	—	—	—	123,762	93,997
Accrued interest		—	—	—	—	—	—
Other		—	—	—	—	—	—
Due from other funds		—	—	—	—	—	—
Due from other governments		1,009,675	—	95,465	436,849	1,541,989	—
Inventory		6,453,469	527,266	47,845	—	7,028,580	—
Prepaid items		728,310	84,659	39,069	—	852,038	—
Restricted assets		3,392,758	753,792	656,373	—	4,802,923	200,000
Total current assets		92,487,669	25,239,640	18,110,412	558,299	136,396,020	12,055,591
Noncurrent assets:							
Restricted assets		37,871,905	4,127,500	12,568,736	6,864,625	61,432,766	—
Capital assets:							
Nondepreciable		14,321,656	4,122,862	60,792,282	5,796,315	85,033,115	93,979
Depreciable, net		218,018,406	104,881,861	89,942,271	55,132,672	467,975,210	226,056
Advance to other funds		—	—	—	—	—	(191,863)
Deferred debt issue costs		—	—	—	—	—	—
Prepaid employee benefits		—	—	—	—	—	—
Other deferred charges		124,769	476,581	—	—	601,350	—
Deferred outflow Pension		16,977,787	3,622,935	2,615,042	—	23,215,764	422,935
Total noncurrent assets		287,314,523	117,231,739	165,918,331	67,793,612	638,258,205	551,107
Total assets	$	379,802,192	142,471,379	184,028,743	68,351,911	774,654,225	12,606,698
Liabilities and Net Assets							
Current liabilities:							
Accounts and contracts payable	$	3,329,874	89,804	168,000	1,745	3,589,422	(2,907)
Accrued items		1,246,611	318,183	1,582,508	—	3,147,302	31,173
Other current liabilities		149,624	118,272	(6)	—	267,890	—
Deferred revenue		—	—	—	—	—	619,000
Current portion of long-term obligations		5,505,275	1,944,126	2,307,962	1,085,000	10,842,363	62,847
Current portion of capital lease		—	—	—	—	—	—
Employee benefits payable		—	—	—	—	—	—
Medical self-insurance claims		—	—	—	—	—	4,261,710
Liabilities payable from restricted assets		6,998,956	1,197,745	2,448,418	1,926,634	12,571,753	—
Total current liabilities		17,230,340	3,668,130	6,506,882	3,013,379	30,418,730	4,971,823
Noncurrent liabilities:							
Revenue bonds payable		166,867,724	24,533,960	95,606,661	81,455,409	368,463,754	—
Other long term liabilities		—	—	—	—	—	—
Other post employment benefits		20,258,797	7,852,882	6,102,460	—	34,214,139	1,653,506
Lagers Net Pension Obligation		32,388,004	6,878,400	4,989,748	—	44,256,152	—
Compensated absences – long-term		3,588,064	996,840	566,409	—	5,151,313	89,534
Advances for construction		40,253	125,332	—	—	165,585	—
Advances from other funds		—	—	—	—	—	—
Medical self-insurance claims		—	—	—	—	—	2,488,182
Deferred Inflow Pension		2,047,032	459,124	305,773	—	2,811,929	51,848
Total noncurrent liabilities		225,189,874	40,846,538	107,571,051	81,455,409	455,062,872	4,283,070
Total liabilities		242,420,214	44,514,668	114,077,933	84,468,788	485,481,602	9,254,893
Net Assets							
Invested in capital assets, net of related debt		79,015,405	86,618,263	65,696,628	(14,746,797)	216,583,499	551,107
Restricted for:							
Debt service		20,798,838	500,000	—	—	21,298,838	—
Restricted for Worker's Comp		—	—	—	—	—	—
Restricted for Dogwood		61,500	—	—	—	61,500	
Unrestricted		37,506,235	10,838,448	4,254,182	(1,370,080)	51,228,786	2,800,698
Total net assets		137,381,978	97,956,711	69,950,810	(16,116,877)	289,172,623	3,351,806
Total liabilities and net assets	$	379,802,192	142,471,379	184,028,743	68,351,911	774,654,225	12,606,698

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

For the Nine Months Ending March 31, 2017

	Enterprise Funds					
	Power and Light	Water	Sanitary Sewer	Events Center	Totals	Internal Service Funds
Operating revenues:						
Charges for services	$ 99,536,636	23,643,362	19,286,119	—	142,466,117	1,270,251
Miscellaneous	1,312,513	234,476	208,286	(1)	1,755,274	17,194,498
Total operating revenues	100,849,149	23,877,838	19,494,405	(1)	144,221,391	18,464,749
Operating expenses:						
Personal services	19,493,347	5,882,613	4,600,448	—	29,976,408	691,808
Other services	12,767,751	4,054,008	7,178,885	85,919	24,086,563	21,668,452
Capital Outlay	4,318	67,487	—	—	71,805	—
Supplies	40,508,898	1,380,671	311,164	—	42,200,733	546,426
Other expenses	5,188,000	2,561,623	100,812	(1,070,000)	6,780,435	—
Depreciation and amortization	9,572,710	2,222,856	2,360,155	1,418,357	15,574,078	2,992
Total operating expenses	87,535,024	16,169,258	14,551,464	434,276	118,690,022	22,909,678
Operating income	13,314,125	7,708,580	4,942,941	(434,277)	25,531,369	(4,444,929)
Nonoperating revenues (expenses):						
Interest revenue	305,556	81,869	59,389	29,696	476,510	52,074
Miscellaneous revenue (expense)	2,926,501	1,145,227	210,077	2,234,383	6,516,188	3,928,584
Interest expense	(5,300,732)	(881,832)	(3,225,053)	(3,238,726)	(12,646,343)	—
Total nonoperating revenue (expenses)	(2,068,675)	345,264	(2,955,587)	(974,647)	(5,653,645)	3,980,658
Income before contributions and transfers	11,245,450	8,053,844	1,987,354	(1,408,924)	19,877,724	(464,271)
Capital contributions	35,934	430,638	—	—	466,572	—
Transfers out - Utility payments in lieu of taxes	(10,312,575)	(2,366,147)	(1,925,203)	—	(14,603,925)	—
- Other	(99,261)	(86,026)	(109,186)	—	(294,473)	—
Transfers in	—	—	10,000	—	10,000	—
Change in net assets	869,548	6,032,309	(37,035)	(1,408,924)	5,455,898	(464,271)
Total net assets:						
Beginning of the period	136,512,430	91,924,402	69,987,845	(14,707,953)	283,716,724	3,816,076
End of the period	$ 137,381,978	97,956,711	69,950,810	(16,116,877)	289,172,623	3,351,806

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

March 31, 2017

Assets		Private-Purpose Trust Funds	Agency Funds
Pooled cash and investments	$	2,992	190,553
Accrued interest receivable		-	157
Total assets	$	2,992	190,710
Liabilities			
Accounts and contacts payable	$	—	66,587
Funds held in Escrow		—	—
Employee deferred credit		—	124,123
Total liabilities	$	—	190,710
Net Assets			
Held in trust	$	2,992	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
March 31, 2017

Assets		**Tourism**	**Independence Square Benefit District**	**Community Development Grant Act**	**Rental Rehabilitation**	**Consolidated Sales Tax**	**License Surcharge**	**Grants**	**Total**
Pooled cash and investments	$	1,031,237	24,931	(125,649)	(40,845)	8,437,629	1,096,301	378,480	10,802,084
Receivables:									
Taxes		200,000	4,570	-	-	5,401,569	-	-	5,606,139
Accounts		1,525	-	-	-	-	2,499	12,448	16,472
Special assessment principal and accrued interest		-	-	-	-	-	-	-	-
Due from other funds		-	-	-	-	-	-	-	-
Due from component unit to primary gvmt		-	-	-	-	-	-	-	-
Due from other governments		-	-	141,720	45,945	-	-	95,616	283,282
Total assets	$	1,232,762	29,500	16,071	5,100	13,839,199	1,098,800	486,544	16,707,977
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	$	5,032	-	12,213	-	69,859	-	460	87,564
Due to other funds		-	-	-	-	-	-	-	-
Accrued items		23,944	-	3,671	58	81,945	-	18,603	128,221
Other current liabilities		3,072	-	900	5,035	577	-	-	9,584
Deferred revenue		-	-	-	-	-	-	535,647	535,647
Total liabilities		32,048	-	16,783	5,093	152,382	-	554,710	761,017
Fund Balances:									
Nonspendable		-	-	-	-	-	-	-	-
Restricted		749,346	29,500	(712)	7	13,686,817	1,098,800	(68,167)	15,495,592
Restricted Operating Reserve		451,368	-	-	-	-	-	-	451,368
Committed									
VOC		-	-	-	-	-	-	-	-
NFTM		-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-	-
Total fund balance		1,200,714	29,500	(712)	7	13,686,817	1,098,800	(68,167)	15,946,960
Total liabilities and fund balance	$	1,232,762	29,500	16,071	5,100	13,839,199	1,098,800	486,544	16,707,977

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Nine Months Ending March 31, 2017

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 1,446,453	24,800	-	-	15,764,699	-	-	17,235,951
Licenses and permits	-	-	-	-	-	220,478	-	220,478
Intergovernmental	-	-	442,130	196,641	-	-	1,056,032	1,694,803
Charges for services	26,467	-	-	-	244,422	-	323,856	594,744
Investment Income	3,867	370	-	-	54,392	4,023	-	62,653
Sale of property, plant, and equipment	-	-	-	-	89,992	-	35,368	125,359
Other	66,453	-	-	-	131,316	-	35,295	233,063
Total revenues	1,543,240	25,170	442,130	196,641	16,284,819	224,502	1,450,551	20,167,052
Expenditures:								
Current:								
General government	-	-	-	-	-	-	21,800	21,800
Public safety	-	-	-	-	2,422,513	-	805,051	3,227,565
Public works	-	-	-	-	122,453	-	-	122,453
Health and welfare	-	-	-	-	-	-	454,068	454,068
Culture and recreation	1,196,227	-	-	-	1,925,194	-	2,581	3,124,002
Community development	-	-	435,517	196,641	-	-	235,217	867,376
Storm water	-	-	-	-	1,727,378	-	-	1,727,378
Nondepartmental	-	-	-	-	-	333	-	333
Capital outlay	-	24,550	-	-	5,875,087	-	-	5,899,637
Debt service:								
Principal	-	-	-	-	576,432	-	-	576,432
Interest and fiscal agent fees	-	-	-	-	73,084	-	-	73,084
Total expenditures	1,196,227	24,550	435,517	196,641	12,722,143	333	1,518,717	16,094,128
Excess (deficiency) of revenues over expenditures	347,013	620	6,612	-	3,562,677	224,169	(68,167)	4,072,924
Other financing sources (uses):								
Transfers in	-	-	-	-	192,187	1,949	-	194,136
Transfers out	-	-	(6,612)	-	(742,325)	(3,313)	-	(752,250)
Total other financing sources (uses)	-	-	(6,612)	-	(550,138)	(1,364)	-	(558,114)
Net change in fund balances	347,013	620	(0)	-	3,012,539	222,805	(68,167)	3,514,810
Fund balances, beginning	853,701	28,881	(712)	7	10,674,278	875,995	-	12,432,150
Fund balances, ending	$ 1,200,714	29,500	(712)	7	13,686,817	1,098,800	(68,167)	15,946,960

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
March 31, 2017

Assets		**Street Sales Tax**	**Parks Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total Sales Tax Funds**
Pooled cash and investments	$	1,223,725	(2,627,621)	6,402,097	1,648,456	1,790,973	8,437,629
Receivables:							
Taxes		2,153,521	1,076,765	1,076,790	555,966	538,527	5,401,569
Due from other governments		-	-	-	-	-	-
Total assets	$	3,377,247	(1,550,856)	7,478,887	2,204,421	2,329,499	13,839,199
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	2,584	(560)	22,782	45,054	-	69,859
Due to other funds		-	-	-	-	-	-
Accrued items		-	45,411	36,535	-	-	81,945
Other current liabilities		-	577	-	-	-	577
Total liabilities		2,584	45,428	59,317	45,054	-	152,382
Fund Balances:							
Nonspendable		-	-	-	-	-	-
Restricted		3,374,663	(1,596,284)	7,419,571	2,159,367	2,329,499	13,686,817
Restricted Operating Reserve							
Committed		-	-	-	-	-	-
Assigned		-	-	-	-	-	-
Unassigned		-	-	-	-	-	-
Total fund balance		3,374,663	(1,596,284)	7,419,571	2,159,367	2,329,499	13,686,817
Total liabilities and fund balance	$	3,377,247	(1,550,856)	7,478,887	2,204,421	2,329,499	13,839,199

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Nine Months Ending March 31, 2017

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Revenues:						
Taxes	$ 6,265,046	3,135,272	3,135,187	1,656,052	1,573,142	15,764,699
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	244,422	-	-	-	244,422
Investment Income	8,939	-	30,754	7,413	7,286	54,392
Sale of property, plant, and equipment	-	-	18,850	71,142	-	89,992
Other	85,000	8,500	25,770	2,095	9,951	131,316
Total revenues	6,358,985	3,388,193	3,210,560	1,736,701	1,590,380	16,284,819
Expenditures:						
Current:						
Public safety	-	-	-	1,379,084	1,043,429	2,422,513
Public works	122,453	-	-	-	-	122,453
Culture and recreation	-	1,925,194	-	-	-	1,925,194
Storm Water	-	-	1,727,378	-	-	1,727,378
Nondepartmental/other	-	-	-	-	-	-
Capital outlay	4,713,147	344,827	817,113	-	-	5,875,087
Debt service:						
Principal	475,000	9,605	-	37,302	54,525	576,432
Interest and fiscal agent fees	53,403	-	-	971	18,710	73,084
Total expenditures	5,364,004	2,279,626	2,544,491	1,417,357	1,116,664	12,722,143
Excess (deficiency) of revenues over expenditures	994,981	1,108,568	666,069	319,344	473,715	3,562,677
Other financing sources (uses):						
Transfers in	190,255	1,932	-	-	-	192,187
Transfers out	(42,318)	(8,925)	(691,083)	-	-	(742,325)
Total other financing sources (uses)	147,937	(6,992)	(691,083)	-	-	(550,138)
Net change in fund balances	1,142,918	1,101,575	(25,014)	319,344	473,715	3,012,539
Fund balances, beginning	2,231,745	(2,697,859)	7,444,585	1,840,023	1,855,784	10,674,278
Fund balances, ending	$ 3,374,663	(1,596,284)	7,419,571	2,159,367	2,329,499	13,686,817

City of Independence, Missouri
Balance Sheet
Debt Service Fund
March 31, 2017

Assets		**Debt Service Fund**	**Total**
Pooled cash and investments	$	2,830	2,830
Receivables:			
Taxes		-	-
Special assessment principal and accrued interest		249,050	249,050
Restricted assets		94,000	94,000
Total assets	$	345,880	345,880

Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	$	-	-
Due to other funds		-	-
Deferred revenue		249,050	249,050
Total liabilities		249,050	249,050
Fund Balances:			
Nonspendable		-	-
Restricted		96,830	96,830
Restricted Operating Reserve			
Committed		-	-
Assigned		-	-
Unassigned		-	-
Total fund balance		96,830	96,830
Total liabilities and fund balance	$	345,880	345,880

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Nine Months Ending March 31, 2017

		Debt Service Fund	Total
Revenues:			
Taxes		-	-
Licenses and permits		-	-
Intergovernmental		-	-
Charges for services	$	93,312	93,312
Investment Income		912	912
Total revenues		94,224	94,224
Expenditures:			
Current:			
Nondepartmental		993	993
Debt service:			
Principal		81,000	81,000
Interest and fiscal agent fees		16,290	16,290
Total expenditures		98,283	98,283
Excess (deficiency) of revenues over expenditures		(4,059)	(4,059)
Other financing sources (uses):			
Total other financing sources (uses)		-	-
Net change in fund balances		(4,059)	(4,059)
Fund balances, beginning		100,889	100,889
Fund balances, ending	$	96,830	96,830

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
March 31, 2017

Assets		**Street Improvements**	**Revolving Public Improvements**	**Consolidated Tax Increment Financing**	**Buildings and Other Improvements**	**Storm Drainage**	**Park Improvements**	**Total**
Pooled cash and investments	$	(206,669)	19,898	16,320,733	(13,323)	(16,155)	11,591	16,116,075
Receivables:								
Taxes		-	-	1,148,602	-	-	-	1,148,602
Accounts		-	-	236,700	-	-	-	236,700
Special assessment principal and accrued interest		425,768	-	-	-	-	-	425,768
Due from other funds		-	-	-	-	-	-	-
Due from component unit to primary gvmt		-	-	-	-	-	-	-
Due from other governments		-	-	422,436	-	-	-	422,436
Restricted assets		-	-	17,798,976	-	-	-	17,798,976
Total assets	$	219,098	19,898	35,927,447	(13,323)	(16,155)	11,591	36,148,556
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	$	-	-	-	-	-	-	-
Due to other funds		-	-	-	-	-	-	-
Due to primary government from component unit		-	-	-	-	-	-	-
Other current liabilities		-	-	-	-	-	840	840
Deferred revenue		425,767	-	2,777	-	-	-	428,544
Total liabilities		425,767	-	2,777	-	-	840	429,384
Fund Balances:								
Nonspendable		-	-	-	-	-	-	-
Restricted		-	-	35,924,670	-	-	-	35,924,670
Restricted Operating Reserve								
Committed		(206,669)	19,898	-	(13,323)	(16,155)	10,751	(205,498)
Assigned		-	-	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-
Total fund balance		(206,669)	19,898	35,924,670	(13,323)	(16,155)	10,751	35,719,172
Total liabilities and fund balance	$	219,098	19,898	35,927,447	(13,323)	(16,155)	11,591	36,148,556

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Nine Months Ending March 31, 2017

		Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:								
Taxes	$	-	-	13,877,660	-	-	-	13,877,660
Licenses and permits		-	-	-	-	-	-	-
Intergovernmental		-	-	215,000	-	-	-	215,000
Charges for services		12,209	-	10,478	-	-	-	22,687
Investment Income		207	89	129,000	-	-	178	129,474
TIF Developer Contributions		-	-	-	-	-	-	-
Reimbursements from component unit		-	-	-	-	-	-	-
Other		-	-	765,108	-	-	-	765,108
Total revenues		12,416	89	14,997,245	-	-	178	15,009,928
Expenditures:								
Current:								
General government				-				-
Public safety				-				-
Public works			8	-				8
Health and welfare				-				-
Culture and recreation				-			17	17
Community development				-				-
Storm water				-				-
Nondepartmental				-				-
Capital outlay		57,804	-	1,046,085	3,154	-	23,510	1,130,554
Debt service:								
Principal		-	-	896,250	-	-	-	896,250
Interest and fiscal agent fees		-	-	5,554,463	-	-	-	5,554,463
Total expenditures		57,804	8	7,496,798	3,154	-	23,527	7,581,291
Excess (deficiency) of revenues over expenditures		(45,389)	81	7,500,448	(3,154)	-	(23,349)	7,428,638
Other financing sources (uses):								
Proceeds from capital leases		-	-	-	-	-	-	-
Proceeds from bond issuance		-	-	19,560,000	-	-	-	19,560,000
Reoffering premium/original issue discount		-	-	2,585,491	-	-	-	2,585,491
Payment to refunded loans escrow agent		-	-	-	-	-	-	-
Transfers in-utility payments in lieu of taxes		-	-	-	-	-	-	-
Transfers in		43,006	-	1,728,283	-	-	14,078	1,785,366
Transfers out		-	-	(22,977,034)	-	-	(1,932)	(22,978,966)
Total other financing sources (uses)		43,006	-	896,740	-	-	12,145	951,891
Net change in fund balances		(2,383)	81	8,397,188	(3,154)	-	(11,203)	8,380,529
Fund balances, beginning		(204,286)	19,817	27,527,482	(10,169)	(16,155)	21,955	27,338,643
Fund balances, ending	$	(206,669)	19,898	35,924,670	(13,323)	(16,155)	10,751	35,719,172

