TAXABLE NEW ISSUE **Standard & Poor's Rating: "A-"**
(Book Entry Only) **See "RATING" herein.**

*The interest on the Bonds is included in gross income for federal income tax purposes. In the opinion of Gilmore & Bell, P.C. Bond Counsel, under existing law, the interest on the Bonds is exempt from Missouri income taxation. See **"TAX MATTERS"** herein.*

MISSOURI DEVELOPMENT FINANCE BOARD
$14,005,000
Taxable Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project)
Series 2013A

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. Principal of and semiannual interest on the Bonds will be paid from moneys available therefore under the Indenture (herein defined) by Commerce Bank, Kansas City, Missouri, as Trustee and Paying Agent. Principal of the Bonds will be due as shown on the inside cover page. Interest on the Bonds will be payable on each March 1 and September 1, beginning on September 1, 2013.

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

The Bonds will be payable from, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the Indenture. The City's obligation to make Loan Payments under the Financing Agreement is secured by a mortgage on the Bass Pro Store and an assignment of the rents payable by Bass Pro Outdoor World, L.L.C. under the Bass Pro Lease, all as more fully described herein. The City's obligation to make Loan Payments under the Financing Agreement will be secured by a subordinate pledge, subject to annual appropriation in the case of certain revenues, of certain moneys expected to be deposited in the Special Allocation Fund established for the Crackerneck Creek Project as more fully described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**

Payment of the Bonds is primarily dependent upon the City's decision to appropriate and to continue to appropriate sufficient moneys to make Loan Payments under the Financing Agreement. See **"SHORTFALL OF REVENUES"** herein. A prospective purchaser is advised to read **"BONDOWNERS' RISKS"** herein for a description of certain risk factors which should be considered in connection with an investment in 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 will be passed on for the City by the City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC on or about April 25, 2013.

PiperJaffray®

The date of this Official Statement is April 16, 2013.

MISSOURI DEVELOPMENT FINANCE BOARD

$14,005,000
Taxable Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project)
Series 2013A

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

Maturity Schedule

Term Bonds

$4,720,000 Term Bonds due March 1, 2025, Interest Rate: 4.693%, Offering Price: 100.00%

Serial Bonds

Due March 1	Principal Amount	Interest Rate	Offering Price
2027	$ 4,085,000	4.893%	100.00%
2028	5,200,000	4.993	100.00

REGARDING USE OF THIS OFFICIAL STATEMENT

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

IN CONNECTION WITH THE OFFERING OF THE 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 “project,” “estimate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in forward-looking statements. These future risks and uncertainties include but are not limited to those discussed in the **“PLAN OF FINANCE,” “SHORTFALL OF REVENUES,”** and **“BONDOWNERS’ RISKS”** sections of this Official Statement. The City undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

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

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

$14,005,000
Taxable Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2013A

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 F*** *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 bonds (the "Bonds"), (ii) the Board, (iii) the City of Independence, Missouri (the "City"), and (iv) the Crackerneck Creek Project more fully described herein (the "Crackerneck Creek Project" or the "Project").

Concurrently with the issuance of the Bonds, the Board is issuing its $10,835,000 Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2013B (the "Series 2013B Bonds," together with the Bonds, the "Refunding Bonds") for the purpose of advance refunding a prior series of bonds issued under a separate bond trust indenture for the Project. See "**THE CRACKERNECK CREEK PROJECT – Project Bonds**."

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," "APPENDIX B: ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2012,"** and **"APPENDIX C: UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 30, 2013."**

Use of Bond Proceeds

The proceeds of the Bonds will be loaned to the City pursuant to the Financing Agreement dated as of March 15, 2006 as supplemented and amended by a Series 2008A Supplemental Financing Agreement dated February 1, 2008, a Series 2009H Supplemental Financing Agreement dated August 1, 2009 and a Series

2013A Supplemental Financing Agreement dated April 1, 2013 (collectively, the "Financing Agreement") between the Board and the City. The Bonds are being issued to (i) refund and redeem the Refunded Bonds (as defined under the caption **"PLAN OF FINANCE"**), (ii) fund a Debt Service Reserve Fund for the Bonds, and (iii) pay costs of issuance related to the Bonds. See **"PLAN OF FINANCE." "**

The Crackerneck Creek Project

The Crackerneck Creek Tax Increment Financing Plan was approved by the City in 2004 and anticipated the development and construction of a 450,000 square foot commercial retail center (the "Crackerneck Creek Project" or the "Project"). 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 April 1, 2013, the Project included the Bass Pro Store, 80,000 square feet of retail and 8,500 square feet of restaurant uses. See **"CRACKERNECK CREEK PROJECT"** herein.

Bonds Issued for the Project

The Board has issued $89,570,000 in bonds for the Project consisting of both Taxable Bonds or Tax Exempt Bonds, both as described herein. The Taxable Bonds and Tax-Exempt Bonds are referred to herein as the "Project Bonds." The collateral for the Taxable Bonds and the Tax-Exempt Bonds is different. Only the Taxable Bonds are secured by a first lien on the Bass Pro Lease Payments and the Deed of Trust. All series are secured by a first or second lien on Incremental Tax Revenues and an annual appropriation obligation of the City.

The Bonds are being issued as Taxable Bonds. Concurrently with the issuance of the Bonds, the Board is issuing the Series 2013B Bonds as Tax-Exempt Bonds for the purpose of advance refunding a prior series of Tax Exempt Bonds issued for the Project.

See **"THE CRACKERNECK CREEK PROJECT – Project Bonds."**

Shortfall of Revenues

Due to many factors, including the lack of development in the Redevelopment Area, flat or declining retail sales of existing businesses and original retail sales projections that were too optimistic, Incremental Tax Revenues and Bass Pro Lease Payments received from the Crackerneck Creek Project have been materially short of the City's original projections. As a result, Incremental Tax Revenues, when combined with the Bass Pro Lease Payments, have been, and are expected to continue to be, materially short of the amount needed to fund debt service payments on the Project Bonds. The City believes that even with significant additional development it is highly unlikely that the Project will ever be able to generate sufficient revenues to pay debt service on the Project Bonds. Consequently, even if significant additional development occurs, additional revenues sources will need to be allocated to the payment of debt service on the Project Bonds. See **"SHORTFALL OF REVENUES – Revenues from the Project"** herein.

Over the last three years, the City has expended $12,280,817 from its General Fund and $221,272 from utility funds to support the payment of debt service on the Project Bonds. For the reasons described herein support from the City's General Fund is expected to be necessary until all of the Project Bonds are paid. **"SHORTFALL OF REVENUES – Support from the City's General Fund"** herein.

The Bonds

The Bonds are being issued pursuant to the Act and the Bond Trust Indenture dated as of March 15, 2006, as supplemented and amended by a Series 2008A Supplemental Bond Trust Indenture dated February 1, 2008, a Series 2009H Supplemental Bond Trust Indentured dated August 1, 2009 and a Series 2013A Supplemental Bond Trust Indenture dated April 1, 2013 (collectively, the "Indenture") between the Board and

Commerce Bank, Kansas City, Missouri (the "Trustee"), for the purpose of providing funds to make a loan to the City pursuant to the Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of and the interest on the Bonds (the "Loan Payments"), all as more fully described in the Financing Agreement and the Indenture. A description of the Bonds is contained in this Official Statement under **"THE BONDS."** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture and the Financing Agreement.

Under the Indenture, the Board has previously issued four series of bonds as described herein under the caption **"THE CRACKERNECK CREEK PROJECT – Project Bonds – *Taxable Bonds*."** The Bonds are being issued for the purpose of advance refunding portions of two of such series and all of the outstanding bonds of a third series. The Bonds, together with the prior series that remain outstanding after the issuance of the Bonds, are referred to herein as the "Taxable Bonds." The Bonds are being issued as "Additional Bonds" on a parity with the other Taxable Bonds under the Indenture and with respect to the security provided by the Deed of Trust and the Financing Agreement, and in all other respects.

Additional Parity Bonds

The Indenture provides for the future issuance of additional bonds ("Additional Parity Bonds") which, if issued, will rank on a parity with the Taxable Bonds and any other bonds then outstanding under the Indenture issued on a parity with the Taxable Bonds as to the pledge of the Bass Pro Lease Payments and the Deed of Trust. Additional Tax-Exempt Bonds may also be issued on a parity with other outstanding Tax-Exempt Bonds. Tax-Exempt Bonds, including Tax-Exempt Bonds that may be issued in the future, have a senior lien on Incremental Tax Revenues that is superior to the lien of the Taxable Bonds. See the captions **"THE CRACKERNECK CREEK PROJECT – Project Bonds," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Parity Bonds"** herein and the caption **"SUMMARY OF THE INDENTURE – Authorization of Additional Bonds"** in **Appendix F** hereto.

Security for the Bonds

The Bonds and the interest thereon are special, limited obligations of the Board, payable by the Board solely from (1) certain payments to be made by the City under the Financing Agreement, and (2) certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board. Loan Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of and interest on the Bonds. Except as noted herein, all payments by the City under the Financing Agreement are subject to annual appropriation. See "**BONDOWNERS' RISKS – Risk Factors Relating to Annual Appropriation**." Pursuant to the Indenture, the Board will assign to the Trustee, for the benefit and security of the owners of the Bonds, substantially all of the rights of the Board in the Financing Agreement, including all Loan Payments payable thereunder.

To secure the City's obligations to make Loan Payments pursuant to the Financing Agreement the City has executed a Future Advance Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Deed of Trust") granting to the Trustee a first mortgage lien on the Bass Pro Store and assigning the Bass Pro Lease Payments described herein. Such mortgage lien is subject to the occupancy rights of Bass Pro under the Bass Pro Lease described herein. See **"THE BASS PRO STORE, THE BASS PRO LEASE AND THE STATUS OF THE DEVELOPER"** in **Appendix D** hereto and **"SUMMARY OF THE BASS PRO LEASE"** in **Appendix E** hereto. The City's obligation to make Loan Payments under the Financing Agreement will also be secured by a **subordinate lien** on the Incremental Tax Revenues as further described herein. "Incremental Tax Revenues" means Payments in Lieu of Taxes ("PILOTS") and Economic Activity Taxes ("EATS"), State TIF Revenues and TDD Revenues generated with respect to the Project. The use of EATS is subject to annual appropriation by the City. See **"APPENDIX H – TAX INCREMENT FINANCING IN MISSOURI"** for an explanation of how PILOTS and EATS are calculated and paid. "State TIF Revenues" are equal to a portion of the State sales tax generated by the Project, and are subject to annual appropriation by the General Assembly of the State of Missouri. "TDD Revenues" include 7/8 of the revenues generated by the 1% sales tax levied by the Crackerneck Creek Transportation Development District (the "TDD") to the extent not captured as EATS and are subject to annual appropriation by the TDD. See **"THE CRACKERNECK CREEK PROJECT – General Description of the Crackerneck Creek Project"** herein for a description of the State TIF approval and the TDD. The Deed of Trust secures on a first lien basis only the Loan Payments with respect to the Taxable Bonds. See also **"SHORTFALL OF REVENUES"** and **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Mortgage on the Bass Pro Store"** and **"SUMMARY OF THE DEED OF TRUST"** in **Appendix F** hereto.

Prospective investors should not rely upon the collection of Incremental Tax Revenues or moneys received under the Deed of Trust as a source of repayment of the Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement relating to the Bonds.

The Bonds are not an indebtedness of City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the state of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any 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 the Financing Agreement. See **"BONDOWNERS' RISKS"** for a discussion of this and other risks.

Continuing Disclosure

The City has executed 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. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in **Appendix F**.

Definitions and Summaries of Legal Documents

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

THE BOARD

General

The issuer of the Bonds is the Missouri Development Finance Board (the "Board"), 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.

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

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

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

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

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

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

- ***Matthew L. Dameron*** – term as a member expires September 14, 2015. Mr. Dameron is a partner with Stueve Siegel Hanson LLP in Kansas City, Missouri

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

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

- ***Dr. Jon Hagler*** — ex-officio member. Dr. Hagler is the Director of the Department of Agriculture.

- ***Sara Pauley*** — ex-officio member. Ms. Pauley is the Director of the Department of Natural Resources.

Other Indebtedness of the Board

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

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

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

THE CITY

Incorporated in 1849, the City of Independence, Missouri (the "City") is the county seat of Jackson County, Missouri and adjoins Kansas City, Missouri to the west. The City is the fourth largest city in Missouri. The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in 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. See **"APPENDIX A: INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI," "APPENDIX B: ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2012,"** and **"APPENDIX C: UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 30, 2013."**

THE CRACKERNECK CREEK 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, 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 April 1, 2013, the Project included the Bass Pro Store, 80,000 square feet of retail and 8,500 square feet of restaurant uses. 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, 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 was funded from the proceeds of the Series 2006A Bonds. The proceeds of the Taxable Bonds other than the Series 2006A Bonds and the Tax-Exempt Bonds were used to fund other costs related to the development of the site and completion of the Project. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City. See **“THE BASS PRO STORE AND THE BASS PRO LEASE”** in **Appendix D** hereto and **“SUMMARY OF THE BASS PRO LEASE”** in **Appendix E** hereto.

The Bass Pro Store opened for business in March, 2008. A 55,000 square foot Hobby Lobby and a 25,000 square foot Mardels (a retailer selling Christian-oriented merchandise) opened in 2009. An 8,500 square foot Cheddar’s Casual Café restaurant opened in 2011. No other leases or other binding commitments for potential tenants for the Project have been executed as of the date hereof, and the City is not aware of any other existing letters of intent for the Project.

In November, 2005, the State of Missouri 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 7/8th of the TDD Sales Tax revenues are pledged by the City, subject to annual appropriation, to secure the Loan Payments with respect to the Tax-Exempt Bonds, and on a **subordinate basis**, the Taxable Bonds. 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 Tax-Exempt Bonds.

Project Bonds

As used herein the term “Project Bonds” refers to the following described Taxable Bonds and Tax-Exempt Bonds.

Taxable Bonds. Prior to the issuance of the Bonds, the Board has issued the following series of its Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) for the Project:

Series Designation	Original Principal Amount
2006A	$34,340,000
2006B	14,030,000
2008A	5,035,000
2009H	4,130,000

The above referenced bonds are separately referred to herein as the “Series 2006A Bonds,” the “Series 2006B Bonds,” the “Series 2008A Bonds,” and the “Series 2009H Bonds.” The Bonds, together with the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds that remain outstanding upon completion of the refunding described under **“PLAN OF FINANCE”** are referred to herein as the “Taxable Bonds.” The Bonds are being issued as “Additional Bonds” on a parity with the other Taxable Bonds under the Indenture and with respect to the security provided by the Deed of Trust and the Financing Agreement, and in all other respects.

Tax-Exempt Bonds. In addition to the previously issued Taxable Bonds, the Board has previously issued the following series of its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) for the Project:

Series Designation	Original Principal Amount
2005C	$11,325,000
2006C	12,790,000
2008B	7,920,000

The above referenced bonds are referred to separately herein as the “Series 2005C Bonds,” the “Series 2006C Bonds,” and the “Series 2008B Bonds.”

Concurrently with the issuance of the Bonds, the Board is issuing its 2013B Bonds for the purpose of advance refunding the Series 2005C Bonds. The Series 2006C Bonds, the Series 2008B Bonds and the Series 2013B Bonds, together with any additional tax-exempt bonds issued to fund costs of the Project, are collectively referred to herein as the “Tax-Exempt Bonds.” The Tax-Exempt Bonds have been issued under a separate bond trust indenture and loaned to the City under a separate financing agreement from the Taxable Bonds.

The Tax-Exempt Bonds financed that portion of the Crackerneck Creek Project eligible for tax-exempt financing under Federal tax laws. The Tax-Exempt Bonds are secured on a separate and independent basis from the Taxable Bonds and any Additional Parity Bonds. The City’s Loan Payments with respect to the Tax-Exempt Bonds are secured by a lien on the Bass Pro Store and the Bass Pro Lease Payments that is **subordinate** to the lien securing the Taxable Bonds under the Deed of Trust. The City’s Loan Payments relating to the Tax-Exempt Bonds are also secured by an annual appropriation obligation of the City.

PLAN OF FINANCE

Refunded Bonds

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

Set forth below is a description of the Refunded Bonds:

Series 2006A Bonds to be Refunded

Dated Date	Maturity Date	Principal Amount	Interest Rate	CUSIP Number	Redemption Date	Redemption Price
3/15/06	3/1/17	$5,680,000	5.750%	60636CTM1	3/1/2016	100%

The principal amount of Series 2006A Bonds to be refunded includes an amount equal to the 2014, 2015 and 2016 sinking fund payments on a term bond due March 1, 2017. The March 1, 2017 principal payment on this term bond is $2,270,000. After the refunding the Series 2006A Bonds will be outstanding in the aggregate principal amount of $23,595,000.

Series 2008A Bonds to be Refunded

Dated Date	Maturity Date	Principal Amount	Interest Rate	CUSIP Number	Redemption Date	Redemption Price
2/1/08	3/1/14	$775,000	5.150%	60636CA58	n/a	100%
2/1/08	3/1/15	875,000	5.250	60636CA66	n/a	100

The principal amount of the Series 2008A Bonds to be refunded includes two serial bonds which are not subject to redemption prior to maturity. After the refunding the Series 2008A Bonds will be outstanding in the aggregate principal amount of $1,205,000

Series 2009H Bonds to be Refunded

Dated Date	Maturity Date	Principal Amount	Interest Rate	CUSIP Number	Redemption Date	Redemption Price
8/1/2009	3/1/2026	$4,130,000	7.250%	60636CV48	3/1/2014	100%

The entire principal amount of the Series 2009H Bonds will be refunded.

Use of the Projected Savings from the Refunding

The issuance of the Refunding Bonds will reduce the annual debt service on the bonds issued for the Project as follows:

Fiscal Year	Aggregate Savings**
2014	$3,147,483
2015	3,122,437
2016	2,308,912

** Aggregate Savings includes both savings related to the Refunded Bonds and savings attributable to the refunding of the Series 2005C Bonds.

The savings will provide the City a short-term reduction in Loan Payments for the next three budget years. The projected savings will be achieved through a combination of lower interest rates and extending the maturities of the Refunded Bonds. The Bonds have a weighted average maturity of 13.2 years, and the Refunded Bonds have a weighted average maturity of 5.8 years. Similarly, the Series 2013B Bonds have a weighted average maturity of 15.9 years and the Series 2005C Bonds being refunded with proceeds of the Series 2013B Bonds have a weighted average maturity of 8.1 years.

A portion of the savings will be used to increase the unassigned General Fund balance of the City. The Authorizing Ordinance of the City provides that, subject to annual appropriation by the City Council, the City will budget 50% of the debt service savings resulting from the issuance of the Refunding Bonds for the City's Fiscal Years 2014, 2015 and 2016 to the General Fund to increase the unassigned General Fund balance of the City to an amount not less than 5.0% of General Fund revenues for the applicable year consistent with Resolution #4948 of the City. The Authorizing Ordinance further states that the obligation of the City to budget such savings shall terminate if the unassigned General Fund balance for the last day of the preceding Fiscal Year meets or exceeds 5.0% of General Fund revenues for such year.

As of March 30, 2013, the projected ending unassigned General Fund balance for the fiscal year ending June 30, 2013, is $2,214,722, and the projected General Fund revenue amount for Fiscal Year 2013 is $73,327,009. 5% of the projected General Fund revenue for the year equals $3,666,350, leaving a projected shortfall in meeting the 5% goal of $1,451,628.

The unassigned portion of the City's General Fund balance is the portion of the total General Fund balance that is not otherwise restricted, committed or assigned.

See **"APPENDIX C - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 30, 2013."**

City's Plan for Funding Shortfalls after 2016

While it is impossible to predict the amount of the shortfall in Fiscal Year 2017 and beyond, the City anticipates that it will need to utilize moneys in the City's General Fund to make such payments and/or refund additional Project Bonds and extend the final maturity on the refunding bonds. See **"BONDOWNERS' RISKS - Inability to Issue Future Series of Bonds."** It is impossible to project whether another refunding issue could be successfully completed.

Outstanding Project Bonds

As described under the heading **"THE CRACKERNECK CREEK PROJECT – Project Bonds,"** including the Bonds and the Series 2013B Bonds being issued concurrently with the Bonds, the Board has issued a total of nine series of Bonds for the Project. Subsequent to the refunding of the Refunded Bonds and the concurrent refunding of the Series 2005C Tax Exempt Bonds, seven Series of Project Bonds will remain outstanding, including three series of Tax Exempt Bonds and four series of Taxable Bonds.

Sources and Uses of Funds

Sources of Funds:

	Prior Series of Project Bonds[*]	Series 2013A Bonds	Series 2013B Bonds	Totals
Principal amount of the Bonds	$89,570,000.00	$14,005,000.00	$10,835,000.00	$114,410,000.00
Reoffering Premium (Net or Discount)	(102,957.05)	0.00	(338,052.00)	(441,009.05)
Prior Issue Reserve Funds	0.00	299,126.00	1,132,503.77	1,431,629.77
Accrued Interest	198,745.75	0.00	0.00	198,745.75
Total sources of Funds	$89,665,788.70	$14,304,126.00	$11,629,451.77	$115,599,366.47

Uses of Funds:

	Prior Series of Project Bonds[*]	Series 2013A Bonds	Series 2013B Bonds	Totals
Project Fund	$65,883,822.41	0.00	0.00	$65,883,822.41
Costs of Issuance [**]	2,219,571.87	366,624.88	304,814.29	2,891,011.04
Capitalized Interest (CIF) Fund	12,520,223.67	0.00	0.00	12,520,223.67
Deposit to Refunding Escrow	0.00	12,537,001.12	10,274,942.68	22,811,943.80
Debt Service Fund	198,745.75	0.00	0.00	198,745.75
Debt Service Reserve Funds[***]	8,843,425.00	1,400,500.00	1,049,694.80	11,293,619.80
Total uses of funds	$89,665,788.70	$14,304,126.00	$11,629,451.77	$115,599,366.47

[*] Includes the Series 2006A Bonds, Series 2006B Bonds, Series 2008A Bonds and Series 2009H Bonds, as well as the Series 2005C Bonds, Series 2006C Bonds and Series 2008B Bonds issued under a separate indenture and separately secured as described herein.

[**] Includes Underwriter's Discount.

[***] The Debt Service Reserve Fund Requirement for the Bonds reduces to $928,500 on February 28, 2025.

SUBORDINATE LIEN ON INCREMENTAL TAX REVENUES

In addition to the assignment of the Bass Pro Lease Payments, the Deed of Trust and the City's annual appropriation obligation, the City's Loan Payments under the Financing Agreement are secured by a **subordinate lien** on the Incremental Tax Revenues. The Incremental Tax Revenues are pledged on a senior lien basis to secure the City's obligation to make loan payments with respect to the Tax-Exempt Bonds. **It is unlikely that any Incremental Tax Revenues will be available to pay the Loan Payments with respect to the Bonds or any Additional Parity Bonds.** See **"SHORTFALL OF REVENUES"** herein**.**

A general description of Tax-Increment Financing is contained in **Appendix H**.

SHORTFALL OF REVENUES

General

Due to many factors, including the lack of development in the Redevelopment Area, flat or declining retail sales of existing businesses and original retail sales projections that were too optimistic, Incremental Tax Revenues and Bass Pro Lease Payments received from the Crackerneck Creek Project have been materially short of the City's original projections. As a result, Incremental Tax Revenues, when combined with the Bass Pro Lease Payments, have been, and are expected to continue to be, materially short of the amount needed to fund debt service payments on the Project Bonds. The City believes that even with significant additional development it is highly unlikely that the Project will ever be able to generate sufficient revenues to pay debt service on the Project Bonds. Consequently, even if significant additional development occurs, additional revenues sources will need to be allocated to the payment of debt service on the Project Bonds.

For these reasons, prospective investors should not rely upon the Bass Pro Lease Payments or Incremental Tax Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.

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Revenues from the Project

The following table shows the projected debt service shortfalls for the Project Bonds, including the Bonds. Sales-related revenues for existing businesses at the Project are based on Fiscal Year 2012 Incremental Tax Revenues of $1,462,596 (as reflected in the City's Fiscal Year 2012 audit) increased at 1% per year beginning in Fiscal Year 2014 and each year thereafter, combined with an assumed $1,000,000 in annual Bass Pro Lease Payments, the minimum annual payment under the terms of the Bass Pro Lease through the end of 2026. Total Projected Debt Service is also net of self-liquidating debt service reserve fund amounts for the Project Bonds, including the Bonds and the Series 2013B Bonds.

Projected Revenue Shortfall on Combined (or Total) Project Debt Service (including the Bonds and the Series 2013B Bonds)

Fiscal Year	Total Projected Project Revenues**	Total Projected Debt Service	Total Projected Shortfall
2013	$2,462,596	$6,944,500	($4,481,904)
2014	$2,477,222	$4,121,352	($1,644,130)
2015	$2,491,994	$4,440,260	($1,948,266)
2016	$2,506,914	$5,365,260	($2,858,346)
2017	$2,521,983	$7,079,260	($4,557,277)
2018	$2,537,203	$7,310,774	($4,773,571)
2019	$2,552,575	$7,430,837	($4,878,262)
2020	$2,568,101	$7,569,425	($5,001,324)
2021	$2,583,782	$7,693,222	($5,109,440)
2022	$2,599,620	$7,782,275	($5,182,655)
2023	$2,615,616	$7,961,766	($5,346,150)
2024	$2,631,772	$8,029,762	($5,397,990)
2025	$2,648,090	$8,144,806	($5,496,716)
2026	$2,664,571	$12,235,354	($9,570,783)
2027	0	$9,360,959	($9,360,959)
2028	0	$9,324,553	($9,324,553)
2029	0	$10,232,249	($10,232,249)

** Under Missouri law, Tax Increment Financing ends after 23 years, so State TIF assistance and Incremental Revenues attributable to other taxing districts will not be available after the year 2026. Additionally, the initial term of the Bass Pro Lease runs through 2026. Renewal thereafter is at the option of Bass Pro. There can be no assurance that Bass Pro will renew the lease. Total projected debt service is net of $299,425 of capitalized interest for the Series 2009H Bonds in 2013.

Support from the City's General Fund

Due to the shortfall in revenues the City has appropriated $12,300,817 from its General Fund and $221,272 from utility funds to support the payment of debt service on the Project Bonds. The City projects that, even if significant additional development occurs, Project revenues will be insufficient to pay debt service on the Project Bonds for the remaining term of the Project Bonds, and continued support from the City's General Fund is expected to be necessary until the Project Bonds are paid.

The projected shortfall identified in the table above for the 2017 fiscal year will be $4,557,277 which, based on the total estimated revenues of the General Fund for the 2013 fiscal year, would be approximately 6.3% of the total estimated revenues of the General Fund. As of March 30, 2013, the projected ending unassigned General Fund balance at June 30, 2013, is $2,214,722, which is approximately 3.1% of the projected General Fund revenue amount for the Fiscal Year ending June 30, 2013 of $73,327,009. See "**BONDOWNERS' RISKS – Risk Factors Relating to Annual Appropriations –** *General Fund Revenues*."

Subject to annual appropriation by the City Council of the City, a portion of the savings from the refunding will be used to increase the unassigned General Fund Balance of the City. See "**PLAN OF FINANCE – Use of Projected Savings from the Refunding**."

THE CITY'S GENERAL FUND

The following information describing the City's General Fund has been excerpted from the City's 2012-2013 Operating Budget approved by the City Council in June, 2012. The entire report is available on the City's website at: http://www.ci.independence.mo.us/Finance/Budget.aspx

Significant Budget Issues

> While we are beginning to see some improvement in the economy, recovery is slow. The small steps forward are not keeping pace with the increases in the cost of operations. While we can be optimistic about an economic rebound, there are other factors with a negative impact on governmental revenues which will not change even when the economy improves.
>
> Technology is changing the world. Traditional funding methods cities use to provide services to their citizens are becoming less reliable. Independence funds police and fire protection, storm water management, street maintenance and the parks and recreation system primarily through sales taxes, property taxes and utility franchise taxes.
>
> Projected General Fund revenues for fiscal year 2012-13 are $74,417,441. Sales, property and utility franchise taxes make up 72.6% of the projected income for the next fiscal year. If the projected income from our share of the gasoline tax from the State of Missouri is included, the percentage of total income from taxes increases to 76.8%.
>
> Consider some of the factors which may keep City revenue from increasing.
>
> Increasing use of technology makes it easier for purchases to be made through the internet. When consumers purchase clothes, books or music electronically rather than visit a local retail store, the City does not receive sales tax revenue.
>
> Dial-up service through home telephone service used to be the norm. Now DSL lines and high-speed internet connections are being dropped in favor of wireless networks and satellite broadcasts. We can watch our favorite movies and shows on our television – or phone – without plugging in a land line. But questions are beginning to be raised as to whether wireless telephone and television

service should be taxed like traditional telephone or cable television service. If not, revenues to the City will decrease.

Energy conservation is the new norm. Home appliances are more efficient, including washers and dryers, televisions, dishwashers, water heaters and refrigerators. Consumers use less electricity and water – but the capital investment and infrastructure costs of providing electricity and water do not decrease. New methods of extracting natural gas results in higher supplies and decreasing prices. When conservation results in lower consumption, franchise tax revenues to the City fall.

Rising gasoline prices result in the sale of more fuel-efficient vehicles. As consumers use less gas, the City's share of gasoline taxes goes down.

The budget for fiscal year 2012-13 is balanced, but is not without a number of challenges. Public safety is a critical element of quality of life for our citizens. Maintaining street and infrastructure improvements, meeting Environmental Protection Agency requirements for storm water and landfill management, maintaining our utilities' ability to provide reliable electric and water service, keeping City-owned buildings, parks and public property in good order are all necessary for quality of life.

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Fiscal Policy

The City must be sensitive to several fiscal issues that affect financial stability. Because of the poor economy's impact on the City's unassigned fund balance in the General Fund and publicity regarding The Falls at Crackerneck development, national credit rating agencies have raised concerns regarding the City's fiscal position. As the Council is aware, the City will seek to sell additional bonds in the future for expansion of the electric utility and to pay for federally imposed sanitary sewer improvements. A lack of funding in the unassigned fund balance, or failure to pay existing debt for The Falls at Crackerneck development could result in a downgrade of the City's credit rating. Such a downgrade would trigger higher financing costs for the electric utility and sanitary sewer bonds. In an attempt to avoid this downgrade I recommended specific actions for both the fund balance and The Falls project.

Fund Balance

Per policy outlined in Resolution #4948, the City attempts to maintain the unassigned fund balance in the General Fund equal to 5% of revenues. This year that amount should be $3,720,872. However, because of continuing fiscal constraints we are beginning the fiscal year with a fund balance of $1,831,405, which is equal to 2.46% of revenues. I do not recommend going below this level. If in fact a future credit rating for the utilities is based on the unassigned fund balance in the General Fund, the City Council may need to consider supplementing the fund balance through specific allocations from the utilities.[1]

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[1] Subject to annual appropriation, a portion of the savings from the refunding will be used to increase the unassigned General Fund balance of the City up to 5% of General Fund revenues. See "**PLAN OF FINANCE –Use of the Projected Savings from the Refunding**."

The Falls at Crackerneck

Following the signing of a lease with Bass Pro Shops in June 2004, The Falls at Crackerneck Creek Development Agreement was executed in February 2005. The subsequent collapse of the housing and retail market in 2006 has resulted in the longest recession in history, and our area is still suffering the economic impact. Restructuring of bank and mortgage institution lending has made borrowing for commercial and retail projects increasingly difficult. Because development in The Falls project continues to lag behind expectations, revenues from the project are not sufficient to meet debt service requirements.

As the bonds for this project were issued with a pledge of an annual appropriation to cover shortfalls in bond payments, the City will need to pay a portion of the debt service from other revenues. The budget includes $4,571,206 from the General Fund and $221,272 from utility funds to support these payments in Fiscal Year 2012-13.

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

Staffing

City departments have continued to restructure and reassign employees to cut costs. This budget will hold 89 authorized positions unfunded in Fiscal Year 2012-13. This is an increase from 70 unfunded positions in the 2011-12 budget. Our employees are to be commended for their continued efforts to fill in the gaps in staffing and maintain the highest quality service to our citizens. For the third year in a row, there will be no across-the-board cost of living pay increases for general City employees. However, this budget does not call for employee layoffs and no furlough days for employees are included.

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General Fund

The General Fund is the tax and fee supported portion of the City’s budget. At $74,417,441, it is 27% of the total budget, and pays for most of the City’s operations. Areas not financed by the General Fund include the Power and Light Department, the Water Pollution Control Department, the Water Department and the Tourism Program, which are operated from enterprise funds.

General Fund revenues are projected to be $596,787 greater than was budgeted in fiscal year 2011-12. The following table provides a General Fund revenue comparison for the original 2011-12 budget, the revised 2011-12 budget and the 2012-13 budget.

General Fund Revenue Comparison

Source	**Original Budget 2011-12**	**Revised Estimate 2011-12**	**Budget 2012-13**
Property Taxes	$7,436,984	$7,374,528	$7,434,000
Sales & Use Taxes	16,758,536	16,737,663	16,967,564
Utility Franchise Fees	12,048,000	10,752,643	11,272,000
PILOTS	17,620,123	17,318,459	18,343,016

Licenses & Permits	3,353,927	3,200,545	3,303,594
Grants & Shared	5,424,684	5,147,930	5,193,957
Charges for Services	1,959,993	2,015,181	2,690,043
Fines & Court Costs	4,716,854	4,731,635	4,716,854
Interest Income	89,700	92,743	90,900
Interfund Charges	3,943,428	3,963,157	3,938,088
Other Revenue	468,425	1,121,712	467,425
Total Revenue	$73,820,6	$72,456,196	$74,417,44

Sales taxes are one of the largest components of the City's General Fund revenue. Sales tax collections are projected to remain relatively flat, due to the economy and redistribution of retail sales due to additional commercial development throughout Eastern Jackson County, reflecting a slight increase of $244,028 or 1.5 % compared to original projections for the 2011-12 fiscal year.

General Fund Highlights

A. Public Safety. The budget for the Police Department is $25.6 million. The budget for the Fire Department is $16 million. Approximately 60% of the General Fund is designated for these two departments, which is an increase from 58% in Fiscal Year 2011-12.

The budget includes an increase to the Police Department budget of approximately $726,190. The costs for salary and benefit increases for Fiscal Year 2012-13 are projected to increase $664,421 over the 2011-12 fiscal year.

The budget also includes an increase to the budget for the Fire Department in the amount of $220,955. Funding for three positions previously unfunded have been included in the Fire Department budget for Fiscal Year 2012-13. Salaries and benefits are projected to increase approximately $200,859.

Capital Outlay

The City operations funded by the General Fund continue to be faced with significant capital outlay needs with limited funding available. As in the past few years, the budget only includes funding for the most critical capital outlay requests.

The 2012-13 budget includes $375,000 for various capital outlay items throughout all General Fund operations, and an additional $198,000 for street maintenance vehicles and equipment in the Public Works Department. This is the same amount as the 2011-12 adopted budget; however, only half as much as was allocated for capital outlay needs just five years ago.

For computer equipment the budget provides $163,000 for the City's microcomputer replacement program and to replace file servers, network systems and related support software. The City has approximately 1,000 computer work stations, of which 645 are for General Fund operations and maintained by this fund. This level of funding provides for a replacement cycle of approximately 6 years for the existing equipment. A preferred replacement cycle would be four years.

During the past year the Public Works Department conducted a comprehensive survey of major maintenance needs for City facilities supported by the General Fund. They identified more than 100 different items with a combined estimated total cost for required maintenance needs of between

> $2.5 to $3 million. These items were further evaluated by individual departments and those classified as high priority items totaled $1.5 million. Public Works then narrowed that list down to $261,000 of the most critical needs. The budget only provides funding for $78,500 of that amount.
>
> Public Works also evaluated the top eight most critical rolling stock equipment needs for the Street Maintenance Division. For those top eight vehicle needs, the average age of the equipment is 24 years old and the combined estimated replacement cost is $605,000. Three of those vehicles are foreman's trucks which are used daily. These vehicles have an average mileage of 169,000 miles and an average life-to-date maintenance cost of $85,000 per vehicle.
>
> ****

Resolution 4948 of the City sets a fund balance target for the General Fund of 5% of the undesignated (unassigned) fund balance. As of March 30, 2013, the projected ending unassigned General Fund balance at June 30, 2013, is $2,214,722, which is approximately 3.1% of the projected General Fund revenue amount for the Fiscal Year ending June 30, 2013 of $73,327,009.

For a discussion of the current condition of the City's General Fund see **"APPENDIX C - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 30, 2013."**

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 for the detailed terms and provisions thereof.

General Terms

The Bonds are being issued in the principal amount shown on the cover page, are dated the date of issuance and delivery thereof, will bear interest from the date thereof or from the most recent interest payment date to which interest has been paid at the rates per annum set forth on the inside cover page, payable semi-annually on March 1 and September 1 of each year beginning September 1, 2013, and will mature on March 1 in the years as set forth on the inside cover page. The Bonds are issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. The principal of the Bonds is payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Bonds will be made in book-entry only form (as described immediately below), in the denomination of $5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any payment on the Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC

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

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

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

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

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

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender Agent's DTC account.

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

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

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

Redemption

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

Optional Redemption. The Bonds are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after March 1, 2023, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

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

March 1	**Principal Amount**
2020	$50,000
2021	50,000
2022	50,000
2023	650,000
2024	3,000,000
2025*	920,000

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*Final Maturity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer Outside Book-Entry Only System

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

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

Special, Limited Obligations

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

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 Agreement

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

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

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

Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments 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. 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.

Mortgage on the Bass Pro Store

The City owns both the Bass Pro Store and the 20 acre parcel on which the store is located. Pursuant to the Financing Agreement the City has executed a Deed of Trust granting to the Trustee a first mortgage lien on the Bass Pro Store. Such mortgage lien is subject to the rights of Bass Pro under the Bass Pro Lease described herein. Pursuant to the Deed of Trust the City will also assign as additional security for the Bonds the Bass Pro Lease Payments described herein. See **"APPENDIX D - THE BASS PRO STORE, THE BASS PRO LEASE AND THE STATUS OF THE DEVELOPER"** herein. The Deed of Trust and assignment of rents secures only the Taxable Bonds and any Additional Parity Bonds on a priority basis and a separate deed of trust secures the Tax-Exempt Bonds on a subordinate basis. See "**BONDOWNERS'**

RISKS” herein for a discussion of certain risks related to the collection of Bass Pro Lease Payments and the Deed of Trust.

Debt Service Reserve Fund

Pursuant to the Indenture the Board will establish accounts within the Debt Service Reserve Fund created under the Indenture for each series of bonds issued under the Indenture. Such accounts within the Debt Service Reserve Fund will be fully funded at the time of the issuance of the respective series of bonds from the proceeds thereof in an amount equal to the “Debt Service Reserve Requirement” which is applicable to each series. The Debt Service Reserve Requirement for the Bonds is an amount equal to $1,400,500 through February 28, 2025 and $928,500 thereafter. Moneys in each series account of the Debt Service Reserve Fund shall only be available to fund a deficiency in the applicable account in the Debt Service Fund with respect to the corresponding series of Taxable Bonds and to retire the last Outstanding bonds of that series. If Additional Bonds are issued, the Board expects to fund a separate reserve for the Additional Bonds.

Incremental Tax Revenues

The City’s Loan Payments under the Financing Agreement are secured by a **subordinate lien** on the Incremental Tax Revenues. The Incremental Tax Revenues are pledged on a senior lien basis to secure the City’s obligation to make loan payments with respect to the Tax-Exempt Bonds. **It is unlikely that any Incremental Tax Revenues will be available to pay the Loan Payments with respect to the Bonds or any Additional Parity Bonds.** See **“SUBORDINATE LIEN ON INCREMENTAL TAX REVENUES”** and **“SHORTFALL OF REVENUES”** herein.

The Indenture

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

Additional Parity Bonds

The Board from time to time may, at the written request of the City, authorize the issuance of additional bonds on a parity with the Bonds (“Additional Parity Bonds”) for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Parity 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 and interest on the Additional Parity Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Parity 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 Parity Bonds.

The sole economic test for the issuance of Additional Parity 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 Parity Bonds. **This means that the City may issue or cause to be issued an unlimited amount of Additional Parity Bonds on a parity with the Bonds even if the Bass Pro Lease Payments or the subordinate lien on Incremental Tax Revenues are not sufficient to provide for the Loan Payments on any Outstanding Bonds, without regard to the proposed Additional Parity Bonds.**

Additional Tax-Exempt Bonds may also be issued on a parity with other outstanding Tax-Exempt Bonds. Tax-Exempt Bonds, including Tax-Exempt Bonds that may be issued in the future, have a senior lien on Incremental Tax Revenues that is superior to the lien of the Taxable Bonds. Similar to the Taxable Bonds, the sole economic test for the issuance of additional Tax-Exempt Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Tax-Exempt Bonds. **This means that the City may issue or cause to be issued an unlimited amount of Tax-Exempt Bonds even if Incremental Tax Revenues or the subordinate lien on the Bass Pro Lease Payments are not sufficient to provide for the loan payments on outstanding Tax-Exempt Bonds, without regard to the proposed additional Tax-Exempt Bonds proposed to be issued.**

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Board 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 F****, copies of which are available as described herein.*

General

The Bonds are limited obligations of the Board payable by the Board solely from payments to be made by the City pursuant to the Financing Agreement and from certain other funds held by the Trustee under the Indenture. No representation or assurance can be given that the City will realize revenues in amounts sufficient to make such payments under the Financing Agreement. **Prospective investors should not rely upon the Bass Pro Lease Payments or Incremental Tax Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreement.**

Risk Factors Relating to Annual Appropriations

General. The City's obligation to make Loan Payments under the Financing Agreement is subject to annual appropriation. Although the City has covenanted to request annually that the appropriation of the Loan Payments be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made, and the City is not legally obligated to do so. As described herein, projections by the City show that current levels of development in the Crackerneck Creek Redevelopment Area will not produce sufficient Incremental Tax Revenues and Bass Pro Lease Payments to pay debt service on the Project Bonds. See "**SHORTFALL OF REVENUES**" herein. Deficiencies in amounts available to pay the Project Bonds will need to be made up from moneys in the City's General Fund, subject to annual appropriation by the City. To date, the City has expended $12,280,817 from its General Fund and $221,272 from utility funds to cover the debt service shortfalls on the Project Bonds. Issuance of the Bonds is expected to reduce the amount of General Fund moneys necessary to pay debt service on the Project Bonds in Fiscal Years 2014, 2015 and 2016 of the City.

General Fund Capacity. As shown under the caption "**SHORTFALL OF REVENUES**", the City currently projects that the shortfall in the 2017 fiscal year will be $4,557,277 which, based on the total estimated revenues of the General Fund for the 2013 fiscal year, would be approximately 6.3% of the total revenues of the General Fund. As of March 30, 2013, the ending unassigned General Fund balance for the fiscal year ending June 30, 2013, is projected to be $2,214,722, which is approximately 3.1% of the projected General Fund revenue amount for Fiscal Year 2013 of $73,327,009. The City currently anticipates that it will need to utilize balances in the City's General Fund to make such payments and/or refund additional Project

Bonds in Fiscal Year 2016 and extend the final maturity on the refunding bonds. There can be no assurance that such refunding can be completed.

General Fund Expenses. For the fiscal year ending June 30, 2013, approximately 82.6% of the General Fund ($69,836,235) is expected to be spent for personnel costs – salaries, wages and benefits. Continued appropriations from the General Fund to pay debt service on the Project 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 Project Bonds by continuing its annual appropriation pledge.

Of the 83.6% of the General Fund expended on salaries, wages and benefits in the fiscal year ending June 30, 2012, approximately 7.5% ($4,321,514) was expended for contributions to a defined benefit pension plan known as LAGERS and 5.5% ($3,204,334) was expended on a "pay-as-you-go" basis for expenses described as "Other Post-Employment Benefits" (OPEB). Audited numbers for Fiscal Year 2012 are included in notes 9 and 10 to the City's financial statements contained in **Appendix B**. In addition, **Appendix B** presents multi-year trend information as of June 30, 2012, showing whether the actuarial value of defined benefit pension plans assets is increasing or decreasing over time relative to the actuarial accrued liability and also includes information concerning the historical trends of OPEB. Both the contribution to LAGERS and the projected OPEB costs are based upon actuarial reports that include certain key assumptions. The most recent actuarial report received by the City relating to the City's contribution to LAGERS is attached hereto as **Appendix I.** The most recent actuarial report received by the City relating to the projected OPEB is attached hereto as **Appendix J**. Prospective investors should evaluate whether the assumptions used in such reports are reasonable and the future impact such costs could have on the General Fund.

General Fund Revenues. The City has seen declines in general fund sales tax revenues in certain years. Over the past five years (Fiscal Year 2008 through Fiscal Year 2012), general fund sales tax receipts for the City have declined by approximately 2.7%. The City has taken steps to reduce expenditures accordingly, and will continue to evaluate reductions as necessary.

As of March 30, 2013, the City's projections for sales tax revenues are at the original estimates formulated for the Fiscal Year 2013 budget based on eight months of operating results. Prior projections formulated by the City during Fiscal Year 2013 based on shorter operating periods had indicated that sales tax receipts would be lower than originally budgeted. Overall General Fund revenues are projected to be lower than original estimates. See **"APPENDIX C - UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 30, 2013."** The trends identified by the City are consistent with other certain recent economic indicators, including declining retail sales and a resulting decline in local sales tax revenues, and studies indicating a decline in economic conditions has occurred. The City will continue to monitor retail sales to determine the impact of the general economic decline on revenues available to pay debt service on the Project Bonds.

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

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

Inability to Issue Future Series of Bonds

The refunding of the Refunded Bonds and the issuance of the Series 2013B Bonds will reduce the projected shortfall and therefore the projected amount needed from the City's General Fund to pay debt service on the Project Bonds in Fiscal Years 2014, 2015 and 2016. While it is impossible to predict the amount of the shortfall in Fiscal Year 2017 and beyond, the City currently anticipates that it will need to either refund additional Project Bonds and extend the final maturity on the refunding bonds or utilize balances in the City's General Fund to make such payments. There can be no assurance that the City Council will approve the issuance of such future series of bonds, that interest rates will not increase or that such refunding bonds can be sold.

Risk Factors Relating to the Bass Pro Lease Payments and Incremental Tax Revenues

Factors Impacting Bass Pro Retail Sales. The Bass Pro Lease Payments are calculated as a percentage of sales, with a minimum payment of $1,000,000 per year. The retail sales industry is highly competitive. While Bass Pro Stores in other locations have been successful, there can be no assurance that this Bass Pro Store will also be successful. Bass Pro has stores in St. Charles, Missouri (220 miles from Independence), Columbia, Missouri (118 miles from Independence), Springfield, Missouri (165 miles from Independence), Branson, Missouri on Lake Taneycomo (214 miles from Independence) and Olathe, Kansas, approximately 30 miles from the Bass Pro Store. The Bass Pro Store in Springfield is the original Bass Pro store and is approximately 300,000 square feet. According to its website, Bass Pro has a total of 57 stores in the United States and Canada and has plans for 15 other stores. Bass Pro also has a catalog sales operation.

Term of Bass Pro Lease. Pursuant to the Bass Pro Lease, Bass Pro covenanted that it would open for business on the commencement date stated in the Lease and it will remain open and continuously operate under the Bass Pro trade name during the entire 20 year initial term of the lease (the "Operating Covenant Period"). Following the Operating Covenant Period, Bass Pro will have no obligation to remain open for business to the public. The Operating Covenant Period and the initial term of the Bass Pro Lease runs through the year 2026. The lease may be renewed at the option of Bass Pro Bass Pro has the option to renew the Lease for nine one-year periods, and three five-year periods. There can be no assurance that Bass Pro will renew the lease after the initial lease term. See **"APPENDIX D - THE BASS PRO STORE, THE BASS PRO LEASE AND THE STATUS OF THE DEVELOPER."**

Litigation Related to Initial Bass Pro Lease Payment and License Surcharge. In 2012 Bass Pro prevailed in litigation with the City over the amount owed by Bass Pro for a construction license surcharge related to construction of the Bass Pro Store. Including related attorneys fees, the City paid to Bass Pro approximately $460,000 related to the judgment. The City paid the judgment from a non- General Fund source. Also in 2012, the City and Bass Pro settled litigation related to the initial lease payment.

Status of Developer. The City has the right to replace the Developer at any time. The City has not replaced the Developer because it has not been able to determine that a new developer would lead to an increase in leasing activity. See **"APPENDIX D - THE BASS PRO STORE, THE BASS PRO LEASE AND THE STATUS OF THE DEVELOPER."**

Additional Development. There are currently no letters of intent or binding agreements for new tenants in the Project, nor are there any commitments for the sales of any parcels. There can be no assurance that new retail stores will be located in the Project.

Demand for retail goods, especially specialty retail goods, can be highly volatile, cyclical and is generally subject to a variety of economic conditions that significantly impact consumers and the demand for consumer goods. Such factors include economic conditions in the surrounding trade area, rental rates and occupancy rates, local unemployment, availability of transportation, neighborhood changes, crime levels in the area, vandalism and rising operating costs, interruption or termination of operations as a result of fire, natural disaster, strikes or similar events, among many other factors. As a result of all of the above factors, it is difficult to predict with certainty the amount of retail sales or property taxes which may be realized from the Project.

Risk of Damage or Destruction. The partial or complete destruction of the Bass Pro Store, as a result of fire, natural disaster or similar casualty event, could adversely impact the collection of Bass Pro Lease Payments. Under the Bass Pro Lease, Bass Pro is obligated to rebuild the Bass Pro Store in the event of damage or destruction.

Annual Appropriation of Certain Incremental Tax Revenues. EATS are subject to annual appropriation by the City. State TIF Revenues are subject to annual appropriation by the Missouri General Assembly. TDD Revenues which are not captured as EATS are subject to annual appropriation by the TDD. There can be no assurance that the City will appropriate EATS, that the State will annually appropriate State TIF Revenues or that the TDD will appropriate its sales tax revenues.

No Appraisal of Bass Pro Store

The City does not have an appraisal of the current value of the property that is subject to the Deed of Trust. Consequently, no prediction can be made as to the amount that may be realized upon a foreclosure under the Deed of Trust and sale of such property.

Proposed Additional Parity Bonds

So long as the City is willing to commit its annual appropriation obligation to the repayment of applicable Loan Payments with respect to Taxable Bonds or Tax-Exempt Bonds, the City may issue or cause to be issued future Taxable Bonds or Tax-Exempt Bonds on a parity with other Taxable Bonds or Tax-Exempt Bonds then outstanding. This means that so long as the City is willing to commit its annual appropriation to the futures series of Taxable Bonds and/or Tax-Exempt Bonds the City can encumber the Incremental Tax Revenues, the Bass Pro Lease Payments and the Bass Pro Store without limit.

Enforcement of Remedies

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

Amendment of Indenture

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

LITIGATION

The Board

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

The City

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

LEGAL MATTERS

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

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

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, OWNERS OF THE BONDS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT RELATING TO THE BONDS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY OWNERS OF THE BONDS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THOSE OWNERS UNDER THE INTERNAL REVENUE CODE; (B) THE DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT RELATING TO THE BONDS WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THOSE BONDS; AND (C) OWNERS OF THE BONDS SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR BASED ON THEIR PARTICULAR CIRCUMSTANCES.

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

Tax Status of the Bonds – Federal and State of Missouri

No Federal Tax Exemption. The interest on the Bonds is *included* in gross income for federal income tax purposes, in accordance with an owner's normal method of accounting.

Missouri Tax Exemption. In the opinion of Bond Counsel, under the law existing as of the issue date of the Bonds, the interest on the Bonds is exempt from income taxation by the State of Missouri.

No Other Opinions. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds, except as expressly provided herein. Purchasers of the Bonds should consult their tax advisors as to the applicability of these tax consequences and other income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

Other Tax Consequences

Original Issue Discount. For Federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). If the OID on a Bond is more than a *de minimis* amount (generally 1/4% of 1% of the stated redemption price at maturity of the Bond multiplied by the number of complete years to its maturity date), then that Bond will be treated as issued with OID (an "OID Bond"). The amount of OID that accrues to an owner of an OID Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be included in gross income for Federal income tax purposes, and will increase the owner's tax basis in that OID Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the issue price over the stated redemption price at maturity constitutes premium on the Bond (a "Premium Bond"). Under Section 171 of the Code, the purchaser of a Premium Bond may elect to amortize the premium over the term of the Premium Bond using constant yield principles, based on the purchaser's yield to maturity. An owner of a Premium Bond amortizes bond premium by offsetting the qualified stated interest allocable to an accrual period with the bond premium allocable to that accrual period. This offset occurs when the owner takes the qualified stated interest into income under the owner's regular method of accounting. If the premium allocable to an accrual period exceeds the qualified stated interest for that period, the excess is treated by the owner as a deduction under Section 171(a)(1) of the Code. As premium is amortized, the owner's basis in the Premium Bond will be reduced by the amount of amortizable premium properly allocable to the owner. 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 Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

RATING

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

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2012 excerpted from the City's Comprehensive Annual Financial Report are included in **Appendix B** hereto and an unaudited Financial and Operating Report for the period ended March 30, 2013 is included in **Appendix C** hereto. The financial statements for the fiscal year ended June 30, 2012 have been audited by McGladrey LLP, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto. McGladrey LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey LLP, also has not performed any procedures relating to this Official Statement.

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

CONTINUING DISCLOSURE

The City will execute a Continuing Disclosure Agreement with respect to ongoing disclosure which will constitute the written understanding for the benefit of the 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 F**.

The City is not in default in connection with any prior or continuing obligation to provide continuing disclosure.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a Bond Purchase Agreement entered into by and among the Board, the City and the Underwriter. The Bond Purchase Agreement provides that the Underwriter will purchase the Bonds at a purchase price of $13,794,925 (which represents the principal amount of the Bonds less an underwriter's discount of $210,075). In addition, the Bond Purchase Agreement provides, among other things, that the Underwriter will purchase all of the Bonds if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The City has agreed in the Bond Purchase Agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Bond Purchase Agreement.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

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

MISCELLANEOUS

The references herein to the Act, the Indenture, the Financing Agreement, the Deed of Trust and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indenture, the Financing Agreement, the Deed of Trust 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 as described above under the caption **"INTRODUCTION - Definitions and Summaries of Legal Documents"**.

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

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

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

CITY OF INDEPENDENCE, MISSOURI

By: /s/Robert Heacock
City Manager

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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APPENDIX A

INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

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THE CITY

General Information

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

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

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

Council Members	Occupation	District	Expiration of Term
Don B. Reimal, Mayor	Retired	n/a	2014
Marcie Gragg	Church Leader	District 1	2016
Curt Dougherty	Electrician	District 2	2016
Myron Paris	Retired	District 3	2016
Eileen N. Weir	Public Relations	District 4	2016
Chris Whiting	Communications	At-Large	2014
Jim Schultz	Insurance Agent	At-Large	2014

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock is the City Manager. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is currently held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. Dayla Bishop Schwartz was appointed as City Counselor 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 and commercial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity.

Employee Retirement System

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created by the Missouri General Assembly in 1967 and is governed by Missouri State Statute, Sections RSMo. 70.600 - 70.755. As such, it is the system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

According to its website, (www.molagers.org) LAGERS covers more than 625 employers, and has over 32,000 active members, pays benefits to almost 16,000 retirees, and has about $4.5 billion in assets.