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/17

Assets		**Mid Town Truman**	**RSO**	**Santa Fe**	**Hartman Heritage**	**Drumm Farm**	**Eastland Center**	**North Indep.**	**Mount Washington**	**Sub-Total TIF Funds**
Pooled cash and investments	$	62,138	51,694	(1,698,818)	(58,386)	1,598,736	11,847,263	5,675	37,386	11,845,689
Receivables:										
Taxes		8,720	12,255	3,686	76,914	23,029	273,612	20,761	9	418,985
Accounts		-	-	-	-	-	236,700	-	-	236,700
Due from other funds		-	-	-	-	-	-	-	-	-
Due from other governments		-	18,122	3,155	37,516	630	199,263	9,956	-	268,642
Restricted assets		-	-	537,541	1,032,374	2,607	3,313,132	-	-	4,885,653
Total assets	$	70,858	82,071	(1,154,437)	1,088,417	1,625,002	15,869,970	36,393	37,395	17,655,669
Liabilities and Fund Balances										
Liabilities:										
Accounts and contracts payable	$	-	-	-	-	-	-	-	-	-
Due to other funds		-	-	-	-	-	-	-	-	-
Due to primary government from component unit		-	-	-	-	-	-	-	-	-
Deferred revenue (note 20)		-	-	-	-	-	-	-	-	-
Total liabilities		-	-	-	-	-	-	-	-	-
Fund Balances:										
Nonspendable		-	-	-	-	-	-	-	-	-
Restricted		70,858	82,071	(1,154,437)	1,088,417	1,625,002	15,869,970	36,393	37,395	17,655,669
Restricted Operating Reserve										
Committed		-	-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-	-	-
Total fund balance		70,858	82,071	(1,154,437)	1,088,417	1,625,002	15,869,970	36,393	37,395	17,655,669
Total liabilities and fund balance	$	70,858	82,071	(1,154,437)	1,088,417	1,625,002	15,869,970	36,393	37,395	17,655,669

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/17

Assets	**Noland Rd Auto Plaza**	**Crackerneck Creek**	**Old Landfill**	**Cinema East**	**Trinity**	**HCA**	**Marketplace Project #1**	**Marketplace Project #2**	**Sub-Total TIF Funds**
Pooled cash and investments	$ -	623,833	17,117	44,093	55,752	3,429,409	480	-	4,170,683
Receivables:									
Taxes	1,367	52,272	531,905	11,497	46,014	35,601	-	-	678,657
Accounts	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments	-	73,885	(8,453)	9,800	10,565	2,195	22,037	-	110,030
Restricted assets	-	9,361,193	-	-	-	3,552,129	-	-	12,913,323
Total assets	$ 1,367	10,111,184	540,569	65,390	112,331	7,019,334	$ 22,517	$ -	17,872,692
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	$ -	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-	-	-
Deferred revenue (note 20)	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	1,367	10,111,184	540,569	65,390	112,331	7,019,334	22,517	-	17,872,692
Restricted Operating Reserve									
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	1,367	10,111,184	540,569	65,390	112,331	7,019,334	22,517	-	17,872,692
Total liabilities and fund balance	$ 1,367	10,111,184	540,569	65,390	112,331	7,019,334	$ 22,517	$ -	17,872,692

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/17

Assets	**23rd & Noland Project 1**	**23rd & Noland Project 2**	**23rd & Noland Project 3**	**23rd & Noland Project 4**	**Independence Square**	**Little Blue Parkway #1**	**Little Blue Parkway #3**	**TIF App Fees**	**Sub-Total TIF Funds**	**Total TIF Funds**
Pooled cash and investments	$ 16,600	832	30,856	189,233	10,731	35,598	24,727	(4,217)	304,361	16,320,733
Receivables:										
Taxes	3,557	33	49	25,411	5,812	7,000	9,098	-	50,960	1,148,602
Accounts	-	-	-	-	-	-	-	-	-	236,700
Due from other funds	-	-	-	-	-	-	-	-	-	-
Due from other governments	5,690	-	-	12,655	11,145	3,975	10,300	-	43,765	422,436
Restricted assets	-	-	-	-	-	-	-	-	-	17,798,976
Total assets	$ 25,847	865	$ 30,905	$ 227,299	27,688	46,573	$ 44,125	(4,217)	399,086	35,927,447
Liabilities and Fund Balances										
Liabilities:										
Accounts and contracts payable	$ -	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-	-	-	-
Deferred revenue (note 20)	-	-	-	-	2,777	-	-	-	2,777	2,777
Total liabilities	-	-	-	-	2,777	-	-	-	2,777	2,777
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	25,847	865	30,905	227,299	24,911	46,573	44,125	(4,217)	396,309	35,924,670
Restricted Operating Reserve										
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balance	25,847	865	30,905	227,299	24,911	46,573	44,125	(4,217)	396,309	35,924,670
Total liabilities and fund balance	$ 25,847	865	$ 30,905	$ 227,299	27,688	46,573	$ 44,125	(4,217)	399,086	35,927,447

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2017

		Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Indep.	Mount Washington	Sub-Total TIF Funds
Revenues:										
Taxes (note 4)	$	19,222	159,922	17,263	1,350,682	519,863	4,395,791	68,841	1,246	6,532,830
Licenses and permits		-	-	-	-	-	-	-	-	-
Intergovernmental (note 5)		-	-	-	-	-	-	-	-	-
Charges for services		-	-	-	-	-	-	-	-	-
Investment Income		283	196	33	2,969	5,734	98,427	246	161	108,050
TIF Developer Contributions		-	-	-	-	-	-	-	-	-
Other (note 6)		-	21,000	77,441	-	-	-	-	-	98,441
Total revenues		19,505	181,119	94,737	1,353,651	525,597	4,494,218	69,088	1,407	6,739,321
Expenditures:										
Current:										
Capital outlay		24	16	119	6,055	84,507	175,512	17	14	266,264
Debt service:										
Principal (note 8)		13,050	-	85,000	-	-	-	-	-	98,050
Interest and fiscal agent fees		-	212,000	178,706	191,584	62,030	446,469	80,000	-	1,170,790
Total expenditures		13,074	212,016	263,825	197,640	146,537	621,981	80,017	14	1,535,103
Excess (deficiency) of revenues over expenditures		6,431	(30,898)	(169,088)	1,156,011	379,060	3,872,237	(10,929)	1,394	5,204,218
Other financing sources (uses):										
Proceeds from bond issuance		-	-	-	-	2,285,000	-	-	-	2,285,000
Reoffering premium/original issue discount		-	-	-	-	72,551	-	-	-	72,551
Transfers in		-	-	187,941	72,892	-	334,592	-	-	595,425
Transfers out		-	-	-	(72,892)	(2,277,122)	(334,592)	-	-	(2,684,606)
Total other financing sources (uses)		-	-	187,941	-	80,429	-	-	-	268,370
Net change in fund balances		6,431	(30,898)	18,853	1,156,011	459,489	3,872,237	(10,929)	1,394	5,472,588
Fund balances, beginning		64,428	112,969	(1,173,290)	(67,594)	1,165,512	11,997,733	47,322	36,001	12,183,081
Fund balances, ending	$	70,858	82,071	(1,154,437)	1,088,417	1,625,002	15,869,970	36,393	37,395	17,655,669

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2017

	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East	Cornerstone Apts	Trinity	HCA	Marketplace Project 1	Marketplace Project 2	Sub-Total TIF Funds
Revenues:										
Taxes	$ 1,258	1,452,531	917,153	206,656	-	431,500	3,479,391	22,457	-	6,510,947
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	215,000	-	-	-	-	-	-	-	215,000
Charges for services	-	-	-	-	-	-	-	10,478	-	10,478
Interfund charges for support services (note 6)	-	-	-	-	-	-	-	-	-	-
Fines, forfeitures, and court costs	-	-	-	-	-	-	-	-	-	-
Investment Income	161	11,376	463	94	-	196	7,422	62	-	19,775
Sale of property, plant, and equipment	-	-	-	-	-	-	-	-	-	-
TIF Developer Contributions	-	-	-	-	-	-	-	-	-	-
Reimbursements from component unit	-	-	-	-	-	-	-			-
Other	-	666,667	-	-	-	-	-	-	-	666,667
Total revenues	1,419	2,345,575	917,616	206,750	-	431,696	3,486,813	32,997	-	7,422,866
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-
Nondepartmental/other	-	-	-	-	-	-	-	-	-	-
Capital outlay	6	12,097	2	4,887	-	456	748,838	9,607	-	775,895
Debt service:										-
Principal	20,773	-	344,959	31,601	-	330,067	-	-	-	727,400
Interest and fiscal agent fees	-	3,779,918	40,041	153,399	-	65,933	344,382	-	-	4,383,673
Total expenditures	20,779	3,792,015	385,002	189,887	-	396,456	1,093,221	9,607	-	5,886,968
Excess (deficiency) of revenues over expenditures	(19,360)	(1,446,441)	532,614	16,863	-	35,240	2,393,592	23,390	-	1,535,898
Other financing sources (uses):										
Proceeds from bond issuance	-	-	-	-	-	-	17,275,000	-	-	17,275,000
Reoffering premium/original issue discount	-	-	-	-	-	-	2,512,940	-	-	2,512,940
Transfers in	-	1,103,493	-	-	-	25,056	4,309	-	-	1,132,858
Transfers out	-	-	-	-	-	(25,056)	(19,576,311)	-	-	(19,601,367)
Total other financing sources (uses)	-	1,103,493	-	-	-	-	215,938	-	-	1,319,431
Net change in fund balances	(19,360)	(342,948)	532,614	16,863	-	35,240	2,609,530	23,390	-	2,855,329
Fund balances, beginning	20,726	10,454,132	7,955	48,527	-	77,092	4,409,804	(873)	-	15,017,363
Fund balances, ending	$ 1,367	10,111,184	540,569	65,390	-	112,331	7,019,334	$ 22,517	$ -	17,872,692

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2017

	23rd & Noland Project 1	23rd & Noland Project 2	23rd & Noland Project 3	23rd & Noland Project 4	Independence Square	Little Blue Parkway #1	Little Blue Parkway #3	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Revenues:										
Taxes	$ 61,447	5,135	32,756	267,418	105,760	136,876	224,492	-	833,883	13,877,660
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	215,000
Charges for services	-	-	-	-	-	-	-	-	-	10,478
Investment Income	57	13	57	317	636	40	55	-	1,175	129,000
TIF Developer Contributions	-	-	-	-	-	-	-	-	-	-
Reimbursements from component unit	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	765,108
Total revenues	61,504	5,148	32,813	267,735	106,396	136,916	224,547	-	835,058	14,997,245
Expenditures:										
Current:										
Capital outlay	5	1	4	20	38	1	1	3,855	3,926	1,046,085
Debt service:									-	-
Principal	63,000	7,800	-	-	-	-	-	-	70,800	896,250
Interest and fiscal agent fees	-	-	-	-	-	-	-	-	-	5,554,463
Total expenditures	63,005	7,801	4	20	38	1	1	3,855	74,726	7,496,798
Excess (deficiency) of revenues over expenditures	(1,501)	(2,653)	32,808	267,715	106,358	136,915	224,546	(3,855)	760,332	7,500,448
Other financing sources (uses):										
Proceeds from bond issuance	-	-	-	-	-	-	-	-	-	19,560,000
Reoffering premium/original issue discount	-	-	-	-	-	-	-	-	-	2,585,491
Transfers in	-	-	-	-	-	-	-	-	-	1,728,283
Transfers out	-	-	(16,444)	(171,497)	(188,120)	(110,000)	(205,000)	-	(691,061)	(22,977,034)
Total other financing sources (uses)	-	-	(16,444)	(171,497)	(188,120)	(110,000)	(205,000)	-	(691,061)	896,740
Net change in fund balances	(1,501)	(2,653)	16,364	96,218	(81,762)	26,915	19,546	(3,855)	69,271	8,397,188
Fund balances, beginning	27,347	3,519	14,541	131,081	106,673	19,659	24,580	(362)	327,038	27,527,482
Fund balances, ending	$ 25,847	865	30,905	227,299	24,911	46,573	$ 44,125	(4,217)	396,309	35,924,670

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Net Assets
Internal Service Funds
March 31, 2017

Assets		**Central Garage**	**Staywell Health Care**	**Worker's Compensation**	**Total (Exhibit 5)**
Current assets:					
Pooled cash and investments	$	620,660	6,962,870	4,175,631	11,759,161
Accounts receivable		—	2,433	—	2,433
Accrued interest receivable		—	—	—	—
Due from other funds		—	—	—	—
Inventory		93,997	—	—	93,997
Prepaid Items		—	—	—	—
Property, plant, and equipment, net:					—
Land and infrastructure		—	—	—	—
Buildings, property, and equipment, net		—	—	—	—
Advance to other funds		—	—	—	—
Deferred debt issue costs		—	—	—	—
Prepayments		—	—	—	—
Other deferred charges		—	—	—	—
Restricted Assets		—	—	200,000	200,000
Total current assets		714,657	6,965,303	4,375,631	12,055,591
Noncurrent assets:					
Property, plant, and equipment;					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		226,056	—	—	226,056
Less accumulated depreciation		(191,863)	—	—	(191,863)
Deferred Outflow Pensions		332,227	—	90,708	422,935
Total noncurrent assets		460,399	—	90,708	551,107
Total assets	$	1,175,056	6,965,303	4,466,339	12,606,698
Liabilities					
Current liabilities:					
Accounts and contracts payable	$	(2,907)	—	—	(2,907)
Accrued liabilities		27,750	—	3,423	31,173
Deferred Revenue		—	—	619,000	619,000
Compensated absences - current		47,954	—	14,893	62,847
Employee benefits payable		—	—	—	—
Other Current Liabilities		—	—	—	—
Self-insurance claims		—	1,767,809	2,493,901	4,261,710
Total current liabilities		72,797	1,767,809	3,131,217	4,971,823
Noncurrent liabilities:					
Compensated absences - long-term		55,035	—	34,499	89,534
Other post employment benefits		1,409,811	—	243,695	1,653,506
Self-insurance claims		—	—	2,488,182	2,488,182
Deferred inflows pension		40,062	—	11,786	51,848
Total liabilities		1,577,705	1,767,809	5,909,379	9,254,893
Net Assets					
Invested in capital assets, net of related debt		460,399	—	90,708	551,107
Unrestricted		(863,048)	5,197,494	(1,533,748)	2,800,698
Total net assets (deficit)		(402,649)	5,197,494	(1,443,040)	3,351,805
Total liabilities and net assets	$	1,175,056	6,965,303	4,466,339	12,606,698

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

For the Nine Months Ending March 31, 2017

	Central Garage	Staywell Health Care	Worker's Comp	Total (Exhibit 6)
Operating revenues:				
Charges for services	$ 1,270,251	—	—	1,270,251
Miscellaneous	2	17,194,495	1	17,194,498
Total operating revenues	1,270,253	17,194,495	1	18,464,749
Operating expenses:				
Personal services	577,807	—	114,001	691,808
Other services	284,467	18,722,427	2,661,558	21,668,452
Supplies	541,005	3,451	1,970	546,426
Capital outlay	—	—	—	—
Depreciation and amortization	2,992	—	—	2,992
Total operating expenses	1,406,271	18,725,878	2,777,529	22,909,678
Operating Income	(136,018)	(1,531,383)	(2,777,528)	(4,444,929)
Nonoperating revenues:				
Interest revenue	2,989	29,148	19,937	52,074
Miscellaneous revenue	11,635	2,059,604	1,857,345	3,928,584
Total nonoperating revenue	14,624	2,088,752	1,877,282	3,980,658
Income before transfers	(121,394)	557,369	(900,246)	(464,271)
Transfers in (out)	—	—	—	—
Change in net assets	(121,394)	557,369	(900,246)	(464,271)
Total net assets (deficit):				
Beginning of the period	(281,255)	4,640,125	(542,794)	3,816,076
End of the period	$ (402,649)	5,197,494	(1,443,040)	3,351,805

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

March 31, 2017

		Private-Purpose Trust Fund		Agency Funds			
Assets		**Miscellaneous Expendable Trust**	**Total**	**Flexible Benefit Plan**	**Miscellaneous Agency Fund**	**Seniors Travel Programs**	**Total**
Pooled cash and investments	$	2,992	2,992	124,123	33,699	32,731	190,553
Accrued interest receivable		—	—	—	157	—	157
Total assets	$	2,992	2,992	124,123	33,856	32,731	190,710
Due from flexible benefit plan				—	—		
Liabilities							
Accounts and contacts payable	$						
Internal balances (note 6)		—	—	—	33,856	32,731	66,587
Liabilities payable from restricted assets:							
Funds held in Escrow		—	—	—	—	—	—
Employee deferred credit		—	—	124,123	—	—	124,123
Total liabilities		—	—	124,123	33,856	32,731	190,710
Net Assets							
Held in trust	$	2,992	2,992				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
March 31, 2017

FUND		CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	$	4,591,544.89	211,927.50	-	4,803,472.39
SPECIAL REVENUE					
TOURISM		1,031,237.45	-	-	1,031,237.45
CDA		-	-	(125,649.09)	(125,649.09)
RENTAL REHAB		-	-	(40,844.97)	(40,844.97)
INDEP. SQUARE BENEFIT		24,930.71	-	-	24,930.71
STREET SALES TAX		1,223,725.34	-	-	1,223,725.34
PARKS SALES TAX		-	-	(2,627,621.03)	(2,627,621.03)
STORM WATER SALES TAX		6,402,096.90	-	-	6,402,096.90
POLICE SALES TAX		1,648,455.53	-	-	1,648,455.53
FIRE SALES TAX		1,790,972.68	-	-	1,790,972.68
LICENSE SURCHARGE		1,096,301.02	-	-	1,096,301.02
GRANT		378,479.70	-	-	378,479.70
TOTAL		13,596,199.33	-	(2,794,115.09)	10,802,084.24
DEBT SERVICE FUND		2,829.94	94,000.00	-	96,829.94
CAPITAL PROJECTS					
STREET		-	-	(206,669.24)	(206,669.24)
TIF		16,320,733.22	17,798,976.01	-	34,119,709.23
BUILDING		-	-	(13,323.16)	(13,323.16)
STORM DRAINAGE		-	-	(16,155.37)	(16,155.37)
PARKS		11,591.38	-	-	11,591.38
REVOLVING PUBLIC IMPROV.		19,898.34	-	-	19,898.34
TOTAL		16,352,222.94	17,798,976.01	(236,147.77)	33,915,051.18
ENTERPRISE					
POWER & LIGHT		67,667,256.40	40,372,122.89	-	108,039,379.29
WATER		20,564,256.02	4,881,291.97	-	25,445,547.99
SEWER		14,471,508.26	13,225,109.45	-	27,696,617.71
EVENTS CENTER		-	6,864,624.76	(693,972.32)	6,170,652.44
TOTAL		102,703,020.68	65,343,149.07	(693,972.32)	167,352,197.43
INTERNAL SERVICE					
EMPLOYEE BENEFITS		-	-	-	-
CENTRAL GARAGE		620,659.62	-	-	620,659.62
PHARMACY BENEFIT FUND		-	-	-	-
STAYWELL INSURANCE		6,962,870.25	-	-	6,962,870.25
WORKER'S COMPENSATION		4,175,630.50	200,000.00	-	4,375,630.50
TOTAL		11,759,160.37	200,000.00	-	11,959,160.37
TRUST & AGENCY					
WAGGONER		-	-	-	-
MISC TRUST		2,991.91	-	-	2,991.91
SUSIE PAXTON BLOCK TRUST		33,699.41	-	-	33,699.41
SENIORS TRAVEL PROGRAMS		32,731.15	-	-	32,731.15
FLEXIBLE BENEFITS		124,123.25	-	-	124,123.25
TOTAL		193,545.72	-	-	193,545.72
GRAND TOTAL	**$**	**149,198,523.87**	**83,648,052.58**	**(3,724,235.18)**	**229,122,341.27**

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY
March 31, 2017

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		$ 229,095,688.93	229,095,688.93	
CERTIFICATE OF DEPOSIT				
TOTAL		0.00	0.00	
U. S. TREASURY NOTES & AGENCY NOTES				
Commerce	02/15/27	18,887.50	26,652.34	7.074%
TOTAL		18,887.50	26,652.34	
GRAND TOTAL		$ 229,114,576.43	229,122,341.27	

APPENDIX C

DEFINITIONS OF WORDS AND TERMS
AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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

The following definitions relate to the Series 2017A Bonds. The Bonds of each Series are separately secured.

"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 2012E Bonds, the Series 2014A Bonds and the Series 2017A Bonds.

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

"Bond" or **"Bonds"** means the Series 2012E Bonds, the Series 2014A Bonds, the Series 2017A Bonds and any Additional Bonds issued pursuant to the Indenture.

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

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

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2012E Bonds an amount equal to $396,500, (ii) with respect to the Series 2014A Bonds the amount an amount equal to $485,500, (iii) with respect to the Series 2017A Bonds an amount equal to $0, and (iv) with respect to any Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds. [Series 2017A Bonds only.]