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

Funding Policy

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 10.3% (general), 11.5% (police), and 12.1% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 29, 2012, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was $210,700,773. The actuarial value of assets was $125,863,329, which results in an unfunded accrued liability (UAL) of $84,837,444 and a funded ratio of 60%. The covered payroll (annual payroll of active employees covered by the plan) was $65,208,725, which results in a ratio of the UAL to the covered payroll of 130%.

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

Schedule of Funding Progress
LAGERS Retirement Plan

Actuarial Valuation Date	**(a) Actuarial Value of Assets**	**(b) Entry-Age Actuarial Accrued Liability**	**(b) – (a) Unfunded (assets in excess of) Accrued Liability (UAL)**	**(a)/(b) Funded Ratio**	**(c) Annual Covered Payroll**	**(b)-(a)/(c) UAL as a Percentage of Covered Payroll**
Retirement Plan –						
2/28/10	$135,669,752	$204,912,339	$69,242,587	66%	$65,625,583	106%
2/28/11	137,468,939	220,918,979	83,450,040	62	68,136,107	122
2/29/12	125,863,329	210,700,773	84,837,444	60	65,208,725	130

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS' office in Jefferson City at P.O. Box 1665, Jefferson City, Missouri 65102 or telephone 1-800-447-4334.

The number of retirees and beneficiaries receiving LAGERS benefits, as of February 29, 2012, which is the effective date of the current LAGERS actuarial valuation, is 841. There have been no significant changes in the number of covered participants since that date.

Annual Pension Cost

Schedule of Employer Contributions

	Annual Pension Cost (APC)	**Percentage of APC Contributed**	**Net Pension Obligation**
Fiscal year ending:			
June 30, 2010	$5,502,058	100.0%	--
June 30, 2011	10,047,652	67.2	$3,295,630
June 30, 2012	9,092,429	79.9	5,123,666

For 2012, the City's annual pension cost of $9,092,429 was not equal to the required and actual contribution which resulted in an increase to the Net Pension Obligation of $1,828,036 resulting in an ending

Net Pension Obligation balance of $5,123,666. The required contribution was determined as part of the February 28, 2010 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

(a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually;

(b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation;

(c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit;

(d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table, set back 0 years for men and women; and

(e) post-retirement mortality based on the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2010 was 30 years.

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

Post-Employment Health Benefits

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

Plan Description

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

The number of participants that either are, or potentially could be, covered by the City's plan, as of January 1, 2011, which is the effective date of the current OPEB actuarial valuation, is listed below. There have been no significant changes in the number of covered participants or the type of coverage since that date.

Active Employees	1,067
Retirees & covered spouses of retirees	988
Total Participants	2,055

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) which represents an amount that is actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus the amortization of the unfunded actuarial liability over a period of time that the City has selected as being thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount of expected employer contributions to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	$19,459,020
Interest on net OPEB obligation	1,453,541
Adjustment to annual required contribution	(1,586,796)
Annual OPEB cost (expense)	19,325,765
Less: Employer contributions	(6,613,000)
Increase in net OPEB obligation	12,712,765
Net OPEB obligation - July 1, 2011	36,342,584
Net OPEB obligation - June 30, 2012	$49,055,349

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**
6/30/10	$14,947,974	38.65%	$27,072,757
6/30/11	14,935,773	37.94	36,342,584
6/30/12	19,325,765	34.22	49,055,349

Funded Status and Funding Progress

As of January 1, 2011, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $246.3 million dollars. There are no assets set aside for funding the plan as of that date, thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $65.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 377 percent.

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

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

Schedule of Funding Progress
Other Post Employee Benefits

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b)-(a)/(c) UAAL as a Percentage of Covered Payroll
1/1/2007	$0	$156,700,731	$156,700,731	0%	$54,887,375	285%
1/1/2009	0	198,767,219	198,767,219	0	61,350,244	324
1/1/2011	0	246,341,296	246,341,296	0	65,353,754	377

Actuarial Methods and Assumptions

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

The entry age normal (level percent of pay) cost method is used in the January 1, 2011 actuarial valuation. At this valuation date, the annual cost accruals (individual normal cost for each participant) are determined as a level percentage of pay for each year from entry age until expected retirement. The sum of these individual normal costs for all active participants whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial valuation date, accumulated with interest over the plan assets, represents the initial unfunded actuarial accrued liability.

The actuarial assumptions include a 4.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City’s investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 4.0 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 8.5 percent for the first year and then declining by one half of one percent (0.5%) per year until 5.25 percent is reached. The 5.25 percent growth is used on a go-forward basis. The actuarial assumptions include a 3.25 percentage rate for general inflation. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

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

Insurance

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

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). The Missouri General Assembly created MOPERM to provide liability protection to participating public entities, their officials, and employees. The City pays annual premiums to MOPERM for law enforcement liability, general liability, public official errors and omissions liability, automobile liability, and medical malpractice insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years. The City purchases excess liability insurance coverage from OneBeacon Insurance Company to provide additional liability insurance coverage above MOPERM's coverage limits for claims that are not subject to the State's Sovereign Immunity Statute.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to $3,000,000 per occurrence for workers' compensation claims in excess of $1,000,000 per occurrence. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain a surety bond in the amount of $2,320,000 and an escrow account in the amount of $200,000. This amount is reflected as restricted assets in the Power and Light, Water, and Sanitary Sewer Funds. Estimated workers' compensation claims incurred but not reported are accrued as liabilities in the City's Workers' Compensation Fund.

The City offers its employees and retirees a contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of $250,000 and aggregate claims in excess of $27,130,176 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately $15,798,211. 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**	
	2011	**2012**	**2011**	**2012**
Beginning of year	$2,908,592	$2,902,508	$3,256,076	$2,285,676
Increases	1,544,048	1,070,329	20,518,089	21,197,983
Decreases	(1,550,132)	(1,291,641)	(21,488,489)	(21,226,191)
End of year	$2,902,508	$2,681,196	$2,285,676	$2,257,468

Payment Record

The City has never defaulted on any financial obligations.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
Alliant Tech Systems	Small Arms Ammunition	2,600
Independence School District	Public School District	2,043
Centerpoint Medical Center	Health Care	1,600
City of Independence	Local Government	1,133
Government Employee Hospital (GEHA)	Medical Ins. Service Center	650
Rosewood Health Center at the Groves	Retirement Community	400
Burd & Fletcher	Paper Carton Manufacturing	350
Jackson County Circuit Court	Judicial System	274
Mid-Continent Public Library	Library	248
Unilever	Food Manufacturing	220

Source: Independence Council for Economic Development and MARC.

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2010	2012*
City of Independence	111,797	112,301	113,288	121,212	117,213
Jackson County	629,266	633,232	654,880	671,057	678,062
State of Missouri	4,916,686	5,117,073	5,595,211	5,965,573	6,056,580

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

*Estimated

Population Distribution by Age

Age	City of Independence	Jackson County	State of Missouri
Age 0-4	7.06%	7.45%	6.74%
Age 5-9	6.79	6.99	6.51
Age 10-14	6.04	6.27	6.52
Age 15-20	7.03	7.65	8.58
Age 21-24	4.66	4.91	5.48
Age 25-34	14.35	15.19	13.07
Age 35-44	12.77	13.20	12.84
Age 45-54	14.50	14.87	14.87
Age 55-64	11.93	11.15	11.66
Age 65-74	7.40	6.32	7.23
Age 75-84	5.33	4.20	4.54
Age 85 and older	2.13	1.78	1.96
Median Age	38.18	36.16	37.42
Average Age	38.90	37.20	38.10

Source: Claritas, Inc.

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

	2008	**2009**	**2010**	**2011**	**2012**
Kansas City MSA (MO Part)					
Total Labor Force	604,561	618,321	611,634	614,174	606,780
Unemployed	36,622	60,118	60,788	54,928	44,907
Unemployment Rate	6.1%	9.7%	9.9%	8.9%	7.4%
Jackson County					
Total Labor Force	336,371	346,761	338,984	339,642	335,648
Unemployed	22,474	35,879	36,422	32,466	26,463
Unemployment Rate	6.7%	10.3%	10.7%	9.6%	7.9%
State of Missouri					
Total Labor Force	3,052,734	3,074,303	3,052,847	3,046,302	3,009,461
Unemployed	180,804	290,077	285,541	260,505	213,667
Unemployment Rate	5.9%	9.4%	9.4%	8.6%	7.1%

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

Income Statistics

The following table sets forth estimated income statistics for 2012:

	Per Capita	**Average Household**
City of Independence	$22,040	$52,108
Jackson County	24,042	58,121
State of Missouri	23,756	58,652

Source: Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for 2012:

Year Round Units	**Number of Units**	**Percentage of Units**
Single Detached	38,612	70.83%
Single Attached	2,950	5.41
Double	1,715	3.15
3 to 19 Units	7,187	13.18
20 to 49 Units	1,023	1.88
50 + Units	1,733	3.18
Mobile Home	1,286	2.36
All Other	4	0.01
Total Units	54,510	100.00%

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was estimated for 2012, as follows:

	Owner Occupied Median Value*
City	$100,133
Jackson County	120,912
State of Missouri	128,742

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*Estimated
Source: Claritas, Inc.

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation.

	2008	2009	2010	2011	2012
Residential					
Number of Permits	224	222	199	223	193
Estimated Cost	$18,755,251	$13,119,817	$11,386,607	$23,387,011	$11,952,062
Non-Residential					
Number of Permits	119	103	172	209	155
Estimated Cost	$36,840,594	$99,875,472	$49,569,537	$57,576,453	$17,197,248

Source: City's Community Development Department

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*.

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

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2012 was performed by McGladrey & Pullen, LLP, in Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

Tax Revenues

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

Year	Total	Real Estate Tax	Railroad Utilities Tax	Cigarette Tax	Transient Guest Tax	Sales Tax	Franchise Tax	In Lieu of Taxes
2001	$53,226,616	$7,639,179	$39,169	$595,259	$443,670	$27,997,519	$7,004,453	$9,507,367
2002	54,521,441	7,251,844	45,912	594,665	471,450	30,800,658	6,545,093	8,811,819
2003	56,496,560	8,155,079	45,144	583,785	680,605	30,926,980	6,718,262	9,386,705
2004	58,836,592	8,876,875	38,401	622,835	859,643	31,484,590	7,241,436	9,712,812
2005*	57,539,568	6,523,970	40,720	604,872	887,450	31,802,883	7,500,356	10,179,317
2006*	64,920,638	6,865,462	29,861	596,603	1,000,809	36,157,440	7,645,602	12,624,861
2007*	65,969,879	6,912,877	39,502	567,039	1,020,663	36,141,098	8,209,734	13,039,463
2008*	72,177,347	7,033,526	34,441	555,974	1,084,379	36,446,589	13,319,852	13,702,586
2009*	68,562,682	7,030,381	55,093	514,225	972,773	35,816,523	10,669,952	13,503,735
2010*	70,154,675	7,224,258	27,958	454,533	988,984	34,577,988	12,655,707	14,225,247
2011*	75,265,266	7,459,074	31,864	468,859	1,077,506	34,483,950	15,532,633	16,211,380
2012*	72,826,807	7,327,399	35,226	454,745	1,219,340	35,545,207	10,914,940	17,329,950

* Change in presentation from years prior to the 2005 fiscal year. Does not include component unit/Tax Increment Financing as in prior years.

Property Valuations

Assessment Procedure:

All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property	19%
Agricultural and horticultural real property	12%
Utility, industrial, commercial, railroad and all other real property	32%

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 1/2%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation:

The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City as of January 1, 2012:

	Assessed Valuation*	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	$781,254,601	19%	$4,111,866,321
Commercial	236,979,066	32%	740,559,581
Agricultural	1,128,703	12%	9,405,858
Railroad and Utilities	7,788,268	32%	24,338,338
Real Estate Sub-Total	$1,027,150,638		$4,886,170,098
Personal Property	252,082,951	33.3%	757,005,859
Total	$1,279,233,589		$5,643,175,957

Source: Jackson and Clay County Assessor's Office

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

History of Property Valuation:

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

Year	Assessed Valuation	Percent Change
2012	$1,279,233,589	-0.6%
2011	1,287,157,541	-0.9
2010	1,298,840,974	-0.4
2009	1,303,875,996	-7.7
2008	1,411,932,554	0.8
2007	1,400,611,015	6.1
2006	1,319,902,510	2.0
2005	1,294,345,907	8.1

Source: Jackson and Clay Counties Assessor's Offices

Major Property Taxpayers:

The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of January 1, 2012:

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

Source: Jackson County Collection Department

New Construction License Surcharge Moratorium

The City imposes a New Construction License Surcharge, which is a charge on new residential and commercial construction to fund street infrastructure. The charge has been imposed since 2001. The City Council of the City approved a moratorium on collection of the charge for the period of October 1, 2012 through October 31, 2013, on commercial, office, warehouse and industrial uses to attempt to create some urgency for those projects to move forward during the moratorium period. During that period the surcharge will continue to be applied to residential uses. For FY 2012 the charge generated $312,551. Such revenues are not deposited in the City's general fund, but instead are used for street infrastructure.

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, 2012. However, as of that date the City did have the following Neighborhood Improvement District bonds outstanding:

(i) $79,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of $111,000, and

(ii) $520,000 of its Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, issued in the original principal amount of $995,000.

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

Revenue Debt. The following is a summary of the City's Revenue Bond debt as of March 1, 2013 (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	$28,025,000
55,185,000	MDFB	Infrastructure Facilities Leasehold Revenue Bonds	2012A	55,185,000
52,525,000	MDFB	Infrastructure Facilities Leasehold Improvement and Refunding Revenue Bonds*	2012F	52,525,000

*limited to annual appropriation of net electric system revenues

Water Fund – Secured by City’s Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$14,785,000	MDFB	Infrastructure Facilities Revenue Bonds	2004	$10,365,000
17,520,000	MDFB	Infrastructure Facilities Revenue Bonds	2009C	17,520,000
19,310,000	MDFB	Infrastructure Facilities Revenue Bonds	2009E	12,180,000

Events Center – Secured by City’s Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$12,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2008D	$11,695,000
11,815,000	MDFB	Infrastructure Facilities Revenue Bonds	2011A	11,675,000
68,945,000	MDFB	Infrastructure Facilities Revenue Bonds	2012C	68,945,000

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	7,295,000
6,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2011B	6,345,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$1,030,000	MDFB	Infrastructure Facilities Revenue Bonds	2005B	$560,000
1,590,000	MDFB	Infrastructure Facilities Revenue Bonds	2006	975,000
995,000	MDFB	Infrastructure Facilities Revenue Bonds	2007D	625,000
1,230,000	MDFB	Infrastructure Facilities Revenue Bonds	2008E	1,080,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$11,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2005C	$9,800,000
34,340,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006A	29,275,000
14,030,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2006B	14,030,000
12,790,000	MDFB	Infrastructure Facilities Revenue Bonds	2006C	12,790,000
5,035,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2008A	2,855,000
7,920,000	MDFB	Infrastructure Facilities Revenue Bonds	2008B	7,920,000
4,130,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2009H	4,130,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$4,980,000	MDFB	Infrastructure Facilities Revenue Bonds	2006F	$4,445,000
19,720,000	MDFB	Infrastructure Facilities Revenue Bonds	2007E	17,750,000
2,325,000	MDFB	Infrastructure Facilities Revenue Bonds	2009I	2,120,000
490,000	MDFB	Infrastructure Facilities Revenue Bonds	2011C	490,000
12,050,000	MDFB	Infrastructure Facilities Revenue Bonds	2012D	12,050,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$19,390,000	MDFB	Infrastructure Facilities Revenue Bonds	2007A	$12,765,000
8,000,000	MDFB	Infrastructure Facilities Revenue Bonds	2008C	7,630,000
3,220,000	MDFB	Infrastructure Facilities Revenue Bonds	2009B	2,765,000
3,630,000	MDFB	Infrastructure Facilities Revenue Bonds	2009J	3,040,000
3,965,000	MDFB	Infrastructure Facilities Revenue Bonds	2012E	3,965,000

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

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$10,060,000	MDFB	Taxable Infrastructure Facilities Revenue Bonds	2007C	$7,990,000

Other Bonds Secured by the City's Annual Appropriation Powers

Original Principal Amount	Issuer	Issue Name	Series	Amount Outstanding
$8,225,000	MDFB	Infrastructure Facilities Revenue Bonds	2005A	$1,975,000
5,485,000	MDFB	Infrastructure Facilities Revenue Bonds	2006D	1,190,000
4,020,000	MDFB	Infrastructure Facilities Revenue Bonds	2009G	2,810,000
37,035,000	MDFB	Infrastructure Facilities Revenue Bonds*	2012B	37,035,000

*limited to annual appropriation of net sewer system revenues

Concurrently with the Series 2013A Bonds, the Board is issuing its Series 2013B Bonds as described in the body of the Official Statement to refund its Series 2005C Bonds described above issued for the Crackerneck Creek Project.

Santa Fe Redevelopment Project

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

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

In 2007, the Board issued its $10,060,000 Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Santa Fe Project) (the "Series 2007C Bonds"), of which $7,990,000 remains outstanding, to refund the bonds issued in 2001 to fund costs related to the Santa Fe Project. The Series 2007C Bonds are secured by PILOTS and EATS generated within the Santa Fe Redevelopment Area and by the City's general fund, subject to annual appropriation. PILOTS and EATS generated within the Santa Fe Redevelopment Area are insufficient to make debt service payments on the Series 2007C Bonds. According to the City's audited financial statements, PILOTS and EATS generated in the Santa Fe Redevelopment Area in Fiscal Year 2012 were $17,428. Under an agreement with Jackson County, the City also received certain economic activity taxes from Independence and Jackson County from certain automobile sales which amounted to $114,649 in FY 2012. Maximum annual debt service and average annual debt service (net of the self-liquidating debt service reserve fund) on the Series 2007C Bonds is approximately $951,000 per year.

The developer of the Santa Fe project, McProperties L.L.C. (the "Developer"), has voluntarily made payments to the City to cover the shortfalls in debt service payments on the Series 2007C Bonds. The Developer's voluntary reimbursements to the City are current through December, 2011. The shortfall for the April, 2012 and October, 2012 debt service payments on the Series 2007C Bonds was approximately $825,000, of which the Developer has paid $238,105. In addition to the $586,895 deficiency in reimbursements from calendar year 2012, an additional $713,105.33 debt service payment on the Series 2007C Bonds is due in April, 2013 for which no reimbursement has yet been received. Based on oral representations from the Developer, the City believes the Developer will continue to fund these shortfalls. However, there can be no assurance that the Developer will make any additional voluntary payment in the future. The Developer has not made a written commitment to make any such payments.

If the Santa Fe developer does not make voluntary payments to cover debt service shortfalls until development occurs sufficient to generate PILOTS and EATS sufficient to make principal and interest payments on the Series 2007C Bonds, debt service payments would need to continue to be funded by the City, which amounts are subject to annual appropriation by the City Council of the City. Debt service payments made by the City on the Series 2007C Bonds has been made and accounted for on an interim basis through pooled cash resources in anticipation of the Developer's reimbursement payments and the City anticipates that this practice would continue to the extent that Developer reimbursements are not received. Tax Increment Financing for the Santa Fe Redevelopment Area terminates in the year 2023, which is also the final maturity of the Series 2007C Bonds.

Future Obligations

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

Water Utility

The City expects the future issuance of bonds by the Board in an amount sufficient to fund approximately $5,500,000 of improvements to the City's water utility. These bonds are anticipated to be secured by loan payments to be made by the City from net revenues of the City's water utility, subject to annual appropriation.

Electric Utility

The City expects the future issuance of bonds in 2013 or 2014 by the Board in the amount of approximately $28,580,000 to fund improvements to the City's electric utility. These bonds will be secured by a leasehold interest in equipment financed with the proceeds of the bonds together with lease payments to be made by the City from net revenues of the City's electric utility, subject to annual appropriation.

Water Pollution Control

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

A study for the wastewater utility was completed related to comprehensive improvements to the utility, along with a recommended rate increase. The rate increase was approved in June, 2010, by the City Council and will be phased in over a 5 year period. The City anticipates the issuance of bonds by the Board to fund approximately $84 million in improvements. The first series of such bonds (Series 2012B) were issued in 2012 in the amount of $37,035,000. Additional bonds are currently anticipated to be issued in the aggregate amount of $56,800,000. Such bonds are anticipated to be issued in installments through 2020, with the next issued projected in 2013 or 2014, and are further anticipated to be payable from net revenues of the wastewater utility, subject to annual appropriation.

Other Projects

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

Independence Events Center

The Board has previously issued $85,235,000 in bonds to fund construction of the Independence Events Center. In 2011, the Board issued its Series 2011A Bonds described above to advance refund one of such series of Bonds. In 2012, the Board at the City's request is issued its Series 2012C Bonds to advance refund the Series 2009A, Series 2009F and Series 2010A Bonds that were originally issued to fund construction of the Events Center. Debt service on the bonds is payable from proceeds of a sales tax levied by a community improvement district, a special taxing district formed under Missouri law, a subordinate lien on certain tax increment financing revenues and, if not from those sources, the City's General Fund, subject to annual appropriation.

The Events Center has been open and hosting events since November, 2009. The facility is capable of hosting sporting, civic and entertainment events and contains approximately 162,000 square feet of space on two levels. The Events Center has 5,800 fixed seats, 25 luxury suites and 2,000 paved parking spaces on site. The capacity of the Events Center is expanded to a maximum of 7,000 for concerts and other special events by the use of folding or stacking chairs. The seating totals also include club seats and a separate loge section which is served by lounges with bars and concessions. The Events Center also includes an adjacent ice and practice facility under the same roof that contains approximately 28,200 square feet, including a standard NHL size rink, lobby and spectator bleacher seating for approximately 270 spectators, storage, skate rental area, concession areas, a party room, restrooms and shared locker rooms with the main Events Center facility. The City's Parks and Recreation Department has an administrative office in the facility. The adjacent ice and practice facility is used primarily for public use and practice by the minor league hockey team playing its home games in the Events Center.

The Events Center is home to the Missouri Mavericks Central Hockey League (CHL) franchise and the Missouri Comets Major Indoor Soccer League (MISL) franchise. The Mavericks are scheduled to play 33 games between November, 2012 and March, 2013 at the Events Center and the Comets are scheduled to play 12 games between November, 2012 and February, 2013 at the Events Center. The Events Center also has various other events scheduled over the coming months.

Effective on October 10, 2010, the City became solely responsible for the management, promotion, marketing, and operation of the Events Center. The City formed the Independence Events Center Management

Corporation ("IECMC"), a nonprofit corporation, to provide for the management of the Events Center. The City is the sole member of the IECMC. The Board of the IECMC consists of five officers and employees of the City, which are appointed by the City. The employees that provide for the day to day operation of the Events Center are employed by the IECMC and not by the City. Expenses for the operation of the Events Center are paid with revenues generated from the Events Center. If there are operational shortfalls, the City is responsible for paying the shortfalls. Based on operations to date, the City does not currently anticipate operating shortfalls for the Events Center during FY 2013. However, because of the limited time that the City has been operating the facility, the operating cash flow of the Events Center will continue to be closely monitored and evaluated by the City. The anticipated source for funding any shortfalls that may occur is the City's General Fund.

Capital Leases

Capital leases payable at June 30, 2012 are comprised of the following:

Sun Trust Leasing, interest at 4.19% annual installments through 2013. A lease to purchase a fire truck.	$175,370
Missouri Development Finance Board, interest at 2.04% monthly installments through 2016. A lease to purchase IBM computer equipment	126,227
Motorola Solutions, interest at 3.4593% semi-annual installments through 2022. A lease to purchase radio equipment.	1,341,167
TOTAL	$1,642,764

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, 2012, 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	$131,945,000	1.70%	$2,243,065
Independence School District	237,866,691	93.76	223,023,809
Raytown School District	76,589,999	6.00	4,595,400
Fort Osage R-1 School District	48,470,000	12.50	6,058,750
Subtotal, overlapping debt			$235,921,024
City direct debt			183,033,166
Total direct and overlapping debt			$418,954,190

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

Note: Information was requested from the Kansas City School District and Jackson County, but no response was received.

Source: The debt outstanding data and applicable percentages are provided by each governmental entity, and is based on the City's percentage of assessed valuation within the school district.

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APPENDIX B

ACCOUNTANTS’ REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF INDEPENDENCE, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Mayor
Don B. Reimal

City Council

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

City Manager

Robert Heacock

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration

THE CITY OF INDEPENDENCE
MISSOURI

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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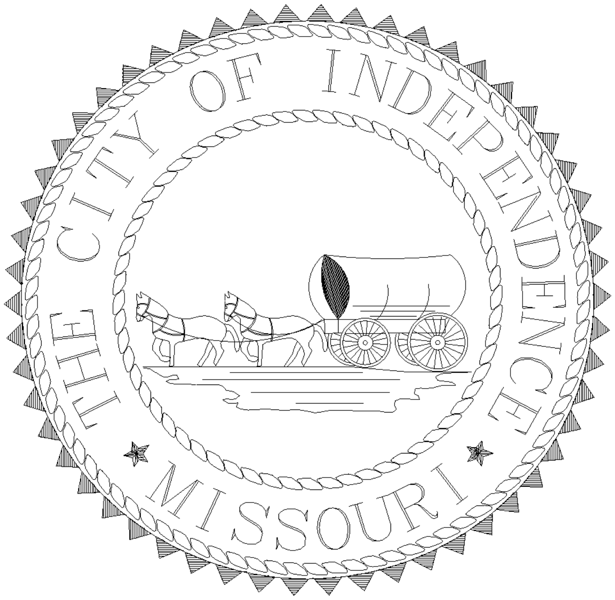
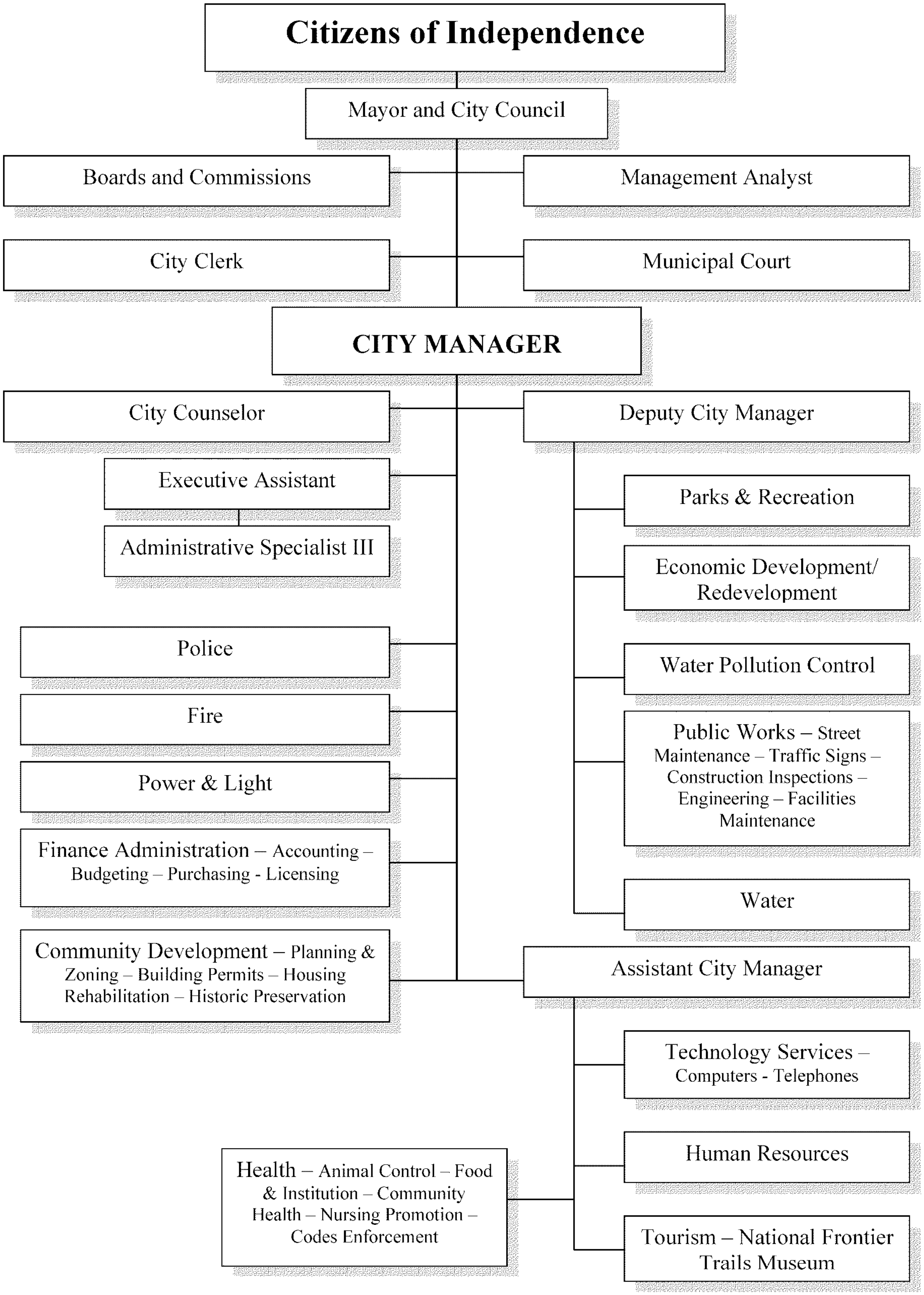
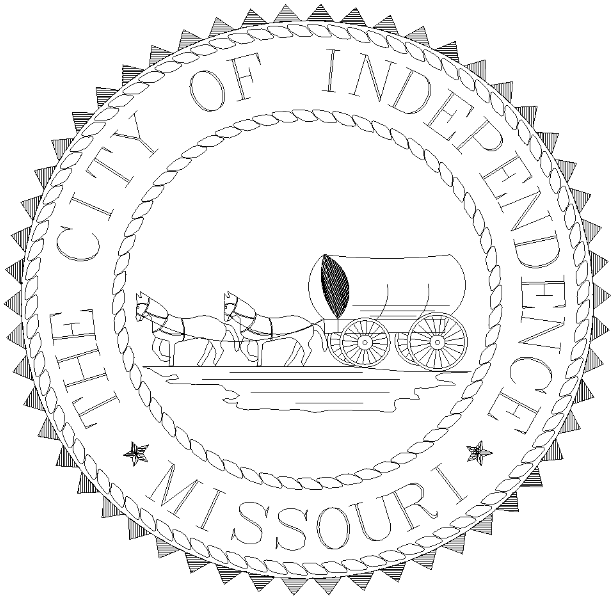


THE CITY OF INDEPENDENCE
MISSOURI


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


THE CITY OF INDEPENDENCE
MISSOURI

City of Independence
111 EAST MAPLE • P.O. BOX 1019 • INDEPENDENCE, MISSOURI 64051-0519
www.ci.independence.mo.us • (816) 325-7000

October 16, 2012

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, 2012. This report is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter.

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

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

The City of Independence's financial statements, as required by the Charter, have been audited. The independent audit was conducted by McGladrey LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

In fulfilling its responsibilities for reliable financial statements, management depends on the City's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded. In addition to the independent audit and the internal control system, the Charter provides that the Council appoint a Management Analyst. The Management Analyst performs such duties as directed by the Council. These duties include the periodic review of all departments and the preparation of an annual report to the Council.

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

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

Profile of the City

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S Truman, 33rd President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 117,213.

Working Woman magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21st Century Community Learning Centers. Patricia Schultz included several tourism attractions in Independence in her recent travel book, "1,000 Places to See in the United States and Canada Before You Die." National Geographic Traveler, September 2010, included Independence's Santa-Cali-Gon Days, an annual festival celebrating the start of the Santa Fe, California, and Oregon Trails, as one of "our pick of travel-worthy events." The Kansas City Convention and Visitors Association awarded Independence the "Best Day Trip" award for 2010 and 2011 based on votes received from visitors outside of the state. Independence was also named "Best Day Tour from Kansas City" for the second year in a row by the readers of AAA Midwest Traveler magazine. The City of Independence (www.independencemo.org) has been ranked tenth in its population category (75,000 - 124,999) in the 11th annual Digital Cities Survey conducted by the Center for Digital Government (www.centerdigitalgov.com) and Digital Communities magazine. This is the tenth year in a row Independence has been ranked as one of the most technology-advanced cities in America. Only one other city, Roanoke, VA, has been ranked in each of the past ten years.

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

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

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

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

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

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

Purchase orders and contracts are encumbered prior to their release to vendors. Any item, which would result in expenditures in excess of a department's budget, is not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2012, are reported as committed and assigned fund balance since the City intends to honor the purchase orders and contracts.

Local economy

The City is continuing to experience growth on the eastern side of town. The I-70 interchange has made the Little Blue Parkway the professional business corridor of the 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of a fast growing commercial area. This area is home to the Independence Events Center which includes an arena with 5,800 seats for sports with additional seating for concerts and a community ice rink. The Events Center is home to the Central Hockey League franchise the Missouri Mavericks and Major Indoor Soccer League the Comets. The Comets recently signed a five year lease with the Events Center. The Events Center opened in November 2009 providing approximately 120 new jobs.

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

Year	City of Independence Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2012*	7.8%	8.2%	7.5%
2011	8.8%	9.6%	8.6%
2010	10.0%	10.7%	9.4%
2009	9.7%	10.3%	9.4%
2008	6.2%	6.7%	5.9%

Source: MERICO MO Economic Research and Information Center/MO Dept. of Economic Development
* Average Estimated through July 2012

Long-term financial planning

The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The budget for fiscal year 2012-2013 includes projects totaling an estimated $66.3 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales taxes.

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

Relevant financial policies

It is the City of Independence's policy to restore the unassigned fund balance through revenue allocations or expenditure reductions when it falls below the 5% of annual revenues. The City Manager has not funded vacant positions whenever possible in an effort to reduce salary and benefit costs. In addition, each department has been asked to reduce expenditures in an effort to reduce costs. The unassigned fund balance as of June 30, 2012 was 2.5% of the General Fund revenues. This is a slight decrease from 3.1% last year.

Major initiatives

Development of the Little Blue Parkway, a new thoroughfare connecting the eastern portion of the City to the north-eastern portion is nearing completion. This roadway will eventually link four major highways and covers 32 square miles with plans to add an additional 20,000 residents and 5,000 new jobs by 2020.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. 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.

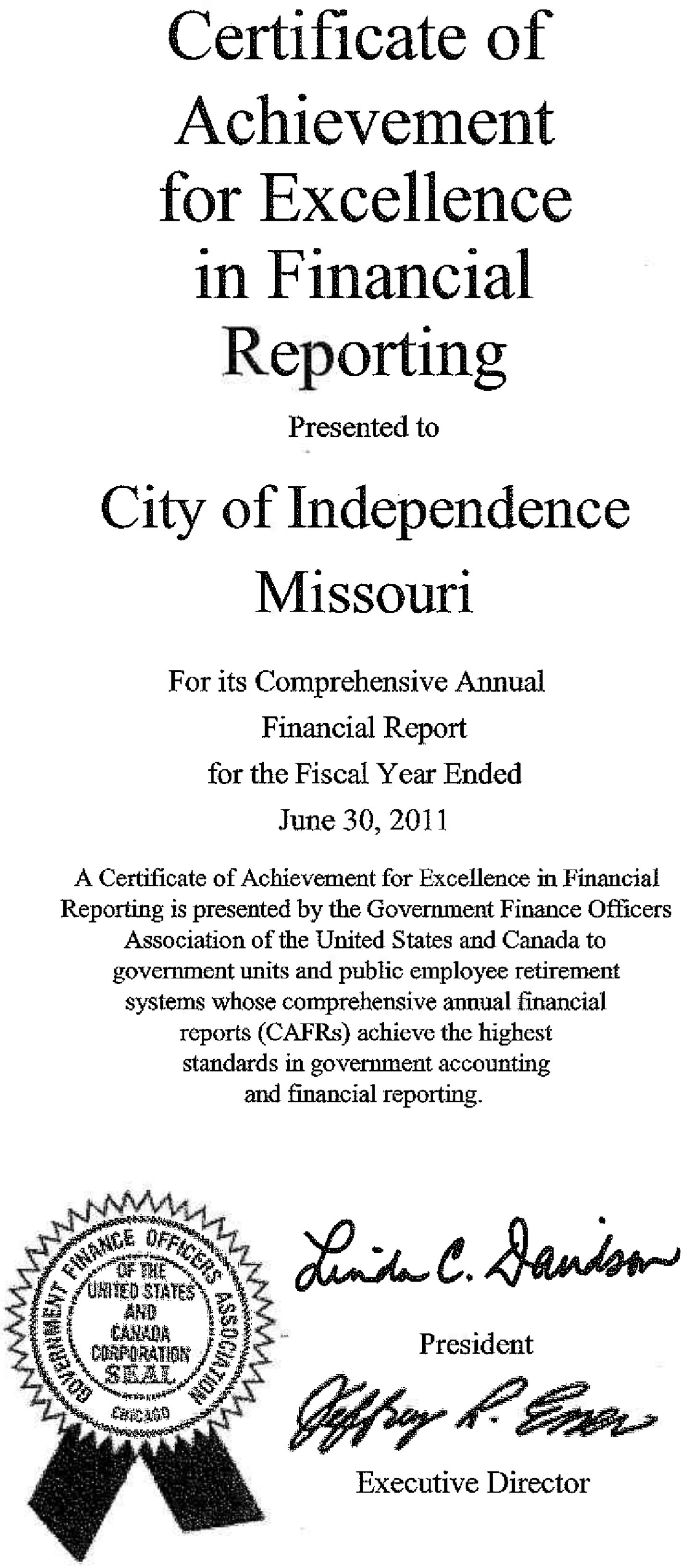
The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2011. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award

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

Respectfully submitted,

Jim C. Harl

James C. Harlow
Director of Finance and Administration



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

Linda C. Davison

President

Executive Director

McGladrey

Independent Auditor's Report

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

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 as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Independence, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Independence Events Center Management Corporation (IECMC), which is a blended component unit presented within the Events Center Fund, a major enterprise fund of the City. The financial statements of IECMC, which comprise 1 percent of total assets and 3 percent of total revenues of the business-type activities and represent 2 percent of total assets and 62 percent of total revenues of the Events Center major enterprise fund, were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for IECMC are based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the IECMC, a blended component unit presented within the Events Center major enterprise fund, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012, on our consideration of the City of Independence, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As explained in Note 1(a) to the basic financial statements, the City adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34*, which changed its presentation of the Tax Increment Financing (TIF) Commission from a discretely presented component unit to a blended component unit and major governmental fund, and restated beginning net assets of the governmental activities. It also changed the presentation of the Crackerneck Creek Transportation Development District and Events Center Community Improvement District from being previously excluded from the financial reporting entity to blended component units reported within the TIF Debt Service major governmental fund and Events Center major enterprise fund, respectively, as well as restating beginning net assets of the governmental activities, business-type activities, Events Center major enterprise fund and beginning fund balance of the TIF Debt Service major governmental fund. As described in Note 16, and in Finding 12-II-A of our consideration of the City's internal control over financial reporting referenced above, the City restated beginning net assets of the business-type activities and Events Center Fund to correct the recording of goodwill.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, and Budgetary Comparison Schedules on pages 82 through 84, and Schedules of Funding Progress on page 84 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 operations, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying introductory, statistical sections and other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on the supplementary information referred to above.

McGladrey LLP

Kansas City, Missouri
October 15, 2012

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, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

The City's total net assets increased $12.4 million. The City's 'governmental-type activities' had an increase of $9.3 million and the 'business-type activities' had an increase of $3.0 million.

Sales tax revenue increased by $809,679. Again this year the lack of growth in revenue from sales tax can mostly be attributed to two factors. The first and probably the most significant is the slow economy that has generally been felt throughout the country. The second is the retail competition that continues to develop within the trade area of the City. Blue Springs and Lee's Summit continue to expand their retail shopping opportunities.

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

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 $2.4 million less than originally projected. Weather has also impacted revenues from sales of electricity and water.

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

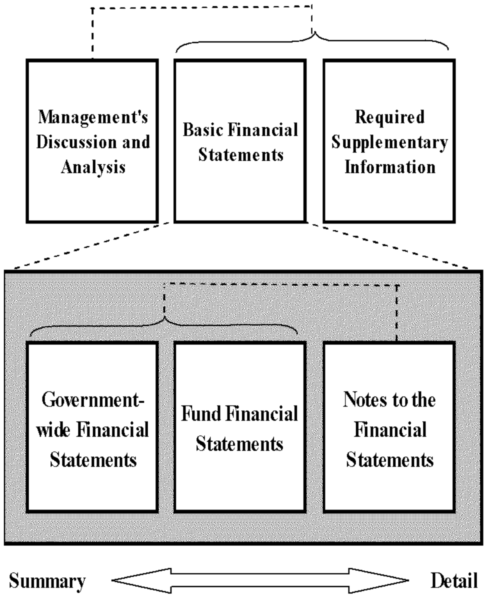
The Independence Events Center opened in the southeast part of the City during November 2009. This project allowed for the establishment of a community improvement district and a sales tax in the district to finance the obligations issued to construct the events center. The events center's primary tenant is the Mavericks a member of the Central Hockey League (CHL). A second tenant with a multi-year lease is the Comets of the Major Indoor Soccer League (MISL). During 2011 the City established the Independence Events Center Management Corporation and assumed the operation of the events center. The Management Corporation is operating the events center with staff from a prior operator.

Overview of the Financial Statements

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

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

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



- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements:
    - The governmental funds statements tell how general government services, like public safety, were financed in the short-term, as well as, what remains for future spending.
    - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the electric system, water system, sanitary sewer system, and the events center.
    - Fiduciary fund statements provide information about financial relationships for which the City acts solely as a trustee or agent for the benefit of others, to whom the underlying resources belong, such as the Seniors Travel Fund, and Flexible Benefit Plan Fund.

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

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure MD-2 summarizes the components of the City's financial statements, including the portion of the City government, which each covers and the types of information each contain. The remainder of this section explains the structure and content of each of the statements.

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To further assess the overall health of the City, additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads should be considered.

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

- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, as well as, general administration. Property taxes, sales taxes, and state and federal grants finance most of these activities.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's electric system, water system, sanitary sewer system, and events center are included here.

Fund Financial Statements

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

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

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

The City has three kinds of funds:

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

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

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

    - The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds. These are the self-funded health insurance fund, central garage fund, and the workers' compensation fund.

- Fiduciary funds – Periodically, the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, Seniors' Travel Fund, and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

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

Table MD-1
City of Independence's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current and other assets	$ 61,449,341	64,967,923	113,892,843	104,921,391	175,342,184	169,889,314
Capital assets	343,170,328	333,612,682	492,432,749	443,898,901	835,603,077	777,511,583
Total assets	404,619,669	398,580,605	606,325,592	548,820,292	1,010,945,261	947,400,897
Long-term obligations	260,122,568	261,625,518	268,149,490	216,180,344	528,272,058	477,805,862
Other liabilities	12,615,839	14,417,231	14,316,921	11,813,969	26,932,760	26,231,200
Total liabilities	272,738,407	276,042,749	282,466,411	227,994,313	555,204,818	504,037,062
Net assets						
Invested in capital assets, net of related debt	334,320,197	321,072,648	262,631,937	272,062,890	596,952,134	593,135,538
Restricted	17,220,970	16,381,515	14,629,418	10,283,917	31,850,388	26,665,432
Unrestricted (deficit)	(219,659,905)	(214,916,307)	46,597,826	38,479,172	(173,062,079)	(176,437,135)
Total net assets	$ 131,881,262	122,537,856	323,859,181	320,825,979	455,740,443	443,363,835

The amounts from 2011 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

The City's combined net assets increased 2.8% to $455.7 million from $443.4 million. Net assets of the City's governmental activities increased 7.6% to $131.9 million. Governmental assets increased $6.0 million and liabilities decreased $3.3 million. Long-term obligations for Governmental activities decreased $1.5 million and Business-type activities increased $52.0 million. The increase in long term obligations for Business-type activities is the result of issuing obligations for electric system improvements. Other factors include an increase in the amount reported for other post employment benefits, and the net pension obligation for the LAGERS retirement program.

Total unrestricted net assets (deficit) were ($173.1) million with the Business-type activities being $46.6 million. The City's unrestricted net assets (deficit) for Governmental activities were ($219.7) million.

Unrestricted net assets for Business-type activities were $46.6 million and increased $8.1 million from the previous year. Net assets invested in capital assets, net of related debt were $262.6 million and decreased $9.4 million from the previous year.

Changes In Net Assets

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

Table MD-2
City of Independence's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues						
Program revenues						
Charges for services	$ 15,574,641	15,537,545	187,612,122	170,895,196	203,186,763	186,432,741
Operating grants and contributions	12,487,041	13,517,593	5,000	4,813,612	12,492,041	18,331,205
Capital grants and contributions	14,465,335	12,820,119	1,122,019	4,012,182	15,587,354	16,832,301
General revenues						
Property taxes	8,652,704	8,307,337	—	—	8,652,704	8,307,337
Sales taxes	39,836,686	39,158,470	3,506,061	3,374,598	43,342,747	42,533,068
Intergovernmental activity taxes	9,534,652	9,902,207	—	—	9,534,652	9,902,207
Other taxes	10,936,586	10,724,624	—	—	10,936,586	10,724,624
Interest	228,812	237,134	28,936	181,265	257,748	418,399
Other	397,567	1,079,391	2,212,916	679,868	2,610,483	1,759,259
Total revenues	112,114,024	111,284,420	194,487,054	183,956,721	306,601,078	295,241,141
Expenses						
Administrative services	8,344,371	9,305,826	—	—	8,344,371	9,305,826
Public works	15,562,839	13,647,390	—	—	15,562,839	13,647,390
Public safety	53,836,564	53,067,764	—	—	53,836,564	53,067,764
Culture & recreation	8,476,301	7,947,692	—	—	8,476,301	7,947,692
Community development	5,128,323	7,032,272	—	—	5,128,323	7,032,272
Health & welfare	3,575,162	3,732,795	—	—	3,575,162	3,732,795
Electric	—	—	124,533,699	113,956,212	124,533,699	113,956,212
Water	—	—	20,563,502	20,239,748	20,563,502	20,239,748
Sanitary sewer	—	—	16,157,412	16,304,874	16,157,412	16,304,874
Events center	—	—	12,869,289	17,692,112	12,869,289	17,692,112
Storm water	2,765,629	2,876,073	—	—	2,765,629	2,876,073
General government	9,293,399	9,366,479	—	—	9,293,399	9,366,479
Tax increment financing	2,992,581	3,096,226	—	—	2,992,581	3,096,226
Interest	10,125,399	10,949,579	—	—	10,125,399	10,949,579
Total expenses	120,100,568	121,022,096	174,123,902	168,192,946	294,224,470	289,215,042
Excess (deficiency) of revenues over expenses before transfers	(7,986,544)	(9,737,676)	20,363,152	15,763,775	12,376,608	6,026,099
Transfers - In (Out)	17,329,950	16,201,380	(17,329,950)	(16,201,380)	—	—
Change in net assets	9,343,406	6,463,704	3,033,202	(437,605)	12,376,608	6,026,099
Net assets, beginning of year, as restated	122,537,856	116,074,152	320,825,979	321,263,584	443,363,835	437,337,736
Net assets, end of year	$ 131,881,262	122,537,856	323,859,181	320,825,979	455,740,443	443,363,835

The amounts from 2011 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

Total revenues increased 3.8% or $11.4 million, Business-type activities increased 5.7% or $10.5 million, and Governmental revenues increased 0.7% or $829,604. There is a small increase in operating and capital grants and contributions for Governmental activities. Of significance is the small increase from sales taxes. This is a reflection of the economy and retail competition. The revenue for intergovernmental activity is the result of including special allocation funds for tax increment financing as blended component units. The increase in charges for services for Business-type activities is the result of rate increases and more favorable weather conditions.

Total expenses increased 1.7% or $5.0 million, Governmental expenses decreased 0.8% or $921,528 million and Business-type expenses increased 3.5% or $5.9 million.

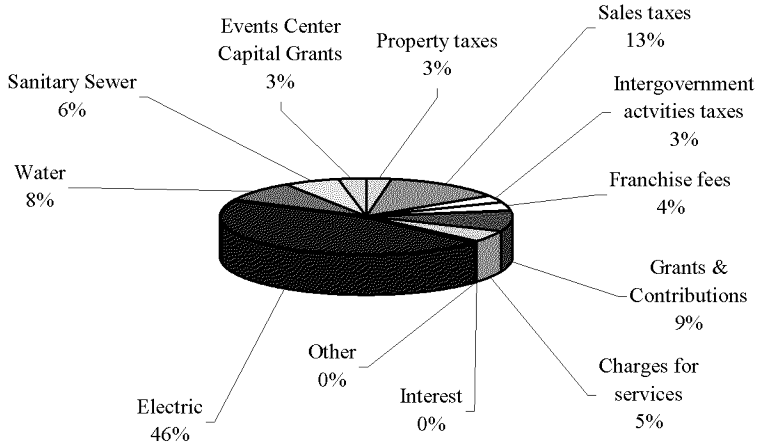
Included with the Governmental expenses are costs associated with debt service payments for the blended component units. Revenues in the Falls at Crackerneck TIF special allocation fund were insufficient to pay all the debt service on the outstanding obligations and the developer indicated they were not able to fund the deficit. The City has appropriated and set aside $4.6 million during FY 2012-13 for debt service on the Falls at Crackerneck obligations. Letters requesting reimbursement for these debt service shortfalls have been sent to the developer.

The change in the Business-type expenses is attributable to normal operations; some of the changes are related to the effect of weather on electric and water sales. The transfers out of the Business Type Activities and in to the Governmental Activities represents the payment in-lieu of taxes that would be paid and received if they operated as private utilities.

Revenues

For the fiscal year ending June 30, 2012 revenues totaled $306.6 million. Of this amount charges for services (Governmental and Business-type) was $203.2 million or 66.3% of the total. Revenue from Business-type activities represents $194.5 million or 63.4% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenue for FY 2012

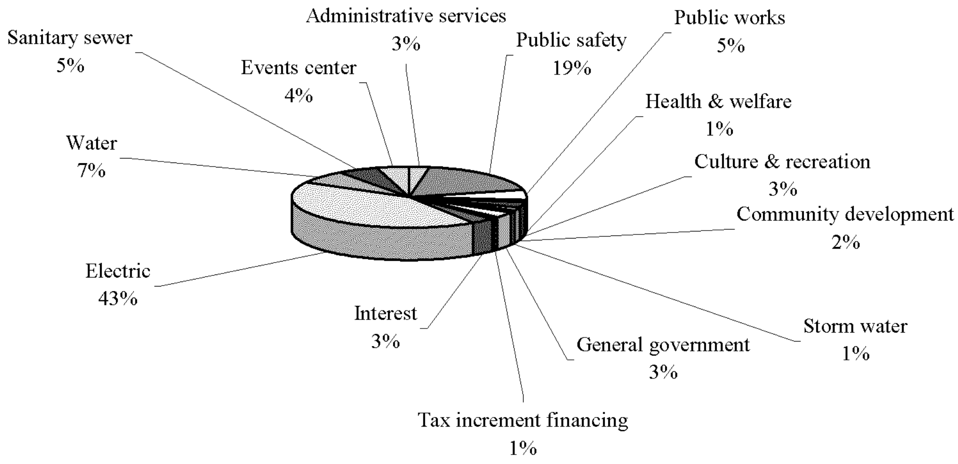


Revenues from Governmental activities were $112.1 million. Sales taxes, the largest Governmental category, were $39.8 million or 35.5%. All taxes represent $68.9 million or 61.5% of Governmental revenue. Operating and capital grants were $27.0 million or 24.0% of Governmental revenues. Charges for services at $15.6 million were 13.9% of the total.

Expenses

For the fiscal year ending June 30, 2012 expenses totaled $294.2 million. Of this amount the electric utility was $124.5 million or 42.3% of the total. Business-type expenses represent $174.1 million or 59.2% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2012



Expenses from Governmental activities were $120.1 million. Public safety expenses, the largest Governmental category, were $53.8 million or 44.8% of the total. Public Works is the next largest category at $15.6 million, which is 13.0% 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	
	2012	2011	2012	2011
Administrative services	$ 8,344,371	9,305,826	625,477	2,821,955
Public works	15,562,839	13,647,390	(1,369,468)	(2,007,348)
Public safety	53,836,564	53,067,764	44,235,383	44,006,023
Culture & Recreation	8,476,301	7,947,692	7,412,102	6,189,318
Community development	5,128,323	7,032,272	1,212,549	1,539,461
Health & Welfare	3,575,162	3,732,795	2,125,947	2,160,159
Storm water	2,765,629	2,876,073	2,765,629	2,791,661
General government and interest on long-term debt	19,418,798	9,992,257	17,573,351	9,453,784
Tax increment financing	2,992,581	13,420,027	2,992,581	4,482,215
Total	$ 120,100,568	121,022,096	77,573,551	71,437,228

The amounts from 2011 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

As noted in Table MD-3 expenses from Governmental activities for fiscal year 2012 were $120.1 million. However, the net costs of these services were $77.6 million. The difference represents direct revenues received from charges for services of $15.6 million, operating grants and contributions of $12.5 million, and capital grants and contributions of $14.5 million. Taxes and other revenues of $69.6 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's Business-type activities increased $10.5 million or 5.7% and expenses increased $5.9 million. This change in revenues is primarily the result of scheduled rate increases and favorable weather conditions for both the electric and water utilities. Fluctuations in weather for the electric and water utilities impact both the revenues and expenses of these utilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its Governmental funds reported a combined fund balance of $43.0 million. The fund balance of the General Fund decreased $1.4 million during fiscal year 2012. The unassigned portion of the General Fund's fund balance decreased $470,633. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as the following:

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

Sales tax revenue continued to reflect the direction with the economy and is affected by retail development in other communities within our primary trade area.

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

The fund balance of the Street Improvements Fund was a deficit of $427,998. The increase in the deficit from the prior year is due to increased expenditures over revenues. The Fund has a receivable from other governments in the amount of $1.6 million. Operating capital, for projects that have matching agreements from other Governmental units, is primarily provided by other City funds.

General Fund Budgetary Highlights

Resources available for appropriation increased $159,427 from the original estimate. Actual revenues at the end of the year were less than projected by $2.1 million. The largest variance was in the area of taxes and payments in lieu of taxes, accounting for $1.5 million of the revenue variance. A large variance also occurred in the area of revenues from fines and forfeitures, accounting for $0.4 million.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $1.0 million in the General Fund. These budget amendments generally fall into the following categories:

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

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

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

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

Actual expenditures, including encumbrances, were $2.1 million less than the amount appropriated, representing operating savings of 3.0%. 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 2012, the City had invested $835.6 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased $58.1 million or 7.5% during the period.

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

		Governmental Activities		Business-Type Activities		Total		Total Percentage Change
		2012	2011	2012	2011	2012	2011	2011-2012
Land & land imp	$	37,430,767	36,682,736	11,353,346	11,244,437	48,784,113	47,927,173	1.79%
Buildings & Improvements		70,149,970	73,238,344	—	—	70,149,970	73,238,344	-4.22%
Office furniture & equipment		59,404	56,183	—	—	59,404	56,183	5.73%
Computer equipment		542,845	533,235	—	—	542,845	533,235	1.80%
Mobile equipment		5,788,152	6,613,633	—	—	5,788,152	6,613,633	-12.48%
Other equipment		3,328,387	2,822,751	11,527,639	8,512,569	14,856,026	11,335,320	31.06%
Infrastructure		185,469,790	127,796,921	446,020,403	382,284,379	631,490,193	510,081,300	23.80%
Construction in progress		40,401,013	85,868,879	23,531,361	41,857,516	63,932,374	127,726,395	-49.95%
Total	$	343,170,328	333,612,682	492,432,749	443,898,901	835,603,077	777,511,583	7.47%

The budget for fiscal year 2013 projects the City will spend an additional $66.4 million for capital projects. The largest category at $53 million is improvements to the City's sanitary sewer 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
	2012	2011	2012	2011	2012	2011	2011-2012
Loans and bonds payable	$ 8,280,302	11,580,656	242,738,974	195,970,016	251,019,276	207,550,672	20.94%
TIF loans payable	172,511,731	180,450,590	—	—	172,511,731	180,450,590	-4.40%
Capital lease obligations	1,642,764	292,063	—	21,353	1,642,764	313,416	424.15%
Neighborhood Improvemt District	598,369	667,315	—	—	598,369	667,315	-10.33%
Total	$ 183,033,166	192,990,624	242,738,974	195,991,369	425,772,140	388,981,993	9.46%

The amounts from 2011 have been restated, and additional information can be found in the 'Notes to Financial Statements'.

The City at the end of fiscal year 2012 had a total of $425.8 million of outstanding obligations. This was an increase of $36.8 million or 9.5% from the previous fiscal year. None of these amounts relate to general obligations of the City and $242.7 million or 57.0% are obligations of the Business-type activities.

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

Economic Factors

In the last five years the City, as a community, lost 1,245 jobs, with current total employment at 57,969 jobs. Unemployment by mid-2012 was 7.8%; this is lower than Jackson County at 8.2% and higher than the State at 7.5%. As with most of the rest of the country the City's unemployment rate has increased during the last two years. Average household income for 2012 is estimated to be $52,108, compared to $58,652 for the State as a whole.

Contacting the City's Financial Management

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

Exhibit 1

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets:			
Current assets:			
Pooled cash and investments	$ 23,073,466	31,688,747	54,762,213
Receivables:			
Taxes	8,622,379	538,010	9,160,389
Accounts	606,982	14,072,140	14,679,122
Unbilled revenue	—	15,242,754	15,242,754
Special assessment principal	1,999,223	186,890	2,186,113
Internal balances	(31,062)	31,062	—
Due from other governments	3,679,617	176,948	3,856,565
Sales tax bond	—	1,570	1,570
Inventory	20,185	13,531,632	13,551,817
Prepaid items	236,219	419,765	655,984
Restricted cash and investments	209,708	2,953,946	3,163,654
Total current assets	38,416,717	78,843,464	117,260,181
Noncurrent assets:			
Capital assets:			
Nondepreciable	70,615,197	34,884,707	105,499,904
Depreciable, net	272,555,131	457,548,042	730,103,173
Goodwill	—	999,203	999,203
Deferred debt issue costs	1,729,212	7,577,929	9,307,141
Other deferred charges	—	660,945	660,945
Restricted cash and investments	21,303,412	25,811,302	47,114,714
Total noncurrent assets	366,202,952	527,482,128	893,685,080
Total assets	$ 404,619,669	606,325,592	1,010,945,261
Liabilities and Net Assets			
Current liabilities:			
Accounts and contracts payable	$ 620,449	5,992,007	6,612,456
Accrued items	5,859,324	2,383,055	8,242,379
Other current liabilities	479,537	321,293	800,830
Due to other governments	129,971	—	129,971
Unearned revenue	378,185	372,835	751,020
Current portion of long-term obligations	19,153,047	9,874,832	29,027,879
Self-insurance claims payable	3,150,753	—	3,150,753
Liabilities payable from restricted assets	209,709	4,815,784	5,025,493
Total current liabilities	29,980,975	23,759,806	53,740,781
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	204,159,907	240,905,257	445,065,164
Self-insurance claims payable	1,787,911	—	1,787,911
Other post-employment benefits	33,531,945	15,523,404	49,055,349
Net pension obligation	3,277,669	1,845,997	5,123,666
Unearned revenue	—	311,789	311,789
Advances for construction	—	120,158	120,158
Total noncurrent liabilities	242,757,432	258,706,605	501,464,037
Total liabilities	272,738,407	282,466,411	555,204,818
Net assets:			
Invested in capital assets, net of related debt	334,320,197	262,631,937	596,952,134
Restricted for:			
Public safety	3,978,737	—	3,978,737
Public works	6,212,960	—	6,212,960
Culture and recreation	323,000	—	323,000
Storm water	6,424,309	—	6,424,309
General government	27,901	—	27,901
Debt service	254,063	12,574,715	12,828,778
Worker's compensation escrow	—	200,000	200,000
Dogwood SPP escrow	—	24,600	24,600
Community improvement district	—	1,830,103	1,830,103
Unrestricted (deficit)	(219,659,905)	46,597,826	(173,062,079)
Total net assets (deficit)	131,881,262	323,859,181	455,740,443
Total liabilities and net assets (deficit)	$ 404,619,669	606,325,592	1,010,945,261

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	$ 8,344,371	6,676,240	84,688	957,966	(625,477)
Public safety	53,836,564	4,829,421	3,546,709	1,225,051	(44,235,383)
Public works	15,562,839	398,071	4,251,918	12,282,318	1,369,468
Health and welfare	3,575,162	817,774	631,441	—	(2,125,947)
Culture and recreation	8,476,301	871,799	192,400	—	(7,412,102)
Community development	5,128,323	968,438	2,947,336	—	(1,212,549)
Storm water	2,765,629	—	—	—	(2,765,629)
General government	9,293,399	1,012,898	832,549	—	(7,447,952)
Tax increment financing	2,992,581	—	—	—	(2,992,581)
Interest on long-term debt	10,125,399	—	—	—	(10,125,399)
Total governmental activities	120,100,568	15,574,641	12,487,041	14,465,335	(77,573,551)
Business-type activities:					
Power and light	124,533,699	139,878,341	—	154,564	15,499,206
Water	20,563,502	24,635,637	—	931,206	5,003,341
Sewer	16,157,412	18,233,724	—	36,249	2,112,561
Events center	12,869,289	4,864,420	5,000	—	(7,999,869)
Total business-type activities	174,123,902	187,612,122	5,000	1,122,019	14,615,239
Total primary government	$ 294,224,470	203,186,763	12,492,041	15,587,354	(62,958,312)

	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue	$ (77,573,551)	14,615,239	(62,958,312)
General revenues:			
Taxes			
Property taxes	8,652,704	—	8,652,704
Sales and use taxes	39,836,686	3,506,061	43,342,747
Intergovernmental activity taxes	9,534,652	—	9,534,652
Franchise taxes	10,914,940	—	10,914,940
Financial institutions tax	21,646	—	21,646
Investment earnings	228,812	28,936	257,748
Miscellaneous	397,567	2,212,916	2,610,483
Transfers in (out)	17,329,950	(17,329,950)	—
Total general revenues and transfers	86,916,957	(11,582,037)	75,334,920
Change in net assets	9,343,406	3,033,202	12,376,608
Net assets (deficit), beginning as restated	122,537,856	320,825,979	443,363,835
Net assets (deficit), ending	$ 131,881,262	323,859,181	455,740,443

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2012

Assets		**General**	**Street Improvements**	**TIF Debt Service**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
Pooled cash and investments	$	174,792	—	5,746,053	8,814,341	14,735,186
Receivables:						
Taxes		4,502,532	—	1,070,495	3,049,352	8,622,379
Accounts, net		176,124	—	71,947	12,755	260,826
Special assessment principal		753,497	479,761	—	765,965	1,999,223
Due from other funds		2,259,017	9,709	658,060	6,835,456	9,762,242
Due from other governments		744,560	1,565,090	507,820	862,147	3,679,617
Restricted assets		209,709	—	20,136,425	1,166,986	21,513,120
Total assets	$	8,820,231	2,054,560	28,190,800	21,507,002	60,572,593
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	232,268	19,747	4,621	332,343	588,979
Due to other funds		—	1,880,143	883,058	6,599,696	9,362,897
Due to other governments		—	—	129,971	—	129,971
Accrued items		2,824,026	—	—	164,096	2,988,122
Other current liabilities		452,446	—	—	27,091	479,537
Deferred revenue		1,638,613	582,668	442,173	1,142,150	3,805,604
Liabilities payable from restricted assets:						
Deposits and court bonds		209,709	—	—	—	209,709
Total liabilities		5,357,062	2,482,558	1,459,823	8,265,376	17,564,819
Fund balances:						
Restricted		584,917	—	26,731,159	17,646,996	44,963,072
Committed		453,285	—	—	1,404,187	1,857,472
Assigned		593,561	—	—	—	593,561
Unassigned		1,831,406	(427,998)	(182)	(5,809,557)	(4,406,331)
Total fund balance (deficit)		3,463,169	(427,998)	26,730,977	13,241,626	43,007,774
Total liabilities and fund balance	$	8,820,231	2,054,560	28,190,800	21,507,002	60,572,593

See accompanying notes to financial statements.

Exhibit 3.1

CITY OF INDEPENDENCE, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2012

Fund balances – total governmental funds	$	43,007,774
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		531,813,946
Less accumulated depreciation		(188,771,648)
		343,042,298
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid		(2,835,795)
Adjustment of deferred revenue		3,427,419
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets		3,045,082
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		(183,994,000)
Capital lease obligations		(1,642,764)
Compensated absences		(15,686,487)
Discounts (premiums)		1,764,277
Deferred refunding		839,321
Other post-employment benefits		(33,133,811)
Net pension obligation		(3,241,308)
Unreimbursed certified costs - TIF		(24,439,956)
		(259,534,728)
Deferred debt costs		1,729,212
Net assets of governmental activities (Exhibit 1)	$	131,881,262

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, 2012

	General	Street Improvements	TIF Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 34,998,813	—	12,940,175	20,498,044	68,437,032
Licenses and permits	3,006,945	—	—	312,551	3,319,496
Intergovernmental	5,232,949	12,158,162	—	6,736,617	24,127,728
Charges for services	2,236,653	9,680	—	848,707	3,095,040
Interfund charges for support services	3,791,444	—	—	—	3,791,444
Fines, forfeitures, and court costs	4,329,537	—	—	—	4,329,537
Investment income	90,552	256	116,900	6,876	214,584
Developer contributions	—	—	832,549	—	832,549
Other	733,112	—	1,189,923	533,531	2,456,566
Total revenues	54,420,005	12,168,098	15,079,547	28,936,326	110,603,976
Expenditures:					
Current:					
Administrative services	7,302,234	—	—	29,912	7,332,146
Public safety	40,955,277	—	—	4,502,654	45,457,931
Public works	5,191,326	—	—	—	5,191,326
Health and welfare	2,426,393	—	—	628,969	3,055,362
Culture and recreation	2,027,859	—	—	4,177,604	6,205,463
Community development	2,416,213	—	—	2,461,391	4,877,604
Storm water	—	—	—	1,581,460	1,581,460
General government	7,970,905	—	—	372,645	8,343,550
Tax increment financing	—	—	2,992,581	—	2,992,581
Capital outlay	119,101	15,214,923	—	9,363,904	24,697,928
Debt service:					
Principal	133,999	—	9,462,068	3,339,000	12,935,067
Interest and fiscal agent fees	12,683	—	9,748,050	522,299	10,283,032
Debt issuance costs	—	—	258,358	—	258,358
Total expenditures	68,555,990	15,214,923	22,461,057	26,979,838	133,211,808
Excess (deficiency) of revenues over expenditures	(14,135,985)	(3,046,825)	(7,381,510)	1,956,488	(22,607,832)
Other financing sources (uses):					
Debt issuance	143,533	—	7,210,000	1,341,167	8,694,700
Original issue discount	—	—	(99,950)	—	(99,950)
Payment to refunded loans escrow agent	—	—	(6,426,286)	—	(6,426,286)
Transfers in – utility payments in lieu of taxes	17,329,950	—	—	—	17,329,950
Transfers in	—	2,965,639	5,057,630	423,229	8,446,498
Transfers out	(4,699,281)	—	(1,194,551)	(2,552,666)	(8,446,498)
Total other financing sources	12,774,202	2,965,639	4,546,843	(788,270)	19,498,414
Net change in fund balances	(1,361,783)	(81,186)	(2,834,667)	1,168,218	(3,109,418)
Fund balances (deficit), beginning, as restated	4,824,952	(346,812)	29,565,644	12,073,408	46,117,192
Fund balances (deficit), ending	$ 3,463,169	(427,998)	26,730,977	13,241,626	43,007,774

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, 2012

Net change in fund balances – total governmental funds	$	(3,109,418)
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		25,494,726
Depreciation expense		(15,800,162)
Donated assets		(69,651)
		9,624,913
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net assets and offset against the proceeds, resulting in a gain on the sale of capital assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities:		
Book value of assets disposed		(71,473)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		537,225
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Proceeds from debt issuance		(7,210,000)
Reoffering premium/original issue discount		99,950
Payment to refunded loans escrow agent		6,426,286
Principal payments		12,935,067
Debt issuance costs amortization		73,005
Debt premiums, discounts & deferred refunding amortizations		(193,681)
Capital lease proceeds		(1,484,700)
		10,645,927
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		538,369
Accrued interest		157,633
Other post-employment benefits		(8,471,377)
LAGERS net pension obligation		(1,133,785)
Unreimbursed certified costs - TIF		(591)
		(8,909,751)
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:		625,983
Change in net assets of governmental activities (Exhibit 2)	$	9,343,406

See accompanying notes to financial statements.

Exhibit 5

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2012

	Enterprise funds					Internal
Assets	**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Service Funds**
Current assets:						
Pooled cash and investments	$ 22,333,925	3,036,476	4,154,958	2,163,388	31,688,747	8,338,280
Receivables:						
Taxes	—	—	—	538,010	538,010	—
Accounts (net of allowance of $1,075,959)	10,463,216	2,167,154	1,397,781	43,989	14,072,140	346,156
Unbilled revenue	12,548,515	1,661,067	1,033,172	—	15,242,754	—
Special assessment principal	184,829	—	2,061	—	186,890	—
Due from other governments	56,159	—	120,789	—	176,948	—
Sales tax bond	—	—	—	1,570	1,570	—
Inventory	12,759,050	682,004	55,221	35,357	13,531,632	20,185
Prepaid items	281,935	—	—	137,830	419,765	236,219
Restricted cash and investments	1,961,051	539,109	453,786	—	2,953,946	—
Total current assets	60,588,680	8,085,810	7,217,768	2,920,144	78,812,402	8,940,840
Noncurrent assets:						
Capital assets:						
Nondepreciable	16,863,819	2,423,315	9,801,258	5,796,315	34,884,707	93,979
Depreciable, net	219,369,744	108,191,677	65,871,020	64,115,601	457,548,042	34,051
Goodwill	—	—	—	999,203	999,203	—
Deferred debt issue costs	3,142,544	1,098,374	—	3,337,011	7,577,929	—
Other deferred charges	—	660,945	—	—	660,945	—
Restricted cash and investments	14,419,419	4,265,682	—	7,126,201	25,811,302	—
Total noncurrent assets	253,795,526	116,639,993	75,672,278	81,374,331	527,482,128	128,030
Total assets	$ 314,384,206	124,725,803	82,890,046	84,294,475	606,294,530	9,068,870
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	$ 4,314,871	155,762	1,418,698	102,676	5,992,007	31,470
Due to other funds	—	—	—	399,345	399,345	—
Accrued items	1,404,631	500,469	430,036	47,919	2,383,055	35,407
Other current liabilities	252,338	27,643	32,452	8,860	321,293	—
Deferred revenue	—	—	—	372,835	372,835	—
Current portion of long-term obligations	5,620,094	3,602,073	327,665	325,000	9,874,832	51,402
Self-insurance claims payable	—	—	—	—	—	3,150,753
Liabilities payable from restricted assets	2,257,344	846,282	425,019	1,287,139	4,815,784	—
Total current liabilities	13,849,278	5,132,229	2,633,870	2,543,774	24,159,151	3,269,032
Noncurrent liabilities:						
Revenue bonds payable	111,933,574	40,295,002	—	83,363,823	235,592,399	—
Compensated absences – long-term	3,610,541	989,994	712,323	—	5,312,858	101,943
Other post employment benefits	8,950,900	3,685,254	2,887,250	—	15,523,404	398,134
Net pension obligation	1,276,430	340,403	229,164	—	1,845,997	36,361
Deferred revenue	—	—	—	311,789	311,789	—
Self-insurance claims payable	—	—	—	—	—	1,787,911
Advances for construction	33,716	86,442	—	—	120,158	—
Total noncurrent liabilities	125,805,161	45,397,095	3,828,737	83,675,612	258,706,605	2,324,349
Total liabilities	139,654,439	50,529,324	6,462,607	86,219,386	282,865,756	5,593,381
Net assets:						
Invested in capital assets, net of related debt	122,827,536	70,905,672	75,672,278	(6,773,549)	262,631,937	128,030
Restricted for:						
Debt service/capital outlay	11,951,872	500,000	—	122,843	12,574,715	—
Workers compensation escrow	135,480	35,753	28,767	—	200,000	—
Dogwood SPP escrow	24,600	—	—	—	24,600	—
Community improvement district	—	—	—	1,830,103	1,830,103	—
Unrestricted	39,790,279	2,755,054	726,394	2,895,692	46,167,419	3,347,459
Total net assets (deficit)	174,729,767	74,196,479	76,427,439	(1,924,911)	323,428,774	3,475,489
Total liabilities and net assets	$ 314,384,206	124,725,803	82,890,046	84,294,475		9,068,870
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					430,407	
Net assets of business-type activities					$ 323,859,181	

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

Year ended June 30, 2012

	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Operating revenues:						
Charges for services	$ 137,628,083	24,262,435	18,045,422	4,864,420	184,800,360	24,101,537
Sales tax	—	—	—	3,506,061	3,506,061	—
Miscellaneous	2,250,258	373,202	188,302	—	2,811,762	—
Total operating revenues	139,878,341	24,635,637	18,233,724	8,370,481	191,118,183	24,101,537
Operating expenses:						
Personal services	23,095,642	7,525,260	5,629,945	—	36,250,847	855,351
Other services	16,460,430	4,399,301	7,502,512	527,642	28,889,885	22,174,437
Supplies	59,373,325	1,716,702	685,119	32,425	61,807,571	1,206,378
Capital outlay	—	16,004	—	—	16,004	468
Other expenses	8,130,011	2,701,271	103,696	5,134,287	16,069,265	—
Depreciation and amortization	15,766,098	3,182,920	2,717,682	1,890,072	23,556,772	3,785
Total operating expenses	122,825,506	19,541,458	16,638,954	7,584,426	166,590,344	24,240,419
Operating income (loss)	17,052,835	5,094,179	1,594,770	786,055	24,527,839	(138,882)
Nonoperating revenues (expenses):						
Interest revenue	11,926	3,348	2,721	10,941	28,936	14,228
Miscellaneous revenue	1,107,104	1,744,716	1,023,889	816,565	4,692,274	1,355,451
Interest expense	(3,219,378)	(2,113,457)	(32)	(5,284,863)	(10,617,730)	—
Total nonoperating revenue (expenses)	(2,100,348)	(365,393)	1,026,578	(4,457,357)	(5,896,520)	1,369,679
Income (loss) before contributions and transfers	14,952,487	4,728,786	2,621,348	(3,671,302)	18,631,319	1,230,797
Capital contributions	154,564	931,206	36,249	5,000	1,127,019	—
Transfers out – utility payments in lieu of taxes	(13,145,463)	(2,328,111)	(1,856,376)	—	(17,329,950)	—
Change in net assets	1,961,588	3,331,881	801,221	(3,666,302)	2,428,388	1,230,797
Total net assets (deficit):						
Beginning of the year, as restated	172,768,179	70,864,598	75,626,218	1,741,391		2,244,692
End of the year	$ 174,729,767	74,196,479	76,427,439	(1,924,911)		3,475,489
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					604,814	
Change in net assets of business-type activities.					$ 3,033,202	

See accompanying notes to financial statements.

Exhibit 7

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2012

	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Cash flows from operations:						
Receipts from customers and others	$ 137,706,345	25,633,785	18,038,508	9,722,944	191,101,582	25,347,060
Payments to suppliers	(82,953,346)	(9,049,315)	(7,149,481)	(5,898,047)	(105,050,189)	(23,688,143)
Payments to employees	(19,521,642)	(6,650,995)	(4,740,214)	—	(30,912,851)	(734,437)
Payments to other funds	—	—	—	13,733	13,733	—
Net cash provided by operating activities	35,231,357	9,933,475	6,148,813	3,838,630	55,152,275	924,480
Cash flows from noncapital financing activities:						
Transfers out – payments in lieu of taxes	(13,145,463)	(2,328,111)	(1,856,376)	—	(17,329,950)	—
Non-operating revenues	—	—	—	(127,642)	(127,642)	—
Advances to(from) other funds	5,511,924	66,596	—	—	5,578,520	—
Net cash (used in) noncapital financing activities	(7,633,539)	(2,261,515)	(1,856,376)	(127,642)	(11,879,072)	—
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(59,451,637)	(3,045,374)	(6,690,175)	(18,262)	(69,205,448)	(7,991)
Capital Lease Payable	(13,346)	—	—	—	(13,346)	
Interest paid on revenue bonds and equipment contracts	(3,042,435)	(2,088,965)	—	(5,256,214)	(10,387,614)	—
Debt expense paid on revenue bonds	(1,332,011)	—	—	—	(1,332,011)	—
Disposal costs from disposition of equipment	(380,920)	—	—	—	(380,920)	—
Proceeds from bond issue	56,159,636	—	—	11,815,000	67,974,636	—
Redemption of revenue bonds	(5,090,000)	(2,965,000)	—	(13,031,177)	(21,086,177)	—
Interest received on special assessment	(10)	—	(6)	—	(16)	—
Net cash (used in) capital and related financing activities	(13,150,723)	(8,099,339)	(6,690,181)	(6,490,653)	(34,430,896)	(7,991)
Cash flows from investing activities:						
Interest on investments	11,936	3,348	2,727	10,941	28,952	14,228
Net cash provided by investing activities	11,936	3,348	2,727	10,941	28,952	14,228
Net increase (decrease) in cash and cash equivalents	14,459,031	(424,031)	(2,395,017)	(2,768,724)	8,871,259	930,717
Cash and cash equivalents at beginning of year	24,255,364	8,265,298	7,003,761	12,058,313	51,582,736	7,407,563
Cash and cash equivalents at end of year	$ 38,714,395	7,841,267	4,608,744	9,289,589	60,453,995	8,338,280
Noncash capital and related financing activities:						
Contributed capital	$ 154,564	931,206	36,249	5,000	1,127,019	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	$ 22,333,925	3,036,476	4,154,958	2,163,388	31,688,747	8,338,280
Restricted assets	16,380,470	4,804,791	453,786	7,126,201	28,765,248	—
Total pooled cash and investments	$ 38,714,395	7,841,267	4,608,744	9,289,589	60,453,995	8,338,280
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 17,052,835	5,094,179	1,594,770	786,055	24,527,839	(138,882)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	15,766,098	3,182,920	2,717,682	1,890,072	23,556,772	3,785
Miscellaneous revenue	1,107,104	1,744,716	23,889	816,565	3,692,274	1,355,451
Change in assets and liabilities:						
Accounts receivable	(286,060)	(320,394)	(58,033)	(429,033)	(1,093,520)	(109,928)
Inventory	180,409	(25,041)	(6,323)	7,203	156,248	23,180
Prepaid items and other assets	(141,834)	—	—	(62,361)	(204,195)	(77,047)
Unbilled revenue	(3,099,508)	(430,741)	(44,946)	—	(3,575,195)	—
Due from other governments	93,000	—	(120,789)	733,554	705,765	—
Special assessments receivable	13,468	—	4,663	—	18,131	—
Accounts and contracts payable	970,017	(297,918)	1,050,671	24,944	1,747,714	(3,750)
Internal balances	—	—	—	13,733	13,733	—
Accrued and other liabilities	101,736	111,489	45,063	(140,221)	118,067	(24,494)
Other post-employment benefits & net pension obligation	2,869,634	1,075,803	871,362	—	4,816,799	118,840
Self-insurance claims payable	—	—	—	—	—	(221,312)
Deferred revenue	—	—	—	231,377	231,377	—
Customer deposits	234,919	—	66,075	(33,258)	267,736	—
Compensated absences	369,539	(201,538)	4,729	—	172,730	(1,363)
Total adjustments	18,178,522	4,839,296	4,554,043	3,052,575	30,624,436	1,063,362
Net cash provided (used) by operating activities	$ 35,231,357	9,933,475	6,148,813	3,838,630	55,152,275	924,480

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Private-Purpose Trust Funds	Agency Funds
Assets:		
Pooled cash and investments	$ 26,195	160,420
Accrued interest receivable	—	492
Total assets	26,195	160,912
Liabilities:		
Accounts and contracts payable	66	8,023
Funds held in escrow	1,060	70,698
Flexible benefit payable	—	82,191
Total liabilities	1,126	$ 160,912
Net assets:		
Held in trust	$ 25,069	

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2012

		Private-Purpose Trust Funds
Additions:		
Charges for services	$	18,540
Interest		11
Other		2
Total additions		18,553
Deductions:		
Capital outlay		21,292
Total deductions		21,292
Change in net assets		(2,739)
Net assets, beginning		27,808
Net assets, ending	$	25,069

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Index to Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Independence, Missouri (the City) was incorporated in 1849 and covers an area of approximately 79 square miles in Jackson County, Missouri. The City is a charter city and operates under the City Council/City Manager form of government. The City Manager is the chief administrative officer of the City. The City provides services to residents in many areas, including law enforcement, fire protection, electrical, water and sewer services, community enrichment and development, recreation and various social services. Elementary, secondary and junior college education services are provided by various school districts, all of which are separate governmental entities.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The following is a summary of the more significant accounting and reporting policies and practices of the City.

(a) The Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. Component units are separate legal entities for which are included in the primary government's financial report. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the City's financial accountability for the potential component unit. An entity is considered a component unit if City officials appoint a voting majority of the component unit's governing body and the City is able to impose its will upon the component unit. Additionally, if the entity provides specific financial benefits to or imposes specific financial burdens on the City, it may be considered a component unit.

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

During 2011-12, the Events Center Community Improvement District (CID) and Crackerneck Creek Transportation Development District (TDD) were added to 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.

During 2011-12, the presentation of the Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission) was changed from a discretely presented component unit in a separate column on the government-wide financial statements to 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 assets and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations of internal charges and interfund balances have been made to minimize the double-counting of internal activities. 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.
>
> ***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.
>
> ***Tax Increment Financing Debt Service Fund*** – This fund is used to account for the financing of finance redevelopment project expenses through payments in lieu of taxes and economic activity taxes.

The City reports the following major enterprise funds:

> ***Power and Light Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's power and light utility facilities and services.
>
> ***Water Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's water utility facilities and services.
>
> ***Sanitary Sewer Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's sanitary sewer utility facilities and services.
>
> ***Events Center Fund*** – This fund accounts for the acquisition and maintenance of the City's events center facility. This fund also includes the operational activities which are managed by the Corporation and the activity of the Events Center CID.

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

> ***Special Revenue Funds*** – These funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.
>
> ***Capital Projects Funds*** – These funds account for the expenditures and related financing sources of major City projects.
>
> ***Debt Service Funds*** – These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
>
> ***Internal Service Funds*** – These funds account for the costs of fleet maintenance, the Staywell Healthcare program, Workers' Compensation fund, and other benefits provided to other departments on a cost-reimbursement basis.
>
> ***Trust Funds*** – These funds account for monies held in trust by the City for preservation and maintenance of the Vaile Mansion.
>
> ***Agency Funds*** – These funds account for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City's cafeteria plan, monies held for the Susie Paxton Block Distinguished Public Service Award, and monies held for the Seniors Travel Program.

(c) Basis of Accounting

Government-wide, Proprietary, and Private-Purpose Trust Fund Financial Statements. The government-wide, proprietary and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues related to exchange transactions are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In accounting and reporting for proprietary fund activities, the City applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The City has elected not to follow FASB guidance subsequent to November 30, 1989. 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 Assets and Liability accounts and the accrual basis of accounting is used to recognize receivables and payables within these accounts. Agency funds do no have operating accounts such as Revenues and Expenses so therefore a measurement focus does not apply to these funds.

(d) Accounts Receivable

Accounts receivable result primarily from sales of electricity, water and sewer services accounted for in the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year. Accounts receivable are expressed net of allowances for doubtful accounts. Allowances for doubtful accounts are based on historical collection trends for the related receivables.

(e) Investments

Investments with original maturities of less than one year are reported at amortized cost, which approximates fair value. Investments with original maturities of greater than one year are recorded at fair value, based on quoted market prices.

(f) Inventory

Inventory of the enterprise funds consists of the coal supply and electric, water and sanitary sewer utility materials and is valued at average cost. Inventory of the Internal Service Fund consists of fuel and vehicle and equipment parts and materials and is valued at the lower of cost or market. Inventory of the Events Center consists of merchandise available for sale, valued at cost.

(g) Prepaid Items

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

(h) Interfund Activity

The City has the following types of interfund activity:

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

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

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

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. The payments in lieu of taxes that the enterprise funds pay to the general fund are handled as transfers out for the enterprise funds and transfers in for the general fund.

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. For property acquired from another utility, the difference between the net cost of plant assets recorded by the selling entity and the purchase price is recorded as an acquisition adjustment. Contributions of capital assets received from federal, state, or local sources are recorded as assets and a capital contribution at fair value at the time of receipt. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City's business-type activities during the fiscal year was $11,559,392. Of this amount, $941,662 was included as part of the cost of the capital assets under construction in connection with power and light, water, and events center projects.

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

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

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

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

(j) Bond Premiums, Discounts, and Issuance Costs

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

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

(k) Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. Sick leave is granted at the rate of eight hours per month. Sick leave may be accumulated without limitation. Upon termination, compensation for accrued sick leave is paid up to the equivalent of six months' for General Fund employees and nine months for Firefighters of regular earnings at the employee's current rate of pay and compensation for vacation is paid up to a maximum of 400 hours for General Fund employees and 780 hours for 24 hour shift Firefighters.

The liability for compensated absences reported in the government-wide and proprietary fund statements has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) Fund Balances

In the fund financial statements, governmental funds report 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 (resolution or ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified amounts by use of the same formal action that it employed to previously commit the funds.

Assigned – consists of amounts which are constrained by City management's intent for these to be used for a specific purpose but are neither formally restricted by external sources nor committed by City Council action. The Fund Balance Policy authorizes the City Manager to assign amounts for a specific purpose in this category. Likewise, the City Manager has the authority to take necessary actions to un-assign amounts in this category. Encumbrances shall be considered as assigned, unless they specifically meet the requirements to be committed or restricted.

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

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

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

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

(m) Net Assets

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

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds of $21,209,412 for governmental activities, $2,467,547 for Power and Light, $3,765,682 for Water and $7,003,358 for the Events Center.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation consists of $1,482,059 for the License Surcharge; $4,591,176 for the Street Sales Tax; $6,424,309 for Storm Water Sales Tax; $3,978,737 for Public Safety Sales Tax; and $12,828,778 for debt service.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(n) Statement of Cash Flows

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

(o) Use of Estimates

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

(p) New Accounting Pronouncements

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

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

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

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

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

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City will implement GASB No. 65 beginning with the year ended June 30, 2014.

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

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25.* This statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The City will implement GASB No. 67 beginning with the year ended June 30, 2014.

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

(2) Deposits and Investments

At June 30, 2012, the carrying values of deposits and investments are summarized as follows:

Investments:		
Short-term investments held in trust (bond reserves):		
Federal Home Loan Mortgage Corporation	$	20,598,604
Federal National Mortgage Association		19,294,265
Money Market		5,719,681
U.S. Treasury Bill		200,000
Investment pool:		
U.S. Treasury Bond		26,652
Total investments		45,839,202
Deposits and repurchase obligations		59,378,663
Petty cash		9,331
Total	$	105,227,196

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

		Government-Wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Primary Government Total
Pooled cash and investments	$	54,762,213	186,615	54,948,828
Restricted cash and investments		50,278,368	—	50,278,368
	$	105,040,581	186,615	105,227,196

Investment Policy

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

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in U.S. Government securities and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned is allocated to the funds on the basis of average monthly cash and investment balances. Only funds with overdrawn balances (cash and investments) are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

Credit Risk/Concentration of Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is the City's policy to limit its investments to Certificates of Deposit and Bonds or other obligations of the United States. The City's investment policy does not specify maximum or minimum investment concentrations by investment type. The credit rating and concentration of the City's investment in debt securities are as follows:

Issuer	Moody's Credit Rating	Percent of Total Investments
Federal Home Loan Mortgage Corporation	AAA	45.15%
Federal National Mortgage Association	AAA	42.29%

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, 2012, 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, 2012.

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, 2012, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of $26,652 that will mature in 2027.

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2012 is as follows:

	General	TIF Debt Service	Nonmajor Governmental Funds	Total
Real estate tax	$ 7,302,884	7,354,436	24,515	14,681,835
Railroad utilities tax	35,226	—	—	35,226
Cigarette tax	454,745	—	—	454,745
Transient guest tax	—	—	1,219,340	1,219,340
Sales tax	16,291,018	5,585,739	19,254,189	41,130,946
Franchise tax	10,914,940	—	—	10,914,940
	$ 34,998,813	12,940,175	20,498,044	68,437,032

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

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2011, on which the fiscal 2012 levy was based, was $1,287,127,388.

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, 2012 were $0.4924 for the General Fund, $0.2312 for Public Health and Recreation, and $0.5596 for the Independence Square Benefit District Fund.

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2012 consisted of the following:

	General Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total
Federal				
Department of Agriculture	$ —	—	8,894	8,894
Department of Commerce	—	—	809,781	809,781
Department of Housing & Urban Development				
Community Development Block Grant	—	—	915,561	915,561
Neighborhood Stabilization Program	—	—	1,255,247	1,255,247
Emergency Shelter Grant	—	—	142,334	142,334
Home Investment Partnership	—	—	181,770	181,770
Department of Justice	—	—	1,012,543	1,012,543
Department of Transportation	25,393	12,158,162	364,532	12,548,087
Department of Energy	—	—	485,765	485,765
Department of Health & Human Services	25,000	—	318,129	343,129
Corporation for National & Community Service	—	—	229,689	229,689
Executive Office of the President	—	—	118,614	118,614
Department of Homeland Security	785	—	350,858	351,643
US Postal Inspection Service	—	—	703	703
Total Federal	51,178	12,158,162	6,194,420	18,403,760
State & Local				
Department of Agriculture	—	—	2,000	2,000
Department of Health & Human Services	—	—	70,584	70,584
Department of Revenue				
Motor Vehicle Fuel Tax	3,053,163	—	—	3,053,163
Motor Vehicle Sales Tax	709,407	—	—	709,407
Motor Vehicle Fees	489,348	—	—	489,348
Financial Institutions Tax	21,646	—	—	21,646
Division of Highway Safety	—	—	15,033	15,033
Division of Tourism	—	—	87,621	87,621
Department of Public Safety	—	—	18,246	18,246
Mid America Regional Council	—	—	298,726	298,726
Jackson County Anti Drug Tax	612,418	—	—	612,418
Jackson County DARE	295,789	—	—	295,789
Healthcare Foundation of Greater Kansas City	—	—	24	24
American Society for the Prevention of Cruelty to Animals	—	—	27,285	27,285
General Mills	—	—	4,149	4,149
Fireman's Fund Heritage Grant	—	—	6,029	6,029
US Soccer Foundation	—	—	12,500	12,500
Total State & Local	5,181,771	—	542,197	5,723,968
Grand Total	$ 5,232,949	12,158,162	6,736,617	24,127,728

Amounts due from other governments at June 30, 2012 are as follows:

		Federal	State	Local	Total
General Fund:					
Department of Health & Human Services	$	4,167	—	—	4,167
Department of Transportation		25,393	—	—	25,393
Department of Revenue					
Motor Vehicle Fuel Tax		—	525,000	—	525,000
Motor Vehicle Sales Tax		—	65,000	—	65,000
Motor Vehicle License Fees		—	125,000	—	125,000
		29,560	715,000	—	744,560
Street Improvements Fund:					
Department of Transportation		1,565,090	—	—	1,565,090
		1,565,090	—	—	1,565,090
TIF Debt Service Fund:					
State Sales Tax		—	110,000	—	110,000
County Sales Tax		—	—	360,947	360,947
39th St Transportation Development District		—	—	36,873	36,873
		—	110,000	397,820	507,820
Nonmajor Governmental Funds:					
Department of Agriculture		1,290	—	—	1,290
Department of Justice		333,426	—	—	333,426
Department of Transportation		74,243	—	—	74,243
Department of Health & Human Services		56,557	—	—	56,557
Department of Homeland Security		116,609	—	—	116,609
Department of Housing & Urban Development		150,952	—	—	150,952
Executive Office of the President		82,460	—	—	82,460
Missouri State Safety Center		—	608	—	608
Missouri Department of Health		—	6,858	—	6,858
Missouri Division of Highway Safety		—	1,960	—	1,960
Missouri Division of Tourism		—	36,481	—	36,481
United States Postal Service		703	—	—	703
		816,240	45,907	—	862,147
Totals	$	2,410,890	870,907	397,820	3,679,617

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2012, consisted of the following:

		Due from Street Improvements	Due From TIF Debt Service	Due from Nonmajor Governmental	Due from Events Center	Total
Due to:						
Governmental activities:						
General Fund	$	1,880,143	99,871	266,987	12,016	2,259,017
Street Improvements		—	9,709	—	—	9,709
TIF Debt Service		—	658,060	—	—	658,060
Nonmajor governmental		—	115,418	6,332,709	387,329	6,835,456
Total governmental activities		1,880,143	883,058	6,599,696	399,345	9,762,242
Total	$	1,880,143	883,058	6,599,696	399,345	9,762,242

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 2012 were as follows:

		Interfund Charges		Rent
Nonmajor governmental funds	$	144,005	$	18,200
Power and Light Fund		1,890,821		56,100
Sanitary Sewer Fund		798,443		21,000
Water Fund		958,175		33,100
	$	3,791,444	$	128,400

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 2012 as follows:

Sanitary Sewer Fund	$	214,096
Power and Light Fund		1,125,057
	$	1,339,153

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2012 as follows:

Sanitary Sewer Fund	$	191,829
Water Fund		948,376
	$	1,140,205

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of $13,145,463, $2,328,111 and $1,856,376 in fiscal year 2012 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, 2012, consisted of the following:

		Transfer Out			
		General	**Tax Increment Financing**	**Nonmajor Governmental**	**Total**
Transfers In:					
Street Improvements	$	—	1,194,551	1,771,088	2,965,639
Tax Increment Financing		4,636,010	—	421,620	5,057,630
Nonmajor governmental		63,271	—	359,958	423,229
Total Primary Government	$	4,699,281	1,194,551	2,552,666	8,446,498

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

(6) Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 30,118,108	96,076	—	30,214,184
Construction work in progress	85,868,879	24,344,891	(69,812,757)	40,401,013
Total nondepreciable capital assets	115,986,987	24,440,967	(69,812,757)	70,615,197
Depreciable capital assets:				
Land improvements	7,443,360	1,019,316	—	8,462,676
Buildings	49,649,381	176,241	—	49,825,622
Building improvements	15,268,736	163,545	—	15,432,281
Improvements other than buildings	32,029,672	152,990	—	32,182,662
Office furniture and equipment	519,647	23,474	(5,314)	537,807
Computer equipment	1,921,297	238,977	—	2,160,274
Mobile equipment	21,901,752	468,049	(498,740)	21,871,061
Other equipment	6,139,528	1,095,858	(99,536)	7,135,850
Infrastructure	256,407,127	67,466,406	—	323,873,533
Total depreciable capital assets	391,280,500	70,804,856	(603,590)	461,481,766
Less accumulated depreciation for:				
Land improvements	(878,732)	(367,361)	—	(1,246,093)
Buildings	(10,605,937)	(1,239,627)	—	(11,845,564)
Building improvements	(4,710,429)	(765,220)	—	(5,475,649)
Improvements other than buildings	(8,393,079)	(1,576,303)	—	(9,969,382)
Office furniture and equipment	(463,464)	(20,253)	5,314	(478,403)
Computer equipment	(1,388,062)	(229,367)	—	(1,617,429)
Mobile equipment	(15,288,119)	(1,269,040)	474,250	(16,082,909)
Other equipment	(3,316,777)	(543,239)	52,553	(3,807,463)
Infrastructure	(128,610,206)	(9,793,537)	—	(138,403,743)
Total accumulated depreciation	(173,654,805)	(15,803,947)	532,117	(188,926,635)
Total depreciable capital assets, net	217,625,695	55,000,909	(71,473)	272,555,131
Governmental activities capital assets, net	$ 333,612,682	79,441,876	(69,884,230)	343,170,328

Depreciation expense was charged to functions as follows:

Administrative services	$	301,126
Public safety		2,564,930
Public works		9,026,950
Health and welfare		103,152
Culture and recreation		1,608,833
Community development		71,820
Storm water		1,188,804
General government		934,547
Total		15,800,162
In addition, depreciation on capital assets held by the City's Central Garage Fund is charged to the various functions based on their usage of the assets		3,785
Total depreciation expense	$	15,803,947

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	$ 2,953,206	108,909	—	3,062,115
Construction in progress	36,727,548	13,152,417	(36,078,261)	13,801,704
Total nondepreciable capital assets	39,680,754	13,261,326	(36,078,261)	16,863,819
Depreciable capital assets:				
Infrastructure:				
Production plant	169,679,498	60,833,392	(3,166,055)	227,346,835
Transmission plant	27,827,649	9,797,658	(406,237)	37,219,070
Distribution plant	136,847,019	7,704,598	(648,873)	143,902,744
General plant	6,084,335	13,647		6,097,982
Other	2,755,568	—	—	2,755,568
Total infrastructure	343,194,069	78,349,295	(4,221,165)	417,322,199
Machinery and equipment	14,764,470	5,033,249	(368,807)	19,428,912
Total depreciable capital assets	357,958,539	83,382,544	(4,589,972)	436,751,111
Less accumulated depreciation:				
Infrastructure	(192,050,889)	(15,410,785)	4,602,087	(202,859,588)
Machinery and equipment	(13,963,323)	(927,262)	368,806	(14,521,779)
Total accumulated depreciation	(206,014,212)	(16,338,047)	4,970,893	(217,381,367)
Total depreciable capital assets, net	151,944,327	67,044,496	380,921	219,369,744
Total power and light capital assets	$ 191,625,081	80,305,822	(35,697,340)	236,233,563

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Water Fund:				
Nondepreciable capital assets:	$			
Land	2,164,725	—	—	2,164,725
Construction in progress	2,514,868	4,006,944	(6,263,222)	258,590
Total nondepreciable capital assets	4,679,593	4,006,944	(6,263,222)	2,423,315
Depreciable capital assets:				
Infrastructure:				
Nonutility property	40,014	—	—	40,014
Source of supply	7,517,024	318,497	—	7,835,521
Pumping plant	15,088,585	202,176	(14,450)	15,276,311
Treatment plant	23,046,740	137,296	(48,373)	23,135,663
Transmission plant	77,375,203	5,614,395	(87,216)	82,902,382
General plant	1,905,450	8,268	(619)	1,913,099
Other	12,547,766	—	—	12,547,766
Total infrastructure	137,520,782	6,280,632	(150,658)	143,650,756
Machinery and equipment	6,459,877	19,899	(140,096)	6,339,680
Total depreciable capital assets	143,980,659	6,300,531	(290,754)	149,990,436
Less accumulated depreciation:				
Intrastructure	(35,632,300)	(2,858,259)	155,831	(38,334,728)
Machinery and equipment	(3,198,561)	(406,225)	140,755	(3,464,031)
Total accumulated depreciation	(38,830,861)	(3,264,484)	296,586	(41,798,759)
Total depreciable capital assets, net	105,149,798	3,036,047	5,832	108,191,677
Total water capital assets	$ 109,829,391	7,042,991	(6,257,390)	110,614,992

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	$ 330,191	—	—	330,191
Construction in progress	2,615,100	7,582,852	(726,885)	9,471,067
Total nondepreciable capital assets	2,945,291	7,582,852	(726,885)	9,801,258
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	96,057,787	832,239	—	96,890,026
Pumping plant	5,325,151	—	—	5,325,151
Treatment plant	12,892,361	—	—	12,892,361
General plant	1,591,994	—	—	1,591,994
Total infrastructure	115,913,661	832,239	—	116,745,900
Machinery and equipment	6,290,905	80,732	(29,582)	6,342,055
Total depreciable capital assets	122,204,566	912,971	(29,582)	123,087,955
Less accumulated depreciation:				
Infrastructure	(49,514,618)	(2,217,291)	—	(51,731,909)
Machinery and equipment	(4,969,536)	(531,440)	15,950	(5,485,026)
Total accumulated depreciation	(54,484,154)	(2,748,731)	15,950	(57,216,935)
Total depreciable capital assets, net	67,720,412	(1,835,760)	(13,632)	65,871,020
Total sewer capital assets	70,665,703	5,747,092	(740,517)	75,672,278
Events Center:				
Nondepreciable capital assets:				
Land	5,796,315	—	—	5,796,315
Construction in progress	—	—	—	—
Total nondepreciable capital assets	5,796,315	—	—	5,796,315
Depreciable capital assets:				
Infrastructure	65,568,073	13,378	—	65,581,451
Machinery and equipment	3,546,046	9,884	—	3,555,930
Total depreciable capital assets	69,114,119	23,262	—	69,137,381
Less accumulated depreciation:				
Infrastructure	(2,714,399)	(1,639,279)	—	(4,353,678)
Machinery and equipment	(417,309)	(250,793)	—	(668,102)
Total accumulated depreciation	(3,131,708)	(1,890,072)	—	(5,021,780)
Total depreciable capital assets, net	65,982,411	(1,866,810)	—	64,115,601
Total events center capital assets	71,778,726	(1,866,810)	—	69,911,916
Total business-type activities capital assets	$ 443,898,901	91,229,095	(42,695,247)	492,432,749

Depreciation expense was charged to functions as follows:

Business-type activities:		
Power and light	$	15,766,098
Water		3,182,920
Sanitary sewer		2,717,682
Events center		1,890,072
Total business-type activities depreciation expense	$	23,556,772

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, 2012 the difference for Power and Light is $571,949 and the difference for Water is $81,564.

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

(7) Long-Term Obligations

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

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2012:

		Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:						
Loans and notes payable:						
Loans payable	$	11,465,000	—	3,270,000	8,195,000	3,410,000
TIF loans		182,970,000	7,210,000	14,980,000	175,200,000	8,110,000
Capital lease obligations		292,063	1,484,700	133,999	1,642,764	232,463
Neighborhood Improvement District (NID)		668,000	—	69,000	599,000	70,000
Premium (discount), net		(1,730,270)	(99,950)	(65,943)	(1,764,277)	2,065
Deferred amount on refunding		(674,169)	(245,027)	(79,875)	(839,321)	—
Total loans and notes payable		192,990,624	8,349,723	18,307,181	183,033,166	11,824,528
Other liabilities:						
Compensated absences		16,379,564	6,017,299	6,557,031	15,839,832	6,321,229
Other post-employment benefits		24,954,484	8,577,461	—	33,531,945	—
Net pension obligation		2,131,128	1,146,541	—	3,277,669	—
TIF developer obligations		25,169,718	591	730,353	24,439,956	1,007,290
Total other liabilities		68,634,894	15,741,892	7,287,384	77,089,402	7,328,519
Total Governmental Activities	$	261,625,518	24,091,615	25,594,565	260,122,568	19,153,047

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	$ 64,530,000	55,185,000	5,090,000	114,625,000	3,940,000
Premium on bonds payable	840,222	974,636	35,131	1,779,727	—
Less deferred amount on refunding	(798,286)	(164,111)	(431,244)	(531,153)	—
Total revenue bonds	64,571,936	55,995,525	4,693,887	115,873,574	3,940,000
Capital lease obligations	13,346	—	13,346	—	
Compensated absences	4,921,095	2,718,351	2,348,811	5,290,635	1,680,094
Other post-employment benefits	6,569,362	2,381,538	—	8,950,900	—
Net pension obligation	788,334	488,096	—	1,276,430	—
Total Power and Light Fund	76,864,073	61,583,510	7,056,044	131,391,539	5,620,094
Water Fund:					
Revenue bonds	46,210,000	—	2,965,000	43,245,000	3,180,000
Premium on bonds payable	629,943	—	118,114	511,829	—
Less deferred amount on refunding	(346,863)	—	(65,036)	(281,827)	—
Total revenue bonds	46,493,080	—	3,018,078	43,475,002	3,180,000
Capital lease obligations	5,872	—	5,872	—	—
Compensated absences	1,680,019	256,953	524,905	1,412,067	422,073
Other post-employment benefits	2,722,515	962,739	—	3,685,254	—
Net pension obligation	227,339	113,064	—	340,403	—
Total Water Fund	51,128,825	1,332,756	3,548,855	48,912,726	3,602,073
Sanitary Sewer Fund:					
Capital lease obligations	2,135	—	2,135	—	—
Compensated absences	1,035,259	440,421	435,692	1,039,988	327,665
Other post-employment benefits	2,096,223	791,654	627	2,887,250	—
Net pension obligation	148,829	80,335	—	229,164	—
Total Sanitary Sewer Fund	3,282,446	1,312,410	438,454	4,156,402	327,665
Events Center Fund:					
Revenue bonds	84,905,000	11,815,000	11,065,000	85,655,000	325,000
Less deferred amount on refunding	—	(2,010,718)	(44,541)	(1,966,177)	—
Total Events Center Fund	84,905,000	9,804,282	11,020,459	83,688,823	325,000
Total business-type activities	$ 216,180,344	74,032,958	22,063,812	268,149,490	9,874,832

Debt service requirements on long-term debt with schedules maturities at June 30, 2012 are as follows:

	Governmental Activities							
	Loans Payable		NID Payable		TIF Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 3,410,000	341,056	70,000	31,312	8,110,000	9,034,057	11,590,000	9,406,425
2014	1,390,000	204,344	75,000	27,774	8,595,000	8,674,037	10,060,000	8,906,155
2015	1,450,000	139,856	75,000	23,987	9,175,000	8,283,939	10,700,000	8,447,782
2016	460,000	69,694	80,000	20,212	9,735,000	7,858,461	10,275,000	7,948,367
2017	475,000	52,153	81,000	15,999	10,315,000	7,386,679	10,871,000	7,454,831
2018 - 2022	1,010,000	44,006	198,000	24,927	63,695,000	28,460,705	64,903,000	28,529,639
2023 - 2027	—	—	20,000	1,880	57,075,000	12,069,282	57,095,000	12,071,162
2028	—	—	—	—	8,500,000	414,431	8,500,000	414,431
	$ 8,195,000	851,108	599,000	146,091	175,200,000	82,181,591	175,494,000	82,764,360

	Business-type Activities							
	Power and Light		Water		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 3,940,000	5,952,750	3,180,000	2,760,713	325,000	4,532,288	7,445,000	13,245,751
2014	4,830,000	5,427,032	3,395,000	2,508,448	355,000	4,522,788	8,580,000	12,458,268
2015	2,965,000	5,249,832	3,655,000	2,220,258	355,000	4,512,319	6,975,000	11,982,409
2016	3,080,000	5,134,894	3,955,000	1,904,623	360,000	4,501,459	7,395,000	11,540,976
2017	3,205,000	5,011,694	4,005,000	1,530,108	440,000	4,490,288	7,650,000	11,032,089
2018 - 2022	16,585,000	22,703,970	7,180,000	5,810,469	4,015,000	22,077,675	27,780,000	50,592,114
2023 - 2027	19,695,000	18,315,295	9,215,000	3,777,809	8,060,000	20,653,538	36,970,000	42,746,643
2028 - 2032	23,195,000	13,047,496	8,660,000	862,872	21,325,000	17,575,631	53,180,000	31,485,999
2033 - 2037	37,130,000	6,184,511	—	—	36,050,000	10,263,638	73,180,000	16,448,149
2038	—	—	—	—	14,370,000	820,838	14,370,000	820,838
	$ 114,625,000	87,027,474	43,245,000	21,375,301	85,655,000	93,950,461	243,525,000	202,353,234

(a) Governmental activities

(1) Loans Payable – Missouri Development Finance Board

Governmental activities loans payable at June 30, 2012 are comprised of the following:

$6,175,000 Series 2005 (Aquatics Facilities Project) annual installments of $300,000 to $450,000 through 2013; interest at 3.00% to 5.00%.	$	890,000
$8,225,000 Series 2005 (Public Safety Facilities Projects) annual installments of $670,000 to $1,010,000 through 2015; interest at 4.00% to 5.25%.		2,890,000
$5,485,000 Series 2006 (Park Projects) annual installments of $1,010,000 to $1,190,000 through 2013; interest at 4.25%.		1,190,000
$4,020,000 Series 2009 (Streets Projects) annual installments of $395,000 to $515,000 through 2018; interest at 3.50% to 4.375%.		3,225,000
Total Governmental Activities Loans Payable	$	8,195,000

(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, 2012 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%	$	520,000
$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%		79,000
Total Neighborhood Improvement District	$	599,000

(3) Capital Lease Obligations

Capital leases payable at June 30, 2012 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of $64,437 to $89,484 through 2013; interest at 4.19%	$	175,370
Missouri Development Finance Board (IBM computer) monthly installments of $2,868 to $3,111 through 2016; interest at 2.04%		126,227
Motorola Solutions (radio equipment) semi-annual installments of $56,700 to $78,539 through 2022; interest at 3.4593%		1,341,167
Total Capital Lease Obligations	$	1,642,764

The cumulative amount of assets acquired under the capital leases described above amounted to $788,673 as of June 30, 2012.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year ending June 30:		
2013	$	287,309
2014		290,426
2015		197,192
2016		181,610
2017		159,794
2018 - 2022		798,971
		1,915,302
Less imputed interest		(272,539)
Present value of minimum lease payments	$	1,642,764

(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 $257.4 million in tax increment financing loans (TIF Loans) issued at various dates beginning in 1999 to finance redevelopment projects within each of the respective TIF plans. The loans are payable solely from the incremental increase in property taxes and sales taxes generated within the TIF plans. TIF revenues were projected to produce sufficient funds to meet debt service requirements over the life of the TIF loans. Should TIF revenues not be sufficient to meet the required debt service obligations, neither the City nor the Commission is obligated to make such loan payments from any other sources of its revenues. However, the City has appropriated funds sufficient to make all payments required by the bonds for the next fiscal year. During this fiscal year, the City's general fund paid $4,142,859 in debt service payments for the Crackerneck Creek development. The City has appropriated $4,571,206 from the General Fund for the Crackerneck Creek development debt service payments due in fiscal year 2012-13.

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, 2012, total principal and interest remaining on the loans was $257.4 million and the outstanding developer obligations was $24.4 million. The loans are scheduled to mature at varying amounts through 2028 and the developer obligations are payable to the extent incremental taxes are available for a period not to exceed 23 years.

For the current year, principal and interest paid on TIF loans and developer obligations totaled $18.3 million. Incremental revenues from the City included $3.3 million in sales taxes and $.8 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, City and developer contributions, cash reserves, and debt trust funds.