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2011B Bonds, the amount of $0, (ii) with respect to the Series 2017B Bonds, the amount of $0, (iii) with respect to Additional Bonds issued on a parity with the Series 2011B Bonds and the Series 2017B Bonds, a sum equal to the least of (A) **10%** of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) **125%** of the average future annual debt service on such Additional Bonds, (iv) with respect to any Additional Bonds that are not entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds. [Series 2017B Bonds only.]

"Defeasance Obligations" means:

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

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

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

"Government Obligations" means the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Transaction Documents" means the Indenture, the Bonds, Financing Agreement, the Official Statement relating to the Bonds, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the

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

* * *

The following definitions relate to the Series 2017B Bonds. The Bonds of each Series are separately secured.

"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 2011B Bonds and the Series 2007B Bonds.

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

"Authorizing Ordinance" means the Ordinances of the City authorizing the execution of the Financing Agreement and certain other documents relating to the Series 2011B Bonds and the Series 2017B Bonds.

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

"Bond" or **"Bonds"** means the Series 2011B Bonds, the Series 2017B Bonds and any Additional Bonds issued pursuant to the Indenture.

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

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

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

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2011B Bonds, an amount equal to $0, (ii) with respect to the Series 2017B Bonds, the amount of $0, and (iii) with respect to any Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

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

“Defeasance Obligations” means:

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

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

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

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

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

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

“Government Obligations” means the following:

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

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

“Indenture” means the Master Indenture as amended and supplemented from time to time by Supplemental Indentures in accordance with the provisions of the Master Indenture.

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

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

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

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

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

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

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

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

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

(2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Master Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Series 2011B Supplemental Indenture or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Series 2011B Supplemental Indenture; and

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

"Paying Agent" means the Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to the Series 2011B Supplemental Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) As to securities:

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

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

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

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

interest; and

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

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

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

"Series 2011B Bonds" means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Hartman Heritage Centre Project), Series 2011B, aggregating the principal amount of $6,165,000.

"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.

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

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

SUMMARY OF THE BOND TRUST INDENTURE

Except as otherwise noted, the following is a summary of the Series 2017A Indenture. The Bonds of each Series are separately secured. The Indenture for the Series 2017B Bonds is substantially similar to the Indenture summarized below, except as otherwise noted.

The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2017A Indenture and the Series 2017B Indenture for a complete recital of the terms thereof.

Trust Estate

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

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

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

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

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

Authorization of Additional Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Creation of Funds and Accounts

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

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

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

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

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

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

Project Fund

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

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

Debt Service Fund

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

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

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

Debt Service Reserve Fund

To the extent applicable, ach Series of Bonds is separately secured by an account in the Debt Service Reserve Fund relating solely to that Series of Bonds as set forth in the Indenture. <u>[Neither the Series 2017A Bonds nor the Series 2017B Bonds are secured by a Debt Service Reserve Fund.]</u>

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

Rebate Fund

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

Investment of Moneys

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

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

Events of Default

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

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

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

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

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

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

Acceleration of Maturity; Rescission and Annulment

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

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

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

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

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

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

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

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

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

Exercise of Remedies by the Trustee

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

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

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

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

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

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

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

Limitation on Suits by Bondowners

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

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

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

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

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

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

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

Control of Proceedings by Bondowners

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

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

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

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

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

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

Application of Moneys Collected

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

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

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

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

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

Resignation and Removal of Trustee

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

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

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

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

Appointment of Successor Trustee

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

Supplemental Indentures without Consent of Bondowners

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

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

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

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

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

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

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

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

Supplemental Indentures with Consent of Bondowners

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

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

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

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

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

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

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

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

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

Payment, Discharge and Defeasance of Bonds

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

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

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

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

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Defeasance Obligations pursuant to subparagraph (c) above, subject to receipt by the Trustee of (1) a verification report in form and substance satisfactory to the Trustee prepared by independent certified public accountants, or other verification agent, satisfactory to the Trustee and the Board, and (2) an Opinion of Bond

Counsel addressed and delivered to the Trustee in form and substance satisfactory to the Trustee to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Indenture has been provided for in the manner set forth in the Indenture and to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture.

Satisfaction and Discharge of Indenture

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

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

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

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

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

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

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

* * *

SUMMARY OF THE AUTHORIZING ORDINANCES

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

Authorizing Ordinance for Series 2017A Bonds

"Additional Payments" shall have the meaning set forth in the Financing Agreement.

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

“**Bonds**” means, the Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Eastland Project) Series 2017A.

“**Business Day**” means a day other than a Saturday, Sunday or holiday on which the Trustee is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

“CID” means the Independence Events Center Community Improvement District.

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

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

“**City**” means the City of Independence, Missouri, and any successors or assigns.

“Costs of the Project” means that portion of the costs of completion of the Project to be refinanced from proceeds of the Loan.

“Eastland Loans” means the loan of proceeds of the Outstanding Eastland Bonds from the Board to the City.

“**Economic Activity Tax Account**” means the Economic Activity Tax Account in the Special Allocation Fund described in **Section 401**.

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

“Events Center Loans” means the loan of proceeds of the Outstanding Events Center Bonds from the Board to the City.

“Events Center Project” means the construction of the Independence Events Center.

“Financing Agreement” means the Series 2017A Supplemental Financing Agreement between the Board and the City.

"Incremental Tax Revenues" means, collectively, the Payments in Lieu of Taxes and, subject to annual appropriation as provided herein, Economic Activity Tax Revenues with respect to the Redevelopment Area.

"Indenture" means the Bond Trust Indenture dated as of May 1, 2007, as amended, between the Board and the Trustee under which the Outstanding Eastland Bonds have been or will be issued.

"Loan" means the loan from the Board to the City made pursuant to the Financing Agreement.

"Loan Payments" shall have the meaning set forth in the Financing Agreement.

"**Ordinance**" means this Ordinance as from time to time amended in accordance with the terms hereof.

"Outstanding Events Center Bonds" means the following series of bonds to the extent outstanding, together with any bonds issued hereafter on a parity with such bonds or bonds issued to refund such bonds:

a. $11,815,000 original principal amount Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project), Series 2011A, issued by the Board.

b. $68,945,000 original principal amount Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project), Series 2012C, issued by the Board.

c. $12,005,000 original principal amount Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Events Center Project), Series 2016A, issued by the Board.

"Outstanding Eastland Bonds" means the following series of bonds issued by the Board to the extent outstanding, together with any bonds issued hereafter on a parity with such bonds or bonds issued to refund such bonds:

a. $3,965,000 original principal amount Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project), Series 2012E (the "Series 2012E Eastland Bonds").

b. $4,855,000 original principal amount Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2014A (the "2014A Eastland Bonds").

c. the Bonds, when issued.

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

"**PILOTS Account**" means the PILOTS Account in the Special Allocation Fund described in **Section 401** hereof.

"Redevelopment Area" means the area described in the Redevelopment Agreement as the Redevelopment Area with respect to which the governing body of the City has adopted tax increment financing in accordance with the TIF Act pursuant to the Redevelopment Plan.

"Redevelopment Costs" means the "redevelopment project costs," as defined in the TIF Act, that may be paid through tax increment financing and which the City has agreed to pay under the Redevelopment Agreement.

"Refunded Bonds" has the meaning set forth in **Section 501** hereof.

"Special Allocation Fund" means the Special Allocation Fund established for the Eastland Project, which is ratified and confirmed by **Section 401** hereof.

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

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

"TIF Ordinance" means, for any Redevelopment Project, an ordinance passed by the City pursuant to which the City has commenced the 23-year period contained in the TIF Act.

"Underwriter" means Piper Jaffray & Co.

Security for the Loan

(a) Except as provided in the following paragraph, the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement shall be subject to annual appropriation as provided in **Section 3.5** of the Financing Agreement.

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

(b) As additional security for the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest on a parity with the City's obligation to make Loan Payments and Additional Payments under any other Financing Agreement related to bonds secured on a parity with the Outstanding Eastland Bonds by (a) a pledge of the Payments in Lieu of Taxes deposited in the PILOTS Account of the Special Allocation Fund related to the Redevelopment Project, (b) subject to annual appropriation by the City Council as provided in this Section, the Economic Activity Tax Revenues deposited in the Economic Activity Tax Account of the Special Allocation Fund related to the Redevelopment Project. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The Loan shall not constitute a general obligation of the City, nor shall it constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Redevelopment Project are hereby pledged to the payment of the loans related to the Outstanding Eastland Bonds (the "Eastland Loans"); provided, however Economic Activity Tax Revenues deposited therein shall remain subject to annual appropriation as described herein. Such pledge is on a parity with the pledge of the City securing all other loans incurred by the City with respect to Redevelopment Costs, whether previously or to be incurred, to the extent provided in the ordinance authorizing each loan.

(c) The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund related the Eastland Redevelopment Project to the repayment of the Eastland Loans and loans under any other Financing Agreements related to bonds secured on a parity with the Outstanding Eastland Bonds. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such event of nonappropriation: (i) the Board, (ii) Commerce Bank, as trustee for the Outstanding Eastland Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

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

Administration of Eastland Special Allocation Fund

Subject to annual appropriation by the City Council of the City, the CID EATS are pledged, on a subordinate basis as further described in this Section. The pledge of the CID EATS to the repayment of the Events Center Loans is on a parity with the pledge of the City securing all other loans to be incurred by the City with respect to costs of the Events Center Project to the extent provided in the ordinances authorizing each loan.

The moneys in the Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in this Ordinance and the ordinances of the City authorizing the loans relating to the Outstanding Eastland Bonds. At any time moneys are to be withdrawn, transferred or paid from the Special Allocation Fund, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City hereby agrees to deposit into the Special Allocation Fund as received all Incremental Tax Revenues from the Redevelopment Area. The Incremental Tax Revenues shall be determined, collected and applied in the manner provided by law. Payments in Lieu of Taxes from the Redevelopment Area shall be deposited into the PILOTS Account of the Special Allocation Fund, and subject to annual appropriation as provided in the ordinances authorizing the loans related to the Outstanding Eastland Bonds, all Economic Activity Tax Revenues from the Redevelopment Area shall, as and when received by the City, be deposited into the Economic Activity Tax Account of the Special Allocation Fund. All interest earnings on moneys in the Special Allocation Fund shall be credited to and deposited in the Special Allocation Fund.

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

(i) Not later than the last Business Day of each March and September the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under any financing agreement relating to the Outstanding Eastland Bonds; provided, however, in the event the amount to be so transferred is less than the amount required to make such Loan Payments, the City shall allocate such amounts on a pro rata basis based upon the principal amount of the outstanding Loan Payments.

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

(iii) All moneys remaining in the Special Allocation Fund, after making the foregoing payments, shall be expended at the discretion of the City for one or more of the following purposes, without any priority among them (except that the withdrawal of CID EATS for the purposes described herein shall have first priority to the extent allowed by the Redevelopment Agreement):

1. for the purpose of paying any Redevelopment Costs, including without limitation withdrawal of the CID EATS for payment of the Events Center Loans and any loan secured on a parity therewith; or

2. for the purpose of prepaying any Loan Payments or Additional Payments due under the any financing agreement relating to the Outstanding Eastland Bonds; or

3. for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

4. for the purpose of reimbursing the City for any transfer of any legally available funds to the Special Allocation Fund; or

5. for the purpose of distributing such funds to the taxing districts or municipal corporations in accordance with the TIF Act; or

6. for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the TIF Act.

Authorizing Ordinance for Series 2017B Bonds

Definitions

"Additional Payments" shall have the meaning set forth in the Financing Agreement.

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

"**Bonds**" means, the Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Hartman Heritage Project) Series 2017B.

"**Business Day**" means a day other than a Saturday, Sunday or holiday on which the Trustee is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

"CID" means the Independence Events Center Community Improvement District.

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

"CID Sales Tax Revenues" means revenues received by the City from the CID Sales Tax, less (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, (ii) such amount as is retained by the State of Missouri for collecting the CID Sales Tax, (iii) any sum received by the CID which is the subject of a suit or other claim communicated to the CID which suit or claim challenges the collection of such sum, (iv) an administration fee payable to the City for administering and accounting for the CID Sales

Tax in the amount of 2% of the total CID Sales Tax, plus any actual costs and expenses incurred by the City greater than such 2% amount, (v) a one-time payment to the City of $1,200 to reimburse the City for administrative set-up costs and expenses of the CID, (vi) actual, reasonable operating costs of the CID, and (vii) any costs and expenses incurred in connection with any collection or enforcement issues associated with the CID Sales Tax in which the City may participate with or at the direction of the Missouri Department of Revenue.

"**City**" means the City of Independence, Missouri, and any successors or assigns.

"Costs of the Project" means that portion of the costs of completion of the Project to be refinanced from proceeds of the Loan.

"**Economic Activity Tax Account**" means the Economic Activity Tax Account in the Special Allocation Fund described in **Section 401**.

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

"Events Center Loans" means the loan of proceeds of the Outstanding Events Center Bonds from the Board to the City.

"Events Center Project" means the construction of the Independence Events Center.

"Financing Agreement" means the Series 2017B Supplemental Financing Agreement between the Board and the City.

"Hartman Heritage Loans" means the loan of proceeds of the Outstanding Hartman Heritage Bonds from the Board to the City.

"Incremental Tax Revenues" means, collectively, the Payments in Lieu of Taxes and, subject to annual appropriation as provided herein, Economic Activity Tax Revenues with respect to the Redevelopment Area.

"Indenture" means the Bond Trust Indenture dated as of June 1, 1999, as amended, between the Board and the Trustee under which the Outstanding Hartman Heritage Bonds have been or will be issued.

"Loan" means the loan from the Board to the City made pursuant to the Financing Agreement.

"Loan Payments" shall have the meaning set forth in the Financing Agreement.

"**Ordinance**" means this Ordinance as from time to time amended in accordance with the terms hereof.

"Outstanding Events Center Bonds" means the following series of bonds to the extent outstanding, together with any bonds issued hereafter on a parity with such bonds or bonds issued to refund such bonds:

a. $11,815,000 original principal amount Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project), Series 2011A, issued by the Board.

b. $68,945,000 original principal amount Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Events Center Project), Series 2012C, issued by the Board.

c. $12,005,000 original principal amount Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Events Center Project), Series 2016A, issued by the Board.

"Outstanding Hartman Heritage Bonds" means the following series of bonds issued by the Board to the extent outstanding, together with any bonds issued hereafter on a parity with such bonds or bonds issued to refund such bonds:

d. $6,720,000 original principal amount Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Hartman Heritage Centre Project), Series 2011B (the "Series 2011B Hartman Heritage Bonds").

e. the Bonds, when issued.

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

"**PILOTS Account**" means the PILOTS Account in the Special Allocation Fund described in **Section 401** hereof.

"Redevelopment Area" means the area described in the Redevelopment Agreement as the Redevelopment Area with respect to which the governing body of the City has adopted tax increment financing in accordance with the TIF Act pursuant to the Redevelopment Plan.

"Redevelopment Costs" means the "redevelopment project costs," as defined in the TIF Act, that may be paid through tax increment financing and which the City has agreed to pay under the Redevelopment Agreement.

"Refunded Bonds" has the meaning set forth in **Section 501** hereof.

"Special Allocation Fund" means the Special Allocation Fund established for the Hartman Heritage Project, which is ratified and confirmed by **Section 401** hereof.

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

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

"TIF Ordinance" means, for any Redevelopment Project, an ordinance passed by the City pursuant to which the City has commenced the 23-year period contained in the TIF Act.

Security for the Loan

(a) Except as provided in the following paragraph, the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement shall be subject to annual appropriation as provided in **Section 3.5** of the Financing Agreement.

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

(b) As additional security for the City's obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest on a parity with the City's obligation to make Loan Payments and Additional Payments under any other Financing Agreement related to bonds secured on a parity with the Outstanding Hartman Heritage Bonds by (a) a pledge of the Payments in Lieu of Taxes deposited in the PILOTS Account of the Special Allocation Fund related to the Redevelopment Project, (b) subject to annual appropriation by the City Council as provided in this Section, the Economic Activity Tax Revenues deposited in the Economic Activity Tax Account of the Special Allocation Fund related to the Redevelopment Project. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The Loan shall not constitute a general obligation of the City, nor shall it constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Redevelopment Project are hereby pledged to the payment of the loans related to the Outstanding Hartman Heritage Bonds (the "Hartman Heritage Loans"); provided, however Economic Activity Tax Revenues deposited therein shall remain subject to annual appropriation as described herein. Such pledge is on a parity with the pledge of the City securing all other loans incurred by the City with respect to Redevelopment Costs, whether previously or to be incurred, to the extent provided in the ordinance authorizing each loan.

(c) The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund related the Hartman Heritage Redevelopment Project to the repayment of the Hartman Heritage Loans and loans under any other Financing Agreements related to bonds secured on a parity with the Outstanding Hartman Heritage Bonds. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such event of nonappropriation: (i) the Board, (ii) Commerce Bank, as trustee for the Outstanding Hartman Heritage Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

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

Administration of Hartman Heritage Special Allocation Fund

Subject to annual appropriation by the City Council of the City, the CID EATS are pledged, on a subordinate basis as further described in this Section. The pledge of the CID EATS to the repayment of the

Events Center Loans is on a parity with the pledge of the City securing all other loans to be incurred by the City with respect to costs of the Events Center Project to the extent provided in the ordinances authorizing each loan.

The moneys in the Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in this Ordinance and the ordinances of the City authorizing the loans relating to the Outstanding Hartman Heritage Bonds. At any time moneys are to be withdrawn, transferred or paid from the Special Allocation Fund, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City hereby agrees to deposit into the Special Allocation Fund as received all Incremental Tax Revenues from the Redevelopment Area. The Incremental Tax Revenues shall be determined, collected and applied in the manner provided by law. Payments in Lieu of Taxes from the Redevelopment Area shall be deposited into the PILOTS Account of the Special Allocation Fund, and subject to annual appropriation as provided in the ordinances authorizing the loans related to the Outstanding Eastland Bonds, all Economic Activity Tax Revenues from the Redevelopment Area shall, as and when received by the City, be deposited into the Economic Activity Tax Account of the Special Allocation Fund. All interest earnings on moneys in the Special Allocation Fund shall be credited to and deposited in the Special Allocation Fund.

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

(i) Not later than the last Business Day of each March and September, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under any financing agreement related to the Outstanding Hartman Heritage Bonds; provided, however, in the event the amount to be so transferred is less than the amount required to make such Loan Payments, the City shall allocate such amounts on a pro rata basis based upon the principal amount of the outstanding Loan Payments.

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

(iii) All moneys remaining in the Special Allocation Fund, after making the foregoing payments, shall be expended at the discretion of the City for one or more of the following purposes, without any priority among them (except that the withdrawal of CID EATS for the purposes described herein shall have first priority to the extent allowed by the Hartman Heritage Redevelopment Agreement):

1. for the purpose of paying any Redevelopment Costs, including without limitation withdrawal of the CID EATS for payment of the Events Center Loans and any loan secured on a parity therewith; or

2. for the purpose of prepaying any Loan Payments or Additional Payments due under any financing agreement related to the Outstanding Hartman Heritage Bonds; or

3. for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

4. for the purpose of reimbursing the City for any transfer of any legally available funds to the Special Allocation Fund; or

5. for the purpose of distributing such funds to the taxing districts or municipal corporations in accordance with the TIF Act; or

6. for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the TIF Act.

* * *

SUMMARY OF THE FINANCING AGREEMENT

Except as otherwise noted, the following is a summary of the Series 2017A Financing Agreement. The Bonds of each Series are separately secured. The Financing Agreement for the Series 2017B Bonds is substantially similar to the Financing Agreement summarized below, except as otherwise noted.

The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2017A Financing Agreement and the Series 2017B Agreement for a complete recital of the terms thereof.

Use of Proceeds

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

Loan Payments

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

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

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

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

Additional Payments

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

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

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

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

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

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

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

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

Annual Appropriations

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

Annual Budget Request

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

Loan Payments to Constitute Current Expenses of the City

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

Security for the Loan

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

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

Additional Bonds

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

Financial Statements

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

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

Events of Default and Remedies

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

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

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

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

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

Remedies on Default

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

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

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

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

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

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

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

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

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

(a) to subject to the Financing Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any series of Bonds, or to substitute or add additional property thereto; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Financing Agreement, additional conditions, limitations and restrictions thereafter to be observed; or

(c) in connection with the issuance of any Additional Bonds, to make such other provisions as provided in the Financing Agreement; or

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

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

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

Supplemental Financing Agreements with Consent of Bondowners

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

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

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

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

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

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

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SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS

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

Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Continuing Disclosure Agreement unless otherwise defined in this Section or in the recitals hereto, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided to the City pursuant to, and as described in, the Continuing Disclosure Agreement.