Missouri Development Finance Board Loans Payable

$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%	$	625,000
$11,325,000 Series 20005 C (Crackerneck Creek TIF) annual installements of $185,000 to $1,270,000 through 2026; interest at 4.00% to 5.00%		10,175,000
$48,370,000 Series 2006 A&B (Crackerneck Creek TIF) annual installments of $340,000 to $8,225,000 through 2026; interest at 5.30% to 6.00%		44,855,000
$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of $3,500,000 to $5,385,000 through 2026; interest at 5.00%		12,790,000
$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of $70,000 to $170,000 through 2020; interest at 4.00% to 4.625%		1,085,000
$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of $120,000 to $445,000 through 2028; interest at 4.00% to 4.25%		4,445,000
$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%		12,765,000
$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of $555,000 to $1,060,000 through 2020; interest at 4.00% to 5.00%		7,295,000
$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of $385,000 to $1,795,000 through 2023; interest at 5.41% to 6.096%		7,990,000
$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%		625,000
$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of $425,000 to $2,670,000 through 2028; interest at 4.75% to 5.125%		17,750,000
$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of $280,000 to $925,0000 through 2017; interest at 4.30% to 5.70%		3,595,000
$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of $615,000 to $1,635,0000 through 2025; interest at 4.00% to 5.125%		7,920,000
$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of $370,000 to $2,515,0000 through 2022; interest at 4.00% to 5.125%		7,630,000
$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of $30,000 to $420,000 through 2022; interest at 3.250% to 5.00%		1,110,000

$13,315,000 Series 2008 F (HCA - Centerpoint TIF) annual installments of $195,000 to $1,940,000 through 2027; interest at 4.000% to 6.000%		11,750,000
$4,600,000 Series 2008 G (Eastland Center TIF) annual installments of $120,000 to $885,000 through 2022; interest at 4.00% to 5.25%		3,905,000
$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of $135,000 to $480,000 through 2022; interest at 4.00% to 5.500%		2,765,000
$3,630,000 Series 2009 J (Eastland Center TIF) annual installments of $110,000 to $835,000 through 2022; interest at 3.00% to 4.50%		3,040,000
$4,130,000 Series 2009 H (Crackerneck Creek TIF) one installment of $4,130,000 through 2026; interest at 7.250%		4,130,000
$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of $65,000 to $525,000; interest at 3.00% to 5.00%		2,120,000
$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of $365,000 to $1,815,000; interest at 2.000% to 4.125%		6,345,000
$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of $50,000 to $165,000; interest at 2.000% to 3.000%		490,000
Total Discretely Presented Component Unit	$	175,200,000

Restricted assets held by the Commission of $20,136,425 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 Advance Refunding

On November 22, 2011, the City entered into a loan payable through the Missouri Development Finance Board of $6,720,000 with interest rates ranging from 2.000% to 4.125%, to advance refund $7,120,000 of the outstanding 2003 Hartman Heritage TIF loan payable, with interest rates ranging from 2.00% to 5.00%. The acquisition of the new refunding loan carried a discount of $99,051 and resulted in a deferred amount on refunding of $245,027. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $283,608 which resulted in an economic gain of $226,056.

(b) Bass Pro Lease

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing (TIF) Plan. The Crackerneck Creek TIF Plan provides for the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek Project (the Project) is scheduled to include (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel. In January 2010, a 55,000 square foot Hobby Lobby opened and in late 2009 a 23,000 square foot Mardel opened. During early 2011, an 8,000 square foot Cheddar's Restaurant opened. The City and the developer remain in discussions regarding securing additional retail and hotel development for the project. However, no additional agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

As part of the Project, the City has entered into the Lease Agreement (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City will own a 150,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions as contained in the Bass Pro Lease. Under the Bass Pro Lease the City is obligated to make $25,000,000 available to Bass Pro. This amount was funded from the proceeds of the Series 2006A Bonds. The proceeds of the Series 2006B, 2006C, 2008A, and 2008B Bonds have been used to fund other costs related to the development of the site. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City.

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

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

The total amount of all bonds to be issued by the City for this project is expected to be approximately $110,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately $73,600,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves.

The City delivered the Pad to Bass Pro concurrently with the delivery of the Bonds. Under the terms of the lease, Bass Pro must begin payments of rent to the City at the end of the Construction Period (a period of 455 days subsequent to delivery of the Pad) which occurred on June 28, 2007. Construction on the Bass Pro building is completed, and the Bass Pro store opened in February 2008.

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

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

Calendar Year		**Amount**
2012	$	1,000,000
2013		1,000,000
2014		1,000,000
2015		1,000,000
2016		1,000,000
2017-2021		5,000,000
2022-2026		5,000,000
Total	$	15,000,000

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2012 are comprised of the following individual issues:

Power and Light Fund:		
$31,415,000 Series 2009 D annual installments of $810,000 to $4,125,000 through 2034; interest at 3.75% to 5.75%	$	31,415,000
$33,645,000 Series 2010 B annual installments of $600,000 to $4,030,000 through 2035; interest at 2.00% to 5.250%		28,025,000
$55,185,000 Series 2012 A annual installments of $150,000 to $11,900,000 through 2037; interest at 2.00% to 5.00%		55,185,000
Less deferred amount on refunding		(531,153)
Total Power and Light fund		114,093,847
Water Fund:		
$14,785,000 Series 2004 annual installments of $490,000 to $1,105,000 through 2025; interest at 3.054% to 5.00%		10,990,000
$17,520,000 Series 2009 C annual installments of $505,000 to $4,205,000 through 2029; interest at 4.00% to 5.75%		17,520,000
$19,310,000 Series 2009 E annual installments of $2,210,000 to $3,245,000 through 2016; interest at 3.00% to 4.00%		14,735,000
Less deferred amount on refunding		(281,827)
Total Water Fund		42,963,173
Events Center Fund:		
$12,325,000 Series 2008 D semi-annual installments of $30,000 to $410,000 through 2038; interest at 4.00% to 5.75%		11,795,000
$15,190,000 Series 2009 A semi-annual installments of $5,000 to $2,035,000 through 2038; interest at 6.125% to 6.750%		15,190,000
$44,045,000 Series 2009 F annual installments of $100,000 to $9,365,000 through 2038; interest at 5.00% to 6.25%		44,045,000
$2,950,000 Series 2010 A annual installments of $70,000 to $485,000 through 2038; interest at 4.50% to 5.75%		2,950,000
$11,815,000 Series 2011 A annual installments of $70,000 to $1,585,000 through 2038; interest at 2.00% to 5.50%		11,675,000
Less deferred amount on refunding		(1,966,177)
Total Events Center Fund		83,688,823
Total revenue bonds	$	240,745,843

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

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

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

	Enterprise Funds			
Account	**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**
Principal and interest	$ 11,951,872	—	—	122,843
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	2,467,547	3,765,682	—	7,003,358
Total revenue bond reserves	14,419,419	4,265,682	—	7,126,201
Customer deposits	1,800,971	503,356	425,019	—
Purchase of Dogwood Plant	24,600	—	—	—
Workers' compensation	135,480	35,753	28,767	—
Total	$ 16,380,470	4,804,791	453,786	7,126,201

Various bond ordinances and indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such financial limitations and restrictions.

(a) Advance Refunding

On 04/05/12, the City issued revenue bonds through the Missouri Development Finance Board of $55,185,000 with interest rates ranging from 2% to 5%, of this amount $1,420,000 was used to advance refund $1,270,000 of the outstanding 2003 Power & Light revenue bonds, with interest rates ranging from 3.45% to 3.65%. The acquisition of the new refunding bonds carried a premium of $974,635 and resulted in a deferred amount on refunding of $164,111. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $9,445 which resulted in an economic gain of $3,147.

On November 15, 2011, the City issued revenue bonds through the Missouri Development Finance Board of $11,815,000 with interest rates ranging from 2.00% to 5.50%, to provide funding to advance refund $10,725,000 of outstanding 2008 Events Center Project revenue bonds with interest rates ranging from 6.75% to 7.00%. The acquisition of the new refunding bonds resulted in a deferred amount on refunding of $2,010,718 and will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by $1,081,284 which resulted in an economic gain of $539,617.

(b) Pledged Revenues

The Power and Light and Water Bonds are secured by a pledge of revenues, net of specified operating expenses to repay revenue bonds issued. The pledged revenue information for June 30, 2012 is as follows:

Date Issued	**Description**	**Purpose of Debt**	**Revenue Pledged**	**Term of Commitment**		**Principal & Interest Remaining**	**Principal & Interest 2011-2012**	**Net Available Revenues 2011-2012**
03/2009	Power and Light Leasehold Revenue Bonds	Electric System Projects	Appropriated Revenues	through 2034	$	51,771,531	1,608,025	
11/2010	Power and Light Leasehold Revenue Bonds	Electric System Projects	Appropriated Revenues	through 2035		41,756,900	4,593,138	
03/2012	Power and Light Revenue Bonds	Electric System - Dogwood	Appropriated Revenues	through 2037		108,124,037	-	
					$	201,652,468	6,201,163	36,800,523
06/2004	Water Revenue Bonds	Water System Improvements	Appropriated Revenues	through 2025	$	14,868,013	1,149,095	
03/2009	Water Revenue Bonds	Water System Improvements	Appropriated Revenues	through 2030		31,146,300	951,863	
10/2009	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2017		16,270,925	2,960,383	
					$	62,285,238	5,061,341	11,161,402

(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, 2012, District revenues paid to the City for debt service totaled $5,457,356. The remaining debt service amounts of $15,428 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, 2012, were $33,716.

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, 2012, were $86,442.

(9) Employee Retirement System

Plan Description

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

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

Funding Policy

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 10.3% (General), 11.5% (Police), and 12.1% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 29, 2012, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was $210,700,773. The actuarial value of assets was $125,863,329 which results in an unfunded accrued liability (UAL) of $84,837,444 and a funded ratio of 60%. The covered payroll (annual payroll of active employees covered by the plan) was $65,208,725 which results in a ratio of the UAL to the covered payroll of 130%.

The schedule of funding progress (Exhibit 11), presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

The number of retirees and beneficiaries receiving LAGERS benefits, as of February 29, 2012, which is the effective date of the current LAGERS actuarial valuation, is 841. There have been no significant changes in the number of covered participants since that date.

Annual Pension Cost & Net Pension Obligation

The City's annual pension cost and net pension obligation as of June 30, 2012 are as follows:

Annual required contribution	$	9,035,315
Interest on net pension obligation		238,933
Adjustment to annual required contribution		(181,819)
Annual pension cost		9,092,429
Actual contributions		7,264,393
Increase in net pension obligation		1,828,036
Beginning net pension obligation		3,295,630
Ending net pension obligation	$	5,123,666

The City's annual pension cost (APC), the percentage of APC contributed to the plan, and the net pension obligation for the fiscal year ending June 30, 2012 is as follows:

		Annual Pension Cost (APC)		Percentage of APC Contributed		Net Pension Obligation
Fiscal year ending:						
June 30, 2010	$	5,502,058	%	100.0	$	—
June 30, 2011		10,047,652		67.2		3,295,630
June 30, 2012		9,092,429		79.9		5,123,666

For 2012, the City's annual pension cost of $9,092,429 was not equal to the required and actual contribution which resulted in an increase to the Net Pension Obligation of $1,828,036 resulting in an ending Net Pension Obligation balance of $5,123,666. The required contribution was determined as part of the February 28, 2010 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

(a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually;

(b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation;

(c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit;

(d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table, set back 0 years for men and women; and

(e) post-retirement mortality based on the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2010 was 30 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2012, 2011, and 2010.

(10) Post-Employment Health Benefits

In addition to the pension benefits described in Note (9), the City provides post-employment healthcare benefits to all retired employees meeting the service criteria for this benefit. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in a future year when it actually will be paid. Under the guidelines of GASB Statement No. 45, the City recognizes the cost of post-employment healthcare benefits in the year when the employee services are provided, reports the accumulated liability from prior years, and provides additional information useful to assess potential demands on the City's future cash flows. Recognition of the liability that has accumulated from prior year's service will be phased in over 30 years, commencing with the initial liability recorded in 2007-08.

Plan Description

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

The number of participants that either are, or potentially could be, covered by the City's plan, as of January 1, 2011, which is the effective date of the current OPEB actuarial valuation, is listed below. There have been no significant changes in the number of covered participants or the type of coverage since that date.

Active Employees	1,067
Retirees & covered spouses of retirees	988
Total Participants	2,055

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) which represents an amount that is actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus the amortization of the unfunded actuarial liability over a period of time that the City has selected as being thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount of expected employer contributions to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	$	19,459,020
Interest on net OPEB obligation		1,453,541
Adjustment to annual required contribution		(1,586,796)
Annual OPEB cost (expense)		19,325,765
Less: Employer contributions		(6,613,000)
Increase in net OPEB obligation		12,712,765
Net OPEB obligation – July 1, 2011		36,342,584
Net OPEB obligation – June 30, 2012	$	49,055,349

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, 2012 is as follows:

		Annual OPEB Cost		**Percentage of Annual OPEB Cost Contributed**		**Net OPEB Obligation**
Fiscal year ending:						
June 30, 2010	$	14,947,974	%	38.65	$	27,072,757
June 30, 2011		14,935,773		37.94		36,342,584
June 30, 2012		19,325,765		34.22		49,055,349

Funded Status and Funding Progress

As of January 1, 2011, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $246.3 million dollars. There are no assets set aside for funding the plan as of that date, thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $65.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 377 percent.

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

Actuarial Methods and Assumptions

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

The entry age normal (level percent of pay) cost method is used in the January 1, 2011 actuarial valuation. At this valuation date, the annual cost accruals (individual normal cost for each participant) are determined as a level percentage of pay for each year from entry age until expected retirement. The sum of these individual normal costs for all active participants whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial valuation date, accumulated with interest over the plan assets, represents the initial unfunded actuarial accrued liability.

The actuarial assumptions include a 4.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 4.0 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 8.5 percent for the first year and then declining by one half of one percent (0.5%) per year until 5.25 percent is reached. The 5.25 percent growth is used on a go-forward basis. The actuarial assumptions include a 3.25 percent rate for general inflation. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

(11) Risk Management

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

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). The Missouri General Assembly created MOPERM to provide liability protection to participating public entities, their officials, and employees. The City pays annual premiums to MOPERM for law enforcement liability, general liability, public official errors and omissions liability, automobile liability, and medical malpractice insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years. The City purchases excess liability insurance coverage from OneBeacon Insurance Company to provide additional liability insurance coverage above MOPERM's coverage limits for claims that are not subject to the State's Sovereign Immunity Statute.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to $3,000,000 per occurrence for workers' compensation claims in excess of $1,000,000 per occurrence. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain a surety bond in the amount of $2,320,000 and an escrow account in the amount of $200,000. This amount is reflected as restricted assets in the Power and Light, Water, and Sanitary Sewer Funds. Estimated workers' compensation claims incurred but not reported are accrued as liabilities in the City's Workers' Compensation Fund.

The City offers its employees and retirees a contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of $250,000 and aggregate claims in excess of $27,130,176 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately $15,798,211. 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	
		2011	2012	2011	2012
Beginning of year	$	2,908,592	2,902,508	3,256,076	2,285,676
Current year claims and changes in estimates		1,544,048	1,070,329	20,518,089	21,197,983
Claims payments		(1,550,132)	(1,291,641)	(21,488,489)	(21,226,191)
End of year	$	2,902,508	2,681,196	2,285,676	2,257,468

(12) Commitments

Construction Commitments

At June 30, 2012, the City had commitments of approximately $15.5 million to complete construction contracts. Of this amount, $8.8 million relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

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

In January 2004, the City entered into a participation power agreement with OPPD. Under this agreement, the City purchases an 8.33% share (approximately 57 megawatts) of a 682 megawatt coal-fired baseload generating unit at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD is the owner/operator of the unit and OPPD sells the City's share of the output on a cost-based approach. OPPD issued tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its proportionate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are $170,000,000 through the year 2049. During fiscal year 2012, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately $17,100,000 for 402,750 megawatt-hours of wholesale energy. For fiscal year 2013, the projected costs under the agreement are estimated to be approximately $17,600,000.

As part of this participation power agreement, the City also entered into a Transmission Facilities Cost Agreement with OPPD. Under this agreement, the cost of new and upgraded transmission facilities needed for the interconnection of the Nebraska City Unit 2 and the delivery of power to the City are included in the amount of tax-exempt bonds issued by OPPD. The agreement provides that the allocated amount to the City $4,339,061 for OPPD transmission system improvements would be credited to the City on the transmission service billings from OPPD for delivery of the energy from the Nebraska City Unit 2. As of June 30, 2012, the remaining credit amount was $1,031,287.

In June 2006, the City entered into a unit power purchase agreement with the MJMEUC. Under this agreement, the City purchases a 50% share (approximately 50 megawatts) of MJMEUC's 100 MW ownership share of the nominal 850 megawatt Iatan 2 coal-fired generating unit located at Kansas City Power & Light Company's (KCPL) existing power station site in Weston, Missouri. The agreement provides that MJMEUC sells the City's share of the output on a cost-based approach. MJMEUC issued tax-exempt bonds to pay for its share of the construction of the unit and the City is obligated to pay its share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, renewals and replacements of the unit and related administrative costs incurred by MJMEUC. The unit began commercial operations on December 31, 2010. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are approximately $255,900,000 through the year 2039. During fiscal year 2012, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately $19,300,000 for 307,181 megawatt-hours of wholesale energy. For fiscal year 2013, the projected costs under the agreement are estimated to be approximately $21,800,000.

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 2012, the cost of the energy purchases including transmission costs was approximately $2,900,000 for 58,786 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) and the Missouri Joint Municipal Electric Utility Commission (MJMEUC) also purchased 7.0% and 8.2% shares respectively of the Dogwood Energy Facility in the first half of 2012. Dogwood Energy, LLC maintains the remaining ownership share (72.5%) 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, 2012 were $132,369 and depreciation expense was $355,442.

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 $325,091 in the Street Improvements Fund, $5,793,402 in the Parks Sales Tax Fund, $16,155 in the Storm Drainage Fund, $503,899 in the Workers' Compensation Fund and $1,862,113 in the Events Center Fund, will be eliminated by future revenues or transfers.

(14) Subsequent Events

The City evaluated subsequent events through October 15, 2012, the date the financial statements were available to be issued.

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

$37,035,000 Series 2012 B revenue bonds for the Sanitary Sewer System Project.

$68,945,000 Series 2012 C advance refunding bonds for the Events Center Project.

$12,050,000 Series 2012 D advance refunding loan payable for the Centerpoint TIF Project.

$3,965,000 Series 2012 E advance refunding loan payable for the Eastland Center TIF Project.

(15) Fund Equity

Fund balances at year-end are as follows:

	Governmental Funds				
	General	Street Improvements	TIF Debt Service	Nonmajor	Total
Fund balances:					
Restricted for:	$				
Protested revenues	65,702	—	—	—	65,702
Police equipment	519,215	—	—	—	519,215
Tourism	—	—	—	909,805	909,805
Independence square benefit district	—	—	—	27,054	27,054
Grants	—	—	—	1,330	1,330
License surcharge	—	—	—	1,482,059	1,482,059
Street sales tax	—	—	—	4,567,572	4,567,572
Storm water sales tax	—	—	—	6,568,451	6,568,451
Police sales tax	—	—	—	2,161,899	2,161,899
Fire sales tax	—	—	—	1,846,225	1,846,225
Debt service fund	—	—	—	82,601	82,601
TIF debt service	—	—	26,731,159	—	26,731,159
Total fund balances restricted	584,917	—	26,731,159	17,646,996	44,963,072
Committed for:					
Domestic violence	13,650	—	—	—	13,650
Capital projects	48,581	—	—	1,404,187	1,452,768
Strategic goals	281,630	—	—	—	281,630
Vandalism reward	3,000	—	—	—	3,000
Economic development	106,424	—	—	—	106,424
Total fund balances committed	453,285	—	—	1,404,187	1,857,472
Assigned for:					
General government	88,311	—	—	—	88,311
Public safety	214,043	—	—	—	214,043
Public works	120,647	—	—	—	120,647
Health and welfare	141,684	—	—	—	141,684
Culture and recreation	2,946	—	—	—	2,946
Community development	25,930	—	—	—	25,930
Total fund balances assigned	593,561	—	—	—	593,561
Unassigned	1,831,406	(427,998)	(182)	(5,809,557)	(4,406,331)
Total fund equity	$ 3,463,169	(427,998)	26,730,977	13,241,626	43,007,774

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 $923,623, Street Improvements Fund $4,327,737, TIF Debt Service Fund $63 and Non-major Funds $5,382,156.

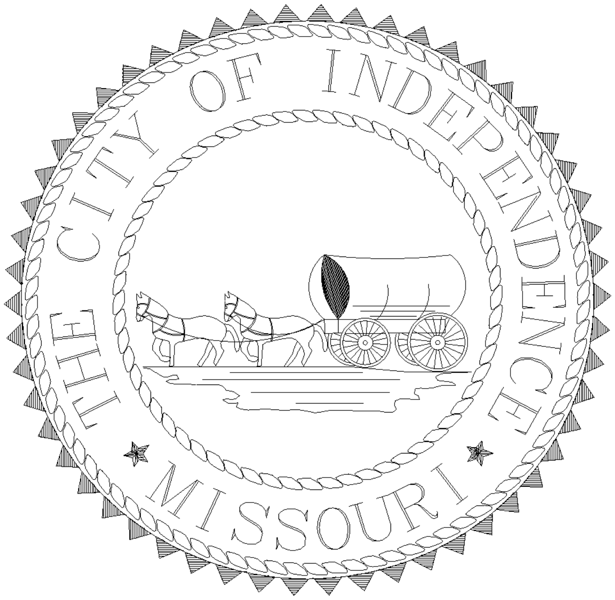
(16) Prior Period Adjustment

In fiscal year 2012, the City adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*. The adoption of this statement resulted in a change in the reporting for the TIF Commission from a discretely presented component unit to a blended component unit of the City. It also resulted in the Independence Events Center Community Improvement District and Crackerneck Creek Transportation Development District, being included as blended component units of the Events Center Enterprise fund, and the TIF Commission blended component unit, respectively.

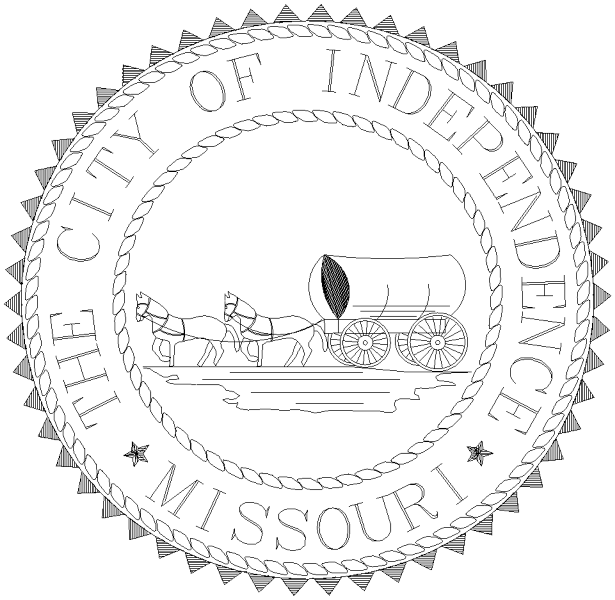
During the fiscal year ended June 30, 2012, the City determined that goodwill of $999,203 in the Events Center enterprise fund was not properly reported for the year ended June 30, 2011. Management has revised the business-type activities and the Events Center enterprise fund net asset balances as of June 30, 2011 to correct this error.

For the year ended June 30, 2012, management determined that the following adjustments were to be made to the opening net asset/fund balances:

		Governmental Activities (Ex. 2)	Business-Type Activities (Ex. 2)	TIF Debt Service Fund (Ex. 4)	Events Center Fund (Ex. 6)
Beginning net assets (deficit), as originally reported	$	295,642,628	315,966,552	—	(3,118,036)
Change in financial reporting entity per implementation of GASB 61		(173,104,772)	3,860,224	29,565,644	3,860,224
Increase in goodwill		—	999,203	—	999,203
Beginning net assets, as restated	$	122,537,856	320,825,979	29,565,644	1,741,391


THE CITY OF INDEPENDENCE
MISSOURI

Required
Supplementary
Information


THE CITY OF INDEPENDENCE
MISSOURI

(1) Budgets and Budgetary Accounting

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

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

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

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Taxes	$ 36,243,520	36,243,520	34,998,814	(1,244,706)
Licenses and permits	3,353,927	3,353,927	3,006,945	(346,982)
Grants – federal and state	25,393	25,393	26,178	785
State and county shared revenue	5,399,291	5,399,291	5,206,771	(192,520)
Charges for current services	1,933,869	1,961,726	2,236,653	274,927
Interfund charges for support services	3,943,428	3,943,428	3,791,444	(151,984)
Fines and forfeitures	4,716,854	4,716,854	4,329,537	(387,317)
Other revenue	584,249	577,868	823,663	245,795
Total revenues	56,200,531	56,222,007	54,420,005	(1,802,002)
Other financing sources:				
Proceeds from capital leases	—	149,593	143,533	(6,060)
Payments in lieu of taxes	17,620,123	17,620,123	17,329,950	(290,173)
Total other financing sources	17,620,123	17,769,716	17,473,483	(296,233)
Total revenues and other financing sources	73,820,654	73,991,723	71,893,488	(2,098,235)
Expenditures:				
City Council	409,522	409,522	374,989	34,533
City Clerk	366,678	366,678	326,377	40,301
City Manager	838,697	936,772	936,770	2
National Frontier Trails Center	372,833	372,833	324,548	48,285
Technology services	1,716,104	1,716,104	1,650,858	65,246
Municipal court	751,614	756,959	747,759	9,200
Law	764,018	764,018	727,684	36,334
Finance	1,873,956	1,873,956	1,819,555	54,401
Human resources	408,934	429,517	429,515	2
Community development	2,545,018	2,545,018	2,429,773	115,245
Police	24,885,849	25,221,182	25,126,483	94,699
Fire	15,749,223	16,238,143	16,237,861	282
Health	2,558,732	2,571,113	2,519,483	51,630
Public works	5,684,843	5,684,843	5,126,539	558,304
Parks and recreation	1,939,556	2,015,223	2,015,219	4
General government	8,187,370	7,920,892	7,769,548	151,344
City Council strategic goals	250,000	448,027	236,802	211,225
Capital outlay	374,848	374,848	75,968	298,880
Total expenditures	69,677,795	70,645,648	68,875,731	1,769,917
Other financing uses:				
Payments to component unit	4,142,859	4,636,010	4,636,010	—
Transfers out	—	—	63,271	(63,271)
Total expenditures and other financing uses	73,820,654	75,281,658	73,575,012	1,706,646
Excess of revenue and other financing sources over (under) expenditures and other financing uses	$ —	(1,289,935)	(1,681,524)	(391,589)
Unassigned fund balance at beginning of year			2,302,039	
Cancellation of prior year encumbrances			145,532	
Change in other fund balance components during the year			1,065,359	
Unassigned fund balance at end of year			$ 1,831,406	

Exhibit 10.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2012

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	$	71,893,488
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	71,893,488
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	68,875,731
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget		(815,483)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		495,742
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	$	68,555,990

Exhibit 11

CITY OF INDEPENDENCE, MISSOURI

Schedule of Funding Progress

Retirement Plan and Other Post Employment Plan

Schedule of Funding Progress:

LAGERS Retirement Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry-Age Actuarial Accrued Liability	(b) – (a) Unfunded (assets in excess of) Accrued Liability (UAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b) – (a)/(c) UAL as a Percentage of Covered Payroll
Retirement Plan-						
February 28, 2010	$ 135,669,752	$ 204,912,339	$ 69,242,587	66%	$ 65,625,583	106%
February 28, 2011	137,468,939	220,918,979	83,450,040	62%	68,136,107	122%
February 29, 2012	125,863,329	210,700,773	84,837,444	60%	65,208,725	130%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS's office in Jefferson City at P.O. Box 1665 Jefferson City, Missouri 65102 or telephone 1-800-447-4334.

Other Post Employment Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded Actuarial Accrued Liability (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b) – (a)/(c) UAAL as a Percentage of Covered Payroll
January 1, 2007	$ —	$ 156,700,731	$ 156,700,731	0%	$ 54,887,375	285%
January 1, 2009	—	198,767,219	198,767,219	0%	61,350,244	324%
January 1, 2011	—	246,341,296	246,341,296	0%	65,353,754	377%

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

Debt Service Fund

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

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

Assets		Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	$	8,580,920	233,421	—	8,814,341
Receivables:					
Taxes		3,049,352	—	—	3,049,352
Accounts		12,755	—	—	12,755
Special assessment principal and accrued interest		—	—	765,965	765,965
Due from other funds		6,835,456	—	—	6,835,456
Due from other governments		752,810	109,337	—	862,147
Restricted assets		—	1,072,986	94,000	1,166,986
Total assets	$	19,231,293	1,415,744	859,965	21,507,002
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	332,343	—	—	332,343
Due to other funds		6,560,585	27,712	11,399	6,599,696
Accrued items		164,096	—	—	164,096
Other current liabilities		27,091	—	—	27,091
Deferred revenue		376,185	—	765,965	1,142,150
Total liabilities		7,460,300	27,712	777,364	8,265,376
Fund balances:					
Restricted		17,564,395	—	82,601	17,646,996
Committed		—	1,404,187	—	1,404,187
Unassigned		(5,793,402)	(16,155)	—	(5,809,557)
Total fund balances		11,770,993	1,388,032	82,601	13,241,626
Total liabilities and fund balances	$	19,231,293	1,415,744	859,965	21,507,002

Exhibit 13

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2012

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 20,498,044	—	—	20,498,044
Licenses and permits	312,551	—	—	312,551
Intergovernmental	6,437,891	298,726	—	6,736,617
Charges for services	743,606	—	105,101	848,707
Investment income	6,358	185	333	6,876
Other	327,714	205,817	—	533,531
Total revenues	28,326,164	504,728	105,434	28,936,326
Expenditures:				
Current:				
Administrative services	29,912	—	—	29,912
Public safety	4,502,654	—	—	4,502,654
Health and welfare	628,969	—	—	628,969
Culture and recreation	4,177,604	—	—	4,177,604
Community development	2,461,391	—	—	2,461,391
Storm water	1,581,460	—	—	1,581,460
General government	371,591	—	1,054	372,645
Capital outlay	8,062,125	1,301,779	—	9,363,904
Debt service:				
Principal	3,270,000	—	69,000	3,339,000
Interest and fiscal agent fees	487,545	—	34,754	522,299
Total expenditures	25,573,251	1,301,779	104,808	26,979,838
Excess (deficiency) of revenues over expenditures	2,752,913	(797,051)	626	1,956,488
Other financing sources (uses):				
Proceeds from capital leases/bond issuance	—	1,341,167	—	1,341,167
Transfers in	—	423,229	—	423,229
Transfers out	(2,552,666)	—	—	(2,552,666)
Total other financing sources (uses)	(2,552,666)	1,764,396	—	(788,270)
Net change in fund balances	200,247	967,345	626	1,168,218
Fund balances, beginning	11,570,746	420,687	81,975	12,073,408
Fund balances, ending	$ 11,770,993	1,388,032	82,601	13,241,626

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2012

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 25)	License Surcharge	Grants	Total
Pooled cash and investments	$ 239,205	23,722	4,609	8,337	6,822,988	1,482,059	—	8,580,920
Receivables:								
Taxes	100,000	3,332	—	—	2,946,020	—	—	3,049,352
Accounts	—	—	—	—	—	—	12,755	12,755
Due from other funds	559,803	—	—	—	6,275,653	—	—	6,835,456
Due from other governments	36,481	—	60,320	18,413	—	—	637,596	752,810
Total assets	$ 935,489	27,054	64,929	26,750	16,044,661	1,482,059	650,351	19,231,293
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	$ 8,868	—	—	—	272,670	—	50,805	332,343
Due to other funds	—	—	54,776	—	6,316,555	—	189,254	6,560,585
Accrued items	16,816	—	8,830	—	104,343	—	34,107	164,096
Other current liabilities	—	—	—	26,743	348	—	—	27,091
Deferred revenue	—	—	—	—	—	—	376,185	376,185
Total liabilities	25,684	—	63,606	26,743	6,693,916	—	650,351	7,460,300
Fund balances:								
Restricted	909,805	27,054	1,323	7	15,144,147	1,482,059	—	17,564,395
Unassigned	—	—	—	—	(5,793,402)	—	—	(5,793,402)
Total fund balances	909,805	27,054	1,323	7	9,350,745	1,482,059	—	11,770,993
Total liabilities and fund balances	$ 935,489	27,054	64,929	26,750	16,044,661	1,482,059	650,351	19,231,293

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2012

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 1,219,340	24,515	—	—	19,254,189	—	—	20,498,044
Licenses and permits	—	—	—	—	—	312,551	—	312,551
Intergovernmental	87,621	—	915,561	181,770	—	—	5,252,939	6,437,891
Charges for services	—	—	—	—	629,013	—	114,593	743,606
Investment income	391	232	—	—	4,790	770	175	6,358
Other	20,288	—	—	—	190,375	—	117,051	327,714
Total revenues	1,327,640	24,747	915,561	181,770	20,078,367	313,321	5,484,758	28,326,164
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	29,912	29,912
Public safety	—	—	—	—	1,748,253	—	2,754,401	4,502,654
Health and welfare	—	—	—	—	—	—	628,969	628,969
Culture and recreation	1,731,275	—	—	—	2,433,829	—	12,500	4,177,604
Community development	—	—	573,808	181,770	—	—	1,705,813	2,461,391
Storm water	—	—	—	—	1,581,460	—	—	1,581,460
General government	—	—	—	—	18,428	—	353,163	371,591
Capital outlay	—	25,723	—	—	8,036,402	—	—	8,062,125
Debt service:								
Principal	—	—	—	—	3,270,000	—	—	3,270,000
Interest and fiscal agent fees	—	—	—	—	487,545	—	—	487,545
Total expenditures	1,731,275	25,723	573,808	181,770	17,575,917	—	5,484,758	25,573,251
Excess (deficiency) of revenues over expenditures	(403,635)	(976)	341,753	—	2,502,450	313,321	—	2,752,913
Other financing sources (uses):								
Transfers out	(30,000)	—	(341,753)	—	(671,923)	(1,508,990)	—	(2,552,666)
Net change in fund balances	(433,635)	(976)	—	—	1,830,527	(1,195,669)	—	200,247
Fund balances, beginning	1,343,440	28,030	1,323	7	7,520,218	2,677,728	—	11,570,746
Fund balances, ending	$ 909,805	27,054	1,323	7	9,350,745	1,482,059	—	11,770,993

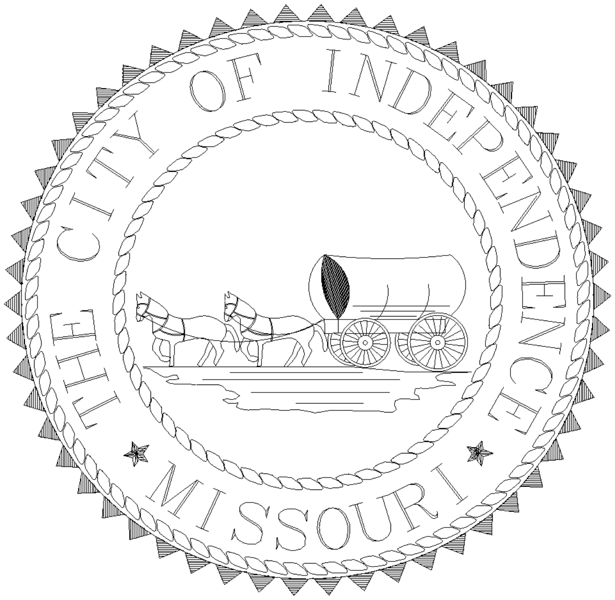

THE CITY OF INDEPENDENCE
MISSOURI

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Transient guest taxes	$ 1,250,000	1,250,000	1,219,340	(30,660)
Interest	2,200	2,200	391	(1,809)
Grants – federal, state, and local	—	170,650	87,621	(83,029)
Other revenue	35,000	35,000	20,288	(14,712)
Total revenues	1,287,200	1,457,850	1,327,640	(130,210)
Expenditures:				
Tourism	1,375,508	1,734,380	1,734,250	130
Total expenditures	1,375,508	1,734,380	1,734,250	130
Other financing uses – transfers out	—	30,000	30,000	—
Total other financing uses	—	30,000	30,000	—
Total expenditures and other uses	1,375,508	1,764,380	1,764,250	130
Excess of revenues over (under) expenditures	$ (88,308)	(306,530)	(436,610)	(130,340)
Restricted fund balance at beginning of year			1,343,440	
Cancellation of prior year encumbrances			5,294	
Increase (Decrease) in Prior Year Encumbrances			(2,319)	
Restricted fund balance at end of year			$ 909,805	

Exhibit 16.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2012

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,327,640
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,327,640
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,734,250
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(36,215)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		33,240
		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,731,275

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

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Federal grant - CDBG	$ 775,000	775,000	915,561	140,561
Total revenues	775,000	775,000	915,561	140,561
Expenditures:				
CDBG administration	155,000	136,615	136,615	—
CDBG expenditures	620,000	620,430	458,409	162,021
Commercial facade program	—	136,650	61,485	75,165
Total expenditures	775,000	893,695	656,509	237,186
Other financing uses:				
Transfers out	—	162,500	341,752	(179,252)
Total other financing uses	—	162,500	341,752	(179,252)
Total expenditures and other uses	775,000	1,056,195	998,261	57,934
Excess of revenues over (under) expenditures and other financing uses	$ —	(281,195)	(82,700)	198,495
Restricted fund balance (deficit) at beginning of year			1,323	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			82,700	
Restricted fund balance (deficit) at end of year			$ 1,323	

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

Exhibit 17.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Community Development Block Grant Fund

Year ended June 30, 2012

		Community Development Block Grant
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	915,561
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	915,561
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	656,509
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(82,701)
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	$	573,808

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

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Rental Rehabilitation
Year Ended June 30, 2012

		Budgeted Amounts		Actual Amounts	Variance with Final
		Original	Final	(Budget Basis)	Budget
Revenues:					
HOME program grant	$	464,717	464,717	181,770	(282,947)
Total revenues		464,717	464,717	181,770	(282,947)
Other financing sources:					
HOME administration		46,472	38,716	26,059	12,657
Multi family housing		185,302	219,828	138,000	81,828
First Time Home Buyers		140,000	142,592	33,067	109,525
Community housing development		92,643	156,089	114,083	42,006
Total expenditures		464,417	557,225	311,209	246,016
Excess of revenues over (under) expenditures	$	300	(92,508)	(129,439)	(36,931)
Restricted fund balance (deficit) at beginning of year				7	
Cancellation of prior year encumbrances				—	
Increase (Decrease) in Prior Year Encumbrances				129,439	
Restricted fund balance (deficit) at end of year			$	7	

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

Exhibit 18.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2012

		Rental Rehabilitation
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	181,770
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	181,770
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	311,209
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(129,439)
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	$	181,770

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

Exhibit 19

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Street Improvements Sales Tax Fund
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	$ 7,409,246	7,409,246	7,640,274	231,028
Interest	200	200	918	718
Other revenue	—	—	69,595	69,595
Total revenues	7,409,446	7,409,446	7,710,787	301,341
Other Financing sources:				
General Government	7,000	—	12,285	(12,285)
Capital outlay	6,105,000	6,598,461	4,416,211	2,182,250
Debt service	537,531	—	534,531	(534,531)
Total expenditures	6,649,531	6,598,461	4,963,027	1,635,434
Other financing uses:				
- Transfers out	967,280	2,184,538	671,923	1,512,615
Total other financing uses	967,280	2,184,538	671,923	1,512,615
Total expenditures and other financing uses	7,616,811	8,782,999	5,634,950	3,148,049
Excess of revenues and other financing sources over (under) expenditures	$ (207,365)	(1,373,553)	2,075,837	3,449,390
Restricted fund balance (deficit) at beginning of year			2,491,735	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			—	
Restricted fund balance (deficit) at end of year			$ 4,567,572	

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

Exhibit 19.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2012

	Streets Improvements Sales Tax
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$ 7,710,787
Basis differences – budget to GAAP:	
None	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 7,710,787
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$ 4,963,027
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 4,963,027

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

Exhibit 20

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Park Improvements Sales Tax Fund
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	$ 3,704,624	3,704,624	3,832,077	127,453
Public health and recreation	—	53,500	57,869	4,369
Adventure Oasis Water Park	460,000	460,000	517,197	57,197
Other revenue	127,000	74,035	67,275	(6,760)
Total revenues	4,291,624	4,292,159	4,474,418	182,259
Expenditures:				
Culture and recreation	2,357,748	2,466,153	2,469,922	(3,769)
General government	4,000	4,000	6,143	(2,143)
Capital outlay	550,000	861,085	658,752	202,333
Debt service	2,163,778	2,163,778	2,162,488	1,290
Total expenditures	5,075,526	5,495,016	5,297,305	197,711
Excess of revenues and other financing sources over (under) expenditures	$ (783,902)	(1,202,857)	(822,887)	379,970
Restricted fund balance (deficit) at beginning of year			(5,006,608)	
Cancellation of prior year encumbrances			29,562	
Increase (Decrease) in Prior Year Encumbrances			6,531	
Restricted fund balance (deficit) at end of year			$ (5,793,402)	

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

Exhibit 20.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2012

		Park Improvements Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,474,418
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,474,418
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	5,297,305
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(172,464)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		136,371
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	5,261,212

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

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Storm Water Sales Tax Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	$ 3,704,624	3,704,624	3,832,155	127,531
Interest	10,500	10,500	2,638	(7,862)
Other revenue	—	—	19,530	19,530
Total revenues	3,715,124	3,715,124	3,854,323	139,199
Expenditures:				
Storm water				
Administration	303,548	303,548	128,260	175,288
Maintenance	1,478,171	1,478,171	1,160,193	317,978
Permit completion	349,175	349,175	273,350	75,825
General government	—	7,135,814	2,961,439	4,174,375
Capital outlay	2,432,700	—	—	—
Total expenditures	4,563,594	9,266,708	4,523,242	4,743,466
Excess of revenues over (under) expenditures	$ (848,470)	(5,551,584)	(668,919)	4,882,665
Restricted fund balance at beginning of year			7,257,027	
Cancellation of prior year encumbrances			2,100	
Increase (Decrease) in Prior Year Encumbrances			(21,757)	
Restricted fund balance at end of year			$ 6,568,451	

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

Exhibit 21.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2012

		Storm Water Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	3,854,323
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	3,854,323
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	4,523,242
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(112,340)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		131,997
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,542,899

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

Exhibit 22

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Police Public Safety Sales Tax Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	$ 1,970,708	1,970,708	2,032,892	62,184
Investment income	2,100	2,100	722	(1,378)
Other revenue	—	—	69,811	69,811
Total revenues	1,972,808	1,972,808	2,103,425	130,617
Expenditures:				
Public safety				
Communications	276,308	237,790	219,726	18,064
Facilities	1,296,712	1,186,877	92,893	1,093,984
Equipment	1,297,326	1,445,679	1,099,737	345,942
General Government	—	—	—	—
Debt service	515,113	515,113	513,038	2,075
Total expenditures	3,385,459	3,385,459	1,925,394	1,460,065
Excess of revenues over (under) expenditures and other financing uses	$ (1,412,651)	(1,412,651)	178,031	1,590,682
Restricted fund balance at beginning of year			1,967,871	
Cancellation of prior year encumbrances			—	
			32,744	
Increase (Decrease) in Prior Year Encumbrances			(16,747)	
Restricted Fund Balance at end of year			$ 2,161,899	

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

Exhibit 22.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2012

		Police Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	2,103,425
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	2,103,425
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	1,925,394
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(139,208)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		123,211
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,909,397

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

Exhibit 23

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Fire Public Safety Sales Tax Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Sales taxes	$ 1,852,312	1,852,312	1,916,791	64,479
Other revenue	2,000	2,000	18,623	16,623
Total revenues	1,854,312	1,854,312	1,935,414	81,102
Expenditures:				
Public safety	1,605,500	1,605,500	1,550,889	54,611
Debt service	552,213	552,213	548,813	3,400
Total expenditures	2,157,713	2,157,713	2,099,702	58,011
Excess of revenues over (under) expenditures and other financing uses	$ (303,401)	(303,401)	(164,288)	139,113
Restricted fund balance at beginning of year			810,193	
Cancellation of prior year encumbrances			2,180	
Increase (Decrease) in Prior Year Encumbrances			1,198,140	
Restricted fund balance at end of year			$ 1,846,225	

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

Exhibit 23.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2012

		Fire Public Safety Sales Tax
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,935,414
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,935,414
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	2,099,702
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(1,238,863)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		38,543
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	899,382

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

Exhibit 24

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	(Budget Basis)	Budget
Revenues:				
Grants and other shared revenue	$ 1,367,166	10,057,638	5,252,939	(4,804,699)
Charges for current services	63,453	116,683	114,593	(2,090)
Interest income and other revenue	—	259,981	117,226	(142,755)
Total revenues	1,430,619	10,434,302	5,484,758	(4,949,544)
Expenditures:				
Law department	26,407	76,612	29,912	46,700
Police department	713,211	3,948,300	2,648,863	1,299,437
Fire department	50,990	409,426	326,998	82,428
Health department	640,011	1,278,192	702,365	575,827
Community development	—	4,544,440	2,371,365	2,173,075
Culture and recreation	—	17,278	12,500	4,778
General Government	—	460,054	401,295	58,759
Total expenditures	1,430,619	10,734,302	6,493,298	4,241,004
Excess of revenues over (under) expenditures	$ —	(300,000)	(1,008,540)	(708,540)
Restricted fund balance (deficit) at beginning of year			—	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			1,008,540	
Restricted fund balance (deficit) at end of year			$ —	

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

Exhibit 24.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2012

		Grants
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	5,484,758
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	5,484,758
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	6,493,298
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(1,008,540)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	5,484,758

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

Exhibit 25

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2012

Assets		Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	$	3,404,434	—	—	1,854,276	1,564,278	6,822,988
Receivables:							
Taxes		1,160,761	591,956	591,957	305,235	296,111	2,946,020
Due from other funds		46,167	23,084	6,183,318	11,542	11,542	6,275,653
Total assets	$	4,611,362	615,040	6,775,275	2,171,053	1,871,931	16,044,661
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	43,790	33,899	160,121	9,154	25,706	272,670
Due to other funds		—	6,316,555	—	—	—	6,316,555
Accrued items		—	57,640	46,703	—	—	104,343
Other current liabilities		—	348	—	—	—	348
Total liabilities		43,790	6,408,442	206,824	9,154	25,706	6,693,916
Fund balances:							
Restricted		4,567,572	—	6,568,451	2,161,899	1,846,225	15,144,147
Unassigned		—	(5,793,402)	—	—	—	(5,793,402)
Total fund balances (deficit)		4,567,572	(5,793,402)	6,568,451	2,161,899	1,846,225	9,350,745
Total liabilities and fund balances	$	4,611,362	615,040	6,775,275	2,171,053	1,871,931	16,044,661

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2012

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:						
Taxes	$ 7,640,274	3,832,077	3,832,155	2,032,892	1,916,791	19,254,189
Charges for services	—	627,613	—	—	1,400	629,013
Investment income	918	—	2,638	722	512	4,790
Other	69,595	14,728	19,530	69,811	16,711	190,375
Total revenues	7,710,787	4,474,418	3,854,323	2,103,425	1,935,414	20,078,367
Expenditures:						
Current:						
Public safety	—	—	—	1,397,684	350,569	1,748,253
Culture and recreation	—	2,433,829	—	—	—	2,433,829
Storm water	—	—	1,581,460	—	—	1,581,460
General government	12,285	6,143	—	—	—	18,428
Capital outlay	4,416,211	658,752	2,961,439	—	—	8,036,402
Debt service:						
Principal	400,000	2,000,000	—	420,000	450,000	3,270,000
Interest and fiscal agent fees	134,531	162,488	—	91,713	98,813	487,545
Total expenditures	4,963,027	5,261,212	4,542,899	1,909,397	899,382	17,575,917
Excess (deficiency) of revenues over expenditures	2,747,760	(786,794)	(688,576)	194,028	1,036,032	2,502,450
Other financing sources (uses):						
Transfers out	(671,923)	—	—	—	—	(671,923)
Total other financing sources (uses)	(671,923)	—	—	—	—	(671,923)
Net change in fund balances	2,075,837	(786,794)	(688,576)	194,028	1,036,032	1,830,527
Fund balances (deficit), beginning	2,491,735	(5,006,608)	7,257,027	1,967,871	810,193	7,520,218
Fund balances (deficit), ending	$ 4,567,572	(5,793,402)	6,568,451	2,161,899	1,846,225	9,350,745

Exhibit 27

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2012

Assets		Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	$	19,758	—	—	213,663	233,421
Receivables:						
Due from other governments		—	—	—	109,337	109,337
Restricted assets		—	1,072,986	—	—	1,072,986
Total assets	$	19,758	1,072,986	—	323,000	1,415,744

Liabilities and Fund Balances						
Liabilities:						
Due to other funds	$	—	11,557	16,155	—	27,712
Total liabilities		—	11,557	16,155	—	27,712
Fund balances (deficit):						
Committed		19,758	1,061,429	—	323,000	1,404,187
Unassigned		—	—	(16,155)	—	(16,155)
Total fund balances (deficit)		19,758	1,061,429	(16,155)	323,000	1,388,032
Total liabilities and fund balances	$	19,758	1,072,986	—	323,000	1,415,744

Exhibit 28

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2012

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:					
Intergovernmental	$ —	298,726	—	—	298,726
Investment income	8	73	—	104	185
Other	—	205,817	—	—	205,817
Total revenues	8	504,616	—	104	504,728
Expenditures:					
Capital outlay	—	1,207,275	—	94,504	1,301,779
Total expenditures	—	1,207,275	—	94,504	1,301,779
Excess (deficiency) of revenues over expenditures	8	(702,659)	—	(94,400)	(797,051)
Other financing sources:					
Proceeds from capital leases/bond issuance	—	1,341,167	—	—	1,341,167
Transfers in	—	423,229	—	—	423,229
Total other financing sources	—	1,764,396	—	—	1,764,396
Net change in fund balances	8	1,061,737	—	(94,400)	967,345
Fund balances (deficit), beginning	19,750	(308)	(16,155)	417,400	420,687
Fund balances (deficit), ending	$ 19,758	1,061,429	(16,155)	323,000	1,388,032

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Component Unit - Tax Increment Financing

June 30, 2012

Assets	**Midtown Truman**	**RSO**	**Sante Fe**	**Hartman Heritage**	**Drumm Farm**	**Eastland Center**
Pooled cash and investments	$ 112,510	36,638	—	—	881,225	2,720,056
Receivables:						
Taxes	4,911	—	889	554,137	10,633	160,464
Accounts	18,514	—	—	—	—	—
Due from other funds	—	—	—	—	—	658,060
Due from other governments	99	19,672	3,979	48,243	1,744	254,174
Restricted assets	—	—	953,606	1,038,600	—	5,015,819
Total assets	$ 136,034	56,310	958,474	1,640,980	893,602	8,808,573
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$ —	—	—	—	—	—
Due to other funds	—	—	616,180	41,698	—	—
Due to other governments	—	—	—	—	—	—
Deferred revenues	4,911	—	51	180,909	1,047	22,964
Total liabilities	4,911	—	616,231	222,607	1,047	22,964
Fund balances:						
Restricted	131,123	56,310	342,243	1,418,373	892,555	8,785,609
Unassigned	—	—	—	—	—	—
Total fund balances	131,123	56,310	342,243	1,418,373	892,555	8,785,609
Total liabilities and fund balances	$ 136,034	56,310	958,474	1,640,980	893,602	8,808,573

Exhibit 29

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
2,299	38,553	344,101	—	308,609	4,882	489,433	21,808	785,385	554	5,746,053
3,057	—	—	—	95,970	231,934	—	5,700	2,800	—	1,070,495
—	—	—	—	53,433	—	—	—	—	—	71,947
—	—	—	—	—	—	—	—	—	—	658,060
1,163	70	—	—	163,366	2,183	—	10,051	3,076	—	507,820
—	—	—	—	9,394,227	—	—	—	3,734,173	—	20,136,425
6,519	38,623	344,101	—	10,015,605	238,999	489,433	37,559	4,525,434	554	28,190,800
—	—	—	—	4,621	—	—	—	—	—	4,621
—	—	214,130	182	1,159	—	—	—	9,709	—	883,058
—	—	129,971	—	—	—	—	—	—	—	129,971
357	—	—	—	—	231,934	—	—	—	—	442,173
357	—	344,101	182	5,780	231,934	—	—	9,709	—	1,459,823
6,162	38,623	—	—	10,009,825	7,065	489,433	37,559	4,515,725	554	26,731,159
—	—	—	(182)	—	—	—	—	—	—	(182)
6,162	38,623	—	(182)	10,009,825	7,065	489,433	37,559	4,515,725	554	26,730,977
6,519	38,623	344,101	—	10,015,605	238,999	489,433	37,559	4,525,434	554	28,190,800

CITY OF INDEPENDENCE, MISSOURI

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

Component Unit - Tax Increment Financing

Year ended June 30, 2012

	Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Independence
Revenues:								
Taxes	$ —	140,418	17,428	14,041	1,239,700	505,342	4,713,702	49,735
Intergovernmental	—	—	—	—	—	—	—	—
Investment income	14,352	394	1,045	28	27,646	11,335	48,779	66
Developer contributions	—	—	832,549	—	—	—	—	—
Other	—	—	114,649	126	—	—	62,250	—
Total revenues	14,352	140,812	965,671	14,195	1,267,346	516,677	4,824,731	49,801
Expenditures:								
Tax increment financing	31,205	1,649	5,355	20,008	95,204	19,592	626,849	1,068
Debt service:								
Principal	591	—	450,000	91,326	1,936,714	270,000	2,370,000	—
Interest and fiscal agent fees	—	130,500	500,803	—	617,014	167,475	1,509,138	53,000
Debt issuance costs	—	—	—	—	189,266	—	—	—
Total expenditures	31,796	132,149	956,158	111,334	2,838,198	457,067	4,505,987	54,068
Excess (deficiency) of revenues over expenditures	(17,444)	8,663	9,513	(97,139)	(1,570,852)	59,610	318,744	(4,267)
Other financing sources:								
Issuance of debt	—	—	—	—	6,720,000	—	—	—
Reoffering premium/original issue discount	—	—	—	—	(99,051)	—	—	—
Payment to refunded loans escrow agent	—	—	—	—	(6,426,286)	—	—	—
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	(539,344)	—
Total other financing sources	—	—	—	—	194,663	—	(539,344)	—
Net change in fund balances	(17,444)	8,663	9,513	(97,139)	(1,376,189)	59,610	(220,600)	(4,267)
Fund balances, beginning, as restated	148,567	47,647	332,730	97,139	2,794,562	832,945	9,006,209	10,429
Fund balances, ending	$ 131,123	56,310	342,243	—	1,418,373	892,555	8,785,609	6,162