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

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

"Material Events" means any of the events listed in the Continuing Disclosure Agreement.

"**MSRB"** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports.

(a) The City shall not later than **180** days after the end of the City's fiscal year, commencing with the year ending June 30, 2017, file with the MSRB, through EMMA, the following financial information and operating data (the "**Annual Report**"):

(1) The audited financial statements of the City for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States. If

audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

(2) The amounts deposited into the Special Allocation Fund established for the related project.

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 on EMMA. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; <u>provided</u> that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

(b) In addition to the foregoing requirements of this Section, the City agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been provided to the MSRB.

Reporting of Material Events

Not later than **10** business days after the occurrence of any of the following events, the City shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds ("**Material Events**"):

(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.

If the City has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the City shall send a notice to the MSRB of the failure of the City to file on a timely basis the Annual Report, which notice shall be given by the City in accordance with this **Section 3**.

Termination of Reporting Obligation

The City's obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the City's obligations under the Continuing Disclosure Agreement are assumed in full by some other entity, such person shall be responsible for compliance with the Continuing Disclosure Agreement 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 Continuing Disclosure Agreement.

Default

If the City fails to comply with any provision of the Continuing Disclosure Agreement, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Indenture or the Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Beneficiaries

The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Severability

If any provision in the Continuing Disclosure Agreement, the Indenture or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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

Missouri Development Finance Board Jefferson City, Missouri	Piper Jaffray & Co. Leawood, Kansas
City of Independence, Missouri Independence, Missouri	Commerce Bank, as Trustee Kansas City, Missouri

Re: $___________ Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Eastland Center Project) Series 2017A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the "Board"), of the above-referenced bonds (the "Bonds"). The Bonds have been authorized and issued pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the "Act"), and the Bond Trust Indenture dated as of May 1, 2007, as supplemented and amended by the Series 2008C Supplemental Bond Trust Indenture dated as of February 1, 2008, the Series 2008G Supplemental Bond Trust Indenture dated as of July 1, 2008, the Series 2009B Supplemental Bond Trust Indenture dated as of March 1, 2009, the Series 2009J Supplemental Bond Trust Indenture dated as of October 1, 2009, the Series 2012E Supplemental Bond Trust Indenture dated as of October 15, 2012, the Series 2014A Supplemental Bond Trust Indenture dated as of May 1, 2014 and the Series 2017A Supplemental Bond Trust Indenture dated as of July 1, 2017 (as supplemented and amended, the "Indenture"), between the Board and Commerce Bank, as trustee (the "Trustee"). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the "City"), pursuant to a Financing Agreement dated as of May 1, 2007, as supplemented and amended by the Series 2008C Supplemental Financing Agreement dated as of February 1, 2008, the Series 2008G Supplemental Financing Agreement dated as of July 1, 2008, the Series 2009B Supplemental Financing Agreement dated as of March 1, 2009, the Series 2009J Supplemental Financing Agreement dated as of October 1, 2009, the Series 2012E Supplemental Financing Agreement dated as of October 15, 2012, the Series 2014A Supplemental Financing Agreement and the Series 2017A Supplemental Financing Agreement dated as of July 1, 2017 (as supplemented and amended, the "Financing Agreement"), between the Board and the City to pay the costs of financing the Project as defined in the Indenture.

Reference is made to an opinion of even date herewith of Dayla Bishop Schwartz, City Counselor, with respect to, among other matters, (a) the power of the City to enter into and perform its obligations under the Financing Agreement and the Tax Compliance Agreement, (b) the passage and effectiveness of the Authorizing Ordinance, and (c) the due authorization, execution and delivery of the Financing Agreement and the Tax Compliance Agreement by the City and the binding effect and enforceability thereof against the City.

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

(i) the Indenture;

(ii) the Financing Agreement; and

(iii) the Tax Compliance Agreement.

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

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

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

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

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

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

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

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

Very truly yours,

APPENDIX E

ACTUARIAL REPORT OF GABRIEL ROEDER SMITH & COMPANY DATED FEBRUARY 28, 2017; GASB STATEMENT NO. 68 EMPLOYER REPORT ACCOUNTING SCHEDULES – JUNE 30, 2016

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ACTUARIAL REPORT OF GABRIEL ROEDER SMITH & COMPANY
DATED FEBRUARY 28, 2017

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SUMMARY OF THE RESULTS OF THE FORTY-NINTH ANNUAL ACTUARIAL VALUATION

FEBRUARY 28, 2017

COVERING THE PARTICIPATION OF THE CITY OF INDEPENDENCE

IN THE **M**ISSOURI **L**OCAL **G**OVERNMENT **E**MPLOYEES **R**ETIREMENT **S**YSTEM

OUTLINE OF CONTENTS

Summary of the Annual Actuarial Valuation Covering

The City of Independence

GRS
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Consultants & Actuaries
One Towne Square
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Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

June 14, 2017

The City of Independence
Independence, Missouri

Ladies and Gentlemen:

Submitted in this report is a summary of the results of the ***Forty-Ninth 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 and to determine the employer contribution rate. A separate report will be issued to provide actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 68. 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, 2017. 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 audited by us.

The new employer contribution rates are shown on page 12 and are applicable for the fiscal year beginning July 1, 2018.

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. The signing actuaries are independent of the plan sponsor.

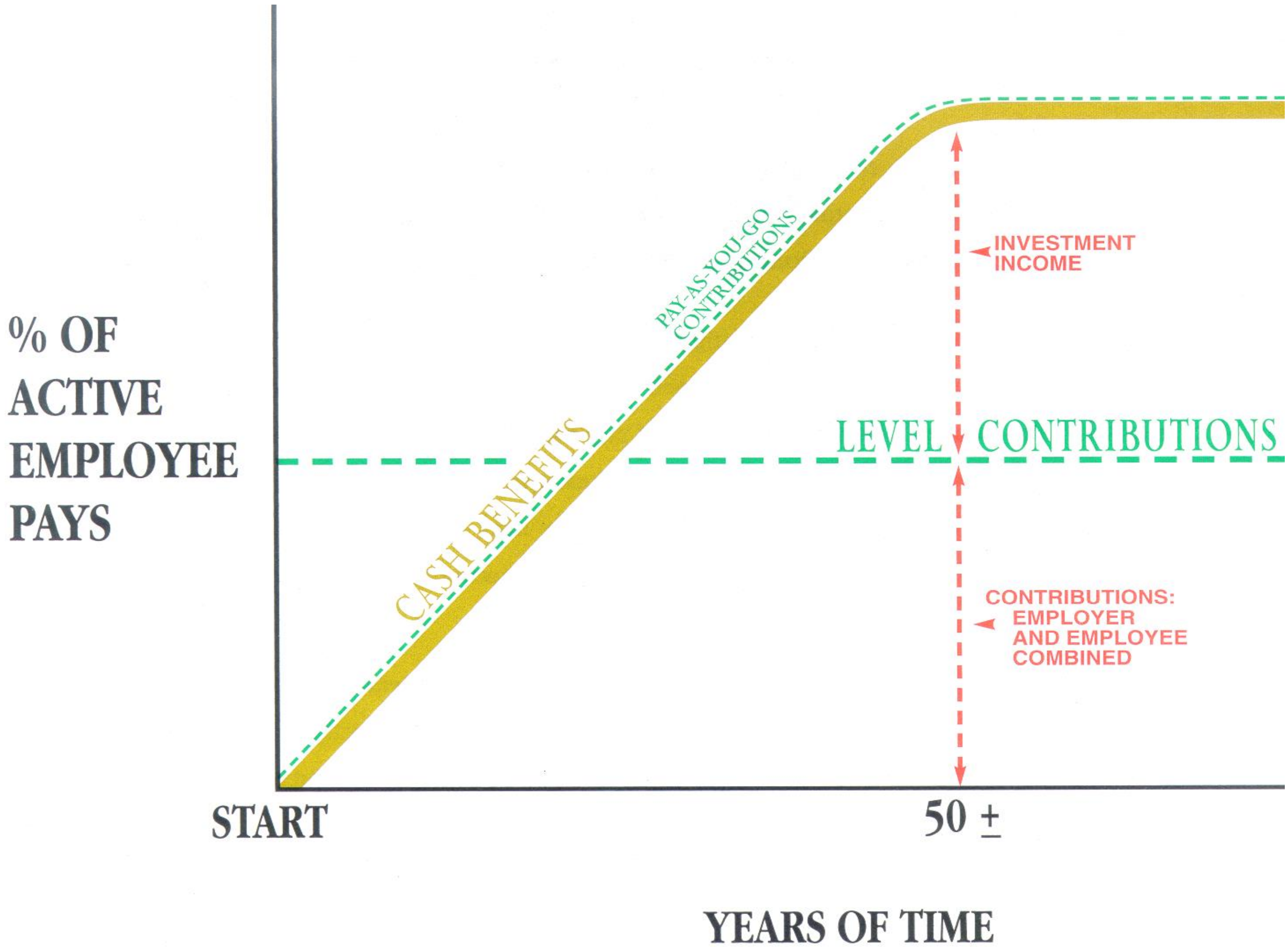
Respectfully submitted,

Mita Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

Judith A. Kermans

Judith A. Kermans, EA, FCA, 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, 2017

(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 1,055 retirees and beneficiaries with total annual benefits of $21,860,729 reported as of February 28, 2017.

The City of Independence

Retirees and Beneficiaries Added To and Removed From Rolls
Comparative Schedule

Valuation Date	Added to Rolls *		Removed from Rolls		Year End	
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits #
2/29/2012	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
2/29/2016	82	1,894,348	31	588,482	1,015	20,188,890
2/28/2017	74	2,257,728	34	585,889	1,055	21,860,729

** 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 $272,302,746 as of February 28, 2017.

The City of Independence

Retirees and Beneficiaries on Rolls as of February 28, 2017
By Disbursing Fund and Type of Benefit Being Paid

Type of Benefit	Number	Annual Benefits #
Service Early & Deferred		
Life Option	328	$6,845,307
Option A	246	5,728,227
Option B	212	5,386,017
Option C	43	622,518
Beneficiary Receiving	97	938,584
Totals	926	19,520,653
Duty Disability		
Life Option	27	657,059
Option A	11	275,238
Option B	9	245,045
Option C	1	24,196
Totals	48	1,201,538
Non-Duty Disability		
Life Option	14	235,419
Option A	10	181,929
Option B	9	225,221
Option C	2	15,355
Totals	35	657,923
Beneficiary receiving	13	187,909
Total Disability	96	2,047,370
Death-In-Service		
Spouse Receiving	31	284,713
Children Receiving	2	7,992
Totals	33	292,705
Totals	**1,055**	**$21,860,729**

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

The City of Independence

Active and Vested Former Members as of February 28, 2017

	Active Members					Number of Vested Former Members
			Averages *			
Division	Number	Annual Payroll	Annual Pay	Age	Service	
General	609	$43,487,268	$71,408	47.3 yrs.	12.8 yrs.	154
Police	188	13,865,769	73,754	41.1	13.5	29
Fire	163	11,653,914	71,496	41.5	13.3	9

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

A vested former member is a person who terminated employment after 5 or more years of LAGERS service, with rights to a deferred benefit commencing at age 60 (age 55 for police and fire members). Former members who terminated with this employer and now work for another LAGERS-covered employer are also included in the above right-most column.

Meaning of Actuarial Accrued Liabilities

"Actuarial Accrued Liabilities" are the present value $ of plan promises to pay benefits in the future allocated to service already rendered --- a liability has been established ("accrued") because the service has been rendered, but the resulting monthly cash benefit may not be payable until years in the future. Accrued liability $ are the result of complex mathematical calculations, which are made by the plan's actuary (which is the name given to the specialist who makes such calculations).

"Unfunded Accrued Liabilities" are the difference between the accrued liabilities and the assets on hand. The assets credited to your account in the Employer Accumulation Fund and the Members Deposit Fund were reported to the actuary on a market value basis. For actuarial valuation purposes, the actuary adjusted the reported market value of 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, 2017

Division	Accrued Liabilities (1)	Reported Assets (Market Value) EAF (2)	Reported Assets (Market Value) MDF (3)	Reported Assets (Market Value) Total (4)=(2)+(3)	Actuarial Value of Assets (5)	Unfunded Accrued Liabilities (6)=(1)-(5)
General	$133,053,220	$54,057,001	$9,750,580	$63,807,581	$69,046,183	$64,007,037
Police	47,807,952	13,401,794	3,349,037	16,750,831	18,126,074	29,681,878
Fire	37,730,701	22,667,281	2,704,741	25,372,022	27,455,065	10,275,636

The City of Independence

Employer Contributions to the Retirement System for the Fiscal Year Beginning July 1, 2018

	Employer Contributions Expressed as %'s of Active Member Payroll			
	Current Cost		Prior	
Division	Service Retirement	Disability Retirement	Service Cost	Total Employer Contribution Rate
General	7.6%	0.5%	9.2%	17.3%
Police	7.4	0.8	10.3	18.5
Fire	10.3	1.0	6.7	18.0

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 20.6%. The uncapped employer contribution rate for the Police division was computed to be 28.1%. The uncapped employer contribution rate for the Fire division was computed to be 18.4%.

The City of Independence
General Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members					Vested Former Members	Employer Contribution Rate
			Averages *				
	Number	Annual Payroll	Annual Pay	Age	Service		
2/29/2012	666	$41,782,245	$62,736	48.4 yrs.	14.7 yrs.	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
2/29/2016	647	44,752,305	69,169	47.4	13.2	152	16.3
2/28/2017	609	43,487,268	71,408	47.3	12.8	154	17.3

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

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/29/2012	$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
2/29/2016	141,528,817	78,927,593	55.8	62,601,224	139.9
2/28/2017	133,053,220	69,046,183	51.9	64,007,037	147.2

Amortization of Unfunded Accrued Liabilities as of February 28, 2017

Amortization Period #	Remaining Unamortized Liability	Amortization Payment
12	$17,015,788	$1,794,067
14	13,529,317	1,266,103
22	27,610,033	1,881,595
15	2,142,791	190,418
14	9,247,979	865,446
13	(5,538,871)	(548,591)

 # 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: Number	Active Members: Annual Payroll	Averages *: Annual Pay	Averages *: Age	Averages *: Service	Vested Former Members	Employer Contribution Rate
2/29/2012	197	$13,222,132	$67,117	40.9 yrs.	13.6 yrs.	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
2/29/2016	190	13,768,377	72,465	41.2	13.7	33	17.5
2/28/2017	188	13,865,769	73,754	41.1	13.5	29	18.5

** 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	Unfunded Accrued Liabilities: Percent of Annual Payroll
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
2/29/2016	48,314,453	20,928,222	43.3	27,386,231	198.9
2/28/2017	47,807,952	18,126,074	37.9	29,681,878	214.1

Amortization of Unfunded Accrued Liabilities as of February 28, 2017

Amortization Period #	Remaining Unamortized Liability	Amortization Payment
12	$14,731,209	$1,553,192
14	4,025,087	376,676
22	7,119,908	485,214
15	2,823,250	250,887
14	1,346,388	125,998
13	(363,964)	(36,048)

 # The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Fire Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members: Number	Active Members: Annual Payroll	Averages *: Annual Pay	Averages *: Age	Averages *: Service	Vested Former Members	Employer Contribution Rate
2/29/2012	153	$10,204,348	$66,695	41.7 yrs.	13.8 yrs.	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
2/29/2016	159	11,326,657	71,237	41.8	13.8	10	17.0
2/28/2017	163	11,653,914	71,496	41.5	13.3	9	18.0

** 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	Unfunded Accrued Liabilities: Percent of Annual Payroll
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
2/29/2016	37,462,835	26,761,623	71.4	10,701,212	94.5
2/28/2017	37,730,701	27,455,065	72.8	10,275,636	88.2

Amortization of Unfunded Accrued Liabilities as of February 28, 2017

Amortization Period #	Remaining Unamortized Liability	Amortization Payment
12	$2,455,636	$258,911
14	3,042,663	284,739
22	6,017,203	410,066
15	(344,090)	(30,577)
14	1,908,664	178,617
13	(2,804,440)	(277,762)

 # 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.

GASB STATEMENT NO. 68 EMPLOYER REPORT
ACCOUNTING SCHEDULES – JUNE 30, 2016

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GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

Missouri Local Government Employees Retirement System

The City of Independence

GASB Statement No. 68 Employer Reporting

Accounting Schedules – June 30, 2016

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October 26, 2016

The City of Independence
Independence, Missouri

Ladies and Gentlemen:

The accounting schedules submitted in this report are required under the Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions."

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statement No. 68. These calculations have been made on a basis that is consistent with our understanding of these accounting standards. These results are subject to review by the employer's auditor and may be revised.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement No. 68. Our calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 68 may produce significantly different results. This report may be provided to parties other than the City of Independence only in its entirety and only with the permission of the City of Independence.

This report is based upon information, furnished to us by LAGERS, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. If your understanding of this information is different than ours, please let us know and do not use or distribute this report until those differences have been resolved to your satisfaction. This information was checked for internal consistency, but was not audited.

Please see the actuarial valuation report as of February 29, 2016 for additional discussions of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the City of Independence as it pertains to their membership in LAGERS. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mita D. Drazilov and Judith A. Kermans are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

By Mita Drazilov
Mita D. Drazilov, ASA, MAAA

By Judith A. Kermans
Judith A. Kermans, EA, MAAA

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SECTION A

EXECUTIVE SUMMARY

Executive Summary
as of June 30, 2016

	General	Police	Fire
Actuarial Valuation Date	February 29, 2016	February 29, 2016	February 29, 2016
Measurement Date of the Net Pension Liability	June 30, 2016	June 30, 2016	June 30, 2016
Membership			
Number of			
- Retirees and Beneficiaries	693	146	176
- Inactive, Nonretired Members	152	33	10
- Active Members	647	190	159
- Total	1,492	369	345
Covered Payroll	$44,752,305	$13,768,377	$11,326,657
Net Pension Liability			
Total Pension Liability	$292,888,838	$103,312,922	$90,300,977
Plan Fiduciary Net Position	229,499,271	75,465,349	79,440,768
Net Pension Liability/(Asset)	$63,389,567	$27,847,573	$10,860,209
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.36%	73.05%	87.97%
Net Pension Liability as a Percentage of Covered Payroll	141.65%	202.26%	95.88%
Development of the Single Discount Rate			
Single Discount Rate	7.25%	7.25%	7.25%
Long-Term Expected Rate of Investment Return	7.25%	7.25%	7.25%
Long-Term Municipal Bond Rate*	2.85%	2.85%	2.85%
Last year ending February 28 in the 100-year projection period for which projected benefit payments are fully funded	2116	2116	2116
Total Pension Expense	$12,453,913	$4,846,246	$3,185,725

*Source: *"20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The rate shown is as of June 30, 2016, the most recent date available on or before the measurement date.*

Executive Summary (Completed)
as of June 30, 2016

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	General		Police		Fire	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$2,666,299	$(4,037,975)	$0	$(528,548)	$1,384,999	$(1,928,062)
Changes in assumptions	9,175,677	0	2,634,054	0	2,042,665	0
Net Difference between projected and actual earnings on pension plan investments	21,373,934	0	6,971,404	0	7,325,298	0
Employer contributions subsequent to the measurement date						
Total	$33,215,910	$(4,037,975)	$9,605,458	$(528,548)	$10,752,962	$(1,928,062)

Discussion

Accounting Standard

For state and local government employers (as well as certain non-employers) that contribute to a defined benefit (DB) pension plan administered through a trust or equivalent arrangement, Governmental Accounting Standards Board (GASB) Statement No. 68 establishes standards for pension accounting and financial reporting. Under Statement No. 68, the employer must account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information is not included in this report if it is not actuarial in nature, such as the notes to the financial statements regarding accounting policies and investments. As a result, the retirement system and/or plan sponsor is responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state and local government employers that contribute to DB pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to pensions.

In addition, GASB Statement No. 68 requires the notes of the financial statements for the employers to include certain additional information, including:

- a description of the types of benefits provided by the plan, as well as automatic or ad hoc COLAs;
- the number and classes of employees covered by the benefit terms;
- for the current year, sources of changes in the net pension liability;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the single discount rate;
- certain information about mortality assumptions and the dates of experience studies;
- the date of the valuation used to determine the total pension liability;
- information about changes of assumptions or other inputs and benefit terms;
- the basis for determining contributions to the plan, including a description of the plan's funding policy, as well as member and employer contribution requirements;
- the total pension liability, fiduciary net position, net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability;
- the net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes; and
- a description of the system that administers the pension plan.

Required Supplementary Information

The financial statements of employers also include required supplementary information showing the 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- comparison of actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

While the first two tables may be built prospectively as the information becomes available, sufficient information is currently available for the third table.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of February 29, 2016 and a measurement date of June 30, 2016.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.85% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index); and the resulting single discount rate is 7.25% for General, 7.25% for Police and 7.25% for Fire.

Effective Date and Transition

GASB Statement No. 68 is effective for an employer's fiscal years beginning after June 15, 2014.

SECTION B

FINANCIAL STATEMENTS

General Division
Pension Expense Under GASB Statement No. 68
Year Ended June 30, 2016

A. Expense	
1. Service Cost	$5,038,105
2. Interest on the Total Pension Liability	19,091,117
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(1,842,290)
5. Projected Earnings on Plan Investments (made negative for addition here)	(16,863,854)
6. Pension Plan Administrative Expense	121,262
7. Other Changes in Plan Fiduciary Net Position	(790,723)
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	1,739,409
9. Recognition of Outflow (Inflow) of Resources due to Assets	5,960,887
10. Total Pension Expense	$12,453,913

General Division
Statement of Outflows and Inflows Arising from Current Reporting Period
Year Ended June 30, 2016

A. Outflows (Inflows) of Resources due to Liabilities	
1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	$3,388,716
2. Assumption Changes (gains) or losses	$11,661,771
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	4.6908
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	$722,417
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	$2,486,094
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	$3,208,511
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	$2,666,299
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	$9,175,677
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	$11,841,976
B. Outflows (Inflows) of Resources due to Assets	
1. Net difference between projected and actual earnings on Pension plan investments (gains) or losses	$17,456,365
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	$3,491,273
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	$13,965,092

General Division
Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods
Year Ended June 30, 2016

A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	$3,208,511	$(1,469,102)	$1,739,409
2. Due to Assets	5,960,887	0	5,960,887
3. Total	$9,169,398	$(1,469,102)	$7,700,296

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$722,417	$(1,469,102)	$(746,685)
2. Assumption Changes	2,486,094	0	2,486,094
3. Net Difference between projected and actual earnings on pension plan investments	5,960,887	0	5,960,887
4. Total	$9,169,398	$(1,469,102)	$7,700,296

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$2,666,299	$(4,037,975)	$(1,371,676)
2. Assumption Changes	9,175,677	0	9,175,677
3. Net Difference between projected and actual earnings on pension plan investments	21,373,934	0	21,373,934
4. Total	$33,215,910	$(4,037,975)	$29,177,935

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2017	$7,700,296
2018	7,700,296
2019	8,069,627
2020	5,707,716
2021	0
Thereafter	0
Total	$29,177,935

General Division
Schedule of Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2016

A. Total Pension Liability	
1. Service Cost	$5,038,105
2. Interest on Total Pension Liability	19,091,117
3. Changes of Benefit Terms	0
4. Difference between expected and actual experience of the Total Pension Liability	3,388,716
5. Changes of Assumptions	11,661,771
6. Benefit payments, including refunds of employee contributions	14,037,682
7. Net change in total pension liability	$25,142,027
8. Total pension liability – beginning	267,746,811
9. Total pension liability – ending	$292,888,838
B. Plan fiduciary net position	
1. Contributions – employer	$6,586,149
2. Contributions – employee	1,842,290
3. Net investment income	(592,511)
4. Benefit payments, including refunds of employee contributions	14,037,682
5. Pension Plan Administrative Expense	121,262
6. Other (Net Transfer)	790,723
7. Net change in plan fiduciary net position	$(5,532,293)
8. Plan fiduciary net position – beginning	235,031,564
9. Plan fiduciary net position – ending	$229,499,271
C. Net pension liability/(asset)	$63,389,567
D. Plan fiduciary net position as a percentage of the total pension liability	78.36%
E. Covered-employee payroll	$44,752,305
F. Net pension liability as a percentage of covered employee payroll	141.65%

Sensitivity of Net Pension Liability to the Single Discount Rate

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	$333,211,675	$292,888,838	$259,379,653
Plan Fiduciary Net Position	229,499,271	229,499,271	229,499,271
Net Pension Liability/(Asset) (NPL)	$103,712,404	$63,389,567	$29,880,382

General Division
Schedule of Changes in Net Pension Liability and Related Ratios Multiyear
Ultimately 10 Fiscal Years will be Displayed

Fiscal year ending June 30,	**2016**	**2015**
Total Pension Liability		
Service Cost	$5,038,105	$5,065,557
Interest on Total Pension Liability	19,091,117	18,832,431
Changes of Benefit Terms	0	0
Difference between expected and actual experience	3,388,716	(6,976,179)
Changes of Assumptions	11,661,771	0
Benefit payments, including refunds	14,037,682	12,666,782
Net change in total pension liability	$25,142,027	$4,255,027
Total pension liability – beginning	267,746,811	263,491,784
Total pension liability – ending (a)	$292,888,838	$267,746,811
Plan fiduciary net position		
Contributions – employer	$6,586,149	$5,768,526
Contributions – employee	1,842,290	1,734,878
Net investment income	(592,511)	4,694,233
Benefit payments, including refunds	14,037,682	12,666,782
Pension Plan Administrative Expense	121,262	133,461
Other (Net Transfer)	790,723	(3,998,370)
Net change in plan fiduciary net position	$(5,532,293)	$(4,600,976)
Plan fiduciary net position – beginning	235,031,564	239,632,540
Plan fiduciary net position – ending (b)	$229,499,271	$235,031,564
Net pension liability/(asset) – ending (a) – (b)	$63,389,567	$32,715,247
Plan fiduciary net position as a percentage of the total pension liability	78.36%	87.78%
Covered-employee payroll	$44,752,305	$43,225,806
Net pension liability as a percentage of covered employee payroll	141.65%	75.68%

Notes to schedule:

General Division
Schedule of Contributions Multiyear

Due to differing fiscal years for each employer, this information is to be supplied by LAGERS.

General Division
Notes to Schedule of Contributions

Valuation Date:	February 29, 2016
Notes:	The roll-forward of total pension liability from February 29, 2016 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 13 to 23 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information:	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

Police Division
Pension Expense Under GASB Statement No. 68
Year Ended June 30, 2016

A. Expense	
1. Service Cost	$1,552,685
2. Interest on the Total Pension Liability	6,884,789
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(554,449)
5. Projected Earnings on Plan Investments (made negative for addition here)	(5,555,531)
6. Pension Plan Administrative Expense	30,700
7. Other Changes in Plan Fiduciary Net Position	178,196
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	364,523
9. Recognition of Outflow (Inflow) of Resources due to Assets	1,945,333
10. Total Pension Expense	$4,846,246

Police Division
Statement of Outflows and Inflows Arising from Current Reporting Period
Year Ended June 30, 2016

A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	$(120,425)
2. Assumption Changes (gains) or losses	$3,106,039
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	6.5808
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	$(18,299)
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	$471,985
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	$453,686
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	$(102,126)
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	$2,634,054
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	$2,531,928

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on Pension plan investments (gains) or losses	$5,677,043
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	$1,135,409
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	$4,541,634

Police Division
Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods
Year Ended June 30, 2016

A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	$471,985	$(107,462)	$364,523
2. Due to Assets	1,945,333	0	1,945,333
3. Total	$2,417,318	$(107,462)	$2,309,856

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$0	$(107,462)	$(107,462)
2. Assumption Changes	471,985	0	471,985
3. Net Difference between projected and actual earnings on pension plan investments	1,945,333	0	1,945,333
4. Total	$2,417,318	$(107,462)	$2,309,856

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$0	$(528,548)	$(528,548)
2. Assumption Changes	2,634,054	0	2,634,054
3. Net Difference between projected and actual earnings on pension plan investments	6,971,404	0	6,971,404
4. Total	$9,605,458	$(528,548)	$9,076,910

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2017	$2,309,856
2018	2,309,856
2019	2,309,854
2020	1,499,930
2021	383,916
Thereafter	263,498
Total	$9,076,910

Police Division
Schedule of Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2016

A. Total Pension Liability	
1. Service Cost	$1,552,685
2. Interest on Total Pension Liability	6,884,789
3. Changes of Benefit Terms	0
4. Difference between expected and actual experience of the Total Pension Liability	(120,425)
5. Changes of Assumptions	3,106,039
6. Benefit payments, including refunds of employee contributions	4,540,583
7. Net change in total pension liability	$6,882,505
8. Total pension liability – beginning	96,430,417
9. Total pension liability – ending	$103,312,922
B. Plan fiduciary net position	
1. Contributions – employer	$2,148,531
2. Contributions – employee	554,449
3. Net investment income	(121,512)
4. Benefit payments, including refunds of employee contributions	4,540,583
5. Pension Plan Administrative Expense	30,700
6. Other (Net Transfer)	(178,196)
7. Net change in plan fiduciary net position	$(2,168,011)
8. Plan fiduciary net position – beginning	77,633,360
9. Plan fiduciary net position – ending	$75,465,349
C. Net pension liability/(asset)	$27,847,573
D. Plan fiduciary net position as a percentage of the total pension liability	73.05%
E. Covered-employee payroll	$13,768,377
F. Net pension liability as a percentage of covered employee payroll	202.26%

Sensitivity of Net Pension Liability to the Single Discount Rate

	1% Decrease 6.25%	**Current Single Discount Rate Assumption 7.25%**	**1% Increase 8.25%**
Total Pension Liability (TPL)	$119,191,954	$103,312,922	$90,314,160
Plan Fiduciary Net Position	75,465,349	75,465,349	75,465,349
Net Pension Liability/(Asset) (NPL)	$43,726,605	$27,847,573	$14,848,811

Police Division
Schedule of Changes in Net Pension Liability and Related Ratios Multiyear
Ultimately 10 Fiscal Years will be Displayed

Fiscal year ending June 30,	**2016**	**2015**
Total Pension Liability		
Service Cost	$1,552,685	$1,572,058
Interest on Total Pension Liability	6,884,789	6,667,024
Changes of Benefit Terms	0	0
Difference between expected and actual experience	(120,425)	(604,748)
Changes of Assumptions	3,106,039	0
Benefit payments, including refunds	4,540,583	4,698,969
Net change in total pension liability	$6,882,505	$2,935,365
Total pension liability – beginning	96,430,417	93,495,052
Total pension liability – ending (a)	$103,312,922	$96,430,417
Plan fiduciary net position		
Contributions – employer	$2,148,531	$2,019,304
Contributions – employee	554,449	557,049
Net investment income	(121,512)	1,557,269
Benefit payments, including refunds	4,540,583	4,698,969
Pension Plan Administrative Expense	30,700	33,273
Other (Net Transfer)	(178,196)	(321,328)
Net change in plan fiduciary net position	$(2,168,011)	$(919,948)
Plan fiduciary net position – beginning	77,633,360	78,553,308
Plan fiduciary net position – ending (b)	$75,465,349	$77,633,360
Net pension liability/(asset) – ending (a) – (b)	$27,847,573	$18,797,057
Plan fiduciary net position as a percentage of the total pension liability	73.05%	80.51%
Covered-employee payroll	$13,768,377	$13,633,099
Net pension liability as a percentage of covered employee payroll	202.26%	137.88%

Notes to schedule:

Police Division
Schedule of Contributions Multiyear

Due to differing fiscal years for each employer, this information is to be supplied by LAGERS.

Police Division
Notes to Schedule of Contributions

Valuation Date:	February 29, 2016
Notes:	The roll-forward of total pension liability from February 29, 2016 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 13 to 23 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information:	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

Fire Division
Pension Expense Under GASB Statement No. 68
Year Ended June 30, 2016

A. Expense	
1. Service Cost	$1,628,563
2. Interest on the Total Pension Liability	5,933,859
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(464,406)
5. Projected Earnings on Plan Investments (made negative for addition here)	(5,839,630)
6. Pension Plan Administrative Expense	29,263
7. Other Changes in Plan Fiduciary Net Position	(368,477)
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	219,270
9. Recognition of Outflow (Inflow) of Resources due to Assets	2,047,283
10. Total Pension Expense	$3,185,725

Fire Division
Statement of Outflows and Inflows Arising from Current Reporting Period
Year Ended June 30, 2016

A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	$1,648,708
2. Assumption Changes (gains) or losses	$2,431,596
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	6.2520
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	$263,709
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	$388,931
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	$652,640
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	$1,384,999
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	$2,042,665
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	$3,427,664

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on Pension plan investments (gains) or losses	$5,917,232
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	$1,183,446
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	$4,733,786

Fire Division
Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods
Year Ended June 30, 2016

A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	$652,640	$(433,370)	$219,270
2. Due to Assets	2,047,283	0	2,047,283
3. Total	$2,699,923	$(433,370)	$2,266,553

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$263,709	$(433,370)	$(169,661)
2. Assumption Changes	388,931	0	388,931
3. Net Difference between projected and actual earnings on pension plan investments	2,047,283	0	2,047,283
4. Total	$2,699,923	$(433,370)	$2,266,553

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$1,384,999	$(1,928,062)	$(543,063)
2. Assumption Changes	2,042,665	0	2,042,665
3. Net Difference between projected and actual earnings on pension plan investments	7,325,298	0	7,325,298
4. Total	$10,752,962	$(1,928,062)	$8,824,900

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2017	$2,266,553
2018	2,266,553
2019	2,266,554
2020	1,402,718
2021	458,058
Thereafter	164,464
Total	$8,824,900

Fire Division
Schedule of Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2016

A. Total Pension Liability	
1. Service Cost	$1,628,563
2. Interest on Total Pension Liability	5,933,859
3. Changes of Benefit Terms	0
4. Difference between expected and actual experience of the Total Pension Liability	1,648,708
5. Changes of Assumptions	2,431,596
6. Benefit payments, including refunds of employee contributions	4,693,951
7. Net change in total pension liability	$6,948,775
8. Total pension liability – beginning	83,352,202
9. Total pension liability – ending	$90,300,977
B. Plan fiduciary net position	
1. Contributions – employer	$1,869,202
2. Contributions – employee	464,406
3. Net investment income	(77,602)
4. Benefit payments, including refunds of employee contributions	4,693,951
5. Pension Plan Administrative Expense	29,263
6. Other (Net Transfer)	368,477
7. Net change in plan fiduciary net position	$(2,098,731)
8. Plan fiduciary net position – beginning	81,539,499
9. Plan fiduciary net position – ending	$79,440,768
C. Net pension liability/(asset)	$10,860,209
D. Plan fiduciary net position as a percentage of the total pension liability	87.97%
E. Covered-employee payroll	$11,326,657
F. Net pension liability as a percentage of covered employee payroll	95.88%

Sensitivity of Net Pension Liability to the Single Discount Rate

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	$102,651,546	$90,300,977	$80,055,532
Plan Fiduciary Net Position	79,440,768	79,440,768	79,440,768
Net Pension Liability/(Asset) (NPL)	$23,210,778	$10,860,209	$614,764

Fire Division
Schedule of Changes in Net Pension Liability and Related Ratios Multiyear
Ultimately 10 Fiscal Years will be Displayed

Fiscal year ending June 30,	2016	2015
Total Pension Liability		
Service Cost	$1,628,563	$1,641,411
Interest on Total Pension Liability	5,933,859	5,904,882
Changes of Benefit Terms	0	0
Difference between expected and actual experience	1,648,708	(2,794,802)
Changes of Assumptions	2,431,596	0
Benefit payments, including refunds	4,693,951	4,009,027
Net change in total pension liability	$6,948,775	$742,464
Total pension liability – beginning	83,352,202	82,609,738
Total pension liability – ending (a)	$90,300,977	$83,352,202
Plan fiduciary net position		
Contributions – employer	$1,869,202	$1,687,386
Contributions – employee	464,406	446,972
Net investment income	(77,602)	1,585,494
Benefit payments, including refunds	4,693,951	4,009,027
Pension Plan Administrative Expense	29,263	31,501
Other (Net Transfer)	368,477	(1,022,296)
Net change in plan fiduciary net position	$(2,098,731)	$(1,342,972)
Plan fiduciary net position – beginning	81,539,499	82,882,471
Plan fiduciary net position – ending (b)	$79,440,768	$81,539,499
Net pension liability/(asset) – ending (a) – (b)	$10,860,209	$1,812,703
Plan fiduciary net position as a percentage of the total pension liability	87.97%	97.83%
Covered-employee payroll	$11,326,657	$10,832,158
Net pension liability as a percentage of covered employee payroll	95.88%	16.73%

Notes to schedule:

Fire Division
Schedule of Contributions Multiyear

Due to differing fiscal years for each employer, this information is to be supplied by LAGERS.

Fire Division
Notes to Schedule of Contributions

Valuation Date:	February 29, 2016
Notes:	The roll-forward of total pension liability from February 29, 2016 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 13 to 23 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% to 7.15% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information:	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

SECTION C

CALCULATION OF THE SINGLE DISCOUNT RATE

CALCULATION OF THE SINGLE DISCOUNT RATE

GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required, as described in the following paragraph.

The *single discount rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.85%; and the resulting single discount rate is 7.25% for General, 7.25% for Police and 7.25% for Fire.

The tables in this section provide background for the development of the single discount rate.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

General Division
Single Discount Rate Development
Projection of Contributions

Year	Payroll for Current Employees	Contributions from Current Employees	Normal Cost	Administrative Expense Contributions	UAL Contributions	Total Contributions
1	$44,554,521	$1,782,181	$3,383,786	$178,218	$3,714,441	$9,058,626
2	42,446,625	1,697,865	3,188,344	169,786	4,297,228	9,353,223
3	40,747,561	1,629,902	3,039,742	162,990	4,913,973	9,746,607
4	39,159,735	1,566,389	2,905,983	156,639	5,566,267	10,195,278
5	37,538,888	1,501,556	2,773,624	150,156	5,798,031	10,223,367
6	35,881,620	1,435,265	2,638,263	143,526	5,986,467	10,203,521
7	34,239,998	1,369,600	2,504,252	136,960	6,181,027	10,191,839
8	32,580,795	1,303,232	2,369,066	130,323	6,381,910	10,184,531
9	30,890,587	1,235,623	2,231,085	123,562	6,589,322	10,179,592
10	29,224,333	1,168,973	2,096,803	116,897	6,803,475	10,186,148
11	27,568,596	1,102,744	1,962,357	110,274	7,024,588	10,199,963
12	25,968,115	1,038,725	1,832,324	103,872	7,252,887	10,227,808
13	24,499,938	979,998	1,715,036	98,000	7,488,606	10,281,640
14	23,037,694	921,508	1,597,653	92,151	5,086,833	7,698,145
15	21,591,917	863,677	1,481,866	86,368	5,952,442	8,384,353
16	20,258,051	810,322	1,374,377	81,032	2,964,491	5,230,222
17	18,996,881	759,875	1,272,287	75,988	3,210,146	5,318,296
18	17,781,594	711,264	1,176,041	71,126	3,237,395	5,195,826
19	16,579,272	663,171	1,082,566	66,317	3,263,025	5,075,079
20	15,436,436	617,457	995,395	61,746	3,369,073	5,043,671
21	14,402,214	576,089	918,188	57,609	3,478,568	5,030,454
22	13,374,943	534,998	842,942	53,500	3,591,621	5,023,061
23	12,369,163	494,767	770,910	49,477	3,708,349	5,023,503
24	11,411,777	456,471	703,638	45,647	0	1,205,756
25	10,457,964	418,319	637,291	41,832	0	1,097,442
26	9,517,604	380,704	572,931	38,070	0	991,705
27	8,607,938	344,318	512,763	34,432	0	891,513
28	7,723,431	308,937	456,344	30,894	0	796,175
29	6,854,027	274,161	401,778	27,416	0	703,355
30	6,016,520	240,661	349,108	24,066	0	613,835
31	5,238,068	209,523	301,205	20,952	0	531,680
32	4,474,343	178,974	255,207	17,897	0	452,078
33	3,748,871	149,955	211,766	14,995	0	376,716
34	3,112,887	124,515	173,688	12,452	0	310,655
35	2,553,398	102,136	140,283	10,214	0	252,633
36	2,046,158	81,846	111,312	8,185	0	201,343
37	1,600,350	64,014	86,376	6,401	0	156,791
38	1,239,885	49,595	65,928	4,960	0	120,483
39	936,732	37,469	48,797	3,747	0	90,013
40	689,357	27,574	34,900	2,757	0	65,231
41	507,605	20,304	25,156	2,030	0	47,490
42	368,881	14,755	17,997	1,476	0	34,228
43	248,608	9,944	11,933	994	0	22,871
44	155,480	6,219	7,206	622	0	14,047
45	103,397	4,136	4,593	414	0	9,143
46	66,440	2,658	2,864	266	0	5,788
47	39,476	1,579	1,632	158	0	3,369
48	26,796	1,072	1,059	107	0	2,238
49	19,227	769	745	77	0	1,591
50	12,179	487	476	49	0	1,012