Exhibit 30

Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
1,461	645,206	10,265	1,462,596	—	373,883	259,850	3,506,548	—	12,940,175
—	—	—	—	—	—	—	—	—	—
1,072	81	—	7,493	—	155	9	4,444	1	116,900
—	—	—	—	—	—	—	—	—	832,549
—	—	—	1,012,898	—	—	—	—	—	1,189,923
2,533	645,287	10,265	2,482,987	—	374,038	259,859	3,510,992	1	15,079,547
147	359,960	205	1,158,896	52,165	7,479	20,149	589,693	2,957	2,992,581
—	433,057	1,800	2,490,000	—	—	203,580	1,215,000	—	9,462,068
—	21,882	8,531	4,776,892	95,000	—	23,729	1,844,086	—	9,748,050
—	—	—	—	—	—	—	69,092	—	258,358
147	814,899	10,536	8,425,788	147,165	7,479	247,458	3,717,871	2,957	22,461,057
2,386	(169,612)	(271)	(5,942,801)	(147,165)	366,559	12,401	(206,879)	(2,956)	(7,381,510)
—	—	—	—	—	—	—	490,000	—	7,210,000
—	—	—	—	—	—	—	(899)	—	(99,950)
—	—	—	—	—	—	—	—	—	(6,426,286)
—	—	—	5,057,630	—	—	—	—	—	5,057,630
—	—	—	—	—	—	—	(655,207)	—	(1,194,551)
—	—	—	5,057,630	—	—	—	(166,106)	—	4,546,843
2,386	(169,612)	(271)	(885,171)	(147,165)	366,559	12,401	(372,985)	(2,956)	(2,834,667)
36,237	169,612	89	10,894,996	154,230	122,874	25,158	4,888,710	3,510	29,565,644
38,623	—	(182)	10,009,825	7,065	489,433	37,559	4,515,725	554	26,730,977

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 31

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

		Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:					
Current assets:					
Pooled cash and investments	$	506,616	5,884,884	1,946,780	8,338,280
Accounts receivable		4,982	270,474	70,700	346,156
Inventory		20,185	—	—	20,185
Prepaid items		—	—	236,219	236,219
Total current assets		531,783	6,155,358	2,253,699	8,940,840
Noncurrent assets:					
Capital assets:					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		189,040	—	—	189,040
Less accumulated depreciation		(154,989)	—	—	(154,989)
Total noncurrent assets		128,030	—	—	128,030
Total assets	$	659,813	6,155,358	2,253,699	9,068,870
Liabilities:					
Current liabilities:					
Accounts and contracts payable	$	29,997	—	1,473	31,470
Accrued liabilities		31,900	—	3,507	35,407
Compensated absences – current		37,882	—	13,520	51,402
Self-insurance claims payable		—	2,257,468	893,285	3,150,753
Total current liabilities		99,779	2,257,468	911,785	3,269,032
Noncurrent liabilities:					
Compensated absences – long-term		71,296	—	30,647	101,943
Other post employment benefits		375,697	—	22,437	398,134
Net pension obligation		28,890	—	7,471	36,361
Self-insurance claims payable		—	—	1,787,911	1,787,911
Total noncurrent liabilities		475,883	—	1,848,466	2,324,349
Total liabilities		575,662	2,257,468	2,760,251	5,593,381
Net assets:					
Invested in capital assets		128,030	—	—	128,030
Unrestricted		(43,879)	3,897,890	(506,552)	3,347,459
Total net assets (deficit)		84,151	3,897,890	(506,552)	3,475,489
Total liabilities and net assets	$	659,813	6,155,358	2,253,699	9,068,870

Exhibit 32

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2012

		Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:					
Charges for services	$	2,208,679	19,677,885	2,214,973	24,101,537
Total operating revenues		2,208,679	19,677,885	2,214,973	24,101,537
Operating expenses:					
Personal services		707,770	—	147,581	855,351
Other services		366,164	20,476,676	1,331,597	22,174,437
Supplies		1,199,705	—	6,673	1,206,378
Capital outlay		468	—	—	468
Depreciation and amortization		3,785	—	—	3,785
Total operating expenses		2,277,892	20,476,676	1,485,851	24,240,419
Operating income (loss)		(69,213)	(798,791)	729,122	(138,882)
Nonoperating revenues:					
Interest revenue		189	12,947	1,092	14,228
Miscellaneous revenue		65,299	1,290,127	25	1,355,451
Total nonoperating revenue		65,488	1,303,074	1,117	1,369,679
Change in net assets		(3,725)	504,283	730,239	1,230,797
Total net assets:					
Beginning of the year (deficit)		87,876	3,393,607	(1,236,791)	2,244,692
End of the year (deficit)	$	84,151	3,897,890	(506,552)	3,475,489

Exhibit 33

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2012

	Internal Service Funds			
	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 7)
Cash flows from operations:				
Receipts from customers	$ 2,278,000	20,854,062	2,214,998	25,347,060
Payments to suppliers	(1,548,380)	(20,504,884)	(1,634,879)	(23,688,143)
Payments to employees	(599,215)	—	(135,222)	(734,437)
Net cash provided (used) by operating activities	130,405	349,178	444,897	924,480
Cash flows from noncapital financing activities:				
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(7,991)	—	—	(7,991)
Net cash provided by (used in) capital and related financing activities	(7,991)	—	—	(7,991)
Cash flows from investing activities:				
Interest on investments	189	12,947	1,092	14,228
Net cash provided by investing activities	189	12,947	1,092	14,228
Net increase in cash and cash equivalents	122,603	362,125	445,989	930,717
Cash and cash equivalents at beginning of year	384,013	5,522,759	1,500,791	7,407,563
Cash and cash equivalents at end of year	$ 506,616	5,884,884	1,946,780	8,338,280
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (69,213)	(798,791)	729,122	(138,882)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,785	—	—	3,785
Miscellaneous revenue	65,299	1,290,127	25	1,355,451
Change in assets and liabilities:				
Accounts receivable	4,022	(113,950)	—	(109,928)
Inventory	23,180	—	—	23,180
Prepaid items	—	—	(77,047)	(77,047)
Accounts and contracts payable	(5,223)	—	1,473	(3,750)
Accrued liabilities	3,437	(28,208)	277	(24,494)
Other post-employment benefits	106,735	—	12,105	118,840
Self-insurance claims payable	—	—	(221,312)	(221,312)
Compensated absences	(1,617)	—	254	(1,363)
Total adjustments	199,618	1,147,969	(284,225)	1,063,362
Net cash provided (used) by operating activities	$ 130,405	349,178	444,897	924,480

Exhibit 34

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012 (Exhibit 8)
Flexible Benefit Plan:				
Assets:				
Pooled cash and investments	$ 72,655	175,909	166,373	82,191
Imprest bank accounts	5,372	—	5,372	—
	$ 78,027	175,909	171,745	82,191
Liabilities:				
Flexible benefit payable	$ 78,027	646,690	642,526	82,191
Susie Block Trust:				
Assets:				
Pooled cash and investments	$ 31,795	1,327	1,342	31,780
Accrued interest receivable	491	1,326	1,325	492
	$ 32,286	2,653	2,667	32,272
Liabilities:				
Funds held in escrow	$ 32,286	1,328	1,342	32,272
Seniors Travel Programs:				
Assets:				
Pooled cash and investments	$ 37,597	69,100	60,248	46,449
Liabilities:				
Accounts and contracts payable	$ 6,094	54,919	52,990	8,023
Funds held in escrow	31,503	69,340	62,417	38,426
	$ 37,597	124,259	115,407	46,449
All Agency Funds:				
Assets:				
Pooled cash and investments	$ 142,047	246,336	227,963	160,420
Imprest bank accounts	5,372	—	5,372	—
Accrued interest receivable	491	1,326	1,325	492
	$ 147,910	247,662	234,660	160,912
Liabilities:				
Flexible benefit payable	$ 78,027	646,690	642,526	82,191
Accounts and contracts payable	6,094	54,919	52,990	8,023
Funds held in escrow	63,789	70,668	63,759	70,698
	$ 147,910	772,277	759,275	160,912

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2012 and 2011

	2012			2011		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production fuel:						
Coal			$ 9,339,336			4,864,787
Gas			1,727,403			1,316,695
Oil			239,525			234,959
Total production fuel			11,306,264			6,416,441
Purchased power:						
Purchased energy			21,816,440			23,125,594
Purchased capacity (net)			21,793,559			19,791,592
Border customers			55,720			73,370
Control and dispatching			1,729,948			1,549,486
Total purchased power			45,395,666			44,540,042
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 781,914	702,181	1,484,095	660,148	646,916	1,307,064
Steam	1,036,832	3,027,292	4,064,123	821,069	5,247,658	6,068,727
Electric	927,923	1,000,814	1,928,737	781,655	794,320	1,575,975
Structures and improvements	—	221,091	221,091	—	382,399	382,399
Allowance	9,980	—	9,980	5,835	—	5,835
Miscellaneous	1,326,105	658,706	1,984,811	1,376,992	534,365	1,911,357
	4,082,754	5,610,084	9,692,838	3,645,699	7,605,659	11,251,358
Missouri City Station:						
Supervision and engineering	161,274	12,466	173,740	136,893	32,076	168,969
Steam	365,569	1,433,632	1,799,201	386,238	883,164	1,269,402
Electric	375,615	280,194	655,809	398,284	247,837	646,121
Structures and improvements	—	76,110	76,110	—	334,938	334,938
Miscellaneous	529,583	254,905	784,488	438,170	262,192	700,361
	1,432,041	2,057,307	3,489,348	1,359,584	1,760,206	3,119,791
Combustion Turbine Station:						
Supervision and engineering	372,113	41,276	413,389	—	3,983	3,983
Generation expenses	5,003	323,959	328,961	48	199,677	199,725
Structures and improvements	—	9,120	9,120	—	35,938	35,938
Miscellaneous	19,234	86,539	105,773	55,758	31,986	87,744
	396,349	460,894	857,243	55,805	271,585	327,390
Total production (other)	$ 5,911,144	8,128,284	14,039,429	5,061,089	9,637,450	14,698,538
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 288,803	22,608	311,411	292,489	18,346	310,836
Overhead expenses	90,213	4,010	94,224	104,440	4,879	109,319
Station expenses	14,105	456,963	471,068	18,149	352,370	370,519
Wheeling charges	3,673,682	—	3,673,682	3,442,488	—	3,442,488
Underground line expense	1,024	36,283	37,307	480	6,657	7,137
Structures and improvements	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total transmission	4,067,828	519,864	4,587,692	3,858,047	382,254	4,240,300

Exhibit 35

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2012 and 2011

	2012			2011		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Distribution:						
Supervision and engineering	$ 171,278	68,360	239,638	146,946	55,040	201,986
Overhead lines	1,132,486	3,511,240	4,643,726	1,243,898	3,518,578	4,762,477
Station expenses	73,220	817,872	891,092	5,882	646,693	652,575
Street lights and traffic signals	300,569	633,553	934,122	248,447	672,653	921,100
Meters	221,506	542,711	764,217	226,070	590,547	816,616
Customer installations	413	—	413	97	—	97
Underground lines	1,152,138	527,441	1,679,579	1,396,348	531,309	1,927,656
Dispatching communication	853,427	—	853,427	820,839	—	820,839
Line transformers	—	115,098	115,098	—	115,738	115,738
Miscellaneous	563,278	517,343	1,080,621	548,117	494,000	1,042,117
Total distribution	4,468,316	6,733,617	11,201,932	4,636,644	6,624,558	11,261,202
Total transmission and distribution	$ 8,536,143	7,253,481	15,789,624	8,494,690	7,006,812	15,501,502
Customer service:						
Supervision			$ 131,529			250,969
Meter reading			632,958			677,256
Customer records and collections			2,223,789			1,755,383
Provisions for doubtful accounts			906,237			808,186
Miscellaneous			166,181			226,564
Total customer service			4,060,694			3,718,358
General and administrative:						
Salaries			1,451,975			1,297,678
Office supplies			697,537			717,451
Insurance			1,204,445			1,052,201
Injuries and damage			846,406			792,144
Employee benefits			7,709,462			7,093,147
Outside services			2,242,237			2,198,081
Miscellaneous			1,240,842			1,367,339
Administrative expenses – transfers			(75,408)			(66,465)
Total general and administrative			15,317,496			14,451,574
Depreciation and amortization			15,766,098			13,133,201
Payroll taxes			1,150,236			1,080,679
Total operating expenses			$ 122,825,506			113,540,336

Exhibit 36

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2012

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**KWH**
Sale of electric energy:				
Metered:				
Residential	51,204	51,157	$ 70,057,547	516,589,721
Small general services	2,995	2,995	3,780,477	22,622,081
General services – space heating	3	3	1,965	18,813
Large general services	1,698	1,687	40,112,832	335,202,624
Large general services – prime voltage	6	6	1,191,092	10,952,016
Large general services – space heating	2	2	14,033	115,785
Total electric general services	103	106	5,709,209	59,707,625
Schools, churches, and hospitals	285	287	5,133,545	41,325,387
Schools, churches, and hospitals, all electric	11	11	476,803	4,742,384
Large power services	3	3	2,124,116	22,322,400
Combined interruptible services	1	2	2,076,911	24,885,600
Sewer pumping	6	6	195,626	1,513,564
City traffic signals	64	63	72,839	104,259
Wholesale (border customers)	2	2	150,573	3,357,519
Wholesale (interchange)	—	—	1,757,981	77,238,000
	56,383	56,330	132,855,549	1,120,697,778
Unmetered:				
Private security lighting	1,661	1,700	371,611	1,527,468
City public street lighting	11,962	12,058	1,315,824	10,402,513
	13,623	13,758	1,687,435	11,929,981
Change in unbilled revenue			3,099,507	17,019,888
Other operating revenue			2,195,600	—
EVTC			40,249	—
Total operating revenue and total energy sales			$ 139,878,341	1,149,647,647
Net generation				271,459,616
Wholesale power purchased				930,007,305
Unintentional interchange				—
Net generation and power purchased				1,201,466,921
Retail energy sales				1,146,290,128
Wholesale (border customers) sales				3,357,519
Power and light usage (building and substations)				1,235,397
Net disposition				1,150,883,044
Transmission and distribution operating losses				$ 50,583,877

Exhibit 37

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2012 and 2011

		2012			2011	
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production:						
Source of supply:						
Supervision and engineering	$ 24,196	—	24,196	24,845	—	24,845
Labor and expenses	369,097	—	369,097	324,149	—	324,149
Structures and improvements	—	38,337	38,337	—	40,582	40,582
Miscellaneous	—	262,846	262,846	—	240,034	240,034
Total source of supply	393,293	301,183	694,476	348,994	280,616	629,610
Power and pumping:						
Supervision and engineering	36,041	16,744	52,785	37,177	24,773	61,950
Fuel/power purchased	1,681,641	—	1,681,641	1,607,254	—	1,607,254
Labor and expenses	253,021	—	253,021	219,634	—	219,634
Structures and improvements	—	10,967	10,967	—	12,176	12,176
Miscellaneous	—	10,384	10,384	—	4,739	4,739
Total power and pumping	1,970,703	38,095	2,008,798	1,864,065	41,688	1,905,753
Water treatment:						
Supervision and engineering	42,551	18,840	61,391	43,626	18,987	62,613
Chemicals	1,296,301	—	1,296,301	1,236,913	—	1,236,913
Labor and expenses	602,151	—	602,151	563,774	—	563,774
Structures and improvements	—	52,164	52,164	—	58,069	58,069
Miscellaneous	—	322,751	322,751	—	286,216	286,216
Total water treatment	1,941,003	393,755	2,334,758	1,844,313	363,272	2,207,585
Total production	$ 4,304,999	733,033	5,038,032	4,057,372	685,576	4,742,948
Transmission and distribution:						
Supervision and engineering	$ 103,044	62,775	165,819	90,251	71,114	161,365
Storage facilities	20,075	57,656	77,731	19,290	46,914	66,204
Transmission and distribution lines	666,794	1,025,321	1,692,115	638,458	850,609	1,489,067
Meters	48,632	81,335	129,967	423,514	106,823	530,337
Customer installations	95,419	—	95,419	79,867	—	79,867
Services	—	130,338	130,338	—	109,234	109,234
Hydrants	—	69,499	69,499	—	86,550	86,550
Miscellaneous	650,869	211,795	862,664	756,326	196,628	952,954
Total transmission and distribution	$ 1,584,833	1,638,719	3,223,552	2,007,706	1,467,872	3,475,578
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 142,262			171,732
Meter reading			974,710			610,289
Customer records			590,684			(61,995)
Provision for uncollectible amounts			101,272			110,710
Total customer accounting paid and collecting			1,808,928			830,736
Sales promotion:						
Expenses			24,168			27,025
Total customer service			1,833,096			857,761
General and administrative:						
Salaries			643,308			568,415
Office supplies and expense			339,401			290,076
Injuries and damages			566,145			498,834
Employee benefits			1,751,422			2,021,288
Outside services			1,004,946			1,048,522
Miscellaneous			250,550			232,243
Total general and administrative			4,555,772			4,659,378
Depreciation and amortization			3,182,920			3,040,456
Payroll taxes			307,821			354,530
Other			60,433			77,211
Total operating expenses			18,201,626			17,207,862
Certain amounts are presented as a reduction of operating expenses, whereas they are included as miscellaneous revenue in the statement of revenues, expenses, and changes in fund net assets			1,339,832			1,840,449
			$ 19,541,458			19,048,311

Exhibit 38

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2012

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**MGS***
Sale of water:				
Residential	44,518	44,520	$ 11,699,971	2,989,311
Commercial	3,098	3,097	3,325,167	926,281
Industrial	6	6	479,477	213,274
Public authority	72	75	256,729	69,931
Resale	13	13	7,153,628	4,911,657
Private fire protection	382	434	127,606	—
Public fire protection	—	—	789,116	—
	48,089	48,145	23,831,694	9,110,454
Change in unbilled revenue			430,741	
Other operating revenue			373,202	
Total operating revenue			$ 24,635,637	
Thousands of gallons pumped:				
Courtney Bend Plant				10,604,134
Less total sales				9,110,454
Unaccounted for water				1,493,680

* Thousand gallons sold.

Exhibit 39

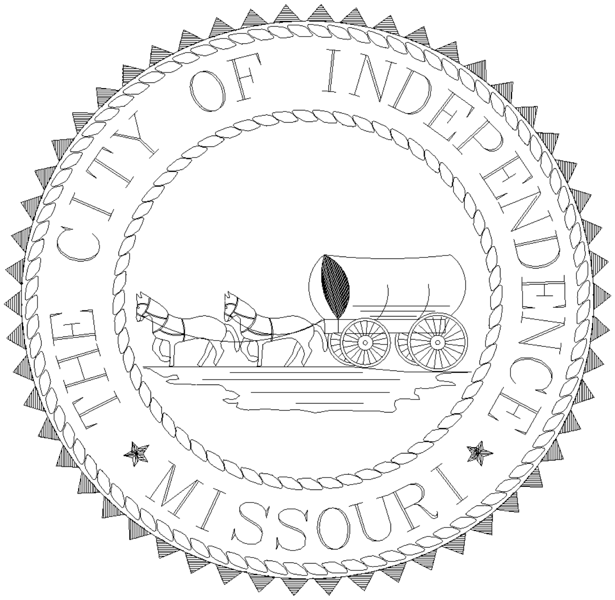
CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2012

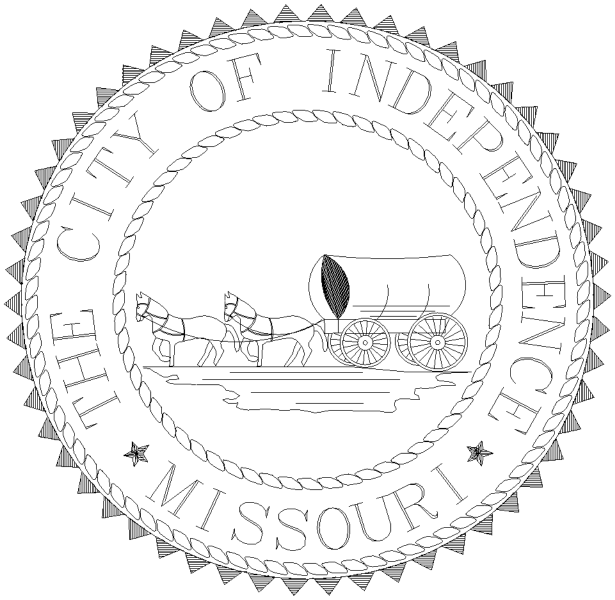
	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**CCF***
Sale of sanitary sewer services:				
Residential	40,579	40,572	$ 10,460,524	2,683,006
Commercial:				
Base	3,483	3,481	4,023,611	1,490,229
Surcharge	—	—	1,076,228	—
Contract waste treatment	16	14	254,877	—
Regulatory Compliance			1,595,871	
Intermunicipal agreements:				
Sugar Creek	—	—	524,383	—
Kansas City	—	—	73,295	—
	44,078	44,067	18,008,789	4,173,235
Other operating revenue			179,989	
Change in unbilled revenue			44,946	
Total operating revenue			$ 18,233,724	

* Hundred cubic feet.


THE CITY OF INDEPENDENCE
MISSOURI

STATISTICAL DATA

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

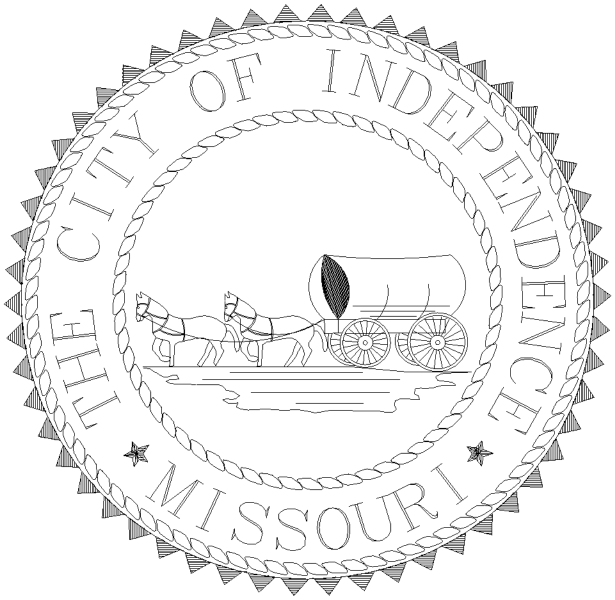

THE CITY OF INDEPENDENCE
MISSOURI

STATISTICAL SECTION

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

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

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



THE CITY OF INDEPENDENCE

MISSOURI

Table 1

City of Independence, Missouri

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities											
Invested in capital assets, net of related debt	$	75,199,757	86,613,728	102,014,271	165,333,646	195,251,671	233,350,380	289,028,019	305,569,028	321,072,648	334,320,197
Restricted		8,932,152	12,415,044	26,147,417	25,262,407	28,164,683	25,270,518	15,475,723	16,889,552	16,275,115	17,220,970
Unrestricted		(43,181,083)	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)	(4,410,121)	(10,487,249)	(23,784,298)	(41,705,135)	(219,659,905)
Total governmental activities net assets	$	40,950,826	50,151,360	122,409,342	186,567,169	220,283,552	254,210,777	294,016,493	298,674,282	295,642,628	131,881,262
Business-type activities	$										
Invested in capital assets, net of related debt		210,181,962	212,840,200	233,908,193	246,080,008	267,330,916	285,931,913	281,280,070	279,970,114	272,062,890	262,631,937
Restricted		500,000	500,000	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885	6,423,693	14,629,418
Unrestricted		78,252,510	85,443,314	72,143,939	70,071,662	60,010,180	31,311,367	29,929,991	32,197,583	37,479,969	46,597,826
Total business-type activities net assets	$	288,934,472	298,783,514	306,552,132	316,883,322	328,072,197	322,459,952	314,901,386	315,860,582	315,966,552	323,859,181
Primary government											
Invested in capital assets, net of related debt	$	285,381,719	299,453,928	335,922,464	411,413,654	462,582,587	519,282,293	570,308,089	585,539,142	593,135,538	596,952,134
Restricted		9,432,152	12,915,044	26,647,417	25,994,059	28,895,784	30,487,190	19,167,048	20,582,437	22,698,808	31,850,388
Unrestricted		35,071,427	36,565,902	66,391,593	66,042,778	56,877,378	26,901,246	19,442,742	8,413,285	(4,225,166)	(173,062,079)
Total primary government net assets	$	329,885,298	348,934,874	428,961,474	503,450,491	548,355,749	576,670,729	608,917,879	614,534,864	611,609,180	455,740,443

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

Note: GASB 34 Retroactive Infrastructure was added in the 2007 fiscal year.

Note: The new Workers' Compensation Internal Service Fund was added in the 2008 fiscal year.

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

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Administrative services	$ 6,846,123	6,808,416	7,148,065	7,363,102	7,749,779	8,487,120	8,216,824	9,172,736	9,305,826	8,344,371
Public safety	33,028,116	32,987,626	35,069,866	36,796,996	38,253,819	44,390,164	47,972,502	49,861,503	53,067,764	53,836,564
Public works	6,686,542	6,196,849	6,889,773	12,817,343	13,231,006	13,013,430	13,197,612	13,687,890	13,647,390	15,562,839
Health and welfare	2,376,921	2,524,823	2,421,255	2,638,369	2,898,542	3,287,200	3,599,725	3,607,469	3,732,795	3,575,162
Culture and recreation	3,861,827	4,069,244	4,247,735	5,161,139	6,965,260	7,813,486	8,135,903	7,604,501	7,947,692	8,476,301
Community development	3,319,609	3,471,030	3,372,610	3,809,726	4,096,835	4,381,932	4,003,876	4,386,689	7,032,272	5,128,323
Storm water	1,081,513	1,043,573	1,493,534	1,641,992	2,193,290	2,270,858	2,445,470	2,569,381	2,876,073	2,765,629
General government	11,149,913	15,012,715	6,266,060	6,678,208	8,225,760	7,921,217	8,374,983	9,421,062	9,366,479	9,293,399
Tax increment financing	—	—	—	—	—	—	—	—	—	2,992,581
Debt service component unit	—	—	—	—	—	—	—	—	7,709,611	—
Interest on long-term debt	2,955,628	3,237,213	536,124	991,856	1,050,153	1,073,318	891,473	640,902	625,778	10,125,399
Total governmental activities expenses	71,306,192	75,351,489	67,445,022	77,898,731	84,664,444	92,638,725	96,838,368	100,952,133	115,311,680	120,100,568
Business-type activities:										
Power and light	65,841,126	71,641,843	73,531,757	84,564,657	89,265,988	101,665,442	101,097,606	105,486,932	113,956,212	124,533,699
Water	15,297,405	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054	20,250,295	20,324,005	20,239,748	20,563,502
Sewer	11,535,324	11,381,487	11,995,774	12,236,654	12,721,171	14,451,363	15,233,127	15,268,389	16,304,874	16,157,412
Events center	—	—	—	—	—	179,032	1,888,027	4,862,017	13,764,087	12,869,289
Total business-type activities expenses	92,673,855	98,375,425	101,922,019	113,898,818	119,710,273	135,426,891	138,469,055	145,941,343	164,264,921	174,123,902
Total primary government expenses	$ 163,980,047	173,726,914	169,367,041	191,797,549	204,374,717	228,065,616	235,307,423	246,893,476	279,576,601	294,224,470
Program Revenues										
Governmental activities:										
Charges for services:										
Administrative services	$ 5,063,353	5,117,112	5,067,474	5,512,413	5,696,158	5,905,973	6,247,933	6,276,153	6,453,890	6,676,240
Public safety	3,758,528	3,618,327	3,841,471	4,588,766	4,202,328	4,202,059	4,432,454	4,867,364	4,943,734	4,829,421
Public works	649,768	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172	462,490	437,032	398,071
Health and welfare	321,312	487,956	482,601	435,775	723,574	791,825	776,194	819,659	732,116	817,774
Culture and recreation	153,669	252,814	619,630	975,889	845,560	925,880	842,523	771,890	796,820	871,799
Community development	2,019,153	2,068,279	2,050,172	2,203,367	2,292,638	1,949,275	1,172,512	1,242,376	1,167,853	968,438
Storm water	(16,212)	—	—	—	—	645	—	—	—	—
General government	20,000	15,000	—	—	—	—	—	—	—	1,012,898
Operating grants and contributions	8,818,594	9,181,339	9,336,061	9,199,332	9,957,178	8,902,787	8,223,227	9,182,959	13,517,593	12,487,041
Capital grants and contributions	1,221,356	957,411	7,242,924	26,417,977	23,963,312	27,772,386	41,557,506	11,912,031	12,598,018	14,465,335
Total governmental activities program revenues	22,009,521	23,614,318	29,442,539	50,337,280	49,019,227	51,190,473	63,701,521	35,534,922	40,647,056	42,527,017
Business-type activities:										
Charges for services:										
Power and light	77,276,647	81,333,414	82,592,294	98,278,354	103,133,249	107,619,947	105,064,847	114,744,814	126,755,826	139,878,341
Water	15,937,835	16,610,572	17,080,050	18,312,720	17,744,404	18,114,183	18,607,799	20,134,421	22,203,258	24,635,637
Sewer	12,753,946	13,320,317	13,975,780	14,364,165	15,058,695	15,283,055	15,347,894	15,263,586	17,061,489	18,233,724
Events center	—	—	—	—	—	—	—	—	4,874,623	8,370,481
Operating grants and contributions	256	—	—	—	—	—	—	—	4,813,612	5,000
Capital grants and contributions	847,188	4,031,475	3,491,383	2,964,925	5,562,049	4,363,127	3,396,999	7,760,380	4,012,182	1,122,019
Total business-type activities program revenues	106,815,872	115,295,778	117,139,507	133,920,164	141,498,397	145,380,312	142,417,539	157,903,201	179,720,990	192,245,202
Total primary government program revenues	$ 128,825,393	138,910,096	146,582,046	184,257,444	190,517,624	196,570,785	206,119,060	193,438,123	220,368,046	234,772,219

Table 2

City of Independence, Missouri

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	$ (49,296,671)	(51,737,171)	(38,002,483)	(27,561,451)	(35,645,217)	(41,448,252)	(33,136,847)	(65,417,211)	(74,664,624)	(77,573,551)
Business-type activities	14,142,017	16,920,353	15,217,488	20,021,346	21,788,124	9,953,421	3,948,484	11,961,858	15,456,069	18,121,300
Total primary government net expense	$ (35,154,654)	(34,816,818)	(22,784,995)	(7,540,105)	(13,857,093)	(31,494,831)	(29,188,363)	(53,455,353)	(59,208,555)	(59,452,251)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 6,104,668	6,458,742	6,564,690	6,895,323	6,952,380	7,067,966	7,963,698	7,276,215	7,458,788	8,652,704
Sales and use taxes	34,286,925	35,423,599	33,295,203	37,754,853	37,728,799	38,086,941	37,353,520	36,021,505	36,030,316	39,836,686
Intergovernmental activity taxes	—	—	—	—	—	—	—	—	—	9,534,652
Franchise taxes	6,718,262	7,241,437	7,500,356	7,645,601	8,209,734	16,519,852	13,138,965	11,823,113	10,696,214	10,914,940
Financial institutions tax	32,412	29,000	37,149	22,181	34,802	31,960	44,195	15,669	28,410	21,646
Investment earnings	404,173	583,364	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476	138,471	228,812
Miscellaneous	535,932	1,646,836	1,143,207	714,149	589,469	348,143	438,354	466,775	1,079,391	397,567
Payments to component unit	—	—	(24,722)	—	—	—	—	—	—	—
Transfers	9,333,977	9,554,727	10,038,823	13,167,930	13,180,055	14,181,015	13,398,378	14,274,247	16,201,380	17,329,950
Total governmental activities	57,416,349	60,937,705	59,477,407	67,585,163	68,480,350	77,712,325	72,942,563	70,075,000	71,632,970	86,916,957
Business-type activities:										
Investment earnings	822,222	709,029	1,567,536	2,449,623	2,532,853	1,850,519	485,895	69,869	171,413	28,936
Miscellaneous	1,526,891	1,774,387	1,022,417	436,132	47,953	37,982	1,405,433	609,962	679,868	2,212,916
Transfers	(9,333,977)	(9,554,727)	(10,038,823)	(13,167,930)	(13,180,055)	(14,181,015)	(13,398,378)	(14,274,247)	(16,201,380)	(17,329,950)
Total business-type activities	(6,984,864)	(7,071,311)	(7,448,870)	(10,282,175)	(10,599,249)	(12,292,514)	(11,507,050)	(13,594,416)	(15,350,099)	(15,088,098)
Total primary government	$ 50,431,485	53,866,394	52,028,537	57,302,988	57,881,101	65,419,811	61,435,513	56,480,584	56,282,871	71,828,859
Changes in Net Assets										
Governmental activities	$ 8,119,678	9,200,534	21,474,924	40,023,712	32,835,133	36,264,073	39,805,716	4,657,789	(3,031,654)	9,343,406
Business-type activities	7,157,153	9,849,042	7,768,618	9,739,171	11,188,875	(2,339,093)	(7,558,566)	(1,632,558)	105,970	3,033,202
Total primary government	$ 15,276,831	19,049,576	29,243,542	49,762,883	44,024,008	33,924,980	32,247,150	3,025,231	(2,925,684)	12,376,608

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

Note: GASB 34 Retroactive Infrastructure was added in the 2007 fiscal year.

Note: The new Workers' Compensation Internal Service Fund was added in the 2008 fiscal year.

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

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

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

Table 3

City of Independence, Missouri

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	$ 2,035,038	1,651,092	1,650,890	1,756,039	2,200,693	1,265,717	1,319,086
Unreserved	2,924,267	3,515,412	3,196,765	6,029,006	4,534,005	8,062,100	5,739,682
Total General Fund	$ 4,959,305	5,166,504	4,847,655	7,785,045	6,734,698	9,327,817	7,058,768
All other governmental funds							
Reserved	$ 11,092,566	15,656,867	18,110,669	20,786,620	10,928,435	41,091,787	19,583,280
Unreserved, reported in:							
Special revenue funds	6,324,381	8,619,880	17,461,153	14,250,375	17,620,241	12,648,957	5,357,555
Capital project funds	4,508,288	2,476,752	(3,837,893)	(10,687,320)	(1,859,546)	(29,245,744)	(10,675,562)
Debt service funds	—	92,704	92,278	86,300	82,229	71,068	56,553
Permanent funds	13,160	13,274	13,616	14,220	9,670	—	—
Total all other governmental funds	$ 21,938,395	26,859,477	31,839,823	24,450,195	26,781,029	24,566,068	14,321,826

	2010	2011	2012
General Fund			
Nonspendable	$ —	—	—
Restricted	236,365	442,556	584,917
Committed	2,277,479	1,413,292	453,285
Assigned	662,881	667,065	593,561
Unassigned	2,012,374	2,302,039	1,831,406
	$ 5,189,099	4,824,952	3,463,169
All other governmental funds			
Nonspendable	$ —	—	—
Restricted	17,329,836	16,659,329	44,378,155
Committed	440,243	437,150	1,404,187
Assigned	—	—	—
Unassigned	(5,118,794)	(5,369,883)	(6,237,737)
	$ 12,651,285	11,726,596	39,544,605

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

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

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

Table 4

City of Independence, Missouri

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	$ 47,109,855	49,123,780	47,360,251	52,295,777	52,890,913	58,474,761	55,131,682	55,953,427	59,053,886	68,437,032
Licenses, fees and permits	4,315,628	4,951,856	4,670,617	5,073,944	5,472,192	4,642,719	3,695,971	3,483,767	3,426,859	3,319,496
Intergovernmental	9,902,274	10,091,764	13,013,181	21,762,714	16,534,433	10,862,317	19,131,915	16,921,164	24,785,082	24,127,728
Charges for services	1,519,823	1,569,283	2,023,297	2,926,800	2,587,783	2,784,144	2,774,284	2,759,317	3,015,294	3,095,040
Interfund charges for support services	2,704,534	2,767,631	2,700,215	2,949,682	3,105,514	3,222,406	3,389,629	3,580,384	3,743,875	3,791,444
Fines, forfeitures, and court costs	3,502,074	3,219,276	3,521,377	4,023,981	3,900,967	3,724,608	4,009,673	4,510,754	4,398,111	4,329,537
Investment earnings	381,436	571,402	901,209	1,309,569	1,588,358	1,197,790	495,337	165,939	124,223	214,584
Reimbursements from component unit	—	—	—	—	3,502,961	11,413,444	12,274,171	3,792,466	581,524	—
Developer contributions	—	—	—	—	—	—	—	—	—	832,549
Other	649,613	1,619,995	1,260,113	493,127	799,580	740,435	924,092	816,818	1,115,938	2,355,665
Total revenues	70,085,237	73,914,987	75,450,260	90,835,594	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792	110,503,075
Expenditures										
Administrative services	6,542,594	6,593,368	6,618,488	6,897,346	7,592,963	7,460,421	7,728,128	7,867,425	7,862,603	7,332,146
Public safety	32,088,292	32,271,567	35,462,979	38,976,460	39,693,647	40,950,718	40,956,235	45,150,437	48,037,112	45,457,931
Public works	6,251,537	6,035,389	5,930,041	6,586,771	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868	5,191,326
Health and welfare	2,300,201	2,395,294	2,419,833	2,614,557	2,835,949	2,875,392	3,150,172	3,226,705	3,277,614	3,055,362
Culture and recreation	3,552,903	3,752,185	4,048,187	4,628,228	5,098,826	5,800,784	5,942,029	6,160,686	5,995,558	6,205,463
Community development	3,242,153	3,446,574	3,278,951	3,712,454	4,182,354	4,090,318	3,657,531	4,119,818	6,730,888	4,877,604
Storm water	990,671	820,703	1,180,789	1,141,595	1,538,857	1,388,856	1,542,289	1,668,148	1,772,387	1,581,460
General government	6,147,462	6,964,846	7,148,583	6,678,208	7,582,224	7,612,540	7,486,977	8,541,586	8,507,142	8,343,550
Tax increment financing	—	—	—	—	—	—	—	—	—	2,992,581
Capital outlay	17,123,501	20,481,873	21,040,394	33,296,700	31,736,638	28,561,029	42,442,528	26,346,981	22,527,627	24,697,928
Debt Service										
Principal	2,164,932	3,554,106	1,019,196	3,230,099	3,256,394	3,378,132	7,277,755	3,465,682	2,963,391	12,935,067
Debt service component unit	—	—	—	—	—	—	—	—	3,566,752	—
Interest	2,933,752	3,153,530	246,458	996,600	1,001,306	1,114,072	977,116	814,620	600,864	10,283,032
Debt issuance costs	—	—	—	—	—	—	—	—	—	258,358
Total expenditures	83,337,998	89,469,435	88,393,899	108,759,018	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806	133,211,808
Excess of revenues over (under) expenditures	(13,252,761)	(15,554,448)	(12,943,639)	(17,923,424)	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)	(17,757,014)	(22,708,733)
Other Financing Sources (Uses)										
Transfers in	1,817,327	651,553	222,429	1,724,648	2,102,299	1,266,294	3,897,938	3,069,619	2,499,761	8,446,498
Transfers out	(1,870,055)	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)	(2,461,566)	(8,446,498)
Issuance of debt	3,516,885	11,096,464	20,748,448	—	8,477,809	100,695	101,734	4,020,000	—	8,694,700
Premiums/Discounts on debt issued	—	—	—	—	—	—	—	18,402	—	(99,950)
Payment to refunded loans escrow agent	—	—	—	—	—	—	—	—	—	(6,426,286)
Transfers in - utility payments in lieu of taxes	9,386,705	9,712,812	10,179,317	12,624,861	13,039,463	13,702,586	13,503,735	14,225,247	16,211,380	17,329,950
Payments to component unit	—	—	—	—	—	—	—	—	—	—
Sale of capital assets	11,109	31,537	56,379	303,255	50,834	23,581	40,269	38,572	218,603	100,901
Total other financing sources (uses)	12,861,971	20,682,729	30,843,652	13,471,185	21,708,698	13,721,505	13,540,381	18,351,221	16,468,178	19,599,315
Net change in fund balances	$ (390,790)	5,128,281	17,900,013	(4,452,239)	399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)	(3,109,418)
Debt service as a percentage of non capital expenditures	7.18%	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%	7.67%	21.55%

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

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

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

Table 5

City of Independence, Missouri

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

Sales by Retail Category:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apparel stores	$ 108,155	104,131	115,283	122,165	126,307	132,957	125,832	124,168	103,406	109,372
General merchandise	384,132	396,792	411,327	420,186	436,832	430,331	434,782	408,200	388,061	424,435
Food stores	152,718	151,936	166,671	171,641	173,595	170,099	178,747	179,031	166,018	177,019
Eating and drinking establishments	140,552	149,307	170,143	179,418	190,478	194,970	201,085	211,739	207,363	220,458
Home furnishings and appliances	84,984	79,079	85,821	87,789	84,366	80,420	72,902	67,124	54,274	55,222
Building materials and farm tools	20,127	19,595	20,842	23,345	25,578	22,720	19,998	17,213	16,937	14,753
Construction/Remodeling	5,837	5,131	5,432	5,869	2,040	4,724	3,415	3,596	3,317	4,383
Auto dealers and supplies	31,686	31,085	32,284	32,593	33,865	35,314	38,260	36,967	41,703	39,526
Service stations	40,667	43,001	55,475	60,533	61,586	62,430	65,741	68,633	70,891	75,773
Other retail stores	208,466	212,256	186,594	229,869	227,864	222,237	245,406	233,860	219,787	236,382
All other outlets	96,634	105,946	109,023	116,068	121,081	119,236	113,711	119,813	118,046	123,443
Total	$ 1,273,958	1,298,259	1,358,895	1,449,476	1,483,592	1,475,438	1,499,879	1,470,344	1,389,803	1,480,766

Note: Amounts for 2012 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.375	0.375	0.375	0.375	0.375	0.375	0.500	0.500	0.500	0.500
Park Improvements	0.125	0.125	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.000	0.250	0.250	0.250	0.125	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.875	1.875	2.000	2.375	2.375	2.375	2.375	2.375	2.375	2.375

Total Local Option Sales Tax Rate	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Jackson County	0.750	0.750	0.750	0.750	1.125	1.125	1.125	1.125	1.125	1.250
City of Independence	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	6.850	6.850	6.975	7.350	7.725	7.725	7.725	7.725	7.725	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	Real Property					Other Property		Total Taxable		Estimated	Assessed Value as a
Ended June 30,	Residential Property	Agricultural Property	Commercial Property	State Assessed	Total	Personal Property	Railroads & Utilities	Assessed Value	Total Direct Tax Rate	Market Value	Percentage of Actual Value
2003	$ 680,890,499	1,042,495	236,512,469	4,947,308	923,392,771	246,919,958	489,879	1,170,802,608	0.7500	5,089,915,714	23.00%
2004	692,984,990	1,058,124	240,816,129	5,477,070	940,336,313	257,027,857	378,363	1,197,742,533	0.6930	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	5,525,949	1,037,312,716	256,782,138	251,053	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	5,244,739	1,052,143,415	266,654,033	1,105,062	1,319,902,510	0.6630	5,787,206,471	22.81%
2007	826,183,410	1,077,386	289,266,376	4,991,962	1,121,519,134	278,254,929	836,952	1,400,611,015	0.6510	6,115,085,122	22.90%
2008	835,415,560	1,092,071	280,076,363	4,385,286	1,120,969,280	289,243,271	1,720,003	1,411,932,554	0.6560	6,168,940,666	22.89%
2009	774,152,986	1,020,696	255,474,757	3,793,786	1,034,442,225	268,317,482	1,114,259	1,303,873,966	0.7030	5,702,449,660	22.87%
2010	770,979,192	1,083,868	257,788,756	4,145,717	1,033,997,533	263,606,423	1,237,018	1,298,840,974	0.7280	5,680,839,244	22.86%
2011	781,239,728	1,126,981	235,721,480	4,951,250	1,023,039,439	262,875,610	1,242,492	1,287,157,541	0.7236	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	0.7281	5,643,175,957	22.67%

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) (also taxing year)	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
2003	$ 0.510	0.240	—	0.750	0.230	5.190	1.113	0.030
2004	0.471	0.222	—	0.693	0.230	5.190	1.107	0.030
2005	0.471	0.222	—	0.693	0.230	5.190	1.107	0.030
2006	0.451	0.212	—	0.663	0.217	5.084	1.060	0.030
2007	0.442	0.209	—	0.651	0.217	5.084	1.063	0.030
2008	0.446	0.210	—	0.656	0.213	5.084	1.053	0.030
2009	0.478	0.225	—	0.703	0.214	5.084	1.061	0.030
2010	0.495	0.233	—	0.728	0.227	5.280	1.060	0.030
2011	0.4924	0.2312	—	0.7236	0.2335	5.5800	1.0464	0.0300
2012	0.4950	0.2331	—	0.7281	*(see note (5))*			

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	0.1526
General Fund	0.1487
Road & Bridge Fund	0.1387
Park Fund	0.0898
Mid-Continent Public Library	0.3200
Developmentally Disabled	0.0748
Mental Health	0.1218
Total County	1.0464

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

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

(5) Tax levy rates are calculated each year by each taxing jurisdiction and then reported to Jackson County who bills and collects the tax revenues from individual tax payers. The County will be issuing the 2012 tax levy rate schedule in November therefore some tax levy rates are not yet available for the current tax year.

Table 9

City of Independence, Missouri

Principal Property Taxpayers

Current Year and Ten Years Ago

	2012			2003		
Taxpayer	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	$ 22,094,332	1	1.73%	$ 17,060,551	1	1.46%
Cole EDD Mt Independence LLC	8,963,343	2	0.70%			
Sprint	8,867,595	3	0.69%			
Space Center of Kansas City	6,738,787	4	0.53%	8,947,900	3	0.76%
Southern Union Company	5,708,511	5	0.45%	5,325,344	5	0.45%
Unilever Bestfoods NA	5,685,895	6	0.44%			
Comcast Cablevision	5,488,069	7	0.43%	3,691,837	9	0.32%
Centerpoint Medical Center	4,656,394	8	0.36%			
A T & T	4,430,015	9	0.35%			
Mansion Apartment	4,032,764	10	0.32%			
Community Center Two, LLC				9,286,793	2	0.79%
Southwestern Bell				7,747,044	4	0.66%
Bradley Operating LTD PTP				5,104,000	6	0.44%
Noland Fashion Square Partners				5,094,412	7	0.44%
Independence Regional Hospital				4,996,788	8	0.43%
Independence Apartments Association				3,675,082	10	0.31%
Total	$ 76,665,705		5.99%	$ 70,929,751		6.06%

Source: Jackson County Collection Department

Table 10

City of Independence, Missouri

Property Tax Levies and Collections

Last Ten Fiscal Years

		Collected within Fiscal Year of Levy			Total Collections to Date	
Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2002	$ 5,973,560	$ 5,253,285	87.94%	$ 717,626	$ 5,970,911	99.96%
2003	6,048,256	5,684,526	93.99%	361,404	6,045,930	99.96%
2004	6,330,247	5,729,077	90.50%	598,211	6,327,288	99.95%
2005	6,444,741	6,084,821	94.42%	357,716	6,442,537	99.97%
2006	6,818,619	6,164,479	90.41%	651,159	6,815,638	99.96%
2007	6,905,547	6,557,341	94.96%	343,882	6,901,223	99.94%
2008	7,103,810	6,645,387	93.55%	456,256	7,101,644	99.97%
2009	7,287,258	6,807,203	93.41%	479,610	7,286,813	99.99%
2010	7,232,424	6,883,318	95.17%	290,251	7,173,569	99.19%
2011	7,493,616	7,145,073	95.35%	155,854	7,300,927	97.43%
2012	7,495,895	6,971,357	93.00%	—	6,971,357	93.00%

Source: City of Independence

Table 11

City of Independence, Missouri

Total Utility Sales by Category
Last Ten Fiscal Years

Sales by Category:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Power and Light:										
Residential	$ 40,254,000	42,431,000	41,375,000	50,668,000	53,326,000	55,218,000	52,555,000	56,500,000	64,723,000	71,334,000
Commercial	32,429,000	34,242,000	36,011,000	40,881,000	43,673,000	44,708,000	45,171,000	48,273,000	52,003,000	58,366,000
Industrial	2,019,000	2,139,000	2,504,000	2,649,000	2,891,000	2,999,000	2,904,000	3,085,000	3,292,000	4,462,000
Sold to Other Utilities	809,000	689,000	779,000	1,839,000	796,000	2,081,000	1,765,000	4,039,000	3,077,000	1,909,000
Other	881,000	941,000	1,008,000	1,128,000	1,214,000	1,328,000	1,434,000	1,621,000	1,551,000	1,644,000
Water:										
Residential	8,046,353	8,141,479	7,789,773	8,488,894	8,657,593	8,994,600	9,037,744	9,403,985	10,726,567	11,699,971
Commercial	2,185,099	2,152,295	2,053,011	2,245,526	2,347,234	2,458,013	2,450,246	2,404,953	2,835,271	3,325,167
Industrial	324,228	336,707	331,251	362,537	367,863	308,642	300,577	407,313	450,156	479,477
Public Authority	169,383	174,092	189,489	231,257	228,957	267,428	281,615	297,218	263,137	256,730
Sold to Other Utilities	4,302,002	4,950,287	5,670,010	5,858,904	5,232,779	5,023,444	4,930,608	6,302,495	6,659,302	7,153,628
Other	856,811	934,326	960,563	968,733	1,060,453	1,081,606	1,344,666	1,217,907	1,245,524	1,289,923
Sanitary Sewer:										
Residential	8,144,267	8,570,232	8,834,127	9,196,013	9,584,113	9,854,124	9,841,314	9,733,214	9,873,906	10,460,524
Commercial	3,941,123	3,964,736	4,322,804	4,364,268	4,585,890	4,559,524	4,560,728	4,569,721	4,841,546	5,099,839
Other	643,687	707,755	797,791	774,222	854,930	881,836	906,142	897,895	2,443,875	2,628,416
Total	$ 105,004,953	110,373,909	112,625,819	129,655,354	134,819,812	139,763,217	137,482,640	148,752,701	163,985,284	180,108,675

Source: City of Independence

Table 12

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

Rates by Category:		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Power and Light (per Kwh):	$										
Residential		0.08	0.08	0.08	0.09	0.10	0.10	0.10	0.11	0.12	0.14
Commercial		0.07	0.07	0.07	0.08	0.09	0.09	0.09	0.10	0.10	0.12
Industrial		0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.07	0.08	0.09
Sold to Other Utilities		0.03	0.03	0.03	0.04	0.04	0.05	0.03	0.03	0.03	0.02
Other		0.10	0.10	0.11	0.12	0.13	0.14	0.15	0.16	0.15	0.15
Water (per 1,000 gallons):											
Residential		2.35	2.37	2.49	2.54	2.63	2.80	3.06	3.35	3.61	3.91
Commercial		2.16	2.18	2.27	2.34	2.41	2.52	2.78	3.08	3.33	3.59
Industrial		1.10	1.12	1.14	1.31	1.34	1.44	1.73	1.97	2.23	2.25
Public Authority		1.94	2.02	2.28	2.34	2.42	2.58	2.86	3.11	3.34	3.67
Sold to Other Utilities		1.01	1.02	1.17	1.21	1.10	1.03	1.10	1.23	1.35	1.46
Sanitary Sewer (per 100 cubic feet):											
Residential		2.75	2.77	2.97	3.13	3.18	3.35	3.50	3.40	3.62	3.90
Commercial		2.26	2.34	2.32	2.46	2.64	2.68	2.69	3.08	3.09	3.42
Total	$	13.89	14.17	14.98	15.72	16.13	16.84	18.16	19.70	21.05	22.73

Source: City of Independence

Table 13

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

	2012			2003		
Utility Customer - Power and Light	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 1,910,796	1	1.39%	$ 959,648	1	1.26%
Centerpoint Medical Center	1,737,519	2	1.26%	—		0.00%
Burd and Fletcher (Combined Accounts)	1,635,516	3	1.19%	583,666	4	0.76%
Simon Property Group LP	1,202,329	4	0.87%	927,942	2	1.21%
Smart Warehouse/Commercial Distributions Center	1,013,584	5	0.74%	843,993	3	1.10%
The Boyer Company	588,966	6	0.43%	—		0.00%
Costco Wholesales Inc.	554,852	7	0.40%	273,418	10	0.36%
City's Rock Creek Sanitary Sewer Plant	542,455	8	0.39%	364,924	6	0.48%
Independence Events Center	524,711	9	0.38%	—		0.00%
Price Chopper (23rd Street)	479,608	10	0.35%	349,270	8	0.46%
Price Chopper (Noland Road)	—		0.00%	357,028	7	0.47%
Independence Regional Health Center				371,639	5	0.49%
Medical Center of Independence				278,192	9	0.36%
Total	$ 10,190,336		7.40%	$ 5,309,720		6.95%

Source: City of Independence

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

	2012			2003		
Utility Customer - Water	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	$ 4,078,226	1	16.85%	$ 1,979,115	1	12.46%
Blue Springs	1,009,940	2	4.17%	1,010,979	2	6.36%
District #2, Jackson County	550,026	3	2.27%	287,374	3	1.81%
District #1, Lafayette County	373,838	4	1.54%	240,941	4	1.52%
Oak Grove	342,635	5	1.42%	224,939	5	1.42%
Grain Valley	266,450	6	1.10%	176,463	6	1.11%
District #15, Jackson County	220,381	7	0.91%	131,269	8	0.83%
Unilever (Thomas J. Lipton Co)	197,411	8	0.82%	132,830	7	0.84%
Lafarge Corporation	154,187	9	0.64%	115,398	9	0.73%
Buckner	144,765	10	0.60%	102,085	10	0.64%
Total	$ 7,337,859		30.32%	$ 4,401,393		27.71%

Source: City of Independence

Table 15

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

	2012			2003		
Utility Customer - Sewer	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	$ 839,132	1	4.61%	$ 659,068	1	5.18%
AMOCO	229,819	2	1.26%	129,785	2	1.02%
City of Independence, Power & Light	118,244	3	0.65%	74,566	3	0.59%
Centerpoint Medical Center	63,035	4	0.35%			
Simon Property Group LP	50,604	5	0.28%	43,117	5	0.34%
Highland Park Investors	49,169	6	0.27%			
Price Chopper (23rd Street)	18,932	7	0.10%			
Bass Pro	15,021	8	0.08%			
The Boyer Company	12,848	9	0.07%			
Independence Events Center	10,739	10	0.06%			
Commercial Distributions Center	—		0.00%	19,005	6	0.15%
Independence Regional Health Center	—		0.00%	46,388	4	0.36%
Total	$ 1,407,543		7.74%	$ 971,929		7.64%

Note: Amounts for customers 7 through 10 are not available for 2003.

Source: City of Independence

Table 16

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

	Governmental Activities			
Fiscal Year	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation
2003	$ 52,301,676	$ —	$ 1,086,597	$ —
2004	59,317,916	995,000	718,955	—
2005	(2) 21,498,153	1,039,990	1,015,831	—
2006	(2) 18,590,023	982,044	737,370	—
2007	23,870,529	923,099	712,483	—
2008	20,681,754	864,153	650,673	—
2009	13,586,351	800,207	603,524	—
2010	14,366,011	736,261	431,454	—
2011	11,580,656	667,315	292,063	—
2012	(3) 180,792,033	598,369	1,642,764	—

	Business-Type Activities						
Fiscal Year	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2003	$ 53,826,179	$ —	$ —	$ —	$ 107,214,452	4.27%	$ 937.64
2004	65,887,893	—	—	—	126,919,764	5.15%	1,106.10
2005	62,969,608	—	—	—	86,523,582	3.39%	751.42
2006	59,361,323	—	—	—	79,670,760	3.03%	687.10
2007	55,548,038	—	—	—	81,054,149	3.06%	696.59
2008	63,829,753	—	—	—	86,026,333	3.48%	788.08
2009	178,411,467	—	65,954	—	193,467,503	7.48%	1,695.18
2010	175,035,863	—	43,988	—	190,613,577	6.77%	1,572.56
2011	195,970,016	—	21,353	—	208,531,403	7.91%	1,784.91
2012	243,037,399	—	—	—	426,070,565	16.49%	3,635.01

Notes:

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

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

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

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

	General Bonded Debt Outstanding			Percentage of Est.	
Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service	Total	Actual Taxable Value of Property (1)	Per Capita (2)
2003	$ —	$ —	$ —	0.00%	$ —
2004	—	—	—	0.00%	—
2005	—	—	—	0.00%	—
2006	—	—	—	0.00%	—
2007	—	—	—	0.00%	—
2008	—	—	—	0.00%	—
2009	—	—	—	0.00%	—
2010	—	—	—	0.00%	—
2011	—	—	—	0.00%	—
2012	—	—	—	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.