General Division
Single Discount Rate Development
Projection of Plan Fiduciary Net Position

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	$229,499,271	$9,058,626	$12,578,294	$178,218	$16,506,994	$242,308,379
2	242,308,379	9,353,223	13,505,644	169,786	17,413,419	255,399,591
3	255,399,591	9,746,607	14,456,648	162,990	18,342,914	268,869,474
4	268,869,474	10,195,278	15,491,107	156,639	19,298,843	282,715,849
5	282,715,849	10,223,367	16,687,825	150,156	20,261,315	296,362,550
6	296,362,550	10,203,521	18,014,635	143,526	21,202,974	309,610,884
7	309,610,884	10,191,839	19,319,843	136,960	22,116,810	322,462,730
8	322,462,730	10,184,531	20,628,774	130,323	23,001,927	334,890,091
9	334,890,091	10,179,592	21,928,575	123,562	23,856,682	346,874,228
10	346,874,228	10,186,148	23,332,277	116,897	24,676,009	358,287,211
11	358,287,211	10,199,963	24,669,544	110,274	25,456,550	369,163,906
12	369,163,906	10,227,808	25,908,426	103,872	26,202,207	379,581,623
13	379,581,623	10,281,640	27,084,080	98,000	26,917,746	389,598,929
14	389,598,929	7,698,145	28,235,959	92,151	27,511,170	396,480,134
15	396,480,134	8,384,353	29,337,515	86,368	27,995,471	403,436,075
16	403,436,075	5,230,222	30,342,227	81,032	28,351,846	406,594,884
17	406,594,884	5,318,296	31,233,018	75,988	28,552,450	409,156,624
18	409,156,624	5,195,826	32,063,630	71,126	28,704,405	410,922,099
19	410,922,099	5,075,079	32,855,584	66,317	28,800,066	411,875,343
20	411,875,343	5,043,671	33,527,688	61,746	28,844,283	412,173,863
21	412,173,863	5,030,454	34,079,234	57,609	28,845,959	411,913,433
22	411,913,433	5,023,061	34,603,173	53,500	28,808,300	411,088,121
23	411,088,121	5,023,503	35,064,255	49,477	28,732,202	409,730,094
24	409,730,094	1,205,756	35,419,123	45,647	28,485,271	403,956,351
25	403,956,351	1,097,442	35,669,707	41,832	28,054,028	397,396,282
26	397,396,282	991,705	35,854,411	38,070	27,568,213	390,063,719
27	390,063,719	891,513	35,973,609	34,432	27,028,918	381,976,109
28	381,976,109	796,175	35,965,273	30,894	26,439,593	373,215,710
29	373,215,710	703,355	35,870,209	27,416	25,804,668	363,826,108
30	363,826,108	613,835	35,694,474	24,066	25,127,112	353,848,515
31	353,848,515	531,680	35,388,421	20,952	24,411,822	343,382,644
32	343,382,644	452,078	35,008,773	17,897	23,663,841	332,471,893
33	332,471,893	376,716	34,550,902	14,995	22,886,539	321,169,251
34	321,169,251	310,655	33,976,445	12,452	22,085,295	309,576,304
35	309,576,304	252,633	33,284,791	10,214	21,267,453	297,801,385
36	297,801,385	201,343	32,518,721	8,185	20,439,301	285,915,123
37	285,915,123	156,791	31,679,302	6,401	19,605,920	273,992,131
38	273,992,131	120,483	30,748,728	4,960	18,773,405	262,132,331
39	262,132,331	90,013	29,764,845	3,747	17,947,569	250,401,321
40	250,401,321	65,231	28,736,089	2,757	17,132,863	238,860,569
41	238,860,569	47,490	27,663,329	2,030	16,333,760	227,576,460
42	227,576,460	34,228	26,562,313	1,476	15,554,423	216,601,322
43	216,601,322	22,871	25,456,600	994	14,797,719	205,964,318
44	205,964,318	14,047	24,345,136	622	14,065,821	195,698,428
45	195,698,428	9,143	23,218,982	414	13,361,485	185,849,660
46	185,849,660	5,788	22,101,257	266	12,687,144	176,441,069
47	176,441,069	3,369	20,996,867	158	12,044,273	167,491,686
48	167,491,686	2,238	19,903,995	107	11,434,327	159,024,149
49	159,024,149	1,591	18,829,812	77	10,858,667	151,054,518
50	151,054,518	1,012	17,777,816	49	10,318,316	143,595,981

General Division
Single Discount Rate Development
Present Values of Projected Benefits

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf^((a)-.5)	(h)=((c)/(1+sdr)^((a)-.5)
1	$229,499,271	$12,578,294	$12,578,294	$0	$12,145,715	$0	$12,145,715
2	242,308,379	13,505,644	13,505,644	0	12,159,602	0	12,159,602
3	255,399,591	14,456,648	14,456,648	0	12,135,966	0	12,135,966
4	268,869,474	15,491,107	15,491,107	0	12,125,283	0	12,125,283
5	282,715,849	16,687,825	16,687,825	0	12,179,007	0	12,179,007
6	296,362,550	18,014,635	18,014,635	0	12,258,584	0	12,258,584
7	309,610,884	19,319,843	19,319,843	0	12,258,043	0	12,258,043
8	322,462,730	20,628,774	20,628,774	0	12,203,760	0	12,203,760
9	334,890,091	21,928,575	21,928,575	0	12,095,765	0	12,095,765
10	346,874,228	23,332,277	23,332,277	0	12,000,042	0	12,000,042
11	358,287,211	24,669,544	24,669,544	0	11,830,129	0	11,830,129
12	369,163,906	25,908,426	25,908,426	0	11,584,361	0	11,584,361
13	379,581,623	27,084,080	27,084,080	0	11,291,401	0	11,291,401
14	389,598,929	28,235,959	28,235,959	0	10,975,871	0	10,975,871
15	396,480,134	29,337,515	29,337,515	0	10,633,163	0	10,633,163
16	403,436,075	30,342,227	30,342,227	0	10,253,905	0	10,253,905
17	406,594,884	31,233,018	31,233,018	0	9,841,436	0	9,841,436
18	409,156,624	32,063,630	32,063,630	0	9,420,196	0	9,420,196
19	410,922,099	32,855,584	32,855,584	0	9,000,344	0	9,000,344
20	411,875,343	33,527,688	33,527,688	0	8,563,597	0	8,563,597
21	412,173,863	34,079,234	34,079,234	0	8,116,058	0	8,116,058
22	411,913,433	34,603,173	34,603,173	0	7,683,763	0	7,683,763
23	411,088,121	35,064,255	35,064,255	0	7,259,812	0	7,259,812
24	409,730,094	35,419,123	35,419,123	0	6,837,561	0	6,837,561
25	403,956,351	35,669,707	35,669,707	0	6,420,453	0	6,420,453
26	397,396,282	35,854,411	35,854,411	0	6,017,435	0	6,017,435
27	390,063,719	35,973,609	35,973,609	0	5,629,315	0	5,629,315
28	381,976,109	35,965,273	35,965,273	0	5,247,562	0	5,247,562
29	373,215,710	35,870,209	35,870,209	0	4,879,899	0	4,879,899
30	363,826,108	35,694,474	35,694,474	0	4,527,731	0	4,527,731
31	353,848,515	35,388,421	35,388,421	0	4,185,463	0	4,185,463
32	343,382,644	35,008,773	35,008,773	0	3,860,663	0	3,860,663
33	332,471,893	34,550,902	34,550,902	0	3,552,607	0	3,552,607
34	321,169,251	33,976,445	33,976,445	0	3,257,379	0	3,257,379
35	309,576,304	33,284,791	33,284,791	0	2,975,356	0	2,975,356
36	297,801,385	32,518,721	32,518,721	0	2,710,374	0	2,710,374
37	285,915,123	31,679,302	31,679,302	0	2,461,921	0	2,461,921
38	273,992,131	30,748,728	30,748,728	0	2,228,068	0	2,228,068
39	262,132,331	29,764,845	29,764,845	0	2,010,979	0	2,010,979
40	250,401,321	28,736,089	28,736,089	0	1,810,232	0	1,810,232
41	238,860,569	27,663,329	27,663,329	0	1,624,852	0	1,624,852
42	227,576,460	26,562,313	26,562,313	0	1,454,715	0	1,454,715
43	216,601,322	25,456,600	25,456,600	0	1,299,915	0	1,299,915
44	205,964,318	24,345,136	24,345,136	0	1,159,123	0	1,159,123
45	195,698,428	23,218,982	23,218,982	0	1,030,774	0	1,030,774
46	185,849,660	22,101,257	22,101,257	0	914,829	0	914,829
47	176,441,069	20,996,867	20,996,867	0	810,364	0	810,364
48	167,491,686	19,903,995	19,903,995	0	716,256	0	716,256
49	159,024,149	18,829,812	18,829,812	0	631,796	0	631,796
50	151,054,518	17,777,816	17,777,816	0	556,176	0	556,176

General Division
Single Discount Rate Development
Present Values of Projected Benefits (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf^((a)-.5)	(h)=((c)/(1+sdr)^((a)-.5)
51	$143,595,981	$16,748,804	$16,748,804	$0	$488,562	$0	$488,562
52	136,661,721	15,737,482	15,737,482	0	428,030	0	428,030
53	130,271,711	14,742,564	14,742,564	0	373,865	0	373,865
54	124,448,778	13,767,317	13,767,317	0	325,532	0	325,532
55	119,213,664	12,811,913	12,811,913	0	282,463	0	282,463
56	114,588,436	11,877,112	11,877,112	0	244,152	0	244,152
57	110,595,973	10,964,217	10,964,217	0	210,150	0	210,150
58	107,259,465	10,075,124	10,075,124	0	180,055	0	180,055
59	104,601,819	9,211,841	9,211,841	0	153,499	0	153,499
60	102,645,523	8,376,684	8,376,684	0	130,147	0	130,147
61	101,412,297	7,572,494	7,572,494	0	109,699	0	109,699
62	100,922,494	6,802,372	6,802,372	0	91,881	0	91,881
63	101,194,731	6,069,244	6,069,244	0	76,437	0	76,437
64	102,245,944	5,375,941	5,375,941	0	63,129	0	63,129
65	104,091,366	4,725,189	4,725,189	0	51,736	0	51,736
66	106,744,510	4,119,379	4,119,379	0	42,054	0	42,054
67	110,217,393	3,560,501	3,560,501	0	33,891	0	33,891
68	114,520,843	3,049,893	3,049,893	0	27,069	0	27,069
69	119,665,087	2,587,990	2,587,990	0	21,416	0	21,416
70	125,660,643	2,174,420	2,174,420	0	16,778	0	16,778
71	132,519,176	1,808,154	1,808,154	0	13,008	0	13,008
72	140,254,263	1,487,454	1,487,454	0	9,978	0	9,978
73	148,882,266	1,209,958	1,209,958	0	7,568	0	7,568
74	158,423,179	972,869	972,869	0	5,674	0	5,674
75	168,901,341	772,939	772,939	0	4,203	0	4,203
76	180,346,220	606,578	606,578	0	3,075	0	3,075
77	192,793,139	470,017	470,017	0	2,222	0	2,222
78	206,283,885	359,441	359,441	0	1,584	0	1,584
79	220,867,224	271,150	271,150	0	1,114	0	1,114
80	236,599,291	201,684	201,684	0	773	0	773
81	253,543,872	147,872	147,872	0	528	0	528
82	271,772,664	106,824	106,824	0	356	0	356
83	291,365,554	75,982	75,982	0	236	0	236
84	312,410,869	53,183	53,183	0	154	0	154
85	335,005,580	36,629	36,629	0	99	0	99
86	359,255,551	24,812	24,812	0	62	0	62
87	385,275,883	16,513	16,513	0	39	0	39
88	413,191,283	10,790	10,790	0	24	0	24
89	443,136,477	6,915	6,915	0	14	0	14
90	475,256,710	4,338	4,338	0	8	0	8
91	509,708,329	2,656	2,656	0	5	0	5
92	546,659,432	1,583	1,583	0	3	0	3
93	586,290,601	918	918	0	1	0	1
94	628,795,719	521	521	0	1	0	1
95	674,382,869	289	289	0	0	0	0
96	723,275,328	155	155	0	0	0	0
97	775,712,629	80	80	0	0	0	0
98	831,951,712	41	41	0	0	0	0
99	892,268,169	21	21	0	0	0	0
100	956,957,590	10	10	0	0	0	0

Police Division
Single Discount Rate Development
Projection of Contributions

Year	Payroll for Current Employees	Contributions from Current Employees	Normal Cost	Administrative Expense Contributions	UAL Contributions	Total Contributions
1	$13,916,112	$556,644	$1,079,916	$55,664	$1,280,459	$2,972,683
2	13,623,249	544,930	1,050,544	54,493	1,464,232	3,114,199
3	13,422,282	536,891	1,033,919	53,689	1,658,599	3,283,098
4	13,240,673	529,627	1,019,096	52,963	1,864,052	3,465,738
5	13,040,733	521,629	1,001,889	52,163	2,081,108	3,656,789
6	12,824,001	512,960	983,817	51,296	2,310,304	3,858,377
7	12,588,318	503,533	965,038	50,353	2,552,199	4,071,123
8	12,321,886	492,875	944,111	49,288	2,807,377	4,293,651
9	12,042,188	481,688	922,037	48,169	3,076,446	4,528,340
10	11,723,245	468,930	896,437	46,893	3,360,040	4,772,300
11	11,320,422	452,817	865,144	45,282	3,658,817	5,022,060
12	10,859,815	434,393	828,879	43,439	3,973,466	5,280,177
13	10,402,116	416,085	791,847	41,608	4,304,702	5,554,242
14	9,919,094	396,764	753,729	39,676	2,483,136	3,673,305
15	9,402,568	376,103	713,619	37,610	2,628,472	3,755,804
16	8,832,045	353,282	668,712	35,328	1,913,076	2,970,398
17	8,182,817	327,313	618,534	32,731	1,952,282	2,930,860
18	7,505,198	300,208	566,583	30,021	1,849,730	2,746,542
19	6,860,149	274,406	515,824	27,441	1,762,935	2,580,606
20	6,177,787	247,111	461,371	24,711	1,668,545	2,401,738
21	5,451,746	218,070	404,841	21,807	1,592,259	2,236,977
22	4,802,497	192,100	354,747	19,210	1,509,253	2,075,310
23	4,217,108	168,684	309,549	16,868	1,419,169	1,914,270
24	3,710,977	148,439	271,499	14,844	373,506	808,288
25	3,220,271	128,811	234,586	12,881	266,985	643,263
26	2,733,363	109,335	198,087	10,933	183,775	502,130
27	2,341,526	93,661	169,460	9,366	94,874	367,361
28	2,013,346	80,534	144,882	8,053	32,652	266,121
29	1,718,838	68,754	122,283	6,875	0	197,912
30	1,452,278	58,091	103,084	5,809	0	166,984
31	1,236,633	49,465	87,698	4,947	0	142,110
32	1,023,663	40,947	72,097	4,095	0	117,139
33	812,651	32,506	56,769	3,251	0	92,526
34	658,093	26,324	45,753	2,632	0	74,709
35	468,556	18,742	32,184	1,874	0	52,800
36	323,376	12,935	21,955	1,294	0	36,184
37	275,807	11,032	18,658	1,103	0	30,793
38	235,359	9,414	15,782	941	0	26,137
39	181,781	7,271	12,140	727	0	20,138
40	120,885	4,835	7,984	484	0	13,303
41	74,288	2,972	4,817	297	0	8,086
42	35,744	1,430	2,259	143	0	3,832
43	12,764	511	790	51	0	1,352
44	3,578	143	235	14	0	392
45	0	0	0	0	0	0
46	0	0	0	0	0	0
47	0	0	0	0	0	0
48	0	0	0	0	0	0
49	0	0	0	0	0	0
50	0	0	0	0	0	0

Police Division
Single Discount Rate Development
Projection of Plan Fiduciary Net Position

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	$75,465,349	$2,972,683	$4,433,230	$55,664	$5,417,237	$79,366,375
2	79,366,375	3,114,199	4,562,063	54,493	5,700,555	83,564,573
3	83,564,573	3,283,098	4,702,648	53,689	6,005,961	88,097,295
4	88,097,295	3,465,738	4,900,829	52,963	6,334,056	92,943,297
5	92,943,297	3,656,789	5,134,832	52,163	6,683,890	98,096,981
6	98,096,981	3,858,377	5,423,386	51,296	7,054,465	103,535,141
7	103,535,141	4,071,123	5,740,006	50,353	7,445,066	109,260,971
8	109,260,971	4,293,651	6,057,560	49,288	7,856,842	115,304,616
9	115,304,616	4,528,340	6,336,959	48,169	8,293,454	121,741,282
10	121,741,282	4,772,300	6,711,055	46,893	8,755,523	128,511,157
11	128,511,157	5,022,060	7,230,664	45,282	9,236,785	135,494,056
12	135,494,056	5,280,177	7,760,037	43,439	9,733,450	142,704,207
13	142,704,207	5,554,242	8,283,489	41,608	10,247,369	150,180,721
14	150,180,721	3,673,305	8,803,856	39,676	10,703,961	155,714,455
15	155,714,455	3,755,804	9,348,807	37,610	11,088,759	161,172,601
16	161,172,601	2,970,398	9,925,057	35,328	11,436,060	165,618,674
17	165,618,674	2,930,860	10,538,734	32,731	11,735,228	169,713,297
18	169,713,297	2,746,542	11,159,260	30,021	12,003,519	173,274,077
19	173,274,077	2,580,606	11,739,855	27,441	12,235,180	176,322,567
20	176,322,567	2,401,738	12,327,888	24,711	12,428,979	178,800,685
21	178,800,685	2,236,977	12,935,779	21,807	12,581,227	180,661,303
22	180,661,303	2,075,310	13,470,817	19,210	12,691,401	181,937,987
23	181,937,987	1,914,270	13,938,046	16,868	12,761,667	182,659,010
24	182,659,010	808,288	14,329,058	14,844	12,760,697	181,884,093
25	181,884,093	643,263	14,711,324	12,881	12,685,093	180,488,244
26	180,488,244	502,130	15,052,132	10,933	12,566,799	178,494,108
27	178,494,108	367,361	15,283,177	9,366	12,409,251	175,978,177
28	175,978,177	266,121	15,443,485	8,053	12,217,578	173,010,338
29	173,010,338	197,912	15,558,584	6,875	11,995,923	169,638,714
30	169,638,714	166,984	15,635,868	5,809	11,747,664	165,911,685
31	165,911,685	142,110	15,646,905	4,947	11,476,206	161,878,149
32	161,878,149	117,139	15,628,404	4,095	11,183,574	157,546,363
33	157,546,363	92,526	15,575,216	3,251	10,870,568	152,930,990
34	152,930,990	74,709	15,455,161	2,632	10,539,617	148,087,523
35	148,087,523	52,800	15,334,733	1,874	10,192,001	142,995,717
36	142,995,717	36,184	15,149,803	1,294	9,828,860	137,709,664
37	137,709,664	30,793	14,867,725	1,103	9,455,483	132,327,112
38	132,327,112	26,137	14,552,180	941	9,076,326	126,876,454
39	126,876,454	20,138	14,221,657	727	8,692,719	121,366,927
40	121,366,927	13,303	13,872,348	484	8,305,485	115,812,883
41	115,812,883	8,086	13,487,594	297	7,916,341	110,249,419
42	110,249,419	3,832	13,071,790	143	7,527,653	104,708,971
43	104,708,971	1,352	12,618,889	51	7,142,015	99,233,398
44	99,233,398	392	12,131,963	14	6,762,346	93,864,159
45	93,864,159	0	11,619,007	0	6,391,332	88,636,484
46	88,636,484	0	11,084,302	0	6,031,369	83,583,551
47	83,583,551	0	10,533,535	0	5,684,648	78,734,664
48	78,734,664	0	9,969,687	0	5,353,185	74,118,162
49	74,118,162	0	9,396,270	0	5,038,911	69,760,803
50	69,760,803	0	8,817,308	0	4,743,623	65,687,118

Police Division
Single Discount Rate Development
Present Values of Projected Benefits