City of Independence, Missouri

Direct and Overlapping Governmental Activities Debt

As of June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Blue Springs Reorganized #4 School District	$ 131,945,000	1.70%	$ 2,243,065
Independence School District	237,866,691	93.76%	223,023,809
Raytown School District	76,589,999	6.00%	4,595,400
Fort Osage Reorganized #1 School District	48,470,000	12.50%	6,058,750
Subtotal, overlapping debt			235,921,024
City direct debt			183,033,166
Total direct and overlapping debt			$ 418,954,190

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

Note: Information was requested from the Kansas City School District and Jackson County, but no response was received.

Source: The debt outstanding data and applicable percentages are provided by each governmental entity, and is based on the City's percentage of assessed valuation within the school district.

Table 19

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit (1)	$ 234,498,374	239,548,507	258,869,181	263,980,502	280,122,203	282,386,511	282,386,511	259,768,195	257,431,508	255,846,718
Total net debt applicable to limit	—	—	948,722	896,700	840,870	790,240	790,240	650,505	585,340	515,768
Legal Debt Margin	$ 234,498,374	239,548,507	257,920,459	263,083,802	279,281,333	281,596,271	281,596,271	259,117,690	256,846,168	255,330,950
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%	0.227%	0.202%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	$ 1,279,233,589
Debt Limit (20% of assessed value)	255,846,718
General obligation:	
City-Wide	—
Neighborhood Improvement Districts	598,369
Revenue Bonds	243,037,399
Total Bonded Debt	243,635,768
Less:	
Water Utility Bonds	43,475,002
Electric Utility Bonds	115,873,574
Events Center Bonds	83,688,823
Debt Service Fund Balance	82,601
Total net debt applicable to limit	515,768
Legal debt margin	$ 255,330,950

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		Less: Operating	Net Available	Debt Service		
Year	Revenues	Expenses (1)	Revenue	Principal	Interest (2)	Coverage
Power & Light (2)						
2003	$ 77,932,974	$ 56,701,449	$ 21,231,525	$ 1,740,000	$ 1,164,512	$ 7.31
2004	82,265,717	61,851,943	20,413,774	1,745,000	983,448	7.48
2005	84,020,908	64,452,736	19,568,172	1,855,000	921,038	7.05
2006	100,254,630	75,369,477	24,885,153	1,925,000	855,273	8.95
2007	105,313,797	80,423,304	24,890,493	1,995,000	784,823	8.95
2008	109,358,222	90,141,975	19,216,247	2,065,000	708,218	6.93
2009	106,810,460	88,778,796	18,031,664	2,155,000	1,157,423	5.44
2010	115,265,625	91,580,614	23,685,011	2,245,000	2,149,388	5.39
2011	127,486,725	98,684,455	28,802,270	2,965,000	2,645,010	5.13
2012	140,997,371	104,196,848	36,800,523	3,820,000	3,042,435	5.36
Water (2)						
2003	$ 16,348,365	$ 10,788,334	$ 5,560,031	$ 1,070,000	$ 1,489,510	$ 2.17
2004	16,907,411	10,718,853	6,188,558	1,200,000	1,449,060	2.34
2005	17,928,618	11,096,626	6,831,992	1,285,000	2,014,517	2.07
2006	19,285,620	12,300,943	6,984,677	1,905,000	2,053,730	1.76
2007	18,473,889	12,850,111	5,623,778	2,040,000	1,923,627	1.42
2008	18,422,122	13,268,938	5,153,184	2,200,000	1,838,014	1.28
2009	18,709,946	13,618,857	5,091,089	2,380,000	2,032,591	1.15
2010	20,224,820	13,386,180	6,838,640	2,525,000	2,413,924	1.38
2011	22,292,691	13,133,820	9,158,871	2,790,000	2,210,141	1.83
2012	25,043,870	13,882,468	11,161,402	2,965,000	2,096,341	2.21
Sanitary Sewer						
2003	$ 12,946,774	$ 9,453,484	$ 3,493,290	$ —	$ —	$ —
2004	13,549,180	9,243,252	4,305,928	—	—	—
2005	14,272,438	10,017,560	4,254,878	—	—	—
2006	14,850,445	10,400,801	4,449,644	—	—	—
2007	15,519,278	10,884,567	4,634,711	—	—	—
2008	15,860,966	11,852,963	4,008,003	—	—	—
2009	15,585,793	13,005,365	2,580,428	—	—	—
2010	15,310,352	13,001,081	2,309,271	—	—	—
2011	17,099,048	13,451,850	3,647,198	—	—	—
2012	19,260,332	13,840,938	5,419,394	—	—	—

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Notes: (1) Operating expenses excludes depreciation, interest expense, amortization, non-operating expenses, OPEB, and payments in lieu of taxes.

(2) Numbers displayed for Power and Light are in accordance with FERC accounting. Numbers displayed for Water are in accordance with NARUC accounting.

Table 21

City of Independence, Missouri

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year (3)	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (1)
2003	114,345	2,509,987,095	21,951	38.34	16,334	6.00%
2004	114,745	2,465,640,560	21,488	38.55	18,215	6.50%
2005	115,146	2,552,786,820	22,170	38.57	16,278	6.00%
2006	115,953	2,632,249,053	22,701	38.91	14,829	5.30%
2007	116,359	2,651,123,456	22,784	39.22	14,113	5.40%
2008	109,159	2,471,141,442	22,638	39.28	13,550	6.40%
2009	114,128	2,585,569,840	22,655	39.56	16,065	9.80%
2010	121,212	2,817,572,940	23,245	39.81	20,755	10.35%
2011	116,830	2,636,035,290	22,563	38.79	19,505	10.20%
2012	117,213	2,583,374,520	22,040	38.18	24,900	7.80%

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

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

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

	2012			2003		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems	2,600	1	4.77%	1,750	1	3.14%
Independence School District	2,043	2	3.75%			
Centerpoint Medical Center	1,600	3	2.94%	1,400	2	
City of Independence	1,133	4	2.08%	1,175	3	
Government Employee Hospital	650	5	1.19%	650	4	1.17%
Rosewood Health Center at the Groves	400	6	0.73%	300	7	0.54%
Burd & Fletcher	350	7	0.64%	350	6	0.63%
Jackson County Circuit Court	274	8	0.50%			
Mid-Continent Library	248	9	0.46%			
Unilever	220	10	0.40%	290	8	
Southwestern Bell Telephone				550	5	0.99%
Sprint				200	9	0.36%
Comcast				165	10	0.30%
Total	9,518		17.47%	6,830		12.25%

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
City council office	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	7.00	6.50	6.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00
City manager	10.00	8.50	7.00	7.50	10.50	10.50	10.50	9.50	9.50	7.00
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75
Technology services	20.00	20.00	20.00	20.00	21.00	21.00	21.00	21.00	21.00	22.00
Municipal court	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00
Law - General fund	6.00	5.50	5.50	5.75	6.75	6.51	6.50	6.50	6.00	6.25
Law - Grant fund	—	—	0.50	0.50	0.50	0.37	0.25	0.25	0.25	0.25
Finance	25.00	24.00	24.00	25.00	26.00	25.00	24.15	24.15	24.15	22.65
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	6.50	6.50
Public Safety										
Police - General fund	275.00	275.00	277.00	281.50	281.50	283.00	290.40	290.40	292.90	274.65
Police - Grant fund	—	—	15.00	12.00	10.00	14.00	15.00	15.00	13.00	14.00
Fire - General fund	174.00	174.00	173.25	173.25	173.25	173.25	173.25	173.25	173.25	173.25
Fire - Grant fund	—	—	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Public Works	87.90	82.00	81.00	82.00	83.00	82.00	82.00	82.00	83.00	79.90
Health and Welfare										
General fund	39.69	39.47	33.50	34.25	34.25	35.25	35.25	35.25	36.00	35.16
Grant fund	—	—	5.50	6.00	7.70	6.25	7.10	5.35	4.95	8.65
Culture and Recreation										
General fund	43.79	42.14	41.70	36.70	35.53	32.65	32.65	33.46	31.71	28.71
Tourism fund	3.41	3.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.66
Park Improvement Sales Tax fund	5.00	8.61	11.59	12.59	17.12	25.29	25.29	23.98	22.48	21.75
Community Development										
General fund	23.00	22.00	22.00	26.00	25.75	26.64	26.05	27.55	27.05	27.30
Community Dev Block Grant fund	3.00	3.00	3.00	3.00	2.50	2.11	2.70	2.00	2.00	2.00
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	—
Storm Water Sales Tax fund	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	13.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	217.00	218.00	222.00	233.00
Water										
City Manager - General fund	1.50	1.50	—	—	—	—	—	—	—	—
Finance - General fund	—	—	1.00	1.00	0.17	0.15	0.85	0.85	0.85	0.85
Water	97.48	97.48	97.48	98.48	97.48	98.50	101.65	101.65	101.65	93.65
Sewer										
Public Works - General fund	—	—	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	72.00	69.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
Central Garage fund	10.00	9.00	9.00	9.00	9.00	10.00	10.00	9.75	9.75	9.75
Worker' Compensation Fund	—	—	—	—	—	1.75	1.75	1.75	1.75	2.00
Total	1,175.27	1,162.61	1,182.18	1,188.18	1,195.66	1,208.88	1,218.00	1,216.30	1,216.90	1,196.93

Source: City of Independence Budget

Table 24

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

	Fiscal Year									
Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	14,963	19,763	17,183	15,986	14,621	15,095	14,900	16,691	15,126	14,123
Public Safety										
Police										
Police Incident Calls	120,668	123,329	128,891	130,242	126,301	122,667	125,899	126,087	100,096	98,282
Traffic Unit Citations Issued	17,796	30,840	31,323	20,257	30,984	31,241	31,969	38,465	19,082	19,977
Fire										
Total Alarms	12,294	13,424	12,895	13,166	13,354	13,130	15,374	16,081	16,931	16,907
Public Education Audience	12,619	14,747	18,363	18,818	18,502	18,830	10,291	38,133	35,243	19,508
Public Works										
Street Overlay (lane miles)	110	104	88	66	26	—	53	63	16	35
Street Patching Jobs	744	575	542	474	3,897	6,822	3,168	6,163	7,181	5,069
Health and Welfare										
Food Handlers Trained	5,186	11,638	9,680	7,696	8,663	10,112	8,850	9,333	7,036	6,582
Flu Shots Given	539	600	431	680	1,118	764	789	7,369	661	422
Animal Control Service Calls	9,230	7,354	6,446	7,294	8,415	6,641	9,314	9,489	6,957	7,499
Culture and Recreation										
Park Shelter Reservations	675	210	214	462	457	646	872	715	730	524
Number of Sermon Center Memberships	1,032	1,056	948	930	1,095	1,500	1,323	1,574	1,577	1,577
Community Development										
Permits Issued	4,693	5,809	5,281	4,792	4,048	4,100	3,782	3,246	4,538	3,177
Tourism										
Site Attendance	334,853	306,407	290,499	295,381	260,342	244,524	230,483	222,104	287,466	374,525
Leisure Visitor Inquiries	44,659	23,172	34,512	44,943	34,116	35,446	33,392	39,925	38,828	50,517
Power and Light										
Average number of monthly customers	54,356	55,195	55,921	56,402	56,562	56,790	56,656	56,585	56,458	56,292
Water										
Number of customers	46,873	47,324	47,461	47,769	48,358	48,350	48,318	47,822	48,089	48,145
Water main breaks	292	239	182	241	271	179	171	202	267	249
Sewer										
Number of customers	42,394	43,434	43,909	44,290	44,351	44,210	44,279	44,232	44,078	44,085
Wastewater Treated (Million Gallons)	2,939	3,032	3,207	2,935	2,348	2,701	3,080	3,249	2,515	2,261

Source: City of Independence

Table 25

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Public Safety										
Police										
Police stations	3	3	3	3	4	4	4	5	4	3
Vehicles	124	162	90	177	203	206	201	215	166	180
K - 9 Facility	—	—	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
Vehicles	40	42	41	44	45	42	45	48	47	45
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	535	535	535	580	550	564	547	557	565	565
Culture and Recreation										
Park acreage	721	724	724	757	826	728	728	781	730	843
Parks	40	40	42	43	44	42	42	45	43	45
Community Centers	2	3	3	3	3	3	3	3	3	4
Fitness Centers	1	2	2	2	2	2	2	2	2	2
Ball Fields	53	53	53	53	53	54	54	57	54	42
Power and Light										
Power stations	5	5	5	5	5	5	5	5	5	6
Transmission/Distribution Circuits (miles)	794	802	809	817	829	835	840	844	847	859
Maximum daily use (Mwh)	5,401	5,838	5,320	5,464	5,865	5,579	5,472	4,909	5,456	5,780
Water										
Water mains (miles)	697	711	711	729	736	741	742	746	750	757
Fire hydrants	4,061	4,186	4,186	4,401	4,520	4,635	4,679	4,728	4,787	4,854
Maximum daily pumpage (millions of gallons)	42	42	41	44	44	39	38	35	42	42
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	565	582	576	578	590	578	596	597	596	614
Maximum daily capacity of treatment (MGD)	18	18	19	19	18	16	18	18	18	16

Source: City of Independence

APPENDIX C

UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED MARCH 30, 2013

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CITY OF INDEPENDENCE, MISSOURI

FINANCIAL AND OPERATING REPORT

FOR PERIOD ENDED

March 2013

PREPARED BY:
FINANCE DEPARTMENT

City of Independence

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

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

April 12, 2013

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

Re: March 2013 Financial Report

The Financial Report of the City of Independence for the period ended March 2013 is submitted herewith. This report reflects 75% of the 2012-13 fiscal year operations for the funds represented.

The current budget for General Fund estimated revenues are $165,000 less than the original estimate. Projected revenues for the year are expected to be $925,432 less than the estimate. The projected revenues, for the most part, reflect trends that were developed last spring. Note this projection is based on nine months of actual operating results. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Due to the slow recovery in the general economy and specifically retail sales we are paying very close attention to sales tax revenue. Current projections for sales tax are at the original estimate. Utility franchise fees are down $69,846. At this point the Gas franchise fee is $200,000 less than the estimate and telephone is at the estimate. The variance from City owned utilities is $317,212 less than the original projection. Revenue from Business Licenses and Permits continue to be impacted by the economy. Current projections are $158,660 less than the original projection. Detail for these 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	$54,016,580	$54,016,580	$53,710,037	($306,543)	-0.6%
Licenses & Permits	3,303,594	3,303,594	3,144,934	(158,660)	-5.0%
Grants	5,193,957	5,193,957	5,080,584	(113,373)	-2.2%
Charges for Services	2,690,043	2,525,043	2,333,108	(191,935)	-8.2%
Interfund Services	3,938,088	3,938,088	3,956,120	18,032	0.5%
Fines & Forfietures	4,716,854	4,716,854	4,488,685	(228,169)	-5.1%
Interest	90,900	90,900	95,928	5,028	5.2%
Other Revenue	467,425	467,425	517,613	50,188	9.7%
Debt Proceeds				0	
Total	$74,417,441	$74,252,441	$73,327,009	($925,432)	-1.2%

Fiscal year to date expenditures, for the General Fund, are $50,651,387 and encumbrances are $1,484,443. The total is $52,135,830. This represents 74.4% of the adjusted budget. This is at the current month's proportion of 75%. This includes a number of blanket encumbrances written at the beginning of the year. The variance column adjusts for salary and capital outlay savings which are projected in various departments. This variance may increase during the year. Salary and benefit projections show that 73.9% 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	$7,157,299	$7,157,299	$5,218,355	72.9%	$7,157,299	$0
Public Safety	44,440,968	44,440,968	33,461,649	75.3%	44,198,788	(242,180)
Public Works	5,487,732	5,487,732	4,268,180	77.8%	5,487,732	0
Health	3,083,584	3,083,584	1,980,172	64.2%	2,474,333	(609,251)
Parks & Recreation	1,593,860	1,593,860	1,109,636	69.6%	1,593,860	0
Council Goals	250,000	461,201	244,935	53.1%	461,201	0
TIF Distribution	0	0	0	0.0%	0	0
Other	7,822,792	7,822,792	5,852,903	74.8%	7,822,792	0
TOTAL	$69,836,235	$70,047,436	$52,135,830	74.4%	$69,196,005	($851,431)

Projected Financial Position - June 30:

The chart on the right is a projection of the fund balance account for the General Fund for this fiscal year. Total Fund Balance is decreasing by $693,660 as a result of the expected change of $310,343 of restricted, committed or assigned funds and the $383,317 increase of unassigned funds.

Fund Balance Activity

Beginning Fund Balance	$3,463,169
Current Fiscal Year	
Revenues	73,327,009
Expenditures	69,196,005
Rev. over/(under) Expenditures	4,131,004
Prior Year Encumbrances	923,623
Transfers In	680,165
Transfers Out	4,581,206
Projected Ending Fund Balance	$2,769,509

Projected Unassigned Fund Balance - June 30

Of the $3,463,169 of beginning fund balance reported above, the unassigned portion is $1,831,405. The difference represents restricted, committed or assigned fund balance components. The unassigned portion is expected to decrease by $383,317 to a projected unassigned fund balance of $2,214,722 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. We have also transferred $680,165 of funds from the Eastland TIF project for prior costs related to the Little Blue Parkway project. Departments are also being asked to consider reductions in non-personal service accounts. Several of the revenue and expenditure categories will fluctuate from month to month without an explainable reason. I will not adjust the year end projection for these revenues until I am comfortable a sustainable trend has been established. Detail information regarding unassigned fund balance can be found following this transmittal letter.

Unassigned Fund Balance Activity

Beginning Unassigned Fund Balance	$ 1,831,405
Approved Budget Variances	4,205,005
Projection Variances:	
Revenue Variance	(925,432)
Expenditure Variance	(851,431)
Net Budget Variance	4,131,004
Transfers Authorized by the Budget	
Other:	
Increases	859,190
Decreases	4,606,877
Projected Ending Unassigned Fund Balance	$ 2,214,722

City Council Goals Account

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

Description	Allocation Amount	Expended or Encumbered	Balance
Carry-over Balance from Prior Year	$211,201		
Current Year Authorization	250,000		
	$461,201		
Current Year Allocations:			
Neighborhood Park Matching Grants	5,000		5,000
Neighborhood Block Celebrations	10,050	7,027	3,023
Graffiti Abatement Program	7,500		7,500
Graffiti Reward Program	1,000		1,000
Demo. of Dangerous Bld. & Property Clean-up	75,000	65,975	9,025
Mowing & Refuse Cleanup on Private Property	30,000	30,000	
Police K-9 Replacement	10,000		10,000
Neighborhood Cleanup Program	60,051	52,000	8,051
Youth Recreation Program Scholarships	25,000	25,000	
Foreclosed and Neglected Property	10,000		10,000
Hungry & Homeless and Youth Council	25,587	19,934	5,653
Delaware Historic Streetscape	25,000	25,000	
Northwest Com. Development Corp.	20,000	20000	
Kansas City Regional Transit Alliance	9,096		9,096
Total	$313,284	$244,936	$68,348
Unallocated Balance	$147,917		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is $63,060 and the unassigned fund balance is $1,087,753.

Street Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $299,505.

Street Improvement Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$7,640,274	7,732,986	7,732,986	0
Interest	918	250	1,230	980
Other	69,595		33,050	33,050
Total Revenues	$7,710,787	7,733,236	7,767,266	34,030
Expenditures:				
Non-Departmental	12,285	7,000	7,000	0
Public Works		250,000	250,000	0
Debt Service	534,532	535,769	535,769	0
Capital Appropriatons	4,416,212	7,579,945	7,579,945	0
Total Expenditures	4,963,029	8,372,714	8,372,714	0
Excess of Revenues Over (Under) Expenditures	2,747,758		(605,448)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out	671,923		3,662,617	
Total Other Financing	(671,923)		(3,662,617)	
Fund Balance:				
Encumbrances	120,477			
Other Reserves				
Unreserved	4,447,093		299,505	
Total	4,567,570		299,505	

Park Improvements Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is ($6,683,311).

Park Improvement Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$3,832,077	3,866,493	3,866,493	0
Interest				0
Charges for Services	627,613	575,000	575,000	0
Other	14,728		92,789	92,789
Total Revenues	$4,474,418	4,441,493	4,534,282	92,789
Expenditures:				
Non-Departmental		4,000	4,000	
Debt Service	2,162,488	2,163,063	2,163,063	0
Operating	2,439,971	2,504,796	2,504,796	0
Capital	658,752	752,333	752,333	0
Total Expenditures	5,261,211	5,424,192	5,424,192	0
Excess of Revenues Over (Under) Expenditures	(786,793)		(889,910)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Encumbrances	349,798			
Other Reserves				
Unreserved	(6,143,199)		(6,683,311)	
Total	(5,793,401)		(6,683,311)	

Fire Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $648,003.

Fire Sales Tax Fund

	Actual As Of	**Current Fiscal Year**		
Revenues:	**Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$1,916,791	1,933,246	1,933,246	0
Interest	512	100	1,600	1,500
Other	18,111		135,062	
Total Revenues	$1,935,414	1,933,346	2,069,908	1,500
Expenditures:				
Debt Service	548,813	554,713	554,713	0
Operating	350,569	2,713,417	2,713,417	0
Capital				0
Total Expenditures	899,382	3,268,130	3,268,130	0
Excess of Revenues Over (Under) Expenditures	1,036,032		(1,198,222)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Encumbrances	1,281,407			
Other Reserves				
Unreserved	564,818		648,003	
Total	1,846,225		648,003	

Police (Capital) Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $1,669,065.

Police (Capital) Sales Tax Fund

	Actual As Of	**Current Fiscal Year**		
Revenues:	**Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$2,032,892	2,064,071	2,064,071	0
Interest	722	200	1,650	1,450
Other	69,812		88,750	88,750
Total Revenues	$2,103,426	2,064,271	2,154,471	90,200
Expenditures:				
Debt Service	511,713	514,113	514,113	0
Capital	1,397,684	2,133,193	2,133,193	0
Carry over Capital				0
Total Expenditures	1,909,397	2,647,306	2,647,306	0
Excess of Revenues Over (Under) Expenditures	194,029		(492,835)	
Other Fin. Sources (Uses)				
Debt Proceeds				
Transfers In				
Transfers Out				
Total Other Financing	0		0	
Fund Balance:				
Encumbrances	144,435			
Other Reserves				
Unreserved	2,017,465		1,669,065	
Total	2,161,900		1,669,065	

Storm Water Sales Tax Fund

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

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $2,219,677.

Storm Water Sales Tax Fund

Revenues:	**Actual As Of Prior Fiscal Year**	**Budget**	**Projected**	**Variance**
Sales Tax	$3,832,155	$3,866,493	$3,866,493	0
Intra-governmental				
Interest	2,638	1,100	5,000	3,900
Other	19,531		1,253	1,253
Total Revenues	$3,854,324	$3,867,593	$3,872,746	$5,153
Expenditures:				
Operating	1,581,460	2,000,146	2,000,146	-
Capital	2,961,438	6,221,376	6,221,376	-
Total Expenditures	4,542,898	8,221,522	8,221,522	-
Excess of Revenues Over (Under) Expenditures	(688,574)		(4,348,776)	
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Debt Proceeds				
Total Other Financing	0		0	
Fund Balance				
Encumbrances	898,311			
Designated Fund Balance				
Unreserved	5,670,142		2,219,677	
Total	6,568,453		2,219,677	

Central Garage

The Garage Fund realized a net income of $12,416 for this month of the fiscal year and a net income of $15,099 for the year to date. The Director of Public Works must review this closely to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for this fiscal year. Also, the Director should look at any fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after nine months of operation.

Central Garage Operating Statement

	Current Month	**Year to Date**
Revenue:		
Repairs & Other Income	232,728	$1,785,259
Operating Expenses:		
Personal Services	64,100	536,686
Other Services	41,542	317,899
Supplies	117,683	953,612
Capital Outlay		
Depreciation Expense	325	2,925
Total Expenses	223,650	1,811,122
Net Income from Operations	9,078	(25,863)
Other Income/Expense:		
Interest Income/(Expense)	40	335
Misc. Income	3,298	40,627
Net Income/(Loss)	**$12,416**	**$15,099**
Fund Equity, Beginning		84,151
Transfers In/(Out)		
Fund Equity, Ending		**$99,250**

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. In this analysis the amount shown as 'Due from Federal Government' represents receivables from the Missouri Department of Transportation for work performed on Little Blue Parkway. The amount for 'Due from Other Local Government' represents receivables from the County Urban Road System (CURS) and TIF Funds. Of the $211,324 that is 'Due from Federal Government', $211,324 has been requested; approximately $0.00 is retained from payments to contractors, leaving $0.00 ready for submission.

Street Improvements Fund

Assets	
Cash	
Special Assessment Receivable	162
Due From Federal Government	211,324
Due From Other Local Government	
Due From Other	471,025
Contributions Receivable	
Total	682,510
Liabilities & Credits	
Accounts Payable	
Deferred Revenue	682,200
Due To Other Funds	526,677
Funds In Escrow	
Total	1,208,877
Fund Balance	($526,367)

Workers' Compensation Fund

The Worker's Compensation Fund is an internal service fund and functions as a self-funded insurance program. Of the total liabilities for claims of $2,556,311, 69.0% or $1,763,471 are long term liabilities. Current incurred but not reported (IBNR) claims are estimated to be $3,914. Non-current IBNR is estimated at $2,016. Current liabilities include $110,000 for major claims. Non-current liabilities include $1,411,704 for major claims.

Worker's Compensation Fund

Assets	
Pooled cash and investments	2,799,367
Accounts receivable	70,700
Restricted Assets	200,000
Total Assets	3,070,067
Current Liabilities	
Accrued liabilities	2,308
Compensated absences	13,196
Deferred Revenue	593,780
Worker's Comp claims	792,840
Total Current Liabilities	1,402,124
Noncurrent liabilities	
Compensated absences	30,800
Other Post Employment Benefits	37,000
Worker's Comp claims	1,763,471
Total noncurrent liabilities	1,831,271
Total Liabilities	3,233,395
Net Assets	
Invested in capital assets, net of debt	-
Unrestricted	(163,328)
Total net assets (deficit)	(163,328)
Total liabilities and net assets	3,070,067

Stay Well Health Care Plan

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

Power and Light Fund

Total operating revenues of the Power and Light Fund of $104,638,052 reflect an increase of $1,076,738 over fiscal year 2011-12 operating revenues of $103,561,314 or 1.0%. Key factors contributing to the increased revenues were increases in retail sales of $1,166,425, sales to other utilities of $1,094,013 which were offset by a decrease in unbilled revenue of $1,207,359. We had a very warm July and cooler weather in early August which were contributing factors.

Total operating expenses of the Power and Light Fund of $100,704,573 reflect an increase of $456,386 or .5 % over the fiscal year 2011-12 operating expenses of $100,248,187. Contributing to the increased expenses were increases in transmission costs of $1,640,322, payment in lieu of taxes of $227,775, general and administrative costs of $1,004,019, and depreciation expense of $2,021,566. These increased expenses were offset by decreases in production costs of $3,780,140, distribution costs of $433,748, and customer accounts costs of $309,925.

Water Fund

Total operating revenues of the Water Fund of $20,289,110 reflect an increase of $2,590,789 from fiscal year 2011-12 total operating revenues of $17,698,321 or 14.64%. This increase is due to a rate increase coupled with increased demand as a result of the dry, hot summer.

Total operating expenses of the Water Fund of $14,810,489 reflect an increase of $427,343 from fiscal year 2011-12 total operating expenses of $14,383,146 or 2.97%. Increases in variable costs and main failure costs attributable to the summer weather conditions are the reasons for the overall increase.

Sanitary Sewer Fund

Total operating revenues of the Sanitary Sewer Fund of $15,101,275 reflect an increase of $1,596,353 from fiscal year 2011-12 total operating revenues of $13,504,922 or 11.8 %. This increase is attributable to a rate increase that went into effect August 1, 2010. This rate increase steps up rates incrementally each July over five years. This year's particular portion of the rate increase doubled the regulatory compliance portion of the rates.

Total operating expenses of the Sanitary Sewer Fund of $13,744,822 reflect an increase of $475,812 from fiscal year 2011-12 total operating expenses of $13,269,010 or 3.6 %. This increase is attributable to increases in the amount paid for inter-jurisdictional expenditures as well as a general increase in the cost of supplies. The increase in revenue has also increased the amount of PILOT for the year.

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

James C. Harlow
Director of Finance & Administration

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
		Property Taxes:							
		General Property Taxes:							
2	3011	Real Estate	7,400,000	7,400,000	7,475,509	(35,541)		7,439,968	39,968
2	3013	R.R. & Other Utility	34,000	34,000	37,904	414		38,317	4,317
		Total Property Taxes	7,434,000	7,434,000	7,513,413	-35,128		7,478,285	44,285
		Sales and Use Taxes:							
2	3041	Local Option Sales Tax	16,512,564	16,512,564	12,304,855	3,932,098	275,611	16,512,564	0
2	3042	Cigarette Tax	455,000	455,000	372,708	108,522	10,000	491,229	36,229
		Total Sales and Use Taxes	16,967,564	16,967,564	12,677,563	4,040,619	285,611	17,003,793	36,229
		Utility Franchise Fees:							
2	3052	Water	24,000	24,000	20,128	4,887		25,015	1,015
2	3053	Gas	5,000,000	5,000,000	3,009,745	925,285	864,970	4,800,000	-200,000
2	3054	Telephone	5,140,000	5,140,000	3,795,565	1,264,316	80,120	5,140,000	0
2	3055	Electricity	462,000	462,000	378,708	112,430		491,138	29,138
2	3057	Cable Television	646,000	646,000	527,978	174,693	43,330	746,000	100,000
		Total Utility Franchise Fees	11,272,000	11,272,000	7,732,124	2,481,610	988,420	11,202,154	-69,846
		Payments in Lieu of Taxes							
2	3281	Power & Light in Lieu of Taxes	13,934,425	13,934,425	10,396,664	2,811,126	176,172	13,383,962	-550,463
2	3282	Water Service in Lieu of Taxes	2,370,072	2,370,072	2,005,505	539,026	58,793	2,603,324	233,252
2	3283	Sanitary Sewer in Lieu of Taxes	2,038,519	2,038,519	1,514,449	474,220	49,850	2,038,519	0
		Total Payments in Lieu of Taxes	18,343,016	18,343,016	13,916,618	3,824,372	284,815	18,025,804	-317,212
		Total Taxes	54,016,580	54,016,580	41,839,718	10,311,473	1,558,846	53,710,037	-306,543
		Business Licenses & Permits:							
2	3101	Occupation Licenses	1,499,000	1,499,000	812,333	723,869	(37,202)	1,499,000	0
2	3102	Liquor Licenses	101,000	101,000	11,179	90,949		102,128	1,128
2	3103	Bld. Trades Licenses and Exams	100,000	100,000	107,182	12,933		120,115	20,115
2	3104	Fin - Other License/Permits	49,000	49,000	38,086	12,513		50,600	1,600
2	3108	Building Permits, Com. Develop.	550,000	550,000	315,708	150,263	(65,971)	400,000	-150,000
2	3109	Construction Permits, Public Works	200,000	200,000	76,731	43,750	9,519	130,000	-70,000
2	3120	Nursing Home Permits	625	625	600	137		737	112
2	3121	Day Care Permits	5,869	5,869	7,032	2,728		9,760	3,891
2	3122	Food Handler's Permits	105,000	105,000	77,940	27,173		105,113	113
2	3123	Massage Therapist Appl	3,580	3,580	2,795	453		3,248	-332
2	3124	Other Food Permits	145,020	145,020	144,470	31,439		175,909	30,889
2	3125	Ambulance Permits & Licenses	37,000	37,000	33,990	8,408		42,398	5,398
2	3126	Plan Reviews - Health Dept.	7,500	7,500	4,500	1,428		5,928	-1,572
		Subtotal Bus. Licenses & Permits	2,803,594	2,803,594	1,632,546	1,106,042	(93,654)	2,644,934	-158,660
		Non-business Licenses & Permits:							
2	3151	Motor Vehicle Licenses	500,000	500,000	491,458	(11,366)	19,908	500,000	0
		Subtotal Non-bus. Lic. & Permits	500,000	500,000	491,458	(11,366)	19,908	500,000	0
		Total Licenses & Permits	3,303,594	3,303,594	2,124,004	1,094,676	(73,746)	3,144,934	-158,660
		Intergovernmental Revenue:							
		Federal:							
2	3210	Emergency Management							
2	3211	Public Health Nursing							
2	3212	Community Health ed							
2	3218	Dial-a-ride			(25,393)			-25,393	-25,393
2	3219	Other							
		Total Federal			(25,393)			-25,393	-25,393

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
		State:							
2	3241	Financial Institutions Tax	22,000	22,000	15,225	55		15,280	-6,720
2	3242	Gasoline Tax	3,100,000	3,100,000	2,179,077	748,406	65,019	2,992,502	-107,498
2	3243	Motor Vehicle License Fees	520,000	520,000	350,148	146,748	11,244	508,140	-11,860
2	3244	Motor Vehicle Sales Tax	750,000	750,000	539,391	193,413		732,804	-17,196
2	3250	Other							
		Total State	4,392,000	4,392,000	3,083,841	1,088,622	76,263	4,248,726	-143,274
		Other:							
2	3272	Jackson County Drug Task Force	572,500	572,500	441,408	159,511	22,409	623,327	50,827
2	3274	Jackson County Dare Program	204,457	204,457	102,229	18,410	88,591	209,229	4,772
2	3275	Mid Am Reg Council	25,000	25,000	18,750	5,944		24,694	-306
2	3279	Other Misc. Grants							
		Total Other	801,957	801,957	562,386	183,865	111,000	857,251	55,294
		Total Intergovernmental Revenue	5,193,957	5,193,957	3,620,834	1,272,487	187,263	5,080,584	-113,373
		Charges for Current Services:							
		General Government:							
2	3302	Planning & Zoning Fees	9,000	9,000	16,248	2,404		18,652	9,652
2	3303	Board of Adjustment Fees	3,000	3,000	1,410	730		2,140	-860
2	3304	Sale of Maps, Books, Plans	9,000	9,000	2,928	2,696		5,624	-3,376
2	3305	Sale of Police Reports	30,000	30,000	27,737	7,525		35,263	5,263
2	3306	Sale of Fire Reports	200	200	705	57		762	562
2	3307	Computer Service Charges			150			150	150
2	3309	Transit Rider Fares	379,400	214,400	105,708		34,292	140,000	-74,400
		Health:							
2	3311	Animal Shelter Fees	267,500	267,500	135,252	53,264	(46,016)	142,500	-125,000
2	3312	Animal Shelter Services	335,500	335,500	6,721	91,408	(88,129)	10,000	-325,500
2	3313	Other Health Programs	5,464	5,464	6,025	2,526		8,551	3,087
		Public Safety:							
2	3316	Reimb. For Police Services	8,500	8,500	7,359	3,169		10,528	2,028
2	3317	School Resource Officers	499,679	499,679	314,146	157,030	(6,065)	465,112	-34,567
2	3318	Alarm Charges - Police	30,000	30,000	19,575	6,516		26,091	-3,909
2	3319	Alarm Charges - Fire	3,000	3,000	1,875	297		2,172	-828
		Recreation:							
2	3322	Program Fees	40,000	40,000	25,067	10,817		35,884	-4,116
2	3323	Concessions	7,000	7,000	2,793	1,878		4,672	-2,328
2	3326	Pool Fees							
2	3327	Center Fees/Club Memberships	40,000	40,000	31,873	9,102		40,975	975
2	3329	Facility Rentals	56,000	56,000	37,677	17,471		55,148	-852
		National Frontier Trails Center:							
2	3331	NFTC - Admissions & Rentals	54,000	54,000	30,034	17,526		47,560	-6,440
2	3332	NFTC - Gift Shop	27,000	27,000	12,136	8,610		20,746	-6,254
		Cemetery:							
2	3341	Sale of Cemetery Lots	3,500	3,500	5,250	739		5,989	2,489
2	3342	Sale of Monument Bases	3,000	3,000	4,938	777		5,716	2,716
2	3343	Grave Opening Charges	45,000	45,000	38,200	11,454		49,654	4,654
		Other Charges:							
2	3392	Sale of Street Signs	300	300	288	63		350	50
2	3393	Special Assessments	170,000	170,000	132,011	43,252		175,263	5,263
2	3396	Sale of Recycled Material	15,000	15,000	6,556	4,243		10,799	-4,201
2	3397	Solid Waste Disp Fees	74,000	74,000	46,528	23,684		70,212	-3,788
2	3398	Miscellaneous Charges	575,000	575,000	640,855	301,742		942,597	367,597
		Total Charges for Current Services	2,690,043	2,525,043	1,660,047	778,979	(105,918)	2,333,108	-191,935

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

Months of Actual Revenue: 9

Account Number		Description	Original Budget	Revised Budget	Actual Revenue Through March	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
		Fines and Court Costs							
2	3401	Fines & Forfeitures	4,162,694	4,162,694	2,621,686	1,000,405	332,469	3,954,559	-208,135
2	3402	Court Costs	403,964	403,964	285,463	97,671	12,000	395,134	-8,830
2	3403	Police Training	61,718	61,718	38,702	14,843	5,000	58,545	-3,173
2	3404	Domestic Violence	61,718	61,718	38,702	14,136	5,000	57,838	-3,880
2	3405	Dwi/drug	26,760	26,760	11,025	6,584	5,000	22,609	-4,151
2	3406	Special Warrant Collection							
		Total Fines and Court Costs	4,716,854	4,716,854	2,995,578	1,133,638	359,469	4,488,685	-228,169
		Interest Income							
2	3411	Interest	600	600	283	166		448	-152
2	3412	Special Assessments - Interest	300	300	(656)	96		-560	-860
2	3413	Interest - Other	90,000	90,000	66,446	29,595		96,040	6,040
		Total Interest Income	90,900	90,900	66,072	29,856		95,928	5,028
2	3421	Interfund Chgs. For Supp. Serv.	3,938,088	3,938,088	2,936,846	1,010,259	9,016	3,956,120	18,032
		Other Revenue:							
2	3431	Sale of Land	2,000	2,000					-2,000
2	3432	Sale of Fixed Assets	125,000	125,000	8,911	57,737	58,352	125,000	0
2	3433	Rents	128,400	128,400	157,850	28,487		186,337	57,937
2	3434	Damage Claims	2,000	2,000	1,064	120		1,184	-816
2	3435	Contributions	10,000	10,000	1,039	4,026		5,065	-4,935
2	3437	Housing Auth. In Lieu of Taxes							
2	3439	Cash Over/Short			(4)			-4	-4
2	3440	Discounts Taken	25	25	27	5		33	8
2	3449	Misc. Non-operating Revenue	200,000	200,000	90,146	49,364	60,490	200,000	0
2	3501	Proceed from Capital Lease							
		Total Other Revenue	467,425	467,425	259,033	139,739	118,842	517,613	50,188
		Total Revenue	74,417,441	74,252,441	55,502,131	15,771,107	2,053,772	73,327,009	(925,432)

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

	Budget	March 31st	Variance	Notes
Beginning Unassigned Fund Balance	$ 1,831,405	$ 1,831,405	$ -	
Current Fiscal Year Activity:				
Estimated Revenues:				
City Council Approved Revenue Estimates	$74,417,441	$74,252,441	($165,000)	
Projected Revenue Variances for the Year		($925,432)	($925,432)	
Net Projected Revenues	74,417,441	$73,327,009	($1,090,432)	
Appropriations/Expenditures:				
City Council Approved Appropriations	$69,836,235	$70,047,436	$211,201	
Projected Expenditure Variances for the Year		($851,431)	($851,431)	
Net Projected Expenditures	69,836,235	$69,196,005	($640,230)	
Net Revenues Over/(Under) Expenditures	4,581,206	4,131,004	(450,202)	
Transfers Out:				
Council Goals				
Crackerneck Creek TIF	4,571,206	4,571,206	-	
Storm Water Fund	10,000	10,000	-	
Total	4,581,206	4,581,206	-	
Transfers In:				
Central Garage Fund				
Total	-			
Other:				
Reservations of Fund Balance:			-	
Police Forfeitures	-	(218,345)	(218,345)	
Protested Revenues	-	(25,671)	(25,671)	
Cancellation of Prior Year Encumbrances	-	186,169	186,169	
Transfer from/(to) Assigned Fund Balance	-		-	
Appropriations funded from Fund Balance Components:			-	
City Council Strategic Goals	-	211,201	211,201	
TIF Distributions (GTIF)	-		-	
Transfer from/(to) Unassigned Fund Balance	-	680,165	680,165	
Total	-	833,519	833,519	
Projected Year End Unassigned Fund Balance	$ 1,831,405	$ 2,214,722	$ 383,317	

Notes:

City of Independence, Missouri
Balance Sheet
Governmental Funds
March 31, 2013

Assets	**General**	**Other Governmental Funds**	**Total Governmental Funds**
Pooled cash and investments	(10,220,314)	17,743,945	7,523,631
Receivables:			
Taxes	4,614,856	4,987,846	9,602,702
Accounts	144,749	21,433	166,183
Special assessment principal and accrued interest	866,357	1,135,018	2,001,375
Due from other funds	-	-	-
Due from component unit to primary gvmt	-	148	148
Due from other governments	910,647	1,629,494	2,540,141
Restricted assets	179,319	19,947,322	20,126,641
Total assets	$ (3,504,386)	$ 45,465,207	$ 41,960,820

	General	**Other Governmental Funds**	**Total Governmental Funds**
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	(10,514,756)	124,173	(10,390,583)
Due to other funds	-	-	-
Due to primary government from component unit	-	148	148
Accrued items	1,950,814	106,271	2,057,084
Other current liabilities	464,383	19,968	484,350
Deferred revenue	1,314,320	2,524,484	3,838,804
Liabilities payable from restricted assets:			
Deposits and court bonds	179,319	-	179,319
Total liabilities	(6,605,922)	2,775,044	(3,830,877)
Fund Balances:			
Nonspendable	-	-	-
Restricted	619,224	42,866,535	43,485,759
Committed	259,994	(176,373)	83,621
Assigned	1,452,940	-	1,452,940
Unassigned	769,378	-	769,378
Total fund balance	3,101,535	42,690,162	45,791,698
Total liabilities and fund balance	$ (3,504,386)	$ 45,465,207	$ 41,960,820

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Nine Months Ending March 31, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	27,923,100	27,138,088	55,061,188
Licenses and permits	2,124,004	62,216	2,186,220
Intergovernmental	3,620,834	5,258,066	8,878,900
Charges for services	1,660,047	611,734	2,271,781
Interfund charges for support services	2,936,846	-	2,936,846
Fines, forfeitures, and court costs	2,995,578	-	2,995,578
Investment Income	66,072	112,474	178,546
Sale of property, plant, and equipment	8,911	418,178	427,089
TIF Developer Contributions	-	238,105	238,105
Reimbursements from component unit	-	4,792,626	4,792,626
Other	250,122	1,017,917	1,268,039
Total revenues	41,585,513	39,649,406	81,234,918
Expenditures:			
Current:			
General government	5,187,829	27,764	5,215,593
Public safety	31,100,205	3,098,526	34,198,731
Public works	4,080,620	137,597	4,218,217
Health and welfare	1,967,187	531,030	2,498,217
Culture and recreation	1,078,149	2,679,782	3,757,932
Community development	1,745,320	1,446,377	3,191,697
Storm Water	-	1,118,886	1,118,886
Nondepartmental/other	5,831,033	89,246	5,920,278
Capital outlay	84,739	13,804,502	13,889,241
Debt service:			
Principal	164,027	6,228,918	6,392,945
Interest and fiscal agent fees	43,448	7,461,562	7,505,010
Total expenditures	51,282,558	36,624,190	87,906,748
Excess (deficiency) of revenues over expenditures	(9,697,045)	3,025,215	(6,671,830)
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	-	-	-
Proceeds from bond issuance	-	16,015,000	16,015,000
Reoffering premium/original issue discount	-	323,718	323,718
Transfers in-utility payments in lieu of taxes	13,916,618	-	13,916,618
Transfers in	-	3,191,408	3,191,408
Transfers out	(4,581,206)	(19,239,462)	(23,820,668)
Total other financing sources (uses)	9,335,412	290,663	9,626,075
Net change in fund balances	(361,633)	3,315,879	2,954,245
Fund balances, beginning	3,463,169	39,374,284	42,837,452
Fund balances, ending	$ 3,101,535	$ 42,690,162	$ 45,791,698

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Nine Months Ending March 31, 2013

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	418,635	418,635	283,733	845	284,578	2,180
City Clerk	371,496	371,496	275,130	10,908	286,039	498
City Manager	845,129	845,129	608,859	-	608,859	2,183
National Frontier Trails Center	315,871	315,871	208,229	14,941	223,170	11,684
Technology Services	1,571,787	1,571,787	1,183,185	15,402	1,198,587	9,017
Municipal Court	763,901	763,901	544,966	1,211	546,177	3,427
Law	661,334	661,334	441,325	-	441,325	6,951
Finance	1,835,729	1,835,729	1,309,864	14,044	1,323,908	23,581
Human Resources	373,417	373,417	303,235	-	303,235	308
Total General Government	7,157,299	7,157,299	5,158,526	57,352	5,215,878	59,828
Public Safety:						
Community Development	2,858,751	2,858,751	1,722,595	22,725	1,745,320	501,177
Police	25,612,039	25,612,039	19,138,161	232,614	19,370,775	342,632
Fire	15,970,178	15,970,178	11,708,659	114,005	11,822,664	48,425
Total Public Safety	44,440,968	44,440,968	32,569,415	369,344	32,938,759	892,235
Public Works	5,487,732	5,487,732	3,993,960	86,661	4,080,620	274,220
Storm Water	-	-	-	-	-	-
Health	3,083,584	3,083,584	1,929,607	37,580	1,967,187	50,565
Parks and Recreation	1,593,860	1,593,860	1,075,764	2,386	1,078,149	33,872
Non-Departmental	7,447,944	7,447,944	5,686,899	2,824	5,689,723	46,199
Council Goals	250,000	461,201	158,745	68,756	227,502	86,190
Debt Service	-	-	-	-	-	-
Capital Outlay	374,848	374,848	78,470	6,269	84,739	41,334
TIF Distribution	-	-	-	-	-	-
Total Other	18,237,968	18,449,169	12,923,446	204,475	13,127,921	532,380
Total Expenditures & Encumbrances	69,836,235	70,047,436	50,651,387	631,171	51,282,558	1,484,443

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

March 31, 2013

	Enterprise Funds					
Assets	**Power and Light**	**Water**	**Sanitary Sewer**	**Events Center**	**Total**	**Internal Service Funds**
Current assets:						
Pooled cash and investments	$ 36,911,467	6,057,030	11,208,242	1,781,044	55,957,783	7,444,697
Receivables:						
Accounts (net of allowance of $1,160,484)	9,739,284	1,974,289	1,387,412	815,653	13,916,638	136,396
Unbilled revenue	8,752,676	1,039,698	1,049,953	—	10,842,327	—
Special assessment principal and accrued interest	176,170	—	913	—	177,083	(19,771)
Accrued interest	—	—	—	—	—	—
Other	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Due from other governments	—	—	—	—	—	—
Inventory	11,436,649	696,993	29,322	—	12,162,964	—
Prepaid items	820,428	87,120	38,202	—	945,750	—
Restricted assets	1,892,319	544,267	459,266	—	2,895,852	200,000
Total current assets	69,728,993	10,399,397	14,173,310	2,596,697	96,898,397	7,761,322
Noncurrent assets:						
Restricted assets	34,432,890	4,267,907	30,226,761	6,982,976	75,910,534	—
Capital assets:						
Nondepreciable	14,697,170	2,565,195	13,285,148	5,796,315	36,343,828	93,979
Depreciable, net	217,636,259	106,650,061	63,909,801	62,697,243	450,893,364	31,126
Advance to other funds	—	—	—	—	—	—
Deferred debt issue costs	2,968,334	1,024,774	756,448	1,966,802	6,716,358	—
Prepaid employee benefits	—	—	—	—	—	—
Other deferred charges	(684,783)	592,757	—	—	(92,026)	—
Total noncurrent assets	269,049,870	115,100,694	108,178,158	77,443,336	569,772,058	125,105
Total assets	$ 338,778,863	125,500,091	122,351,468	80,040,033	666,670,455	7,886,427
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	$ 4,037,481	120,611	264,742	1,745	4,424,578	22,998
Accrued items	1,204,331	334,509	1,187,496	—	2,726,336	28,488
Other current liabilities	170,059	108,204	32,381	—	310,644	—
Deferred revenue	—	—	—	—	—	593,780
Current portion of long-term obligations	5,719,381	3,822,837	306,439	710,000	10,558,657	63,096
Current portion of capital lease	—	—	—	—	—	—
Employee benefits payable	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	3,165,425
Liabilities payable from restricted assets	3,708,060	1,356,624	1,375,382	1,852,111	8,292,177	—
Total current liabilities	14,839,312	5,742,785	3,166,440	2,563,856	26,312,392	3,873,787
Noncurrent liabilities:						
Revenue bonds payable	133,214,423	36,860,194	38,079,404	81,451,357	289,605,378	—
Other long term liabilities	—	—	—	—	—	—
Other post employment benefits	12,015,297	4,570,798	3,710,155	—	20,296,250	514,127
Compensated absences – long-term	3,762,712	1,005,710	627,894	—	5,396,316	100,542
Advances for construction	38,161	119,522	—	—	157,683	—
Advances from other funds	—	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	—	1,763,471
Total noncurrent liabilities	149,030,593	42,556,224	42,417,453	81,451,357	315,455,627	2,378,140
Total liabilities	163,869,905	48,299,009	45,583,893	84,015,213	341,768,019	6,251,927
Net Assets						
Invested in capital assets, net of related debt	112,460,339	72,727,969	69,342,306	(6,684,823)	247,845,791	125,105
Restricted for:						
Debt service	17,151,557	500,000	—	—	17,651,557	—
Restricted for Worker's Comp	—	—	—	—	—	—
Restricted for Dogwood	61,500	—	—	—	61,500	
Unrestricted	45,235,562	3,973,113	7,425,269	2,709,643	59,343,587	1,509,395
Total net assets	174,908,958	77,201,082	76,767,575	(3,975,180)	324,902,435	1,634,500
Total liabilities and net assets	$ 338,778,863	125,500,091	122,351,468	80,040,033	666,670,455	7,886,427

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

For the Nine Months Ending March 31, 2013

	Enterprise Funds					
	Power and Light	**Water**	**Sanitary Sewer**	**Events Center**	**Totals**	**Internal Service Funds**
Operating revenues:						
Charges for services	$ 103,221,802	20,017,207	14,943,900	—	138,182,909	1,785,259
Miscellaneous	1,416,250	271,903	157,375	—	1,845,528	16,486,225
Total operating revenues	104,638,052	20,289,110	15,101,275	—	140,028,437	18,271,484
Operating expenses:						
Personal services	17,325,851	5,268,596	3,966,678	—	26,561,125	652,932
Other services	15,804,733	3,612,117	5,570,144	—	24,986,994	19,631,606
Capital Outlay	—	49,398	—	—	49,398	—
Supplies	38,268,404	1,409,898	572,577	—	40,250,879	955,644
Other expenses	5,626,975	2,074,101	92,167	(330,000)	7,463,243	—
Depreciation and amortization	13,276,038	2,396,379	2,028,807	1,418,357	19,119,581	2,925
Total operating expenses	90,302,001	14,810,489	12,230,373	1,088,357	118,431,220	21,243,107
Operating income	14,336,051	5,478,621	2,870,902	(1,088,357)	21,597,217	(2,971,623)
Nonoperating revenues (expenses):						
Interest revenue	28,932	5,577	6,748	3,734	44,991	12,180
Miscellaneous revenue (expense)	417,196	1,045,893	4,995	4,570,361	6,038,445	1,118,449
Interest expense	(4,274,531)	(1,539,006)	(956,013)	(3,415,159)	(10,184,709)	—
Total nonoperating revenue (expenses)	(3,828,403)	(487,536)	(944,270)	1,158,936	(4,101,273)	1,130,629
Income before contributions and transfers	10,507,648	4,991,085	1,926,632	70,579	17,495,944	(1,840,991)
Capital contributions	142,792	83,662	—	—	226,454	—
Transfers out - Utility payments in lieu of taxes	(10,396,664)	(2,005,505)	(1,514,449)	—	(13,916,618)	—
- Other	(74,586)	(64,641)	(82,045)	—	(221,272)	—
Transfers in	—	—	10,000	—	10,000	—
Change in net assets	179,190	3,004,601	340,138	70,579	3,594,508	(1,840,991)
Total net assets:						
Beginning of the period	174,729,768	74,196,481	76,427,437	(4,045,759)	321,307,927	3,475,491
End of the period	$ 174,908,958	77,201,082	76,767,575	(3,975,180)	324,902,435	1,634,500

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

March 31, 2013

		Private-Purpose Trust Funds	Agency Funds
Assets			
Pooled cash and investments	$	22,787	182,955
Accrued interest receivable		-	158
Total assets	$	22,787	183,113
Liabilities			
Accounts and contacts payable	$	—	—
Funds held in Escrow		—	72,252
Employee deferred credit		—	110,861
Total liabilities	$	—	183,113
Net Assets			
Held in trust	$	22,787	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
March 31, 2013

Assets	**Tourism**	**Independence Square Benefit District**	**Community Development Grant Act**	**Rental Rehabilitation**	**Consolidated Sales Tax**	**License Surcharge**	**Grants**	**Total**
Pooled cash and investments	737,690	2,298	(44,076)	(51,231)	5,364,194	1,379,377	(220,897)	7,167,354
Receivables:								
Taxes	100,000	4,715	-	-	3,250,663	-	-	3,355,378
Accounts	-	-	-	-	-	-	2,919	2,919
Special assessment principal and accrued interest	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from component unit to primary gvmt	-	-	-	-	-	-	-	-
Due from other governments	17,405	-	51,947	70,334	-	-	508,950	648,637
Total assets	$ 855,095	$ 7,013	$ 7,871	$ 19,103	$ 8,614,857	$ 1,379,377	$ 290,972	$ 11,174,288