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf^((a)-.5)	(h)=((c)/(1+sdr)^((a)-.5)
1	$75,465,349	$4,433,230	$4,433,230	$0	$4,280,767	$0	$4,280,767
2	79,366,375	4,562,063	4,562,063	0	4,107,384	0	4,107,384
3	83,564,573	4,702,648	4,702,648	0	3,947,746	0	3,947,746
4	88,097,295	4,900,829	4,900,829	0	3,836,004	0	3,836,004
5	92,943,297	5,134,832	5,134,832	0	3,747,472	0	3,747,472
6	98,096,981	5,423,386	5,423,386	0	3,690,501	0	3,690,501
7	103,535,141	5,740,006	5,740,006	0	3,641,916	0	3,641,916
8	109,260,971	6,057,560	6,057,560	0	3,583,587	0	3,583,587
9	115,304,616	6,336,959	6,336,959	0	3,495,456	0	3,495,456
10	121,741,282	6,711,055	6,711,055	0	3,451,568	0	3,451,568
11	128,511,157	7,230,664	7,230,664	0	3,467,421	0	3,467,421
12	135,494,056	7,760,037	7,760,037	0	3,469,723	0	3,469,723
13	142,704,207	8,283,489	8,283,489	0	3,453,401	0	3,453,401
14	150,180,721	8,803,856	8,803,856	0	3,422,231	0	3,422,231
15	155,714,455	9,348,807	9,348,807	0	3,388,405	0	3,388,405
16	161,172,601	9,925,057	9,925,057	0	3,354,091	0	3,354,091
17	165,618,674	10,538,734	10,538,734	0	3,320,726	0	3,320,726
18	169,713,297	11,159,260	11,159,260	0	3,278,556	0	3,278,556
19	173,274,077	11,739,855	11,739,855	0	3,215,975	0	3,215,975
20	176,322,567	12,327,888	12,327,888	0	3,148,773	0	3,148,773
21	178,800,685	12,935,779	12,935,779	0	3,080,689	0	3,080,689
22	180,661,303	13,470,817	13,470,817	0	2,991,245	0	2,991,245
23	181,937,987	13,938,046	13,938,046	0	2,885,776	0	2,885,776
24	182,659,010	14,329,058	14,329,058	0	2,766,184	0	2,766,184
25	181,884,093	14,711,324	14,711,324	0	2,647,999	0	2,647,999
26	180,488,244	15,052,132	15,052,132	0	2,526,195	0	2,526,195
27	178,494,108	15,283,177	15,283,177	0	2,391,581	0	2,391,581
28	175,978,177	15,443,485	15,443,485	0	2,253,303	0	2,253,303
29	173,010,338	15,558,584	15,558,584	0	2,116,640	0	2,116,640
30	169,638,714	15,635,868	15,635,868	0	1,983,360	0	1,983,360
31	165,911,685	15,646,905	15,646,905	0	1,850,592	0	1,850,592
32	161,878,149	15,628,404	15,628,404	0	1,723,454	0	1,723,454
33	157,546,363	15,575,216	15,575,216	0	1,601,481	0	1,601,481
34	152,930,990	15,455,161	15,455,161	0	1,481,713	0	1,481,713
35	148,087,523	15,334,733	15,334,733	0	1,370,785	0	1,370,785
36	142,995,717	15,149,803	15,149,803	0	1,262,708	0	1,262,708
37	137,709,664	14,867,725	14,867,725	0	1,155,428	0	1,155,428
38	132,327,112	14,552,180	14,552,180	0	1,054,458	0	1,054,458
39	126,876,454	14,221,657	14,221,657	0	960,847	0	960,847
40	121,366,927	13,872,348	13,872,348	0	873,890	0	873,890
41	115,812,883	13,487,594	13,487,594	0	792,216	0	792,216
42	110,249,419	13,071,790	13,071,790	0	715,891	0	715,891
43	104,708,971	12,618,889	12,618,889	0	644,371	0	644,371
44	99,233,398	12,131,963	12,131,963	0	577,628	0	577,628
45	93,864,159	11,619,007	11,619,007	0	515,809	0	515,809
46	88,636,484	11,084,302	11,084,302	0	458,808	0	458,808
47	83,583,551	10,533,535	10,533,535	0	406,537	0	406,537
48	78,734,664	9,969,687	9,969,687	0	358,765	0	358,765
49	74,118,162	9,396,270	9,396,270	0	315,273	0	315,273
50	69,760,803	8,817,308	8,817,308	0	275,848	0	275,848

Police Division
Single Discount Rate Development
Present Values of Projected Benefits (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf^((a)-.5)	(h)=((c)/(1+sdr)^((a)-.5)
51	$65,687,118	$8,237,116	$8,237,116	$0	$240,277	$0	$240,277
52	61,918,947	7,659,828	7,659,828	0	208,333	0	208,333
53	58,475,432	7,089,473	7,089,473	0	179,786	0	179,786
54	55,372,931	6,530,072	6,530,072	0	154,405	0	154,405
55	52,624,823	5,985,618	5,985,618	0	131,964	0	131,964
56	50,241,322	5,459,855	5,459,855	0	112,236	0	112,236
57	48,229,506	4,955,813	4,955,813	0	94,988	0	94,988
58	46,593,827	4,476,009	4,476,009	0	79,992	0	79,992
59	45,336,454	4,022,546	4,022,546	0	67,028	0	67,028
60	44,457,535	3,596,928	3,596,928	0	55,885	0	55,885
61	43,955,671	3,200,069	3,200,069	0	46,358	0	46,358
62	43,828,415	2,832,422	2,832,422	0	38,258	0	38,258
63	44,072,674	2,494,072	2,494,072	0	31,411	0	31,411
64	44,685,043	2,184,656	2,184,656	0	25,654	0	25,654
65	45,662,244	1,903,378	1,903,378	0	20,840	0	20,840
66	47,001,588	1,648,833	1,648,833	0	16,833	0	16,833
67	48,701,646	1,419,280	1,419,280	0	13,510	0	13,510
68	50,762,687	1,213,273	1,213,273	0	10,768	0	10,768
69	53,186,497	1,029,628	1,029,628	0	8,521	0	8,521
70	55,976,219	867,183	867,183	0	6,691	0	6,691
71	59,136,426	724,614	724,614	0	5,213	0	5,213
72	62,673,395	600,396	600,396	0	4,027	0	4,027
73	66,595,437	492,956	492,956	0	3,083	0	3,083
74	70,913,093	400,802	400,802	0	2,337	0	2,337
75	75,639,215	322,474	322,474	0	1,753	0	1,753
76	80,789,099	256,495	256,495	0	1,300	0	1,300
77	86,380,678	201,469	201,469	0	952	0	952
78	92,434,633	156,110	156,110	0	688	0	688
79	98,974,474	119,194	119,194	0	490	0	490
80	106,026,684	89,540	89,540	0	343	0	343
81	113,620,890	66,072	66,072	0	236	0	236
82	121,789,979	47,825	47,825	0	159	0	159
83	130,570,224	33,897	33,897	0	105	0	105
84	140,001,461	23,470	23,470	0	68	0	68
85	150,127,261	15,841	15,841	0	43	0	43
86	160,995,082	10,401	10,401	0	26	0	26
87	172,656,454	6,633	6,633	0	16	0	16
88	185,167,178	4,104	4,104	0	9	0	9
89	198,587,548	2,461	2,461	0	5	0	5
90	212,982,597	1,427	1,427	0	3	0	3
91	228,422,357	804	804	0	1	0	1
92	244,982,145	444	444	0	1	0	1
93	262,742,891	239	239	0	0	0	0
94	281,791,503	125	125	0	0	0	0
95	302,221,258	63	63	0	0	0	0
96	324,132,234	30	30	0	0	0	0
97	347,631,790	12	12	0	0	0	0
98	372,835,082	4	4	0	0	0	0
99	399,865,621	2	2	0	0	0	0
100	428,855,876	1	1	0	0	0	0

Fire Division
Single Discount Rate Development
Projection of Contributions

Year	Payroll for Current Employees	Contributions from Current Employees	Normal Cost	Administrative Expense Contributions	UAL Contributions	Total Contributions
1	$11,561,571	$462,463	$1,255,053	$46,246	$645,619	$2,409,381
2	11,492,252	459,690	1,247,720	45,969	783,550	2,536,929
3	11,409,679	456,387	1,238,983	45,639	833,165	2,574,174
4	11,253,877	450,155	1,222,418	45,016	860,243	2,577,832
5	11,069,346	442,774	1,202,197	44,277	888,201	2,577,449
6	10,934,183	437,367	1,187,274	43,737	917,067	2,585,445
7	10,775,323	431,013	1,170,159	43,101	946,872	2,591,145
8	10,554,412	422,176	1,146,007	42,218	977,645	2,588,046
9	10,282,536	411,301	1,115,870	41,130	1,009,419	2,577,720
10	10,008,560	400,342	1,085,159	40,034	1,042,225	2,567,760
11	9,698,706	387,948	1,050,828	38,795	1,076,097	2,553,668
12	9,331,550	373,262	1,009,972	37,326	1,111,070	2,531,630
13	8,961,478	358,459	968,397	35,846	1,147,180	2,509,882
14	8,577,623	343,105	925,417	34,310	806,808	2,109,640
15	8,196,564	327,863	882,262	32,786	1,010,270	2,253,181
16	7,820,899	312,836	839,813	31,284	603,902	1,787,835
17	7,427,422	297,097	795,759	29,710	680,213	1,802,779
18	7,030,081	281,203	750,963	28,120	702,320	1,762,606
19	6,647,607	265,904	707,788	26,590	725,146	1,725,428
20	6,259,449	250,378	664,235	25,038	748,713	1,688,364
21	5,864,522	234,581	620,828	23,458	773,046	1,651,913
22	5,472,107	218,884	578,168	21,888	798,170	1,617,110
23	5,046,810	201,872	531,968	20,187	824,111	1,578,138
24	4,573,920	182,957	480,975	18,296	23,636	705,864
25	4,120,852	164,834	432,144	16,483	24,404	637,865
26	3,724,567	148,983	390,147	14,898	25,197	579,225
27	3,295,505	131,820	344,659	13,182	26,016	515,677
28	2,893,434	115,737	302,014	11,574	26,862	456,187
29	2,531,811	101,272	263,712	10,127	27,735	402,846
30	2,159,250	86,370	224,184	8,637	28,636	347,827
31	1,791,099	71,644	185,534	7,164	0	264,342
32	1,445,370	57,815	149,344	5,781	0	212,940
33	1,075,887	43,035	110,442	4,304	0	157,781
34	713,136	28,525	72,379	2,853	0	103,757
35	485,706	19,428	48,921	1,943	0	70,292
36	349,773	13,991	35,150	1,399	0	50,540
37	201,132	8,045	20,157	805	0	29,007
38	103,462	4,138	10,388	414	0	14,940
39	44,180	1,767	4,446	177	0	6,390
40	0	0	0	0	0	0
41	0	0	0	0	0	0
42	0	0	0	0	0	0
43	0	0	0	0	0	0
44	0	0	0	0	0	0
45	0	0	0	0	0	0
46	0	0	0	0	0	0
47	0	0	0	0	0	0
48	0	0	0	0	0	0
49	0	0	0	0	0	0
50	0	0	0	0	0	0

Fire Division
Single Discount Rate Development
Projection of Plan Fiduciary Net Position

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	$79,440,768	$2,409,381	$4,224,379	$46,246	$5,693,166	$83,272,690
2	83,272,690	2,536,929	4,413,504	45,969	5,968,797	87,318,943
3	87,318,943	2,574,174	4,640,960	45,639	6,255,388	91,461,906
4	91,461,906	2,577,832	4,936,299	45,016	6,545,386	95,603,809
5	95,603,809	2,577,449	5,249,495	44,277	6,834,532	99,722,018
6	99,722,018	2,585,445	5,516,208	43,737	7,123,907	103,871,425
7	103,871,425	2,591,145	5,787,917	43,101	7,415,288	108,046,840
8	108,046,840	2,588,046	6,090,756	42,218	7,707,141	112,209,053
9	112,209,053	2,577,720	6,424,874	41,130	7,996,672	116,317,441
10	116,317,441	2,567,760	6,773,446	40,034	8,281,800	120,353,521
11	120,353,521	2,553,668	7,127,912	38,795	8,561,333	124,301,815
12	124,301,815	2,531,630	7,510,480	37,326	8,833,227	128,118,866
13	128,118,866	2,509,882	7,895,422	35,846	9,095,531	131,793,011
14	131,793,011	2,109,640	8,279,545	34,310	9,334,025	134,922,821
15	134,922,821	2,253,181	8,639,339	32,786	9,553,289	138,057,166
16	138,057,166	1,787,835	8,986,898	31,284	9,751,630	140,578,449
17	140,578,449	1,802,779	9,353,741	29,710	9,921,946	142,919,723
18	142,919,723	1,762,606	9,692,370	28,120	10,078,254	145,040,093
19	145,040,093	1,725,428	10,002,777	26,590	10,219,656	146,955,810
20	146,955,810	1,688,364	10,316,401	25,038	10,346,110	148,648,845
21	148,648,845	1,651,913	10,623,164	23,458	10,456,688	150,110,824
22	150,110,824	1,617,110	10,919,148	21,888	10,550,956	151,337,854
23	151,337,854	1,578,138	11,229,720	20,187	10,627,527	152,293,612
24	152,293,612	705,864	11,558,075	18,296	10,654,126	152,077,231
25	152,077,231	637,865	11,832,226	16,483	10,626,317	151,492,704
26	151,492,704	579,225	12,043,884	14,898	10,574,368	150,587,515
27	150,587,515	515,677	12,266,255	13,182	10,498,620	149,322,375
28	149,322,375	456,187	12,443,760	11,574	10,398,513	147,721,741
29	147,721,741	402,846	12,574,870	10,127	10,275,950	145,815,540
30	145,815,540	347,827	12,694,728	8,637	10,131,575	143,591,577
31	143,591,577	264,342	12,791,422	7,164	9,963,973	141,021,306
32	141,021,306	212,940	12,860,123	5,781	9,773,400	138,141,742
33	138,141,742	157,781	12,932,378	4,304	9,560,146	134,922,987
34	134,922,987	103,757	12,983,687	2,853	9,323,086	131,363,290
35	131,363,290	70,292	12,917,860	1,943	9,066,193	127,579,972
36	127,579,972	50,540	12,769,459	1,399	8,796,504	123,656,158
37	123,656,158	29,007	12,616,117	805	8,516,743	119,584,986
38	119,584,986	14,940	12,409,117	414	8,228,469	115,418,864
39	115,418,864	6,390	12,163,322	177	7,934,883	111,196,638
40	111,196,638	0	11,889,982	0	7,638,286	106,944,942
41	106,944,942	0	11,570,373	0	7,341,421	102,715,990
42	102,715,990	0	11,238,856	0	7,046,629	98,523,763
43	98,523,763	0	10,895,675	0	6,754,915	94,383,003
44	94,383,003	0	10,542,095	0	6,467,303	90,308,211
45	90,308,211	0	10,177,757	0	6,184,857	86,315,311
46	86,315,311	0	9,803,263	0	5,908,709	82,420,757
47	82,420,757	0	9,419,499	0	5,640,022	78,641,280
48	78,641,280	0	9,027,553	0	5,379,970	74,993,697
49	74,993,697	0	8,628,647	0	5,129,727	71,494,777
50	71,494,777	0	8,224,224	0	4,890,459	68,161,012

Fire Division
Single Discount Rate Development
Present Values of Projected Benefits

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf^((a)-.5)	(h)=((c)/(1+sdr)^((a)-.5)
1	$79,440,768	$4,224,379	$4,224,379	$0	$4,079,099	$0	$4,079,099
2	83,272,690	4,413,504	4,413,504	0	3,973,631	0	3,973,631
3	87,318,943	4,640,960	4,640,960	0	3,895,961	0	3,895,961
4	91,461,906	4,936,299	4,936,299	0	3,863,767	0	3,863,767
5	95,603,809	5,249,495	5,249,495	0	3,831,155	0	3,831,155
6	99,722,018	5,516,208	5,516,208	0	3,753,665	0	3,753,665
7	103,871,425	5,787,917	5,787,917	0	3,672,314	0	3,672,314
8	108,046,840	6,090,756	6,090,756	0	3,603,226	0	3,603,226
9	112,209,053	6,424,874	6,424,874	0	3,543,950	0	3,543,950
10	116,317,441	6,773,446	6,773,446	0	3,483,656	0	3,483,656
11	120,353,521	7,127,912	7,127,912	0	3,418,146	0	3,418,146
12	124,301,815	7,510,480	7,510,480	0	3,358,140	0	3,358,140
13	128,118,866	7,895,422	7,895,422	0	3,291,615	0	3,291,615
14	131,793,011	8,279,545	8,279,545	0	3,218,421	0	3,218,421
15	134,922,821	8,639,339	8,639,339	0	3,131,264	0	3,131,264
16	138,057,166	8,986,898	8,986,898	0	3,037,048	0	3,037,048
17	140,578,449	9,353,741	9,353,741	0	2,947,338	0	2,947,338
18	142,919,723	9,692,370	9,692,370	0	2,847,588	0	2,847,588
19	145,040,093	10,002,777	10,002,777	0	2,740,126	0	2,740,126
20	146,955,810	10,316,401	10,316,401	0	2,635,001	0	2,635,001
21	148,648,845	10,623,164	10,623,164	0	2,529,934	0	2,529,934
22	150,110,824	10,919,148	10,919,148	0	2,424,637	0	2,424,637
23	151,337,854	11,229,720	11,229,720	0	2,325,036	0	2,325,036
24	152,293,612	11,558,075	11,558,075	0	2,231,254	0	2,231,254
25	152,077,231	11,832,226	11,832,226	0	2,129,769	0	2,129,769
26	151,492,704	12,043,884	12,043,884	0	2,021,321	0	2,021,321
27	150,587,515	12,266,255	12,266,255	0	1,919,480	0	1,919,480
28	149,322,375	12,443,760	12,443,760	0	1,815,624	0	1,815,624
29	147,721,741	12,574,870	12,574,870	0	1,710,726	0	1,710,726
30	145,815,540	12,694,728	12,694,728	0	1,610,286	0	1,610,286
31	143,591,577	12,791,422	12,791,422	0	1,512,868	0	1,512,868
32	141,021,306	12,860,123	12,860,123	0	1,418,176	0	1,418,176
33	138,141,742	12,932,378	12,932,378	0	1,329,738	0	1,329,738
34	134,922,987	12,983,687	12,983,687	0	1,244,768	0	1,244,768
35	131,363,290	12,917,860	12,917,860	0	1,154,739	0	1,154,739
36	127,579,972	12,769,459	12,769,459	0	1,064,310	0	1,064,310
37	123,656,158	12,616,117	12,616,117	0	980,447	0	980,447
38	119,584,986	12,409,117	12,409,117	0	899,171	0	899,171
39	115,418,864	12,163,322	12,163,322	0	821,781	0	821,781
40	111,196,638	11,889,982	11,889,982	0	749,010	0	749,010
41	106,944,942	11,570,373	11,570,373	0	679,605	0	679,605
42	102,715,990	11,238,856	11,238,856	0	615,509	0	615,509
43	98,523,763	10,895,675	10,895,675	0	556,377	0	556,377
44	94,383,003	10,542,095	10,542,095	0	501,931	0	501,931
45	90,308,211	10,177,757	10,177,757	0	451,827	0	451,827
46	86,315,311	9,803,263	9,803,263	0	405,783	0	405,783
47	82,420,757	9,419,499	9,419,499	0	363,541	0	363,541
48	78,641,280	9,027,553	9,027,553	0	324,862	0	324,862
49	74,993,697	8,628,647	8,628,647	0	289,517	0	289,517
50	71,494,777	8,224,224	8,224,224	0	257,293	0	257,293

Fire Division
Single Discount Rate Development
Present Values of Projected Benefits (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf^((a)-.5)	(h)=((c)/(1+sdr)^((a)-.5)
51	$68,161,012	$7,815,759	$7,815,759	$0	$227,986	$0	$227,986
52	65,008,562	7,404,542	7,404,542	0	201,390	0	201,390
53	62,053,422	6,991,715	6,991,715	0	177,307	0	177,307
54	59,311,565	6,578,284	6,578,284	0	155,545	0	155,545
55	56,799,079	6,165,074	6,165,074	0	135,921	0	135,921
56	54,532,364	5,752,936	5,752,936	0	118,260	0	118,260
57	52,528,129	5,343,017	5,343,017	0	102,409	0	102,409
58	50,803,106	4,936,562	4,936,562	0	88,223	0	88,223
59	49,373,950	4,535,027	4,535,027	0	75,568	0	75,568
60	48,257,016	4,140,447	4,140,447	0	64,329	0	64,329
61	47,467,737	3,755,235	3,755,235	0	54,400	0	54,400
62	47,020,167	3,381,873	3,381,873	0	45,680	0	45,680
63	46,926,808	3,022,734	3,022,734	0	38,069	0	38,069
64	47,198,611	2,679,687	2,679,687	0	31,467	0	31,467
65	47,845,384	2,354,032	2,354,032	0	25,774	0	25,774
66	48,876,302	2,047,182	2,047,182	0	20,899	0	20,899
67	50,299,740	1,760,884	1,760,884	0	16,761	0	16,761
68	52,122,872	1,496,683	1,496,683	0	13,283	0	13,283
69	54,351,792	1,255,781	1,255,781	0	10,392	0	10,392
70	56,991,790	1,038,961	1,038,961	0	8,017	0	8,017
71	60,047,730	846,500	846,500	0	6,090	0	6,090
72	63,524,542	678,436	678,436	0	4,551	0	4,551
73	67,427,472	534,374	534,374	0	3,342	0	3,342
74	71,762,558	413,233	413,233	0	2,410	0	2,410
75	76,537,393	313,379	313,379	0	1,704	0	1,704
76	81,761,814	232,815	232,815	0	1,180	0	1,180
77	87,448,439	169,287	169,287	0	800	0	800
78	93,613,135	120,358	120,358	0	530	0	530
79	100,275,443	83,585	83,585	0	344	0	344
80	107,458,851	56,654	56,654	0	217	0	217
81	115,190,946	37,450	37,450	0	134	0	134
82	123,503,506	24,120	24,120	0	80	0	80
83	132,432,531	15,127	15,127	0	47	0	47
84	142,018,224	9,235	9,235	0	27	0	27
85	152,304,981	5,490	5,490	0	15	0	15
86	163,341,407	3,184	3,184	0	8	0	8
87	175,180,362	1,804	1,804	0	4	0	4
88	187,879,070	996	996	0	2	0	2
89	201,499,271	530	530	0	1	0	1
90	216,107,419	275	275	0	1	0	1
91	231,774,922	141	141	0	0	0	0
92	248,578,458	66	66	0	0	0	0
93	266,600,328	29	29	0	0	0	0
94	285,928,822	12	12	0	0	0	0
95	306,658,649	3	3	0	0	0	0
96	328,891,398	1	1	0	0	0	0
97	352,736,023	0	0	0	0	0	0
98	378,309,385	0	0	0	0	0	0
99	405,736,815	0	0	0	0	0	0
100	435,152,734	0	0	0	0	0	0

SECTION D

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability".
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.