	Tourism	**Independence Square Benefit District**	**Community Development Grant Act**	**Rental Rehabilitation**	**Consolidated Sales Tax**	**License Surcharge**	**Grants**	**Total**
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	5,936	-	-	-	116,389	-	2,010	124,335
Due to other funds	-	-	-	-	-	-	-	-
Accrued items	8,496	-	6,548	(4)	72,263	-	18,968	106,271
Other current liabilities	-	-	-	19,100	868	-	-	19,968
Deferred revenue	-	-	-	-	-	-	389,700	389,700
Total liabilities	14,432	-	6,548	19,096	189,520	-	410,677	640,273
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	541,173	7,013	1,323	7	8,425,338	1,379,377	(119,705)	10,234,525
Committed		-	-	-	-	-	-	-
VOC	230,930							230,930
NFTM	68,560							68,560
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	840,663	7,013	1,323	7	8,425,338	1,379,377	(119,705)	10,534,015
Total liabilities and fund balance	$ 855,095	$ 7,013	$ 7,871	$ 19,103	$ 8,614,857	$ 1,379,377	$ 290,972	11,174,288

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Nine Months Ending March 31, 2013

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	965,225	24,924	-	-	14,581,430	-	-	15,571,580
Licenses and permits	-	-	-	-	-	62,216	-	62,216
Intergovernmental	48,906	-	353,055	94,747	-	-	2,442,644	2,939,352
Charges for services	12	-	-	-	321,449	-	181,276	502,737
Investment Income	503	115	-	-	7,291	844	-	8,754
Sale of property, plant, and equipment	-	-	-	-	266,767	-	151,411	418,178
Other	9,273	-	-	-	84,137	-	6,188	99,599
Total revenues	1,023,920	25,040	353,055	94,747	15,261,074	63,060	2,781,520	19,602,416
Expenditures:								
Current:								
General government	-	-	-	-	-	-	27,764	27,764
Public safety	-	-	-	-	1,869,911	-	1,228,615	3,098,526
Public works	-	-	-	-	137,597	-	-	137,597
Health and welfare	-	-	-	-	-	-	531,030	531,030
Culture and recreation	1,071,078	-	-	-	1,608,704	-	-	2,679,782
Community development	-	-	310,868	94,747	-	-	1,040,762	1,446,377
Storm water	-	-	-	-	1,118,886	-	-	1,118,886
Nondepartmental	-	-	-	-	15,185	-	73,055	88,240
Capital outlay	-	45,081	-	-	5,858,574	-	-	5,903,654
Debt service:								
Principal	-	-	-	-	2,282,539	-	-	2,282,539
Interest and fiscal agent fees	-	-	-	-	333,592	-	-	333,592
Total expenditures	1,071,078	45,081	310,868	94,747	13,224,988	-	2,901,225	17,647,987
Excess (deficiency) of revenues over expenditures	(47,159)	(20,041)	42,187	0	2,036,086	63,060	(119,705)	1,954,428
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(21,983)	-	(42,187)	-	(2,961,496)	(165,742)	-	(3,191,408)
Total other financing sources (uses)	(21,983)	-	(42,187)	-	(2,961,496)	(165,742)	-	(3,191,408)
Net change in fund balances	(69,142)	(20,041)	-	0	(925,409)	(102,682)	(119,705)	(1,236,979)
Fund balances, beginning	909,805	27,054	1,323	7	9,350,747	1,482,059	-	11,770,995
Fund balances, ending	$ 840,663	$ 7,013	$ 1,323	$ 7	$ 8,425,338	$ 1,379,377	$ (119,705)	$ 10,534,015

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
March 31, 2013

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	1,144,471	(6,048,877)	6,696,181	1,887,404	1,685,014	5,364,194
Receivables:						
Taxes	1,293,124	646,563	646,564	340,997	323,415	3,250,663
Due from other funds	-	-	-	-	-	-
Due from component unit to primary gvmt	-	-	-	-	-	-
Total assets	$ 2,437,595	$ (5,402,314)	$ 7,342,745	$ 2,228,401	$ 2,008,429	$ 8,614,857

	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	17,560	11,436	71,361	5,300	10,732	116,389
Due to other funds	-	-	-	-	-	-
Accrued items	2,868	34,612	34,783	-	-	72,263
Other current liabilities	-	868	-	-	-	868
Total liabilities	20,429	46,916	106,143	5,300	10,732	189,520
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	2,417,166	(5,449,229)	7,236,602	2,223,101	1,997,697	8,425,338
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	2,417,166	(5,449,229)	7,236,602	2,223,101	1,997,697	8,425,338
Total liabilities and fund balance	$ 2,437,595	$ (5,402,314)	$ 7,342,745	$ 2,228,401	$ 2,008,429	$ 8,614,857

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Nine Months Ending March 31, 2013

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Revenues:						
Taxes	5,807,252	2,892,355	2,889,879	1,545,195	1,446,749	14,581,430
Charges for services	-	321,449	-	-	-	321,449
Investment Income	1,115	0	3,719	1,272	1,185	7,291
Sale of property, plant, and equipment	-	45,950	-	85,817	135,000	266,767
Other	33,050	46,839	1,254	2,932	62	84,137
Total revenues	5,841,417	3,306,593	2,894,852	1,635,215	1,582,996	15,261,074
Expenditures:						
Current:						
Public safety	-	-	-	1,025,028	844,883	1,869,911
Public works	137,597	-	-	-	-	137,597
Culture and recreation	-	1,608,704	-	-	-	1,608,704
Storm Water	-	-	1,118,886	-	-	1,118,886
Nondepartmental/other	10,123	5,062	-	-	-	15,185
Capital outlay	4,348,586	402,171	1,107,817	-	-	5,858,574
Debt service:						
Principal	415,000	890,000	-	472,520	505,019	2,282,539
Interest and fiscal agent fees	119,019	56,485	-	76,465	81,623	333,592
Total expenditures	5,030,325	2,962,422	2,226,703	1,574,014	1,431,524	13,224,988
Excess (deficiency) of revenues over expenditures	811,092	344,172	668,149	61,201	151,472	2,036,086
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(2,961,496)	-	-	-	-	(2,961,496)
Total other financing sources (uses)	(2,961,496)	-	-	-	-	(2,961,496)
Net change in fund balances	(2,150,404)	344,172	668,149	61,201	151,472	(925,409)
Fund balances, beginning	4,567,570	(5,793,401)	6,568,453	2,161,900	1,846,225	9,350,747
Fund balances, ending	$ 2,417,166	$ (5,449,229)	$ 7,236,602	$ 2,223,101	$ 1,997,697	$ 8,425,338

City of Independence, Missouri
Balance Sheet
Debt Service Fund
March 31, 2013

Assets	**Debt Service Fund**	**Total**
Pooled cash and investments	(11,727)	(11,727)
Receivables:		
Taxes	-	-
Special assessment principal and accrued interest	664,142	664,142
Restricted assets	94,000	94,000
Total assets	$ 746,414	$ 746,414

	Debt Service	**Total**
Liabilities and Fund Balances		
Liabilities:		
Accounts and contracts payable	-	-
Due to other funds	-	-
Deferred revenue	675,852	675,852
Total liabilities	675,852	675,852
Fund Balances:		
Nonspendable	-	-
Restricted	70,562	70,562
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balance	70,562	70,562
Total liabilities and fund balance	$ 746,414	$ 746,414

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Nine Months Ending March 31, 2013

	Debt Service Fund	Total
Revenues:		
Charges for services	90,113	90,113
Investment Income	453	453
Total revenues	90,566	90,566
Expenditures:		
Current:		
Nondepartmental	1,006	1,006
Debt service:		
Principal	70,000	70,000
Interest and fiscal agent fees	31,599	31,599
Total expenditures	102,605	102,605
Excess (deficiency) of revenues over expenditures	(12,039)	(12,039)
Other financing sources (uses):		
Total other financing sources (uses)	-	-
Net change in fund balances	(12,039)	(12,039)
Fund balances, beginning	82,601	82,601
Fund balances, ending	$ 70,562	$ 70,562

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
March 31, 2013

Assets	**Street Improvements**	**Revolving Public Improvements**	**Consolidated Tax Increment Financing**	**Buildings and Other Improvements**	**Storm Drainage**	**Park Improvements**	**Total**
Pooled cash and investments	(526,677)	19,770	11,473,848	(11,557)	(16,155)	(350,910)	10,588,318
Receivables:							
Taxes	-	-	1,632,468	-	-	-	1,632,468
Accounts	-	-	18,514	-	-	-	18,514
Special assessment principal and accrued interest	470,877	-	-	-	-	-	470,877
Due from other funds	-	-	-	-	-	-	-
Due from component unit to primary gvmt	148	-	-	-	-	-	148
Due from other governments	211,324	-	359,234	-	-	410,300	980,857
Restricted assets	-	-	19,450,866	402,456	-	-	19,853,322
Total assets	$ 155,671	$ 19,770	$ 32,934,929	$ 390,899	$ (16,155)	$ 59,390	33,544,504

	Street Improvements	**Revolving Public Improvements**	**Tax Increment Financing**	**Buildings and Other Improvements**	**Storm Drainage**	**Park Improvements**	**Total**
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	(162)	-	-	-	-	-	(162)
Due to other funds	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	148	-	-	-	148
Other current liabilities	-	-	-	-	-	-	-
Deferred revenue	682,200	-	373,333	-	-	403,399	1,458,932
Total liabilities	682,038	-	373,482	-	-	403,399	1,458,919
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	32,561,448	-	-	-	32,561,448
Committed	(526,367)	19,770	-	390,899	(16,155)	(344,010)	(475,863)
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	(526,367)	19,770	32,561,448	390,899	(16,155)	(344,010)	32,085,585
Total liabilities and fund balance	$ 155,671	$ 19,770	$ 32,934,929	$ 390,899	$ (16,155)	$ 59,390	33,544,504

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Nine Months Ending March 31, 2013

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	-	-	11,566,508	-	-	-	11,566,508
Intergovernmental	1,326,397	-	258,450	-	-	733,867	2,318,714
Charges for services	8,885	-	10,000	-	-	-	18,885
Investment Income	53	12	103,109	54	-	39	103,267
TIF Developer Contributions	-	-	238,105	-	-	-	238,105
Reimbursements from component unit	148	-	4,792,478	-	-	-	4,792,626
Other	1,110	-	914,208	-	-	3,000	918,318
Total revenues	1,336,593	12	17,882,859	54	-	736,906	19,956,424
Expenditures:							
Capital outlay	4,562,199	-	1,199,980	734,753	-	1,403,915	7,900,848
Debt service:							
Principal	-	-	3,876,379	-	-	-	3,876,379
Interest and fiscal agent fees	-	-	7,096,372	-	-	-	7,096,372
Total expenditures	4,562,199	-	12,172,730	734,753	-	1,403,915	18,873,598
Excess (deficiency) of revenues over expenditures	(3,225,606)	12	5,710,129	(734,700)	-	(667,009)	1,082,826
Other financing sources (uses):							
Proceeds from capital leases	-	-	-	-	-	-	-
Proceeds from bond issuance	-	-	16,015,000	-	-	-	16,015,000
Reoffering premium/original issue discount	-	-	323,718	-	-	-	323,718
Payment to refunded loans escrow agent	-	-	-	-	-	-	-
Transfers in-utility payments in lieu of taxes	-	-	-	-	-	-	-
Transfers in	3,127,238	-	-	64,170	-	-	3,191,408
Transfers out	-	-	(16,048,055)	-	-	-	(16,048,055)
Total other financing sources (uses)	3,127,238	-	290,663	64,170	-	-	3,482,071
Net change in fund balances	(98,368)	12	6,000,792	(670,530)	-	(667,009)	4,564,897
Fund balances, beginning	(427,999)	19,758	26,560,655	1,061,429	(16,155)	323,000	27,520,688
Fund balances, ending	$ (526,367)	$ 19,770	$ 32,561,448	$ 390,899	$ (16,155)	$ (344,010)	$ 32,085,585

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/13

Assets	Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	Sub-Total TIF Funds
Pooled cash and investments	110,920	55,555	(514,633)	429,179	1,024,263	6,671,474	7,776,757
Receivables:							
Taxes	1,705	19,410	103	1,058,143	23,927	147,572	1,250,860
Accounts	18,514	-	-	-	-	-	18,514
Due from other governments	95	3,379	4,294	34,766	212	220,909	263,654
Restricted assets	-	-	953,749	1,033,519	-	4,648,797	6,636,066
Total assets	$ 131,234	$ 78,343	$ 443,513	$ 2,555,606	$ 1,048,402	$ 11,688,752	$ 15,945,851

	Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	Sub-Total TIF Funds
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-
Deferred revenue (note 20)	1,194	-	51	139,420	0	491	141,156
Total liabilities	1,194	-	51	139,420	0	491	141,156
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	130,040	78,343	443,462	2,416,187	1,048,402	11,688,261	15,804,695
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	130,040	78,343	443,462	2,416,187	1,048,402	11,688,261	15,804,695
Total liabilities and fund balance	$ 131,234	$ 78,343	$ 443,513	$ 2,555,606	$ 1,048,402	$ 11,688,752	15,945,851

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/13

Assets	North Indep.	Mount Washington	Hy-V ee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East	Sub-Total TIF Funds
Pooled cash and investments	22,745	40,225	-	3,445	160,977	56,081	(197)	283,276
Receivables:								
Taxes	2,600	-	-	-	42,950	320,976	-	366,526
Accounts	-	-	-	-	-	-	-	-
Due from other governments	743	86	-	-	84,309	741	-	85,878
Restricted assets	-	-	-	-	9,086,960	-	-	9,086,960
Total assets	$ 26,087	$ 40,311	$ -	$ 3,445	$ 9,375,195	$ 377,798	$ (197)	$ 9,822,640

	North Indep.	Mount Washington	Hy-Vee	Noland Rd Autobody	Crackerneck Creek	Old Landfill	Cinema East	Sub-Total TIF Funds
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	-	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	-	-	-	-	-	-
Deferred revenue (note 20)	243	-	-	-	-	231,934	-	232,177
Total liabilities	243	-	-	-	-	231,934	-	232,177
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	25,844	40,311	-	3,445	9,375,195	145,864	(197)	9,590,462
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	25,844	40,311	-	3,445	9,375,195	145,864	(197)	9,590,462
Total liabilities and fund balance	$ 26,087	$ 40,311	$ -	$ 3,445	$ 9,375,195	$ 377,798	$ (197)	9,822,640

City of Independence, Missouri
Balance Sheet
TIF Funds
3/31/13

Assets	Cornerstone Apts	Trinity	HCA	23rd & Noland Project 1 QT	23rd & Noland Project 2	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Pooled cash and investments	-	182,729	3,274,967	(20,113)	(9,148)	(14,621)	3,413,815	11,473,848
Receivables:								
Taxes	-	12,062	3,020	-	-	-	15,082	1,632,468
Accounts	-	-	-	-	-	-	-	18,514
Due from other governments	-	7,140	2,561	-	-	-	9,701	359,234
Restricted assets	-	-	3,727,840	-	-	-	3,727,840	19,450,866
Total assets	$ -	$201,932	$ 7,008,389	$ (20,113)	$ (9,148)	$ (14,621)	$ 7,166,438	$ 32,934,929

Liabilities and Fund Balances	Cornerstone Apts	Trinity	HCA	23rd & Noland Project 1 QT	23rd & Noland Project 2	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Liabilities:								
Accounts and contracts payable	-	-	-	-	-	-	-	-
Due to primary government from component unit	-	-	148	-	-	-	148	148
Deferred revenue (note 20)	-	-	-	-	-	-	-	373,333
Total liabilities	-	-	148	-	-	-	148	373,482
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	201,932	7,008,241	(20,113)	(9,148)	(14,621)	7,166,290	32,561,448
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	-	201,932	7,008,241	(20,113)	(9,148)	(14,621)	7,166,290	32,561,448
Total liabilities and fund balance	$ -	$201,932	$ 7,008,389	$ (20,113)	$ (9,148)	(14,621)	7,166,438	32,934,929

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2013

	Mid Town Truman	RSO	Santa Fe	Hartman Heritage	Drumm Farm	Eastland Center	Sub-Total TIF Funds
Revenues:							
Taxes (note 4)	15,275	88,126	17,601	1,348,615	508,024	4,120,851	6,098,492
Intergovernmental (note 5)	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment Income	742	7	712	6,832	664	87,592	96,550
TIF Developer Contributions	-	-	238,105	-	-	-	238,105
Other (note 6)	-	-	85,906	-	-	85	85,991
Total revenues	16,017	88,134	342,325	1,355,447	508,688	4,208,527	6,519,138
Expenditures:							
Current:							
Capital outlay	-	-	3,000	82,537	4,625	627,801	717,963
Debt service:							
Principal (note 8)	17,100	-	-	-	205,000	-	222,100
Interest and fiscal agent fees	-	66,100	238,105	275,097	143,216	701,719	1,424,237
Total expenditures	17,100	66,100	241,106	357,634	352,841	1,329,520	2,364,300
Excess (deficiency) of revenues over expenditures	(1,083)	22,034	101,220	997,813	155,847	2,879,008	4,154,838
Other financing sources (uses):							
Proceeds from bond issuance	-	-	-	-	-	3,965,000	3,965,000
Reoffering premium/original issue discount	-	-	-	-	-	54,807	54,807
Transfers out	-	-	-	-	-	(3,996,163)	(3,996,163)
Total other financing sources (uses)	-	-	-	-	-	23,644	23,644
Net change in fund balances	(1,083)	22,034	101,220	997,813	155,847	2,902,651	4,178,482
Fund balances, beginning	131,123	56,310	342,243	1,418,374	892,555	8,785,609	11,626,214
Fund balances, ending	$ 130,040	$ 78,343	$ 443,462	$ 2,416,187	$ 1,048,402	$ 11,688,261	$ 15,804,695

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2013

	North Indep.	Mount Washington	Hy Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East	Sub-Total TIF Funds
Revenues:								
Taxes	34,156	1,665	8,756	3,626	982,927	190,376	-	1,221,506
Intergovernmental	-	-	-	-	258,450	-	-	258,450
Charges for services	-	-	-	-	-	-	-	-
Investment Income	25	23	-	1	4,134	24	-	4,206
TIF Developer Contributions	-	-	-	-	-	-	-	-
Reimbursements from component unit	-	-	-	-	4,792,478	-	-	4,792,478
Other	-	-	-	-	828,050	-	-	828,050
Total revenues	34,181	1,688	8,756	3,627	6,866,039	190,399	-	7,104,690
Expenditures:								
Current:								
Capital outlay	-	-	8,756	-	16,043	-	197	24,996
Debt service:								-
Principal	-	-	-	-	2,665,000	-	-	2,665,000
Interest and fiscal agent fees	14,500	-	-	-	4,649,302	51,600	-	4,715,402
Total expenditures	14,500	-	8,756	-	7,330,345	51,600	197	7,405,398
Excess (deficiency) of revenues over expenditures	19,681	1,688	-	3,627	(464,306)	138,799	(197)	(300,707)
Other financing sources (uses):								
Proceeds from bond issuance	-	-	-	-	-	-	-	-
Reoffering premium/original issue discount	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	19,681	1,688	-	3,627	(464,306)	138,799	(197)	(300,707)
Fund balances, beginning	6,163	38,623	-	(182)	9,839,501	7,065	-	9,891,170
Fund balances, ending	$ 25,844	$ 40,311	$ -	$ 3,445	$ 9,375,195	$ 145,864	$ (197)	$ 9,590,462

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
TIF Funds
For the Nine Months Ending March 31, 2013

	Cornerstone Apts	Trinity	HCA	23rd & Noland Project 1 QT	23rd & Noland Project 2	TIF App Fees	Sub-Total TIF Funds	Total TIF Funds
Revenues:								
Taxes	374,168	370,040	3,502,301	-	-	-	4,246,510	11,566,508
Intergovernmental	-	-	-	-	-	-	-	258,450
Charges for services	-	-	-	-	-	10,000	10,000	10,000
Investment Income	300	60	1,993	-	-	0	2,354	103,109
TIF Developer Contributions	-	-	-	-	-	-	-	238,105
Reimbursements from component unit	-	-	-	-	-	-	-	4,792,478
Other	-	-	167	-	-	-	167	914,208
Total revenues	374,469	370,100	3,504,462	-	-	10,000	4,259,031	17,882,859
Expenditures:								
Current:								
Capital outlay	-	22,728	379,856	20,113	9,148	25,176	457,020	1,199,980
Debt service:							-	-
Principal	863,902	125,377	-	-	-	-	989,279	3,876,379
Interest and fiscal agent fees	-	57,623	899,109	-	-	-	956,732	7,096,372
Total expenditures	863,902	205,728	1,278,965	20,113	9,148	25,176	2,403,032	12,172,730
Excess (deficiency) of revenues over expenditures	(489,433)	164,372	2,225,496	(20,113)	(9,148)	(15,176)	1,855,999	5,710,129
Other financing sources (uses):								
Proceeds from bond issuance	-	-	12,050,000	-	-	-	12,050,000	16,015,000
Reoffering premium/original issue discount	-	-	268,911	-	-	-	268,911	323,718
Transfers out	-	-	(12,051,892)	-	-	-	(12,051,892)	(16,048,055)
Total other financing sources (uses)	-	-	267,020	-	-	-	267,020	290,663
Net change in fund balances	(489,433)	164,372	2,492,516	(20,113)	(9,148)	(15,176)	2,123,018	6,000,792
Fund balances, beginning	489,433	37,560	4,515,725	-	-	554	5,043,272	26,560,655
Fund balances, ending	$ -	$ 201,932	$ 7,008,241	$ (20,113)	$ (9,148)	$ (14,621)	$ 7,166,290	$ 32,561,448

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets
Internal Service Funds
March 31, 2013

Assets		**Central Garage**	**Staywell Health Care**	**Worker's Compensation**	**Total (Exhibit 5)**
Current assets:					
Pooled cash and investments	$	639,864	4,005,466	2,799,367	7,444,697
Accounts receivable		—	65,696	70,700	136,396
Accrued interest receivable		—	—	—	—
Due from other funds		—	—	—	—
Inventory		(19,771)	—	—	(19,771)
Prepaid Items		—	—	—	—
Property, plant, and equipment, net:					—
Land and infrastructure		—	—	—	—
Buildings, property, and equipment, net		—	—	—	—
Advance to other funds		—	—	—	—
Deferred debt issue costs		—	—	—	—
Prepaid employee benefits		—	—	—	—
Other deferred charges		—	—	—	—
Restricted Assets		—	—	200,000	200,000
Total current assets		620,093	4,071,162	3,070,067	7,761,322
Noncurrent assets:					
Property, plant, and equipment;					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		189,040	—	—	189,040
Less accumulated depreciation		(157,914)	—	—	(157,914)
Total noncurrent assets		125,105	—	—	125,105
Total assets	$	745,198	4,071,162	3,070,067	7,886,427
Liabilities					
Current liabilities:					
Accounts and contracts payable	$	22,998	—	—	22,998
Accrued liabilities		26,180	—	2,308	28,488
Deferred Revenue		—	—	593,780	593,780
Compensated absences - current		49,900	—	13,196	63,096
Employee benefits payable		—	—	—	—
Other Current Liabilities		—	—	—	—
Self-insurance claims		—	2,372,585	792,840	3,165,425
Total current liabilities		99,078	2,372,585	1,402,124	3,873,787
Noncurrent liabilities:					
Compensated absences - long-term		69,742	—	30,800	100,542
Other post employment benefits		477,127	—	37,000	514,127
Self-insurance claims		—	—	1,763,471	1,763,471
Total liabilities		645,947	2,372,585	3,233,395	6,251,927
Net Assets					
Invested in capital assets, net of related debt		125,105	—	—	125,105
Unrestricted		(25,854)	1,698,577	(163,328)	1,509,395
Total net assets (deficit)		99,251	1,698,577	(163,328)	1,634,500
Total liabilities and net assets	$	745,198	4,071,162	3,070,067	7,886,427

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, 2013

		Central Garage	Staywell Health Care	Worker's Comp	Total (Exhibit 6)
Operating revenues:					
Charges for services	$	1,785,259	—	—	1,785,259
Miscellaneous		—	14,627,534	1,858,691	16,486,225
Total operating revenues		1,785,259	14,627,534	1,858,691	18,271,484
Operating expenses:					
Personal services		536,686	—	116,246	652,932
Other services		317,899	17,914,375	1,399,332	19,631,606
Supplies		953,612	—	2,032	955,644
Capital outlay		—	—	—	—
Depreciation and amortization		2,925	—	—	2,925
Total operating expenses		1,811,122	17,914,375	1,517,610	21,243,107
Operating Income		(25,863)	(3,286,841)	341,081	(2,971,623)
Nonoperating revenues:					
Interest revenue		335	9,704	2,141	12,180
Miscellaneous revenue		40,628	1,077,824		1,118,452
Total nonoperating revenue		40,963	1,087,528	2,141	1,130,632
Income before transfers		15,100	(2,199,313)	343,222	(1,840,991)
Transfers in (out)		—	—	—	—
Change in net assets		15,100	(2,199,313)	343,222	(1,840,991)
Total net assets (deficit):					
Beginning of the period		84,151	3,897,890	(506,550)	3,475,491
End of the period	$	99,251	1,698,577	(163,328)	1,634,500

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

March 31, 2013

	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	$ 22,787	22,787	110,861	32,108	39,986	182,955
Accrued interest receivable	—	—	—	158	—	158
Total assets	$ 22,787	22,787	110,861	32,266	39,986	183,113
Due from flexible benefit plan			—	—		
Liabilities						
Accounts and contacts payable	$					
Internal balances (note 6)	—	—	—	—	—	—
Liabilities payable from restricted assets:						
Funds held in Escrow	—	—	—	32,266	39,986	72,252
Employee deferred credit	—	—	110,861	—	—	110,861
Total liabilities	—	—	110,861	32,266	39,986	183,113
Net Assets						
Held in trust	$ 22,787	22,787				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
March 31, 2013

FUND	CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	-	179,318.50	(10,220,313.97)	(10,040,995.47)
SPECIAL REVENUE				
TOURISM	737,690.17	-	-	737,690.17
CDA	-	-	(44,076.39)	(44,076.39)
RENTAL REHAB	-	-	(51,231.46)	(51,231.46)
INDEP. SQUARE BENEFIT	2,298.07	-	-	2,298.07
STREET SALES TAX	1,144,470.74	-	-	1,144,470.74
PARKS SALES TAX	-	-	(6,048,876.57)	(6,048,876.57)
STORM WATER SALES TAX	6,696,181.45	-	-	6,696,181.45
POLICE SALES TAX	1,887,403.96	-	-	1,887,403.96
FIRE SALES TAX	1,685,014.15	-	-	1,685,014.15
LICENSE SURCHARGE	1,379,376.99	-	-	1,379,376.99
GRANT	-	-	(220,896.72)	(220,896.72)
TOTAL	13,532,435.53	-	(6,365,081.14)	7,167,354.39
DEBT SERVICE FUND	-	94,000.00	(11,727.39)	82,272.61
CAPITAL PROJECTS				
STREET	-	-	(526,677.04)	(526,677.04)
TIF	11,473,847.67	19,450,865.68	-	30,924,713.35
BUILDING	-	402,456.35	(11,557.18)	390,899.17
STORM DRAINAGE	-	-	(16,155.37)	(16,155.37)
PARKS	-	-	(350,910.04)	(350,910.04)
REVOLVING PUBLIC IMPROV.	19,769.84	-	-	19,769.84
TOTAL	11,493,617.51	19,853,322.03	(905,299.63)	30,441,639.91
ENTERPRISE				
POWER & LIGHT	36,972,967.24	36,263,708.77	-	73,236,676.01
WATER	6,057,029.61	4,812,174.04	-	10,869,203.65
SEWER	11,208,242.00	30,686,026.09	-	41,894,268.09
EVENTS CENTER	1,781,044.26	6,982,976.43	-	8,764,020.69
TOTAL	56,019,283.11	78,744,885.33	-	134,764,168.44
INTERNAL SERVICE				
EMPLOYEE BENEFITS	-	-	-	-
CENTRAL GARAGE	639,864.23	-	-	639,864.23
PHARMACY BENEFIT FUND	-	-	-	-
STAYWELL INSURANCE	4,005,466.34	-	-	4,005,466.34
WORKER'S COMPENSATION	2,799,366.87	200,000.00	-	2,999,366.87
TOTAL	7,444,697.44	200,000.00	-	7,644,697.44
TRUST & AGENCY				
WAGGONER	-	-	-	-
MISC TRUST	22,787.24	-	-	22,787.24
SUSIE PAXTON BLOCK TRUST	32,107.70	-	-	32,107.70
SENIORS TRAVEL PROGRAMS	39,985.93	-	-	39,985.93
FLEXIBLE BENEFITS	110,861.14	-	-	110,861.14
TOTAL	205,742.01	-	-	205,742.01
GRAND TOTAL	**88,695,775.60**	**99,071,525.86**	**(17,502,422.13)**	**170,264,879.33**

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY
March 31, 2013

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		170,238,226.99	170,238,226.99	
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		170,257,114.49	170,264,879.33	

APPENDIX D

THE BASS PRO STORE, THE BASS PRO LEASE AND THE STATUS OF THE DEVELOPER

The Bass Pro Store and the Bass Pro Lease

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

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

The initial term of the Lease is 20 years, beginning at the commencement date of the Lease. Bass Pro has the option to renew the Lease for nine one-year periods, and three five-year periods. During the initial 20 year term, Bass Pro is required to pay the City rent equal to 2% of "Gross Sales," except for sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which Bass Pro is obligated to pay 1% with a maximum of $250 per such boat or vehicle sold. In addition, Bass Pro is obligated to pay "Minimum Percentage Rent" of $1,000,000 during each year of the initial term. All such rental payments are referred to herein as the "Bass Pro Lease Payments." Historically Bass Pro has not exceeded the $1,000,000 Minimum Percentage Rent.

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

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

Bass Pro recently prevailed in litigation with the City over the amount owed by Bass Pro for a construction license surcharge related to construction of the Bass Pro Store. Including related attorneys fees, the City paid to Bass Pro approximately $460,000 related to the verdict from a non-General Fund source.

To date, rent payments for periods subsequent to the initial lease period have been paid on time by Bass Pro. The City and Bass Pro recently settled litigation related to the initial lease payment. Upon a default by the City under the Bass Pro Lease, Bass Pro may pursue all available legal and equitable remedies, including termination of the lease.

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

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

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

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

Status of Developer

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

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

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

Subsequent to the execution of the Stay of Termination, the City and Developer have entered into an "Agreement for Parcel Development in the Falls at Crackerneck Project" dated October 9, 2008 (the "Parcel Development Agreement"). Under the terms of the Parcel Development Agreement, the City agrees to make up to $5,054,100 from amounts saved under the original public improvements budget available to the Developer to assist in funding actual development costs of certain parcels in the Crackerneck Creek project for the Hobby Lobby store described above, a hotel and other potential development. Subsequent to the execution of the Parcel Development Agreement, the City and Developer agreed that $425,000 of the $5,054,100 made available under the Parcel Development Agreement would be reimbursed to the Developer for site costs related to the construction of a Cheddars restaurant at the Project.

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

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

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

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APPENDIX E

SUMMARY OF THE BASS PRO LEASE

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APPENDIX E

SUMMARY OF THE BASS PRO LEASE

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

General Definitions.

In addition to the terms defined in the Bass Pro Lease, the following terms, whenever used in the Bass Pro Lease with the first letter of each word capitalized, shall have only the meanings set forth below, unless such meanings are expressly modified, limited or expanded elsewhere in the Bass Pro Lease:

(a) "**Common Areas**" means all areas, facilities and improvements, from time to time, made available in the Project for the non-exclusive common use of occupants of the Project, including Bass Pro, its agents, employees and customers. The Common Areas shall include, but shall not be limited to, the interior of the enclosed mall (if applicable), parking areas and facilities, sidewalks, stairways, escalators, elevators, service corridors, fire corridors, seating areas, truck ways, ramps, loading docks, delivery areas, landscaped areas, package pickup stations, public restrooms and comfort stations, access and interior roads, retaining walls, drainage systems, bus stops and lighting facilities. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, the Common Areas shall not include any portion of the approximate twenty (20) acre parcels comprising the Leased Premises, the "City Park Area" or any such portion of the Project intended for the exclusive use of any occupant thereof.

(b) "**Permitted Successor**" means, in connection with an assignment of Bass Pro's interest in the Bass Pro Lease or a sublet of all of the Leased Premises, which will not require the prior consent of City, an entity which complies with one of the following:

(i) an assignment or sublet as a result of estate planning transfers by the person or entity which, as of the Effective Date, owns the controlling interest of Bass Pro (the "Controlling Party") to any person or entity (collectively "Estate Planning Transferees"), so long as (A) the Estate Planning Transferees operate the Leased Premises under the Trade Name and for the Bass Pro Permitted Use; and (B) the assignee or subtenant has a net worth of at least $50,000,000;

(ii) an assignment or sublet to an entity resulting from an intra-organization reorganization or restructure, so long as (A) the Controlling Party or the Estate Planning Transferees remain in control of the successor entity; (B) the successor entity operates the Leased Premises under the Trade Name and for the Bass Pro Permitted Use; and (C) the assignee or subtenant has a net worth of at least $50,000,000; or

(iii) an assignment or sublet to a "Qualified Third Party" which will be operating at least eighty percent (80%) of the retail stores of Bass Pro operated under the Trade Name. A "Qualified Third Party" means an entity which (A) continues to operate the Leased Premises under the Trade Name and for the Bass Pro Permitted Use, and (B) has a net worth of at least $50,000,000.

Description of Leased Premises

The Leased Premises is those certain parcels of real property containing approximately twenty (20) acres identified as "Bass Pro Shops Parcel To Include Store, Display Areas and Boat Storage" and "Bass Pro

Shops Display Parcel" on the site plan attached to the Bass Pro Lease upon which a "Bass Pro Shops Outdoor World" retail store building containing no less than 160,000 (inclusive of the square footage of the restaurant located within the Store Building and inclusive of the square footage of the boat canopied area) square feet shall be constructed (the "Store Building"). The Leased Premises also contains "Bass Pro's Parking Field" (as defined in the Bass Pro Lease) which is also identified on the Preliminary Site Plan. Notwithstanding anything in the Bass Pro Lease, except with respect to the rights of customers of other tenants and occupants of the "Project" (as defined in the Bass Pro Lease) to use the parking areas located within the Leased Premises for temporary parking and subject to the terms and conditions of the Bass Pro Lease, Bass Pro shall have the exclusive right to utilize the entire Leased Premises for any "Bass Pro Permitted Use" (as defined in the Bass Pro Lease), including, without limitation, the sale and display of boats, recreational vehicles, off-road vehicles and/or all-terrain vehicles and the conducting of the special events of Bass Pro. In addition, subject to the securing of all applicable governmental approvals (which approvals City agrees to assist Bass Pro in obtaining), Bass Pro, in its capacity as construction agent for and on behalf of City, shall, at its option, have the right, exercisable at any time during the "Construction Period" (as defined in the Bass Pro Lease) or during the "Term" (as defined in the Bass Pro Lease), to construct or cause to be constructed such other structures or improvements at the Leased Premises and/or add such additional space to the Store Building as Bass Pro may desire and in such locations within the boundaries of the Leased Premises as Bass Pro may desire, including, without limitation, the "outpost" described in the Bass Pro Lease and a restaurant which may be free standing or located within the Store Building. All costs relating to the foregoing which are incurred during the Construction Period shall be paid from the "Allowance" (as defined in the Bass Pro Lease).

Term

The Initial Term of the Bass Pro Lease (the "Initial Term") shall be for a period of twenty (20) years commencing either (i) at the expiration of the Construction Period, subject, however, to the provisions of the Bass Pro Lease, or (ii) the date on which Bass Pro shall open the Store Building for business to the public (and City shall be obligated to cause all access ways, parking areas, and other common areas and facilities necessary to the operation of Bass Pro's business at the Leased Premises to be available by such date or such earlier date required under the Bass Pro Lease), whichever of said dates occurs first (the "Commencement Date"), and expiring at 11:59 p.m. local time on the day before the twentieth (20th) yearly anniversary of the Commencement Date, unless extended or sooner terminated in accordance with the provisions of the Bass Pro Lease (the "Expiration Date"). All provisions of the Bass Pro Lease, other than the obligation of Bass Pro to pay any "Rent" (as defined in the Bass Pro Lease), shall be in force and effect from the Delivery Date through the Commencement Date. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, City and Bass Pro acknowledge and agree that irrespective of the commencement, expiration or duration of the Construction Period, (i) in no event shall Bass Pro be obligated to open its store at the Leased Premises for business on any date which is between November 1 of any given year and March 1 of the year subsequent thereto (the "Black-Out Period") and (ii) if the expiration of the Construction Period occurs on a date within the Black-Out Period, then, unless Bass Pro opens its store at the Leased Premises for business within the Black-Out Period, the Commencement Date shall be the first day following the Black-Out Period.

Provided Bass Pro is not then in default of any material term of the Bass Pro Lease beyond any applicable cure or grace period and provided, further, that Bass Pro shall not have exercised its option to purchase the Leased Premises in accordance with the Bass Pro Lease, Bass Pro shall have the right and option to exercise the Renewal Options by delivering written notice to that effect to City at least one hundred eighty (180) days prior to the expiration of (i) the twenty (20) year Initial Term with respect to the first Renewal Option; and (ii) the immediately-preceding Renewal Option with respect to any subsequent Renewal Option. Other than the amount of Rent payable by Bass Pro, all terms and conditions applicable to the Initial Term shall apply during the Renewal Options. In the event that Bass Pro does not exercise any applicable Renewal Option within the required time period therefor, City shall deliver to Bass Pro written notice (the "Reminder Notice") that Bass Pro has failed to timely exercise the applicable Renewal Option and, if Bass Pro does not exercise the applicable Renewal Option within ten (10) days after its receipt of the Reminder Notice, then the subject Renewal Option and all subsequent Renewal Options shall become null and void and be of no further force or effect.

Except as otherwise specifically provided in the Bass Pro Lease, the "Term" means the Initial Term and the Renewal Options.

Renewal Options are options for nine (9) consecutive renewal periods of one (1) full year each and thereafter options for three (3) consecutive renewal periods of five (5) full years each.

Construction Period

The Construction Period is a four hundred fifty five (455) day construction period following delivery of the "Pad" (as defined in the Bass Pro Lease) to Bass Pro in the condition contemplated by the Bass Pro Lease. Delivery of the Pad is expected to occur on March 31, 2006 (the "Expected Delivery Date"). City and Bass Pro acknowledge and agree however that Bass Pro shall have no obligation to accept delivery of the Pad prior to the Expected Delivery Date and the Construction Period shall not commence prior to March 1, 2005 unless Bass Pro accepts delivery of the Pad prior thereto. In the event the Pad is not delivered to Bass Pro by the Expected Delivery Date, then the Construction Period shall be extended by five (5) days for each day after the Expected Delivery Date that such possession is not delivered to Bass Pro. The date upon which City actually delivers the Pad to Bass Pro in the condition required in the Bass Pro Lease is defined in the Bass Pro Lease as the "Delivery Date". Further, in the event the Pad is not delivered to Bass Pro by the date which is three hundred sixty-five (365) days following the Expected Delivery Date for any reason whatsoever, other than if the Bass Pro Lease is terminated prior thereto in accordance with the provisions of the Bass Pro Lease, then the Bass Pro Lease shall automatically terminate on the three hundred sixty-sixth (366th) day following the Expected Delivery Date and City shall pay to Bass Pro, within thirty (30) days after such termination, the sum of One Million Dollars ($1,000,000) to compensate Bass Pro for Bass Pro's loss of the opportunity to realize the benefits Bass Pro expected to realize pursuant to the Bass Pro Lease.

Opening

Subject to the provisions of the Bass Pro Lease, Bass Pro covenants and agrees to complete its construction within the Leased Premises in accordance with the provisions of the Bass Pro Lease and to open its store for business to the public not later than the expiration of the Construction Period, subject to an extension thereof due to "Delays". Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, Bass Pro shall not be in default of this section unless and until Bass Pro shall have failed to open its store for business to the public by the date which is one hundred eighty (180) days following the expiration of the Construction Period (as the same may be extended in the Bass Pro Lease).

Rent During Initial Term.

Except as otherwise provided in the Bass Pro Lease, during the Initial Term and for each Lease Year thereof, Bass Pro shall pay annual percentage rent ("Percentage Rent") equal to two percent (2%) multiplied by all Gross Sales (except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles which shall be one percent (1%) with a maximum of Two Hundred Fifty Dollars ($250) per such boat or vehicle sold) resulting from business conducted in, on or from the Leased Premises. Notwithstanding the foregoing, during each Lease Year of the Initial Term, Bass Pro shall pay a minimum of One Million Dollars ($1,000,000) as Percentage Rent (the "Minimum Percentage Rent"). Percentage Rent and Minimum Percentage Rent for any "Partial Lease Year" (as defined in the Bass Pro Lease) shall be prorated on a per diem basis. Any payments of Minimum Percentage Rent from Bass Pro to City shall be made within sixty (60) days after the end of each Lease Year or Partial Lease Year of the Initial Term. Except when separately appearing, for purposes of the Bass Pro Lease, the terms Percentage Rent and Minimum Percentage Rent are collectively referred to as "Percentage Rent".

"Gross Sales" is defined in the Bass Pro Lease to mean the total amount of the total price charged for all goods, merchandise, beverages and food sold and all services or other operations or items sold or rendered at, in, on, or from the Leased Premises by or on account of Bass Pro or any subtenant, assignee or concessionaire of Bass Pro (except that any corporate cross-promotion activities from Big Cedar Lodge and timeshare, Chevy truck promotions, and similar corporate sponsorships shall be specifically excluded from Gross Sales), for cash or on a charge, credit, time basis or otherwise, including all orders for merchandise taken from or filled at or from the Leased Premises. A "sale" shall be deemed to have been consummated for purposes of the Bass Pro Lease, and the entire amount of the sale price shall be included in Gross Sales, at such time as the transaction is initially reflected in the books or records of Bass Pro, or any subtenant, assignee or concessionaire of Bass Pro, or any other person or entity operating in the Leased Premises. Bass Pro and the other persons and entities occupying the Leased Premises shall record each sale on the books of Bass Pro in the ordinary course of Bass Pro's business. Notwithstanding anything in the Bass Pro Lease to the contrary, Gross Sales shall exclude proceeds from any sales tax, gross receipts tax or similar tax, by whatever name called which are separately stated and in addition to the purchase price, refunds and adjustments given to customers for merchandise purchased at the Leased Premises and returned or exchanged, gift certificate returns, sales of Bass Pro's furniture, fixtures or equipment not in the ordinary course of Bass Pro's business, sales to employees of Bass Pro working in the Leased Premises not to exceed five percent (5%) of Gross Sales in any Lease Year, sales of fishing and hunting licenses, duck stamps, deer and turkey permits, and the like (not to exceed two percent (2%) of Gross Sales in any Lease Year), returned check charges and credit card chargeback income, which shall not exceed one percent (1%) of Gross Sales in any Lease Year and any subrental or concession fees paid to Bass Pro by any subtenant or concessionaire.

As used in the Bass Pro Lease, the term "Lease Year" shall have the following meaning: the first Lease Year shall be a period beginning with the Commencement Date and ending on the 31st of December next following the Commencement Date, and after the first Lease Year, the term Lease Year shall mean a period of twelve (12) consecutive calendar months commencing on January 1 of each calendar year, except that the last Lease Year shall terminate on the Expiration Date. Any Lease Year which is less than a full twelve (12) consecutive calendar months is sometimes referred to in the Bass Pro Lease as a "Partial Lease Year".

Within thirty (30) days following the end of each calendar month of the Initial Term, Bass Pro shall submit to City an unaudited statement of Gross Sales for such calendar month. Together with the delivery of each such statement, Bass Pro shall pay to City any Percentage Rent due for such period (excluding, however, any Minimum Percentage Rent). Within forty-five (45) days after the close of each Lease Year or Partial Lease Year of the Initial Term, Bass Pro shall furnish to City a statement certified by Bass Pro setting forth the amount of Gross Sales during such Lease Year or Partial Lease Year and showing the amount of Percentage Rent required to be paid by Bass Pro for such Lease Year or Partial Lease Year. The full amount of the Percentage Rent or Minimum Percentage Rent, as the case may be, which is due shall be paid to City no later than sixty (60) days after the end of each Lease Year or Partial Lease Year of the Initial Term.

Bass Pro shall keep at the Leased Premises or at Bass Pro's executive offices a full and accurate set of books and records documenting the amount of Gross Sales in each Lease Year or Partial Lease Year. The books and records to be kept by Bass Pro shall include, without limitation, (i) cash register tapes, (ii) records of any exclusions or deductions from Gross Sales; (iii) sales tax records; and (iv) such other records, if any, which are kept by Bass Pro in the ordinary course of its business. Such books and records shall be kept in accordance with generally accepted accounting principles and practices and shall be retained by Bass Pro for a period of not less than three (3) years following the end of the Lease Year or Partial Lease Year to which they have reference. If any audit is required or a controversy arises regarding Percentage Rent, Bass Pro shall retain its books and records until such audit is terminated or controversy is resolved. Upon not less than ten (10) business days' prior notice, City and/or City's auditor shall have the right to (at Bass Pro's executive offices) inspect and/or to audit the records of Bass Pro relating to Gross Sales (specifically excluding, however, Bass Pro's income tax returns). If it is determined by City and Bass Pro that the Gross Sales exceed those reported, Bass Pro shall immediately pay any deficiency in Percentage Rent owing to City with "Interest" (as defined in the Bass Pro Lease) thereon. If it is determined by City and Bass Pro that Gross Sales are understated by Bass Pro from those reported by two percent (2%) or more, Bass Pro shall pay to City, upon demand, in addition to the amount by which Percentage Rent was deficient with Interest thereon, the cost of the audit or examination including, without limitation, all reasonable travel expenses incurred by City in conducting such audit.

Rent During Renewal Options

During any of the nine (9) one (1) Renewal Options, Bass Pro shall pay rent equal to Ten Dollars ($10) per year. Notwithstanding the foregoing, if the Leased Premises TIF (the Leased Premises TIF as it relates to the Leased Premises only, said amount being equal to Thirty-five Million Dollars ($35,000,000) in TIF bond financing) has not been fully paid at the expiration of the Initial Term, then during each Lease Year thereafter (if any) until the Leased Premises TIF has been paid in full or until the expiration of the third one (1) year Renewal Option (if exercised by Bass Pro), whichever occurs first, Bass Pro shall be obligated to pay the Minimum Percentage Rent. During any of the three (3) five (5) year Renewal Options, Bass Pro shall pay rent equal to one percent (1%) of Gross Sales made during each Lease Year thereof in excess of Thirty Million Dollars ($30,000,000), except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which shall be one-half of one percent (0.5%) of such Gross Sales. The amount of rent payable by Bass Pro during the Renewal Options is hereby defined as the "Renewal Option Rent". The Renewal Option Rent for any Partial Lease Year of any Renewal Option and, if applicable, the Renewal Option Rent for the year in which the Leased Premises TIF is fully paid, shall be prorated on a per diem basis.

Payments By Bass Pro

Throughout the Term, Bass Pro shall pay to City, the "Rent", which, during the Initial Term, is hereby defined as the sum of the Percentage Rent and all additional rent, and during any Renewal Option, is hereby defined as the Renewal Option Rent and all additional rent when and as the same shall be due and payable in the Bass Pro Lease, subject, however, to City not being in default of the Bass Pro Lease beyond any applicable cure or grace period. Unless otherwise stated, all sums of money or charges of any kind or nature, in addition to Percentage Rent or Renewal Option Rent (as appropriate), payable by Bass Pro to City pursuant to the Bass Pro Lease are defined as "additional rent" and, subject to the terms of the Bass Pro Lease, are due thirty (30) days after the rendering of an invoice therefor. All payments of Rent shall be payable in United States funds, at the address indicated in the Bass Pro Lease, unless otherwise specified by written notice from City to Bass Pro. Without limitation of any other obligations of Bass Pro which shall survive the expiration of the Term, the obligations of Bass Pro to pay Rent which have accrued as of the date of expiration or sooner termination of the Term shall survive such expiration or earlier termination. Payment of any such Rent shall not prohibit Bass Pro from thereafter asserting the right to set-off or counterclaim.

Preparation of Leased Premises - City's Work

City shall, at its sole cost and expense and separate and apart from the Allowance, (a) deliver to Bass Pro the portion of the Leased Premises upon which the Store Building will be constructed in the condition of a certified construction-ready graded pad (which shall be capable of supporting a shallow foundation, slab on grade, footing and floor slab loads necessary for the Store Building as determined by Bass Pro's architecture and construction departments) with utilities stubbed thereto as provided in the Bass Pro Lease (the "Pad"), and (b) deliver to Bass Pro the balance of the Leased Premises, each in accordance with the provisions of the Bass Pro Lease, including, without limitation, certain provisions of the Bass Pro Lease ("City's Work"). In addition, as part of City's Work, City shall, at its sole cost and expense, grade, pave, improve, stripe and install lighting fixtures for the illumination of all of the parking areas within the Leased Premises as depicted on the Final Site Plan ("Bass Pro's Parking Field"). City shall cause Bass Pro's Parking Field to be completed and ready for use no less than sixty (60) days prior to the date Bass Pro first opens the Store Building for business. Bass Pro shall have the right to approve how Bass Pro's Parking Field is connected with the other parking areas of the Project. City shall, at its sole cost and expense and separate and apart from the Allowance, obtain all permits and approvals necessary with respect to City's Work and shall comply with all legal requirements relating thereto. City agrees that City's Work shall be performed (i) in a first-class workmanlike manner using first-class materials; (ii) by duly qualified and licensed persons; (iii) in accordance with all applicable laws, regulations, orders, ordinances, codes and insurance company requirements; and (iv) in accordance with the provisions of the Bass Pro Lease, including, without limitation, the provisions of Exhibit C. In addition, City covenants to and agrees with Bass Pro that Bass Pro shall have the right to approve City's grading and clearing plan of the Project and that City shall not commence any grading or clearing of the Project unless and until Bass Pro has approved such plan (which approval by Bass Pro shall not be unreasonably withheld). The parties agree that the purpose of the foregoing provision is to retain as much vegetation and timber as possible at the Project. Notwithstanding any provision to the contrary contained in the Bass Pro Lease, Bass Pro shall have no obligation to accept delivery of the Pad and the Construction Period shall not commence unless and until City delivers to Bass Pro the Pad in accordance with the requirements of the Bass Pro Lease.

Preparation of Leased Premises - Bass Pro's Work

Upon delivery to Bass Pro of the Pad in the condition required under the Bass Pro Lease, Bass Pro shall, in its capacity as construction agent for and on behalf of City, construct or cause to be constructed the Store Building and any and all other improvements desired by Bass Pro upon the Leased Premises ("Bass Pro’s Work

City shall pay to Bass Pro an allowance not to exceed Twenty-five Million Dollars ($25,000,000) (the "Allowance") to be applied toward the cost of Bass Pro's Work, including, without limitation, the Store Building and all interior improvements thereto and all furniture, fixtures and equipment in and to the Store Building and any other improvements desired by Bass Pro at the Leased Premises. To the extent that the cost of Bass Pro’s Work (as it relates to any item thereof which would be deemed a "hard cost" of construction) shall exceed the Allowance, City shall pay and be responsible for such excess (with the Allowance being paid first, followed by any such excess costs). In the event City is required to pay any such "hard costs" in excess of the Allowance, then Bass Pro shall pay any such amount so expended by City as additional rent on the Commencement Date. To the extent the costs of Bass Pro's Work (as it relates to any item thereof which would not be deemed a "hard cost" of construction) shall exceed the Allowance, Bass Pro shall pay and be responsible for such excess (with the Allowance being paid first). The Allowance shall be used to pay all costs and expenses related to Bass Pro’s Work and construction expenses relating to the Leased Premises and the preparation of the Leased Premises for Bass Pro’s business beyond the scope of City’s Work, including, without limitation, interior design and work, interior fixtures, furniture, equipment, items furnished by Bass Pro (i.e., chandeliers and display and trophy mounts), Bass Pro’s "in-house" architectural and project management services, aquariums, attractions, water features, signage, special craft and woodwork, imagery, landscaping, reasonable travel expenses actually incurred and professional fees for architects and engineers.

City shall make disbursements out of the Allowance to Bass Pro for all of Bass Pro’s Work that has been completed from time to time (subject to a retainage in an amount agreeable to City and Bass Pro, which shall be part of Bass Pro’s contract with its contractor), within twenty (20) days following Bass Pro’s submission of a requisition therefor accompanied by such supporting materials as are customary and reasonable (including, without limitation, (i) a certification by Bass Pro’s architect that the work described in the pending requisition has actually been completed and is in accordance with the approved construction documents, and (ii) lien waivers with respect to all work performed through the date of the immediately-preceding requisition), which requisitions shall be submitted by Bass Pro no more frequently than once per month. In the event of any dispute regarding a requisition submitted by Bass Pro, such disputed amount shall nevertheless be paid to Bass Pro within said twenty (20) day period and shall not be withheld from the City’s disbursement of the Allowance. The parties shall meet and, in good faith, attempt to resolve any disputed amount and any of such disputed amount which is subsequently agreed by the parties to be ineligible for payment from the Allowance shall be returned by Bass Pro to City and redeposited into the Allowance account. City and Bass Pro further acknowledge and agree that if any such disbursement of the Allowance is not made by City within said twenty (20) day period, then, in that event and not in limitation of any other right or remedy available to Bass Pro at law or in equity, (w) Bass Pro shall be entitled to collect interest on any outstanding amount due until paid at a rate of Twelve percent (12%) per annum, and (x) an amount equal to Two Thousand Dollars ($2,000) for each day after the expiration of said twenty (20) day period that such disbursement is not made shall be automatically and without further action be added to the Allowance. Within twenty (20) days of the submission by Bass Pro to City of Bass Pro's final payment application respecting Bass Pro's Work (accompanied by the documentation of (i) above and final lien waivers subject only to final payment), City shall pay to Bass Pro all amounts of the Allowance outstanding. It is further acknowledged and agreed by City and Bass Pro that if such final payment of the Allowance is not paid to Bass Pro within said twenty (20) day period, then, in that event, and not in limitation of any other right or remedy available to Bass Pro at law or in equity, (y) Bass Pro shall be entitled to collect interest on the principal balance due until paid at a rate of Twelve percent (12%) per annum, and (z) Bass Pro shall have the right to withhold from any rent payment due City an amount equal to any unpaid portion of the Allowance as well as any interest payable by City pursuant to this provision.

The interest of City in the Leased Premises and the Project shall not be subject to liens for improvements made by or on behalf of Bass Pro.

The interest of Bass Pro in the Leased Premises shall not be subject to liens for improvements made by City.

Bass Pro shall obtain or require that each general contractor engaged by the Bass Pro for the construction of Bass Pro's Work provide payment and performance bonds and labor and material payment bonds, or equivalent insurance coverage reasonably acceptable to the City and the City's Construction Consultant, if any. Although the above is an obligation of Bass Pro or its general contractor, all costs and expenses related to such payment and performance bonds and labor and material payment bonds or equivalent insurance coverage shall be paid by or caused to be paid by City.

Preparation of Leased Premises - Removal by Bass Pro

All present and future repairs, alterations, additions and improvements made in, on or to the Leased Premises by either party shall be deemed to be attached to the leasehold and to have become the property of City upon such attachment, and, upon the expiration or sooner termination of the Bass Pro Lease, Bass Pro shall not remove any of such alterations, additions and improvements. Notwithstanding the foregoing, any alterations, additions and improvements which are installed during the Term by Bass Pro, at Bass Pro's sole cost and expense, shall remain the property of Bass Pro, and may be removed by Bass Pro, and Bass Pro shall promptly remove the same and repair any damage to the Leased Premises caused by such removal. In addition, City and Bass Pro acknowledge and agree that, provided Bass Pro is not in default of the Bass Pro Lease beyond any applicable cure or grace period, upon the expiration or earlier termination of the Bass Pro Lease, Bass Pro shall have the right to remove all specialty items of Bass Pro, including, without limitation, all trade fixtures, taxidermy, mounts, aquariums, displays and other such items, whether or not the cost thereof was paid for out of the Allowance; provided that Bass Pro shall, at its expense, repair any damage to the Leased Premises caused by such removal. The provisions of this section are subject to Bass Pro's Purchase Option.