GLOSSARY OF TERMS

Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered-Employee Payroll	The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.
Deferred Inflows and Outflows	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: 1. The benefit payments to be made while the pension plan’s fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period and; 2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.
Entry Age Actuarial Cost Method (EAN)	The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

GLOSSARY OF TERMS

GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Fiduciary Net Position	The fiduciary net position is the value of the assets of the trust.
Long-Term Expected Rate of Return	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
Money-Weighted Rate of Return	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
Multiple-Employer Defined Benefit Pension Plan	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Municipal Bond Rate	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
Net Pension Liability (NPL)	The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.
Non-employer Contribution Entities	Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB Accounting statement plan members are not considered non-employer contribution entities.
Normal Cost	The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.
Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

GLOSSARY OF TERMS

Total Pension Expense	The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year: 1. Service Cost 2. Interest on the Total Pension Liability 3. Current-Period Benefit Changes 4. Employee Contributions (made negative for addition here) 5. Projected Earnings on Plan Investments (made negative for addition here) 6. Pension Plan Administrative Expense 7. Other Changes in Plan Fiduciary Net Position 8. Recognition of Outflow (Inflow) of Resources due to Liabilities 9. Recognition of Outflow (Inflow) of Resources due to Assets
Total Pension Liability (TPL)	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of the GASB Statement No. 67, the valuation asset is equal to the market value of assets.

APPENDIX F

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, 2016

BASED ON A
VALUATION DATE OF JANUARY 1, 2016

JULY 2016

Actuaries &
Consultants

LEWIS & ELLIS, INC.
OVERLAND PARK, KS

July 20, 2016

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

Dear Nancy:

This report presents actuarial information in accordance with Governmental Accounting Standards Board Statement No. 45 ("GASB 45" or "GASB") 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, 2016, and
- Determine the Annual OPEB Cost for fiscal year 2015-16.

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.

Patrick Glenn

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

TABLE OF CONTENTS

SUMMARY

The valuation procedures noted below and information presented in this report are based on provisions underlying GASB 45. GASB stipulates that 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 2015-16 is based upon an actuarial valuation performed as of January 1, 2016 using the participant census as of January 1, 2016. The prior valuation, covering fiscal year 2014-15, was performed as of January 1, 2015, using the participant census as of January 1, 2015.

SUBSTANTIVE PLAN

The City of Independence sponsors postretirement 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 pertaining to 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 assumption is unchanged from the prior valuation.

RESULTS

The Annual OPEB Cost is a charge of $19.4 million for fiscal year 2015-16. The Actuarial Accrued Liability (AAL) as of January 1, 2016 is $286.1 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 AAL. The Normal Cost is the amount of Actuarial Present Value (APV) of Benefits allocated to the current year as determined under the applicable actuarial cost method. The amount of AAL is the portion of the APV 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 2015-16 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 APV 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 increased from 55% to 65%. This is based on an analysis of spousal elections of actives near retirement eligibility and those of current retirees.
- The assumed mortality was updated to reflect the Society of Actuaries Adjusted RPH-2014 Total Dataset Mortality table with MP-2015 full generational improvement. Disabled life mortality was updated in a similar fashion. The MP-2015 table reflects less mortality improvement than the prior MP-2014 table, resulting in lower life expectancy.
- The per capita costs, retiree contribution premiums and trend rates were updated as part of the on-going actuarial analysis. The per capita costs and retiree premiums generally decreased slightly from the prior valuation.

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, 2016 based on the January 1, 2015 valuation parameters is $298.2 million. Valuation parameters include census data, claim experience, assumptions and actuarial methods. The actual AAL as of January 1, 2016 under current valuation parameters is $286.1 million. Lower than expected per capita costs along with the mortality assumption change to the MP-2015 table more than offset the increase in assumed spouses to produce a lower AAL than expected.

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 2016-17, based on the January 1, 2016 valuation, are shown below.

	Fiscal Year 2016-17
Expected Retiree Costs	$9,362,000
Expected Retiree Contributions	1,672,000
Projected Employer Contributions	$7,690,000

GASB 43 and 45 are being replaced by GASB 74 (OPEB Plans) and 75 (Employers). These new standards become effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively. Thus, GASB 45 will continue to apply for fiscal year 2016-17 unless the City decides to early adopt.

ANNUAL OPEB COST FOR 2015-16

A.	Actuarial Present Value of Benefits	
	Current Retirees	148,659,247
	Future Retirees	228,356,683
		377,015,930
B.	Actuarial Accrued Liability	
	Current Retirees	148,659,247
	Future Retirees	137,460,907
		286,120,154
C.	OPEB Plan Assets	0
D.	Unfunded Actuarial Accrued Liability (B - C)	286,120,154
E.	Amortization Factor (Based on 30 Year Open, Level %-of-Pay)	24.47092
F.	Amortization of Unfunded	11,895,106
G.	Normal Cost	8,013,999
H.	Annual Required Contribution (ARC) (F + G)	19,909,105
I.	Net OPEB Obligation at Beginning of Year	86,136,814
J.	Interest on Net OPEB Obligation to end of year (I x .035)	3,014,788
K.	Adjustment to the ARC (I / E)	3,519,966
L.	**Annual OPEB Cost (H + J - K)**	**19,403,927**
M.	Valuation Interest Rate	3.5%
N.	Aggregate Payroll Growth	2.0%
O.	Measurement Date	Jan 1, 2016

DISCLOSURE INFORMATION

1. Annual OPEB Cost for 2015-16

A. Normal Cost	8,013,999
B. Amortization of Unfunded Actuarial Accrued Liability	11,895,106
C. Annual Required Contribution (ARC)	19,909,105
D. Interest on Net OPEB Obligation	3,014,788
E. Adjustment to the ARC	3,519,966
F. Annual OPEB Cost (C + D – E)	19,403,927

2. Employer Contributions for 2015-16*

A. Expected Retiree Claims & Fixed Costs	8,188,000
B. Expected Retiree Contributions	1,646,000
C. Employer Contributions (A - B)	6,542,000

*Based on actual and expected

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
2016	19,403,927	6,542,000	33.71%	98,998,741

4. Net OPEB Obligation at 6/30/2016

A. Balance at 6//30/2015	86,136,814
B. Annual OPEB Cost for 2015-16	19,403,927
C. Employer Contributions for 2015-16	6,542,000
D. Other Adjustments	0
E. Balance at 6/30/2015 (A + B – C + D)	98,998,741

5. Schedule of Funding Progress

	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
Valuation Date	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%
7/1/2016	0	286,120,154	286,120,154	0%	61,742,912	463.4%

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

6. Valuation Parameters

Actuarial Valuation Date	January 1, 2016
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 to 5.00% over 5 years
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	493
Grants	3	2
Parks Improv. Sales Tax	13	4
Power and Light	205	182
Sanitary Sewer	58	35
Storm Water Sales Tax	10	0
Street Improv Sales Tax	2	0
Tourism	6	0
Water	73	50
Worker's Compensation	1	0
Total	**952**	**773**

Accounting Fund	Actuarial Accrued Liability	Normal Cost
Central Garage	2,082,549	65,543
Community Dev Block Grant	338,989	9,267
General	183,108,692	5,215,135
Grants	387,701	23,260
Parks Improv. Sales Tax	2,418,634	107,953
Power and Light	62,298,674	1,507,062
Sanitary Sewer	13,465,441	445,300
Storm Water Sales Tax	1,463,949	77,533
Street Improv Sales Tax	0	16,444
Tourism	787,682	50,768
Water	19,548,817	492,563
Worker's Compensation	219,026	3,171
Total	**286,120,154**	**8,013,999**

Accounting Fund	Net OPEB at 6/30/2015	2015-16 Expense	2015-16 Contributions	Net OPEB at 6/30/2016
Central Garage	671,804	148,183	46,924	773,063
Community Dev Block Grant	135,390	22,566	25	157,931
General	55,451,866	12,502,444	4,131,560	63,822,750
Grants	592,955	35,900	15,946	612,909
Parks Improv. Sales Tax	989,097	202,704	41,784	1,150,017
Power and Light	16,035,537	4,003,010	1,589,719	18,448,828
Sanitary Sewer	4,977,551	975,918	333,113	5,620,356
Storm Water Sales Tax	613,358	134,798	1,221	746,935
Street Improv Sales Tax	0	16,444	0	16,444
Tourism	317,126	81,655	1,964	396,817
Water	6,297,767	1,268,347	379,710	7,186,404
Worker's Compensation	54,363	11,958	34	66,287
Total	**86,136,814**	**19,403,927**	**6,542,000**	**98,998,741**

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 January 1, 2015	Census as of January 1, 2016
Active Employees		
General Employees	532	545
Police & Fire	412	407
Total Count	944	952
Average Age – General Employees	48.7 years	48.0 years
Average Service – General Employees	14.8 years	14.0 years
Average Age – Police & Fire	42.1 years	41.8 years
Average Service – Police & Fire	13.3 years	13.2 years
Current Benefit Recipients		
Retirees / Disableds / Surviving Spouses	747	773
Spouses of Covered Retirees / Disableds	403	419
Total Count	1,150	1,192
Average Attained Age – Subscribers	70.0 years	70.1 years

MEDICAL COVERAGE TIER AS OF JANUARY 1, 2016

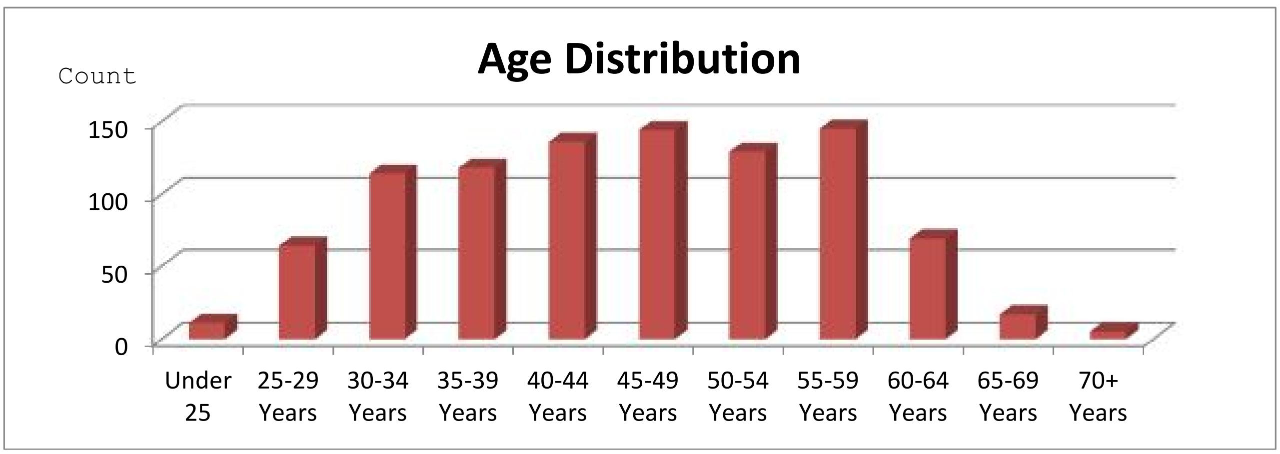
Status	Single	Single + Spouse	Single + Children	Family	Total
Active	271	172	168	341	952
Retiree	344	383	10	36	773
Total	615	555	178	377	1,725

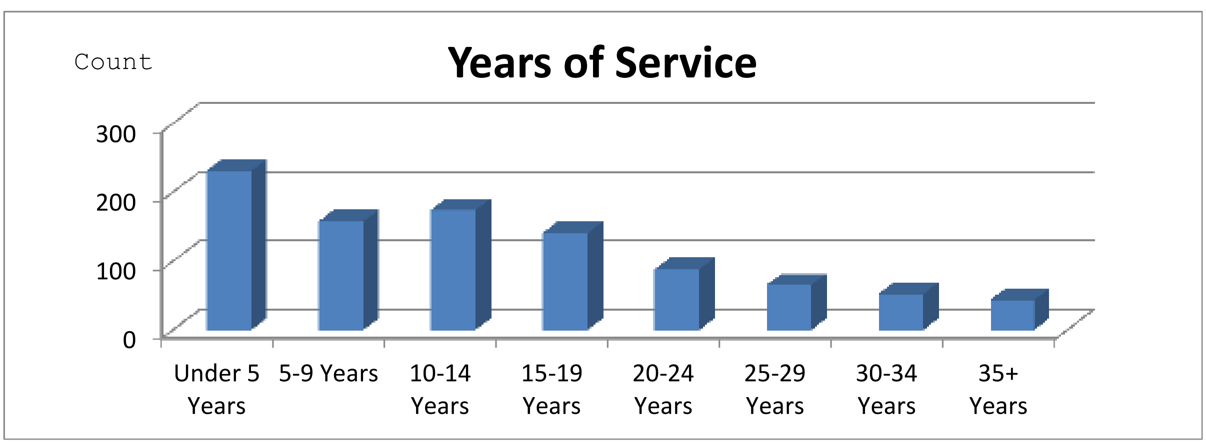
MEDICAL PLAN AS OF JANUARY 1, 2016

Status	OAP 1	OAP 2	Total
Active	905	47	952
Retiree	765	8	773
Total	1,670	55	1,725

Distribution of Active Participants

Age	Years of Service as of January 1, 2016								
	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
Under 25	11								11
25-29	55	9							64
30-34	55	40	18	1					114
35-39	30	32	38	18					118
40-44	30	17	32	38	19				136
45-49	22	18	29	36	29	10			144
50-54	12	16	19	18	18	28	15	3	129
55-59	9	14	19	18	14	19	28	24	145
60-64	5	5	16	10	8	7	7	11	69
65-69	1	4	3	2		1	2	4	17
70+	1	3						1	5
Totals	**231**	**158**	**174**	**141**	**88**	**65**	**52**	**43**	**952**





Distribution of Retirees / Disableds / Surviving Spouses

Age	Subscribers
≤55	12
56	10
57	12
58	12
59	30
60	23
61	35
62	35
63	31
64	34
65	32
66	34
67	27
68	35
69	39
70	27
71	32
72	28
73	27
74	36
75	23
76	24
77	18
78	19
79	7
80	22
81	13
82	14
83	14
84	13
85+	55
Totals	**773**
Average Age	**70.1**

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.

<table>
<tr><th rowspan="2">Category</th><th colspan="2">Pension Eligibility</th></tr>
<tr><th>Unreduced Retirement</th><th>Reduced Early Retirement</th></tr>
<tr><td rowspan="2">General Employees</td><td>60 & 5</td><td rowspan="2">55 & 5</td></tr>
<tr><td>Rule of 80*</td></tr>
<tr><td rowspan="2">Police & Fire Employees</td><td>55 & 5</td><td rowspan="2">50 & 5</td></tr>
<tr><td>Rule of 80*</td></tr>
</table>

* The City has not elected Rule of 80.

PLAN OF OPERATION

Retiree medical/prescription drug coverage (and vision benefits) are 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, 2016 serve as a starting point for the valuation and are assumed to increase at the same rate of health care costs in the future.

Coverage	OAP 1 *	OAP 1 **	OAP 2
Pre-Medicare			
Single	96.72	113.78	87.36
Single + Spouse	234.07	275.38	211.41
Medicare without Part D			
Single	91.42	107.56	82.57
Single + Spouse (2 on Medicare)	182.86	215.13	165.16
Single + Spouse (1 on Medicare)	186.12	218.97	168.10

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

PLAN DESIGN

A summary of the most current plan parameters (effective January 1, 2016) 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 City experience, PPACA fees and vendor contract rates for administrative / stop-loss premium costs. We considered claim experience for Medical and Prescription Drug from January 2012 to February 2016. The plan experience was analyzed separately for actives, pre Medicare retirees and Medicare retirees. Age-adjusted expected costs during plan year 2016 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	695	69	764
58	787	69	856
62	915	69	984
64	970	69	1,039
65	301	26	327
70	365	26	391
75	429	26	455
80	484	26	510
85	538	26	564

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, 2016

C. Medical / Rx Trend

Year	Trend
2016	6.50%
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 2016 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 Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with Scale MP-2015 Full Generational Improvement

I. Disabled Life Mortality Society of Actuaries RPH-2014 adjusted to 2006 Disabled Retiree Headcount-weighted Mortality with MP-2015 Full Generational Improvement

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

Sixty-five percent (65%) 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

Children were valued based on an assumed coverage election distribution and an average number of children. These assumptions were evaluated considering actual retiree experience.

O. Timing of Claim Payments

Mid-year

P. Medicare Eligibility Age

Age 65

Q. Medicare Part D Enrollment None assumed for future retirees. Sixteen (16) current retirees elected Part D and were valued assuming no City Rx coverage.

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.

		General Members			
	Age(s)	**Men**	**Women**	**Police**	**Fire**
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		

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

	Years of Service				
Age	0-1	1-2	2-3	3-4	4-5
All Ages	.18	.17	.16	.13	.12

	Years of Service > 5
Age	Rate
25	.101
30	.080
35	.061
40	.047
50	.018

Fire

	Years of Service				
Age	0-1	1-2	2-3	3-4	4-5
All Ages	.08	.07	.06	.06	.05

	Years of Service > 5
Age	Rate
25	.050
30	.040
35	.028
40	.022
50	.010

General

		Years of Service				
Gender	Age	0-1	1-2	2-3	3-4	4-5
Male	All Ages	.18	.16	.14	.11	.09
Female	All Ages	.21	.20	.16	.13	.12

	Years of Service > 5	
Age	Male	Female
25	.075	.107
30	.065	.094
35	.051	.072
40	.038	.055
50	.024	.034

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, 2016 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 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 Actuarial Accrued Liability.
- 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.

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 contribution premiums are multiplied by the expected number of retirees in each future year to produce expected employer costs (or retiree benefits). These expected employer contributions 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-size group of like-age participants was measured.

Age-Subsidy. The difference between the age-adjusted cost and the group 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, direct payment of benefits or a combination of these. 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 return over the long-term pertaining to the source of assets used to pay retiree insurance benefits.