Use and Trade Name

Bass Pro shall use the Leased Premises for the use set forth below, and for no other uses (the "Bass Pro Permitted Use"):

> retail sales of sporting goods, sporting equipment and sporting services of all types and kinds and sales of all other goods and services and other items of the type commonly sold by Bass Pro at its retail store in Springfield, Missouri, including, without limitation, the sale, display, service and storage of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, the sale of educational videos,

magazines, gifts, household furnishings, cameras, film, toys, jewelry, travel, taxidermy, marine products, including, without limitation, boats, fishing products and services, camping products and services, hunting products and services, golf equipment, NASCAR related apparel, gift items and activities, accessories, apparel, footwear, bikes, scuba gear, firearms, ammunition and components and related uses such as the conducting of the special events of Bass Pro at the Leased Premises, the conducting of outdoor education seminars, the operation of an "outpost" or convenience store for the sale of, without limitation, food (prepackaged and freshly prepared), beverages (alcoholic and non-alcoholic), fuel and live bait, an indoor gun and archery range, a golf range, a sporting goods demonstration area and, at Bass Pro's option, a snack-bar and/or a restaurant, with or without a bar serving liquor, wine and beer (which restaurant may be free standing or incorporated within Bass Pro's retail store). City acknowledges that Bass Pro shall have the right to change the secondary merchandise mix to reflect the proper regional outdoor activities, which may be unique from market to market, provided that the primary merchandise lines shall continue to be fishing, hunting, camping and boats.

City agrees with and represents and warrants to Bass Pro that, so long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable grace or cure period, no space in the Project will at any time during the Term be used for the sale of hunting, fishing or camping products or services or the sale, service or display of boats, boat accessories or recreational vehicles, off-road vehicles or all-terrain vehicles (the "Bass Pro Exclusive Use"). In addition to and without limiting the foregoing, so long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable grace or cure period, no space in the Project will at any time during the Term be used for the operation of a full-line sporting goods store.

Except as otherwise provided in the Bass Pro Lease, Bass Pro shall continuously use and occupy the Leased Premises during the Term (including any Renewal Option) for the Bass Pro Permitted Use, and for no other purpose or purposes. Bass Pro covenants and agrees that its retail store on the Leased Premises shall be generally similar in design to and shall carry merchandise similar in quality and kind to the merchandise in the other retail stores of Bass Pro operated under the Trade Name from time to time throughout the United States. The Trade Name shall be "Bass Pro Shops Outdoor World", or such other trade name as may be adopted by Bass Pro from time to time.

Operation of Business

Subject to the terms and conditions of the Bass Pro Lease, Bass Pro shall open for business at the Leased Premises on the Commencement Date and remain open and operate therefrom under the Trade Name and for the Bass Pro Permitted Use and continuously operate its business during the entire twenty (20) year Initial Term (the "Operating Covenant Period"), whereafter Bass Pro shall have no obligation to remain open for business to the public. In the event that Bass Pro elects to close its store for business to the public at any time after the Operating Covenant Period but prior to the expiration of the then-current Term, then (unless Bass Pro shall have prior thereto exercised and closed its option to purchase the Leased Premises in accordance with the Bass Pro Lease) City shall have the right to terminate the Bass Pro Lease and recapture possession of the Leased Premises at any time thereafter upon thirty (30) days written notice to Bass Pro if Bass Pro does not reopen for business within such thirty (30) day period, in which event the Bass Pro Lease shall automatically terminate on the thirtieth (30th) day following Bass Pro's receipt of such notice and City and Bass Pro shall, upon such termination date, be released from any and all liabilities thereafter accruing under the Bass Pro Lease. If City does not elect to terminate the Lease as provided above, then (i) all provisions of the Bass Pro Lease, including, without limitation, Bass Pro's obligation to pay Rent, shall remain in full force and effect for the balance of the then-current Term and (ii) Bass Pro shall have the right, without City's consent, to assign the Bass Pro Lease or sublet the Leased Premises or any part or parts thereof, to any third party for any lawful use subject, however, to the provisions of the Bass Pro Lease. Bass Pro shall conduct its business at all times in a first-class and reputable manner. Bass Pro may operate its business at the Leased Premises and remain open for hours comparable to Bass Pro's other retail stores operated under the Trade Name. Bass Pro shall conduct its business in the Leased Premises in a lawful manner and shall not use or allow the Leased Premises to be used for any illegal purposes. Bass Pro shall not use, or permit to be used, the Leased Premises in a manner that would constitute a nuisance. In addition to the Leased Premises, Bass Pro shall have the right to display boats, recreational vehicles, off-road vehicles and all-terrain vehicles in the areas of the Project during the hours and days and in the manner as may be agreed from time to time by City and Bass Pro (each party agreeing to act reasonably in this regard).

Bass Pro's Warranties

Bass Pro warrants, represents, covenants and agrees that, in the operation of its business within the Leased Premises, Bass Pro shall, subject to the terms of the Bass Pro Lease: (a) pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon Bass Pro's business, or upon Bass Pro's fixtures, furnishings or equipment at the Leased Premises, or upon any personal property owned by Bass Pro (City being responsible for all taxes with respect to any property purchased from the proceeds of the Allowance) and pay when and as due all license fees, permit fees and charges of a similar nature for the conduct by Bass Pro or any subtenant or concessionaire of any business or undertaking authorized under the Bass Pro Lease to be conducted in, on or from the Leased Premises; (b) keep the Leased Premises and any platform, loading dock or service area used by Bass Pro in a neat, clean, safe and sanitary condition; and (c) promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all governmental authorities having jurisdiction, and observe and comply with all covenants and restrictions of record affecting or applicable to the Leased Premises or the cleanliness, safety, occupancy and use of the same, provided that such encumbrances do not conflict with any provision of the Bass Pro Lease or materially interfere with Bass Pro’s ability to operate in the Leased Premises in accordance with the Bass Pro Permitted Use (as used in the Bass Pro Lease, the term "legal requirements" shall include the requirements set forth in this subparagraph). Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, Bass Pro may contest or appeal any taxes, assessments and public charges and any legal requirement and shall not be required to pay or comply with any of the foregoing during the pendency of any appropriate proceedings.

Radius

Bass Pro agrees that during the twenty (20) year Initial Term, Bass Pro will not, within twenty (20) miles of the Project (the "Protected Area") own, operate or become financially interested in any business similar to or in competition with the business of Bass Pro at the Leased Premises ("Competing Business"), other than (i) Tracker Marine dealerships within the Protected Area, (ii) sales by American Rod and Gun (a wholesaler to dealers) within the Protected Area; and (iii) the catalog mail order business of BPS Catalog, L.P. within the Protected Area. In the event of a breach of the foregoing by Bass Pro, then, as City's sole remedy therefor, the gross sales of any such Competing Business within the Protected Area shall be included in Bass Pro's Gross Sales made from the Leased Premises and the Percentage Rent under the Bass Pro Lease shall be computed upon the aggregate of Bass Pro's Gross Sales made from the Leased Premises and Bass Pro's gross sales made from each such Competing Business then conducted within the Protected Area. Bass Pro shall be obligated to provide City with full and complete gross sales information and reports with respect to any Competing Business within the Protected Area in accordance with the requirements of Article III of the Bass Pro Lease and Bass Pro shall be obligated to include the applicable portion of the gross sales of such Competing Business in with the Gross Sales of the Leased Premises and to pay Percentage Rent thereon in accordance with the terms of the Bass Pro Lease. City and Bass Pro acknowledge and agree, however, that the foregoing shall not prohibit the operation by Bass Pro of any Competing Business within the Protected Area which is the result of an acquisition by Bass Pro of the assets of or the controlling ownership interest in a business which, at the time of the acquisition by Bass Pro, operates multiple locations/stores, at least eighty percent (80%) of which are operated outside of the Protected Area.

Use of Common Areas

City agrees, at no cost or expense to Bass Pro, to cause to be operated, managed and maintained during the entire Term (including any Renewal Option) all of the Common Areas of the Project. Bass Pro shall have the non-exclusive right to use in common with all others to whom have been or may hereafter be granted rights, from time to time, to use the Common Areas (including, but not limited to, the owners, tenants and occupants of the Project) and such other facilities as may be designated as Common Areas from time to time; subject, however, to reasonable rules and regulations for the use thereof which will be uniformly applicable to all tenants and occupants of the Project. Bass Pro shall have the right to approve the areas where employees of tenants and occupants of the Project (including Bass Pro's employees) shall park their cars. Bass Pro acknowledges that the Common Areas may be temporarily closed to make repairs or changes, to prevent the acquisition of public rights in the Common Areas and to discourage non-customer use, provided the same shall not materially adversely affect access to or visibility of the Leased Premises. In the event a Master Declaration or other similar document now exists or is subsequently adopted that governs the use and control of the Common Areas, the Leased Premises and/or the Project, such Master Declaration or other similar document shall only be enforceable against Bass Pro to the extent the same does not conflict with any provision of the Bass Pro Lease or materially interfere with Bass Pro's ability to operate at the Leased Premises in accordance with the provisions of the Bass Pro Lease. City shall provide or cause to be provided, at no cost or expense to Bass Pro, security for the Project (other than the Leased Premises and the "Hotel Parcel" described in the Bass Pro Lease) and the level and type of security provided shall be no less than the level and type of security provided in connection with good and accepted shopping center practices. Bass Pro shall be responsible for providing security with respect to the Leased Premises.

Subject to City's prior consent thereto (which consent shall not be unreasonably withheld, delayed or conditioned) and subject to Bass Pro obtaining any and all licenses and permits therefor, Bass Pro shall have the right to make use of the Common Areas of the Project in connection with the special events conducted by Bass Pro at the Leased Premises, including, without limitation, the erection of tents and other temporary structures and the temporary parking of boats, recreational vehicles and other similar vehicles thereon. Bass Pro shall be responsible for any damage to the Common Areas caused by Bass Pro's use thereof in connection with such special events of Bass Pro.

City agrees, at no cost or expense to Bass Pro, to cause the Common Areas of the Project to be maintained in good order, condition and repair and in a safe, clean, sightly and sanitary condition in accordance with good and accepted shopping center practices. Notwithstanding anything to the contrary contained in the Bass Pro Lease, except for the negligent acts or omissions of Bass Pro, City agrees to indemnify and hold Bass Pro harmless with respect to any and all claims, actions, injuries, damages, liability, costs and expense, including reasonable attorneys' fees, arising with respect to the possession, use, occupancy, management, repair, maintenance or control of the Common Areas or the Project, or any portion thereof.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in no event shall Bass Pro or a Permitted Successor be obligated to pay to City or any other party any portion of the costs of maintaining the Common Areas.

Repairs and Maintenance by City

During the Initial Term, City shall, at its expense, keep in good order, condition and repair the underground electrical conduit servicing the Leased Premises (up to the Pad), the sewer lines servicing the Leased Premises (up to the Pad) and all plumbing and utility lines servicing the Leased Premises (up to the Pad). In addition, during the entire Term (including any Renewal Option), City shall be responsible for repairs and maintenance necessitated by the actions, omissions or negligence of City, its agents, contractors or employees. Other than the foregoing, City shall have no obligation to maintain or repair the Leased Premises and the Bass Pro shall hold City harmless with respect thereto.

Repairs and Maintenance by Bass Pro

Except for the repairs and maintenance required to be made and performed by City pursuant to the Bass Pro Lease, throughout the entire Term (including any Renewal Option), Bass Pro shall, at its sole cost and expense, keep in good order, condition and repair all aspects of the Leased Premises, including, without limitation, the roof(s), foundation(s), exterior(s) and all structural portions of the improvements at the Leased Premises. In addition, Bass Pro shall, at its expense, be responsible for the complete repair, maintenance and/or replacement of Bass Pro’s Parking Field.

Without limiting the generality of the foregoing, throughout the entire Term (including any Renewal Option), Bass Pro shall, at its expense, promptly make all repairs and replacements and perform all necessary and appropriate maintenance in and to all of Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property located at the Leased Premises which are necessary or desirable in order to keep the same in good order, condition and repair. In addition, Bass Pro, at its expense, shall maintain and promptly make any and all necessary repairs to or replacements of: (i) the glass windows, plate glass doors and all fixtures or appurtenances composed of glass that are located in, on or about the Leased Premises; (ii) Bass Pro's signage; (iii) the Leased Premises or any part of the Project when repairs thereto are necessitated by any negligent act or omission of Bass Pro or any of Bass Pro's subtenants, agents, employees or contractors, or by the failure of Bass Pro to perform any of its obligations under the Bass Pro Lease; (iv) any special landscaping and any additional specialized improvement installed by Bass Pro in the Leased Premises; and (v) the heating, ventilating and air-conditioning system(s) servicing the Leased Premises.

Except for the repairs and maintenance required to be made and performed by City pursuant to the terms of the Bass Pro Lease, Bass Pro shall, at its sole cost and expense, keep and maintain the Leased Premises in a clean, sanitary and safe condition in accordance with the laws of the State and without waiving any of its rights to contest the same, Bass Pro shall comply with all requirements of law, ordinance, rules, regulations and orders of any lawful authority having jurisdiction affecting the Leased Premises or Bass Pro's use thereof.

If Bass Pro fails, refuses or neglects to perform its obligations (ordinary wear and tear excepted) and the same is not cured by Bass Pro within a reasonable time period after Bass Pro's receipt of written notice thereof from City, then City may, in accordance with the terms and conditions of the Bass Pro Lease, but without obligation to do so, enter the Leased Premises and proceed forthwith to have such maintenance, repairs or replacements made and Bass Pro shall pay to City, on demand, the cost and expenses therefor.

Standard of Operation

Throughout the entire Term (including any Renewal Option), City shall cause the Project, including the Common Areas (excluding, however, the Leased Premises), to be continuously operated and maintained in a first-class manner and in strict accordance with the Bass Pro Lease. In the event City fails to cause compliance with the foregoing standard of operation and maintenance, the same shall be deemed a breach of the Bass Pro Lease and Bass Pro shall have the rights and remedies provided in the Bass Pro Lease.

Real Estate Taxes

The land upon which the Leased Premises is located will be exempt from "Real Estate Taxes" (as defined in the Bass Pro Lease) during the Term and Bass Pro shall have no obligation to pay any Real Estate Taxes with respect thereto.

City's Insurance Obligations

City, at its sole cost and expense, shall obtain and maintain during the entire Initial Term standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement, including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Leased Premises as of the date of such casualty and with such additional coverages and with such special endorsements as City shall determine from time to time, insuring the improvements located at the Leased Premises (exclusive of Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property). Throughout the Initial Term, City and Bass Pro agree to cooperate with each other in determining the appropriate amount of insurance to be carried by City pursuant to the Bass Pro Lease.

City, at its sole cost and expense, shall obtain and maintain during the entire Term (including any Renewal Option) commercial general liability insurance protecting against any and all claims for injury to persons or property occurring in, on or about the Project, including, without limitation, all Common Areas, in the minimum amount of Five Million Dollars ($5,000,000) per occurrence and with an aggregate limit of at least Five Million Dollars ($5,000,000).

City shall have the right to carry its insurance under the "blanket policies" covering other properties. City agrees to deliver to Bass Pro, on an annual basis, certificates evidencing the satisfaction of City's insurance obligations as provided in the Bass Pro Lease. Each insurance policy required to be carried under the Bass Pro Lease by or on behalf of City shall provide that, unless Bass Pro shall first have been given thirty (30) days' prior written notice thereof, the insurer will not cancel or fail to renew the coverage provided by such insurance policy. The term "insurance policy" as used in the Bass Pro Lease shall be deemed to include any extensions or renewals of such insurance policy.

Bass Pro's Insurance Obligations

On and after the Commencement Date, Bass Pro, at Bass Pro's sole cost and expense, shall obtain and maintain in effect throughout the entire Term (including any Renewal Option) insurance policies providing for the following coverage: (i) standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now are or hereafter may be included in a standard extended coverage endorsement, including coverage for flood and earthquake, insuring Bass Pro's merchandise, trade fixtures, furnishings, equipment and all items of personal property of Bass Pro located in, on or about the Leased Premises in an amount at least equal to the full replacement value thereof. Notwithstanding anything in clause (i) to the contrary, during the Construction Period, Bass Pro (or its general contractor) shall maintain the "Builder's Risk" policy described in the Bass Pro Lease, and Bass Pro's obligation to carry the property insurance described in clause (i) shall commence only at such time as Bass Pro's Work has been substantially completed and is no longer covered under the Builder's Risk policy; (ii) a commercial general liability policy, including insurance naming City and any mortgage holder of the Leased Premises as additional insureds, protecting against any and all claims for injury to persons or property occurring in, on or about the Leased Premises, including coverage for products liability for merchandise offered for sale or lease from the Leased Premises and coverage for liability arising out of the consumption of food and/or alcoholic beverages on or obtained at the Leased Premises (if applicable to Bass Pro’s business) and protecting against assumed or contractual liability under the Bass Pro Lease with respect to the Leased Premises and the operations of Bass Pro and any subtenant of Bass Pro in, on or about the Leased Premises, with such policy to be in the minimum amount of Five Million Dollars ($5,000,000) per occurrence, and with an aggregate limit of at least Five Million Dollars ($5,000,000); (iii) workers' compensation coverage as required by law; (iv) with respect to alterations, improvements and the like required or permitted to be made by Bass Pro under the Bass Pro Lease, property and builder’s risk insurance in commercially reasonable amounts; (v) business interruption insurance; and (vi) umbrella coverage in an amount equal to Five Million Dollars ($5,000,000).

During any Renewal Option, Bass Pro shall, at its sole cost and expense, obtain and maintain standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement, including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Leased Premises as of the date of such casualty and with such additional coverages and with such special endorsements as Bass Pro shall determine from time to time, insuring the improvements located at the Leased Premises.

All insurance policies in the Bass Pro Lease to be procured by Bass Pro shall: (i) be issued by insurance companies reasonably satisfactory to City; and (ii) insure and name City, any mortgage holder of the Leased Premises and any parties in interest designated by City as additional insureds, as their respective interests may appear (except with respect to workers' compensation insurance). Neither the issuance of any insurance policy required under the Bass Pro Lease, nor the minimum limits specified in the Bass Pro Lease with respect to City’s or Bass Pro's insurance coverage, shall be deemed to expand, limit or restrict in any way City’s or Bass Pro's liability arising under or out of the Bass Pro Lease. With respect to each of the insurance policies required in the Bass Pro Lease to be procured by Bass Pro, on or before the Delivery Date and before any such insurance policy shall expire, Bass Pro shall deliver to City upon City's written request a certificate of insurance, certifying that such policy has been issued, providing the coverage required by the Bass Pro Lease and containing the provisions specified in the Bass Pro Lease. Each insurance policy required to be carried under the Bass Pro Lease by or on behalf of Bass Pro shall provide that, unless City shall first have been given thirty (30) days' prior written notice thereof, the insurer will not cancel or fail to renew the coverage provided by such insurance policy. The term "insurance policy" as used in the Bass Pro Lease shall be deemed to include any extensions or renewals of such insurance policy.

Waiver of Subrogation

Notwithstanding any provision of the Bass Pro Lease to the contrary, City and Bass Pro each hereby waive any rights they may have against the other, including, but not limited to, a direct action for damages on account of any loss or damage occasioned by City or Bass Pro, as the case may be (whether or not such loss or damage is caused by the fault, negligence or other tortious conduct, acts or omissions of City or Bass Pro or their respective officers, directors, employees, agents or invitees), to the improvements on the Leased Premises and any personal property located therein or thereon or to any other portion of the Project to the extent such property is insured or is required to have been insured by the provisions of the Bass Pro Lease. The parties hereto each, on behalf of their respective insurers, grant to one another a waiver of any right of subrogation any such insurer may have against the other party or their respective officers, directors, members, managers, employees, agents or invitees by virtue of payment of any loss under any such insurance and all rights of their respective insurance companies based upon an assignment from its insured. Each party to the Bass Pro Lease agrees immediately to give to each such insurance company written notification of the terms of the mutual waivers contained in this section and to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of said waivers. The foregoing waiver shall be effective whether or not the parties maintain the required insurance.

Covenant to Hold Harmless

Subject to the Bass Pro Lease and except for the negligent acts or omissions or willful misconduct of City, its agents, contractors or employees, and except for matters which arise in connection with a breach by City of its obligations under the Bass Pro Lease, Bass Pro hereby indemnifies and agrees to save harmless City, its officers, employees and agents and any mortgage holder of the Project, from and against any and all claims, actions, damages, liability, cost and expense, including reasonable attorneys' fees, that (a) arise from or are in connection with the possession, use or occupancy of the Leased Premises, including Bass Pro's Parking Field, or (b) arise from or are in connection with any negligent, willful or wanton act or omission of Bass Pro or Bass Pro's officers, directors, members, partners, representatives, agents, employees, contractors, licensees or invitees, or (c) result from injury to person or property or loss of life sustained in, on or about the Leased Premises. Bass Pro shall, at its own cost and expense, defend any and all actions, suits and proceedings which may be brought against City or any mortgage holder of the Leased Premises with respect to the foregoing.

Casualty

If the Leased Premises and/or the improvements located at the Leased Premises are damaged or rendered wholly or partially untenantable by fire or other casualty during the Term, then the Bass Pro Lease shall not be terminated or otherwise affected, Rent shall not be abated and all insurance proceeds received shall be used to reconstruct and restore the Leased Premises and the improvements located thereon to the condition existing prior to the damage as provided in the Bass Pro Lease, subject, however, to Bass Pro's right to terminate the Bass Pro Lease as provided therein.

In the event of any damage or destruction to the Leased Premises and/or the improvements located at the Leased Premises occurring at any time during any Renewal Option, Bass Pro shall have the right to terminate the Bass Pro Lease by delivering to City written notice to that effect within thirty (30) days after the date of such casualty. In the event Bass Pro exercises the foregoing option to terminate, the insurance proceeds payable in connection with such damage or destruction of the improvements on the Leased Premises shall be payable to the City and Bass Pro, as their interests appear in such improvements and City and Bass Pro shall be relieved from any and all further liabilities and obligations accruing under the Bass Pro Lease from and after the date of such termination. In the event of such damage and if the Bass Pro Lease is not terminated as provided in the Bass Pro Lease, all insurance proceeds received will be used to restore the improvements on the Leased Premises to the condition existing prior to damage as provided in the Bass Pro Lease. City shall have no right to or any interest in any insurance proceeds relating to loss of Bass Pro's interest in the improvements on the Leased Premises or relating to the loss of inventory, merchandise, trade fixtures, supplies, furniture, fixtures, equipment or personal property of Bass Pro paid for by Bass Pro or relating to the proceeds of any business interruption insurance purchased by Bass Pro.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, if, at any time during the Term, the Leased Premises and/or the improvements located at the Leased Premises are damaged by fire or other casualty and sufficient insurance proceeds are not received to reconstruct and restore the Leased Premises and the improvements thereon to the condition existing prior to the damage, then, in that event, City warrants and represents to Bass Pro that, during the twenty-four (24) month period following such casualty, no space in the Project shall be leased or occupied by a direct competitor of Bass Pro. For purposes of the immediately preceding sentence, the phrase "a direct competitor of Bass Pro" means a tenant or occupant whose principal business is the retail sale of hunting, fishing, camping, boating or recreational vehicle products or services.

Reconstruction

If at any time during the Term the Leased Premises and the improvements located thereon are damaged by fire or other casualty and the Bass Pro Lease is not terminated in accordance with its provisions, then all insurance proceeds from policies carried pursuant to the Bass Pro Lease, however recovered, shall be paid to Bass Pro and utilized by Bass Pro, in its capacity as construction agent for and on behalf of City, for payment of the costs of repairing, replacing and rebuilding the Leased Premises and the improvements located thereon and the damage to the Leased Premises and the improvements located thereon shall be promptly repaired to the condition existing prior to the damage. Subject to Bass Pro's receipt of insurance proceeds sufficient to reconstruct the improvements located at the Leased Premises to the condition existing prior to such damage (exclusive of insurance proceeds respecting Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property) and further subject to Bass Pro's receipt of all necessary governmental approvals (which proceeds and approvals City and Bass Pro agree to use reasonable and diligent good faith efforts to obtain), Bass Pro shall, in its capacity as construction agent for and on behalf of City, be obligated to diligently pursue the completion of such reconstruction work and shall cause the same to be completed as soon thereafter as possible under the attendant circumstances and shall comply with all laws, ordinances and governmental rules or regulations in connection therewith and shall perform such reconstruction work in a first-class manner. Any costs incurred by Bass Pro in connection with such reconstruction work which exceed the insurance proceeds received in an amount equal to the full replacement value of the Leased Premises and the improvements located thereon as of the date of such casualty shall be the sole obligation of Bass Pro. After completion of the reconstruction, Bass Pro, at Bass Pro's sole cost, shall repair or replace Bass Pro's merchandise, trade fixtures, furnishings and equipment in a manner and to at least a condition equal to that prior to the damage or destruction thereof ("Bass Pro Fixturing"). Bass Pro shall comply with all laws, ordinances and governmental rules or regulations, and shall perform all Bass Pro Fixturing with due diligence and in a first-class manner. All permits required in connection with Bass Pro Fixturing shall be obtained by Bass Pro at Bass Pro's sole cost and expense. Any amount expended by Bass Pro in connection with Bass Pro Fixturing in excess of any insurance proceeds received therefor by Bass Pro shall be the sole obligation of Bass Pro. Bass Pro shall be obligated to reopen for business on the one hundred twentieth (120th) day following the date that the reconstruction has been substantially completed, unless Bass Pro opens at an earlier time in the damaged area or remains open in such area following destruction or damage. City and Bass Pro acknowledge and agree that the average monthly Percentage Rent which Bass Pro was obligated to pay from the Commencement Date to the time of such casualty or during the preceding twelve (12) full calendar months, whichever is shorter, shall be deemed to be the monthly Percentage Rent that Bass Pro would have been obligated to pay during the period that the Leased Premises is untenantable as a result of such casualty.

Condemnation

If Bass Pro's ability to conduct its business operations at the Leased Premises is materially adversely affected as a result of a taking or condemnation by any governmental authority of all or a portion of the Leased Premises (including any purchase by such governmental authority in lieu of a taking), then Bass Pro may terminate the Bass Pro Lease by giving written notice to City to that effect within thirty (30) days of the date of such taking. In addition, if as a result of any such taking the parking facilities are reduced below the minimum parking number or ratio required under the Bass Pro Lease, Bass Pro may elect to terminate the Bass Pro Lease by giving City written notice within thirty (30) days after such taking. In the case of any taking or condemnation occurring after the Commencement Date, whether or not the Term of the Bass Pro Lease shall cease and terminate, any award or compensation paid on account thereof shall be divided between City and Bass Pro as their respective interests appear in order to compensate each for the damage to their respective interests. Any award or compensation payable with respect to a taking of condemnation prior to the Commencement Date shall be paid in its entirety to City.

Assignment, Subletting or Encumbering of Lease.

Bass Pro shall have the right, without City's consent, to sublet certain aspects of its operations consistent with Bass Pro's other retail stores operated under the Trade Name from time to time throughout the United States, including, without limitation, the subleasing of certain of Bass Pro's operations to Bass Pro's affiliated entities and to non-affiliated third parties. In addition to and without limiting the generality of the foregoing, Bass Pro shall have the right without City's consent to sublet the operation of any restaurant located at the Leased Premises. Upon the request of City, but in no event more than one (1) time per year, Bass Pro shall deliver to City such information as may be reasonably requested by City with respect to subtenants at the Leased Premises. So long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable cure or grace period, Bass Pro shall be entitled to retain all rents paid by such subtenant. In addition, at any time after the expiration of the Operating Covenant Period (provided Bass Pro has not exercised its option to purchase the Leased Premises in accordance with the Bass Pro Lease and provided City does not elect to terminate the Bass Pro Lease as provided therein), Bass Pro shall have the right, without City's consent, at any time and from time to time thereafter to assign the Bass Pro Lease or sublet the Leased Premises or any part or parts thereof to any third party for any lawful use. Except as provided in the Bass Pro Lease, any assignment or sublease of the Leased Premises by Bass Pro shall be prohibited without the prior written consent thereto by City, which consent shall not be unreasonably withheld, delayed or conditioned.

The consent by City to any proposed assignment or sublease (which requires the consent of City) shall not release Bass Pro from any covenant or obligation under the Bass Pro Lease, nor be deemed a waiver or release of the non-assignability covenants in their future application, nor shall the collection or acceptance of rent from any such assignee, transferee, subtenant or occupant constitute a waiver or release of Bass Pro of any covenant or obligation contained in the Bass Pro Lease.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, Bass Pro may, at any time during the Term, without the consent of City, assign its interest under the Bass Pro Lease or sublet the Leased Premises to any Permitted Successor (hereinafter collectively referred to as a "Transfer"). In no event shall any Transfer release or relieve Bass Pro from any of its obligations under the Bass Pro Lease. Bass Pro agrees to give City written notice of such Transfer. Nothing in the Bass Pro Lease shall be construed to prohibit, impair or affect in any way the right of the owners of the membership interests of Bass Pro (or corporate interests, if the present structure is reorganized into a corporation) to sell all or any part of such interests to a Permitted Successor.

Without conferring any rights upon Bass Pro not otherwise provided in the Bass Pro Lease, should Bass Pro desire to enter into an assignment, sublease or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease which requires the consent of City, Bass Pro shall request in writing City's consent to the assignment, sublease or transfer at least thirty (30) days before the proposed effective date of the assignment, sublease or transfer providing the following: (i) the full particulars of the proposed assignment, sublease or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease, including its nature, effective date, terms and conditions, and copies of any offers, draft agreements, subleases, letters of commitment or intent and other documents pertaining to the proposed assignment, sublease or transfer; (ii) a description of the identity, net worth and previous business experience of the proposed transferee; and (iii) any further information relevant to the proposed assignment, sublease or transfer which City shall reasonably request after receipt of Bass Pro's request for consent.

Notwithstanding any assignment, subletting or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease, Bass Pro shall remain fully liable on the Bass Pro Lease and for the performance of all terms, covenants and provisions of the Bass Pro Lease for the balance of the then-current Term.

Subordination

Provided that Bass Pro has received an executed subordination and non-disturbance agreement ("SNDA") from all parties having rights senior or superior to Bass Pro's rights in the Leased Premises (including mortgagees) Bass Pro agrees that the Bass Pro Lease shall, at the request of City, be subordinate to any mortgages or deeds of trust that may hereafter be placed upon the Project or any portion thereof and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof, subject to the rights conferred upon Bass Pro pursuant to the SNDA.

Attornment

In the event any proceedings are brought for the foreclosure of, or in the event of the conveyance by deed in lieu of foreclosure of, or in the event of exercise of the power of sale under, any mortgage and/or deed of trust or other security instrument made by City affecting the Project or any portion thereof, the Bass Pro Lease shall remain in full force and effect and in accordance with the terms and conditions of the SNDA, Bass Pro shall attorn to such successor-in-interest and recognize such successor-in-interest as the City under the Bass Pro Lease.

Advertising Program

So long as Bass Pro is not in default under the Bass Pro Lease beyond applicable grace or cure periods and Bass Pro is open and operating in the Leased Premises in conformance with the Bass Pro Permitted Use, City warrants and represents to Bass Pro that Bass Pro's business operations at the Leased Premises shall be prominently featured in the advertising program for the Project. Bass Pro shall have the reasonable right of review and approval with respect to such advertising program as it pertains to Bass Pro. Neither Bass Pro nor any Permitted Successor shall have any obligation to contribute to the advertising or promotion of the Project.

Grand Opening Promotions

City warrants and represents to Bass Pro that approximately twenty-five percent (25%) of the grand opening promotional budget for the Project shall be allocated to promotions prominently featuring Bass Pro's business operations at the Project. Bass Pro shall have a reasonable right of review and approval with respect to the use of such funds. These funds shall be utilized within sixty (60) days prior to the opening of Bass Pro's store, with the intent of creating the maximum awareness for such opening of Bass Pro's store.

Elements of Default

If any one or more of the following events shall occur and be continuing, said event or events shall hereby constitute a "default": (a) the failure of Bass Pro to pay any rent or other charges required to be paid by Bass Pro when same shall become due and payable under the Bass Pro Lease and such failure continues for a period of ten (10) days after written notice thereof from City to Bass Pro; or (b) the failure of Bass Pro to perform or observe any term or condition of the Bass Pro Lease (other than as set forth in subparagraph (a)) , and such failure shall continue for thirty (30) days after receipt by Bass Pro of written notice from City, which notice specifically describes the default in question; provided, however, that in the event such default is not capable of being cured within such thirty (30) day period, Bass Pro shall be given such additional time as is required to cure such default so long as Bass Pro commences such cure within such thirty (30) day period and diligently prosecutes the cure to completion. Notwithstanding the foregoing or any provision to the contrary contained in the Bass Pro Lease, in the event of a bona fide dispute between Bass Pro and City, Bass Pro shall have the right, within the applicable notice and cure period, to notify City of Bass Pro's desire to dispute the validity of City's claim of default. In the event such dispute relates to the payment of money, the notice of dispute, to be valid, shall be accompanied by payment of that portion of the sum due as to which Bass Pro does not take issue, limiting the notice of dispute to only the net amount actually disputed. The dispute notice shall be accompanied by a detailed statement of the basis for Bass Pro's dispute. In such circumstances, the time within which to cure any claimed default as to which a bona fide dispute has been raised will be extended to the date which is ten (10) days following the final determination of the court or other forum, or in the event the dispute is resolved before any such final determination, within ten (10) days after the settlement or other resolution of the dispute.

Remedies for Bass Pro's Default

In the event of any such default by Bass Pro which is not cured within applicable grace periods, City may at any time thereafter, in addition to other rights or remedies it may have under the Bass Pro Lease, by written notice to Bass Pro, declare the Bass Pro Lease terminated and the Term ended, in which event, the Bass Pro Lease and the Term thereof shall expire, cease and terminate with the same force and effect as though the date set forth in the notice of termination were the date originally set forth in the Bass Pro Lease and fixed for the expiration of the then-current Term, and Bass Pro shall immediately vacate and surrender the Leased Premises in accordance with the Bass Pro Lease and, except as otherwise specifically provided in the Bass Pro Lease, Bass Pro shall remain liable for all obligations arising during the balance of the then-current Term as if the Bass Pro Lease had remained in full force and effect through the balance of the then-current Term, and if Bass Pro fails to so vacate the Leased Premises, City may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises and expel or remove Bass Pro and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim or damage therefor.

In the event of any such default by Bass Pro which is not cured within applicable grace periods, City may recover from Bass Pro the following:

(i) The amount of any unpaid rent which has accrued at the time of such termination; plus

(ii) The amount of any unpaid rent from and after the time of such termination for the balance of the then-current Term less any amount that could have been reasonably avoided by City mitigating its damages by subletting the Leased Premises, or otherwise.

(iii) The term "rent" as used in the Bass Pro Lease shall be deemed to be and to mean all sums of every nature required to be paid by Bass Pro pursuant to the terms of the Bass Pro Lease, whether to City or to others. Any "rent" payable under this section shall be computed by allowing interest at the rate provided in the Bass Pro Lease ("Interest") and shall be computed and adjusted by discounting such amount at the discount rate of the Federal Reserve Bank of New York at the time of award plus four percent (4%).

In the event of any default by Bass Pro which is not cured within applicable grace periods, City may either terminate the Bass Pro Lease or it may from time to time, without terminating the Bass Pro Lease, make such repairs as necessary in order to relet the Leased Premises, and relet the Leased Premises or any part thereof for such term or terms and for such rent and upon such other terms and conditions as City may determine advisable in its sole discretion, reasonably exercised. Upon each such reletting, all rentals and other sums received by City from such reletting shall be applied, first, to the payment of any indebtedness other than rent due under the Bass Pro Lease from Bass Pro to City; second, to the payment of any costs and expenses of such reletting, including reasonable brokerage fees and reasonable attorneys' fees and the costs of any repairs, specifically excluding, however, any tenant improvement allowance granted by City; third, to the payment of rent and other charges due and unpaid under the Bass Pro Lease; and the residue, if any, shall be held by City and applied in payment of future rent as the same may become due and payable under the Bass Pro Lease. If such rentals and other sums received from such reletting during any month are less than the amount payable to City by Bass Pro under the Bass Pro Lease for the subject month, Bass Pro shall pay such deficiency to City. Such deficiency shall be calculated and paid monthly. Notwithstanding any such reletting without termination, City may at any time elect to terminate the Bass Pro Lease for such previous uncured event of default.

In determining the rent which would be payable by Bass Pro under the Bass Pro Lease subsequent to default (during the Initial Term only), the average annual Percentage Rent which Bass Pro was obligated to pay from the commencement of the Term to the time of default, or during the preceding two (2) full calendar years, whichever period is shorter, shall be deemed prima facie to be the annual Percentage Rent that Bass Pro would have been obligated to pay for the period following the default through the expiration of the Initial Term. In determining the amount of rent which would be payable by Bass Pro under the Bass Pro Lease subsequent to default (during any of the three (3) five (5) year Renewal Options only), the average annual Gross Sales from the Leased Premises for the preceding two (2) full calendar years shall be deemed prima facie to be the amount of Gross Sales that Bass Pro would have made for the period following the default through the expiration of the then-current three (3) five (5) year Renewal Option.

Any damage or loss of rent sustained by City may be recovered by City, at City's option, at the time of the reletting or termination, in a single action or in separate actions from time to time as said loss of rents or damages shall accrue, or in a single proceeding deferred by City until the expiration of the then-current Term, (in which event Bass Pro hereby agrees that, at City's option, the cause of action shall not be deemed to have accrued until the date of expiration of the then-current Term).

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event of any breach or default by Bass Pro under the Bass Pro Lease, which breach or default has not been cured within applicable grace or cure periods or in the event the Bass Pro Lease is terminated, City agrees to use reasonable efforts to mitigate its damages resulting therefrom, including reletting the Leased Premises.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event of any breach or default by Bass Pro under the Bass Pro Lease which occurs prior to the Commencement Date and which is not cured within applicable grace or cure periods whether or not the Bass Pro Lease is terminated, City acknowledges and agrees that in no event shall the liability of Bass Pro or the "Guarantor" (as defined in the Bass Pro Lease), in the aggregate, exceed eighty-nine and nine-tenths percent (89.9%) of the costs incurred in connection with the construction activities at the Leased Premises through the date of such uncured event of breach or default.

Additional Remedies and Waivers

The rights and remedies of City and Bass Pro provided in the Bass Pro Lease shall be the sole and exclusive rights and remedies available in connection with a default of the Bass Pro Lease. No action or inaction by City or Bass Pro shall constitute a waiver of a default and no waiver of default shall be effective unless it is in writing, signed by the party waiving the default. No waiver by City or Bass Pro of any violation or breach of any of the terms, provisions or covenants contained in the Bass Pro Lease shall be deemed or construed to constitute a waiver of any other or later violation or breach of the same or any other of the terms, provisions and covenants contained in the Bass Pro Lease.

Default by City/Remedies

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event City fails to perform or observe any term or condition of the Bass Pro Lease and such failure is not cured within thirty (30) days after receipt by City of written notice, which notice specifically describes the default in question; provided, however, that in the event such default is not capable of being cured within such thirty (30) day period, City shall be given such additional time as is required to cure such default so long as City commences such cure within said thirty (30) day period and diligently prosecutes the cure to completion; then, in that event, Bass Pro shall be entitled to recover not only its reasonable attorney fees, court costs and expenses, but also Bass Pro shall be entitled to pursue all available remedies at law or in equity.

Delays

If City or Bass Pro is delayed or prevented from performing any of their respective obligations under the Bass Pro Lease because of "acts of God" (including, for example and without limitation, fire, windstorm, flood and earthquake), strikes, lockouts, labor troubles, inability to procure materials, failure of power, governmental restrictions or reasons of a like nature not the fault of the party delayed in performing such obligation (specifically excluding, however, the inability or failure of City to obtain financing which may be necessary in order to fund the Allowance or construct the Project) ("Delays"), then, except as otherwise specifically provided in the Bass Pro Lease, the period of such Delays shall be deemed added to the time provided in the Bass Pro Lease for the performance of any such obligation and the defaulting party shall not be liable for losses or damages caused by such Delays; provided, however, that, this Article shall not apply to any obligation of City or Bass Pro that can be satisfied by the payment of money.

Return of Leased Premises

Upon the expiration or sooner termination of the Term of the Bass Pro Lease, Bass Pro shall quit and surrender to City the Leased Premises in accordance with the terms of the Bass Pro Lease and in a broom-clean condition, in good order, condition and repair, ordinary wear and tear excepted, and shall surrender to City all keys to or for the Leased Premises and inform City of all combinations of locks, safes and vaults, if any, in the Leased Premises. Subject to the provisions of the Bass Pro Lease , Bass Pro, at its expense, shall promptly remove all personal property of Bass Pro, repair all damage to the Leased Premises caused by such removal and restore the Leased Premises to the condition which existed prior to the installation of the property so removed, ordinary wear and tear excepted. Bass Pro's obligation to observe or perform the covenants set forth in the Bass Pro Lease shall survive the termination of the Bass Pro Lease. The provisions of this section are subject to Bass Pro’s Purchase Option.

Holding Over

If Bass Pro shall hold possession of the Leased Premises after the expiration or termination of the Bass Pro Lease, at City's option (a) Bass Pro shall be deemed to be occupying the Leased Premises as a tenant from month-to-month, at a rental equal to two and one-half percent (2.5%) of all Gross Sales made in, on or from the Leased Premises during such holdover period and otherwise subject to all of the terms, covenants and conditions of the Bass Pro Lease; or (b) City may exercise any other remedies it has under the Bass Pro Lease including an action for wrongfully holding over. No extension or renewal of the Bass Pro Lease shall be deemed to have occurred by any holding over. Notwithstanding anything in this section to the contrary, if during any such holding over period Bass Pro is in good faith negotiating a renewal or extension of the Bass Pro Lease, then, in that event, so long as Bass Pro shall continue to so negotiate in good faith Bass Pro shall have the right to remain in possession of the Leased Premises upon the same terms and conditions, including the amount of rent payable, that were in effect during the period immediately proceeding the expiration of the Bass Pro Lease. The provisions of this section are subject to the Purchase Option contained in the Bass Pro Lease.

Utilities

Bass Pro shall be solely responsible for and promptly pay all costs and charges for all water, gas, heat, electricity, sewer and other utilities provided or used in or at the Leased Premises (including electricity costs to illuminate Bass Pro's Parking Field), commencing with the Delivery Date and continuing throughout the Term. All such costs incurred prior to the Commencement Date shall be paid from the Allowance. Bass Pro shall, at its option, be entitled to negotiate its own utility rates with local utility companies or be entitled to participate in the utility program at the Project, if any, "at cost" and Bass Pro shall be entitled to the benefit of any discounts, savings, rebates and incentives related thereto on a proportionate basis.

Trash and Garbage Removal

Bass Pro shall be solely responsible for trash and garbage removal from the Leased Premises.

Interest

Except as otherwise specifically provided in the Bass Pro Lease, any amount due from Bass Pro to City or from City to Bass Pro in the Bass Pro Lease which is not paid when due shall bear interest at the Federal discount rate charged at the Federal Reserve Bank of New York on the twenty-fifth (25th) day of the month preceding the date upon which the obligation is incurred plus five percent (5%) from the date due until paid, but the payment of such Interest shall not excuse or cure any default by Bass Pro or City under the Bass Pro Lease. In no event shall any Interest calculated under the Bass Pro Lease be at a rate which is higher than the maximum rate which is allowed under the usury laws of the State, which maximum rate of interest shall be substituted for the rate in excess thereof, if any, computed pursuant to this provision.

Effective Date

For all purposes of the Bass Pro Lease, the "Effective Date" of the Bass Pro Lease shall be the date first set forth above. Prior to the Effective Date, neither the Bass Pro Lease nor anything under the Bass Pro Lease contained shall be legally binding on either City or Bass Pro, and the submission of the Bass Pro Lease by one party to the other prior to such Effective Date for examination, consideration or discussion between City and Bass Pro shall not create any legal obligation or liability whatsoever on either party.

Attorneys' Fees

In any action or proceeding under the Bass Pro Lease, the prevailing party shall be entitled to recover from the other party, the prevailing party's reasonable costs and expenses in such action or proceeding, including reasonable attorneys' fees, costs and expenses. If either party is sued by a third party as a result of a violation of a covenant or warranty contained in the Bass Pro Lease by the other party hereto, then the party who has violated the covenant or warranty shall be responsible for the reasonable costs and expenses in such action or proceeding incurred by the other party, including reasonable attorneys' fees, costs and expenses.

Conditions Precedent to Bass Pro's Duty to Perform

Notwithstanding any other provision of the Bass Pro Lease, Bass Pro shall have no duty to perform under the Bass Pro Lease unless and until each of the following conditions precedent shall have been satisfied or waived in writing by Bass Pro:

> (a) Prior to the Delivery Date, City shall have, at its expense, delivered to Bass Pro, a leasehold title insurance commitment with respect to the Leased Premises from a title insurance company acceptable to Bass Pro, in current ALTA form, in an insured amount of the Allowance plus $2,000,000, having only exceptions which do not materially interfere with Bass Pro's intended use and occupancy (the "Commitment").
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> (b) Prior to the Delivery Date, City shall have furnished to Bass Pro, at City's expense, a current "as-built" ALTA survey of the Leased Premises.
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> (c) Prior to the Delivery Date, City shall have furnished to Bass Pro, at City's expense, an environmental report certifying to Bass Pro that the Leased Premises are free and clear of all "Hazardous Materials" (as defined in the Bass Pro Lease).
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> (d) Each of the warranties and representations of City shall be true and correct in all material respects and City shall be in compliance with all material terms of the Bass Pro Lease.
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> (e) Prior to the Delivery Date, City shall have, at its expense, received from all applicable authorities and delivered to Bass Pro certification that the Leased Premises are zoned so as to permit Bass Pro to conduct the Bass Pro Permitted
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> (f) Bass Pro shall have received a SNDA from all parties having rights senior or superior to Bass Pro's rights in the Leased Premises (including mortgagees), which SNDA shall provide that in the event of default by City of its obligations to such senior parties, the occupancy of Bass Pro under the Bass Pro Lease will not be disturbed by such senior party and that Bass Pro may attorn to and make rent payments to such senior party as City under the Bass Pro Lease and continue in possession of the Leased Premises so long as Bass Pro complies with its obligations under the Bass Pro Lease.
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> (g) City shall have delivered to Bass Pro each of the respective portions of the Leased Premises in the condition required under the Bass Pro Lease.
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> (h) City shall have delivered to Bass Pro, concurrently with the execution of the Bass Pro Lease, an opinion of the office of the City Attorney for the City of Independence, Missouri to the effect that the Bass Pro Lease has been duly executed by and is binding and enforceable against the City in accordance with its terms, that all approvals necessary with respect to the execution and performance of the Bass Pro Lease by City have been obtained, and that the Lease is consistent with the Charter of the City of Independence, Missouri, the Constitution of the State of Missouri, the laws of the State of Missouri and any and all applicable laws, rules, regulations and ordinances and containing such other matters as Bass Pro and Bass Pro's counsel may reasonable request.

Guaranty of Lease

Bass Pro, Inc. agrees to guarantee the payment and performance of Bass Pro's obligations under the Bass Pro Lease and shall execute and deliver simultaneously with the execution and delivery of the Bass Pro Lease a Guaranty in the form attached thereto.

Bass Pro's Financing

Bass Pro and any assignee or subtenant of the entire Leased Premises may, from time to time without City's consent, assign, mortgage or otherwise encumber Bass Pro's or such assignee's or subtenant's leasehold estate in the Leased Premises, its interest in the improvements, its furniture, fixtures, equipment and inventory and its interest in the Bass Pro Lease or any part thereof to secure a loan or other obligation of such party or a related entity, provided that such security interest shall be subject to the terms, covenants and conditions of the Bass Pro Lease.

Project Concept

City warrants and represents to Bass Pro that throughout the entire Term Bass Pro shall have the reasonable right of approval with respect to the tenant/occupant mix at the Project for the purpose of insuring that the tenant/occupant mix is complimentary to Bass Pro's business operations at the Leased Premises.

Covenants Respecting Sales Tax

City covenants to and agrees with Bass Pro that, without the prior written consent of Bass Pro, at no time during the Term shall City take any action or assist, support or acquiesce to any actions which would impose or propose to impose any special sales or other tax upon the business operations of Bass Pro conducted at or from the Leased Premises beyond those sales and other taxes that are commonly imposed in the State, County or City in which the Leased Premises is located and the sales taxes imposed by the Thirty Ninth Street TDD and the contemplated TDD being established in conjunction with the Project, provided, however, that at all times during the Term, City shall cause the overall sales tax rate at the Project and at the Leased Premises to be maintained at or below "market rate" as compared to other commercial developments within the vicinity of the Project.

Hotel Parcel

Prior to the Delivery Date, City shall, at its expense, rough grade, to an elevation consistent with the surrounding property, the approximate five (5) acre parcel of real property identified on the Final Site Plan as "Hotel Parcel". On the Delivery Date, City shall, by general warranty deed, convey fee simple insurable title to the Hotel Parcel to Bass Pro, free and clear of all interests, liens and encumbrances, and deliver possession of the Hotel Parcel to Bass Pro. Irrespective of any other provisions of the Bass Pro Lease, without the written approval of City and Bass Pro, the total acreage of the Leased Premises and the Hotel Parcel shall not be less than or exceed twenty-five (25) acres.

Bass Pro agrees that (subject to force majeure) it will, at its sole cost and expense, construct or cause to be constructed on the Hotel Parcel a hotel containing a minimum of one hundred fifty (150) rooms (the "Hotel") and such other improvements thereon as desired by Bass Pro. Bass Pro further agrees that (subject to force majeure) it will cause the Hotel to be open for business within two (2) years of the Commencement Date and will use commercially reasonable efforts to cause the Hotel to remain open for business throughout the Operating Covenant Period. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, (i) any sales generated from the Hotel Parcel shall be excluded from Bass Pro's Gross Sales and Bass Pro shall have no obligation to pay City Percentage Rent with respect to any such sales, and (ii) as owner of the Hotel Parcel, Bass Pro shall, at its expense, be responsible for all expenses with respect to the Hotel Parcel, including, without limitation, the payment of all Real Estate Taxes, obtaining and maintaining casualty, fire and extended coverage insurance with respect to the Hotel Parcel and the improvements located thereon and for all repairs and maintenance in and to the Hotel Parcel and the improvements located thereon. City and Bass Pro further acknowledge and agree that (subject to force majeure) if the construction of the Hotel has not been substantially completed within three (3) years of the Commencement Date, then, in that event, as City’s sole and exclusive remedy, Bass Pro shall be obligated to reconvey title to the Hotel Parcel to City.

City Park Area

City shall, at its expense, concurrently with the performance of Bass Pro's Work, construct the areas identified on the Development Plan as "City Park Area" (the "City Park Area"). City covenants and agrees that the City Park Area will consist of an approximate fifteen (15) acre lake and an additional wilderness/habitat area of approximately fifteen (15) acres. The City Park Area shall also include a waterfall and present a unique natural setting. City covenants and agrees that the City Park Area shall be completed no later than the opening of Bass Pro's store at the Leased Premises. The repair, maintenance and insurance obligations with respect to the City Park Area shall be the responsibility of City.

Purchase Option

Provided that Bass Pro is not then in default of the Bass Pro Lease beyond any applicable cure or grace period, City does hereby grant to Bass Pro (i) at the expiration of the twenty (20) year Initial Term and (ii) at the expiration of any Renewal Option, the absolute and irrevocable right and option to purchase the real property upon which the Leased Premises is located and all improvements located thereon on the terms and conditions set forth in the Bass Pro Lease (the "Option to Purchase"). In order to exercise the Option to Purchase, Bass Pro shall deliver to City written notice to that effect ("Bass Pro's Option Notice").

If Bass Pro exercises the Option to Purchase, then, in that event, the following terms shall apply to the purchase by Bass Pro from City of the Leased Premises:

> (i) The purchase price shall be an amount equal to ninety percent (90%) of the fair market value of the Leased Premises and the improvements located thereon at the time the Option to Purchase is exercised as determined by a MAI appraisal and shall be paid in cash by Bass Pro to City at the closing of the Option to Purchase.
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> (ii) The closing of the Option to Purchase shall take place on the first (1st) business day following the date that the then-current Term expires (effective, however, as of the first (1st) calendar day following the date that the then-current Term expires).
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> (iii) At the closing of the Option to Purchase, City shall execute and deliver to Bass Pro (a) such documents of conveyance as Bass Pro, Bass Pro's counsel and Bass Pro's title insurance company may reasonably require which convey fee simple and insurable title to the real property upon which the Leased Premises is located and all improvements located thereon free and clear of any and all liens, interests and encumbrances, (b) a commitment for title insurance from a reputable title insurance company by the terms of which the title company agrees to issue to Bass Pro, at the closing of the Option to Purchase, an ALTA owner’s policy of title insurance insuring Bass Pro’s clear title to the Leased Premises and (c) such other documents as may be reasonably requested by Bass Pro and Bass Pro’s counsel.
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> (iv) Upon the closing of the Option to Purchase the Bass Pro Lease and the Term of the Bass Pro Lease shall terminate and be of no further force or effect.

Financing Condition

Notwithstanding any other provision of the Bass Pro Lease, City shall have no duty to perform under the Bass Pro Lease unless City shall have been able to obtain financing for the payment of the Allowance, upon such terms and conditions as are acceptable to City in its sole discretion (the "Financing Condition") on or before the one hundred twentieth (120th) day following the Effective Date (the "Financing Condition Date"). From and after the Effective Date, City agrees to use all commercially reasonable good faith diligent efforts to satisfy the Financing Condition as promptly as possible, but in no event later than the Financing Condition Date. If City has not satisfied the Financing Condition prior to the Financing Condition Date (provided City has not waived the Financing Condition prior to the Financing Condition Date), City shall have the right to terminate the Bass Pro Lease by delivering to Bass Pro written notice to that effect prior to the Financing Condition Date (the "Termination Notice"). If City delivers the Termination Notice prior to the Financing Condition Date, then the Bass Pro Lease shall thereupon terminate and neither party shall have any obligation thereafter accruing to the other under the Bass Pro Lease; provided, however, that in such event, City shall be obligated to reimburse Bass Pro for its design costs in accordance with the Bass Pro Lease (not to exceed Three Hundred Thousand Dollars ($300,000)). If City fails to deliver the Termination Notice prior to the Financing Condition Date, then the Financing Condition shall be deemed satisfied and waived and the Bass Pro Lease shall continue in full force and effect. If the Financing Condition is satisfied prior to the Financing Condition Date, City shall give Bass Pro prompt written notice thereof.

Environmental Matters - Warranties and Representations of City

City represents and warrants that as of the date possession of the Leased Premises is delivered by City to Bass Pro, the Leased Premises will be free of all "Hazardous Materials" and will not be in violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to the environmental conditions on, under or about the Leased Premises including, but not limited to, soil and groundwater conditions. City further represents and warrants that during the time in which City has owned the Leased Premises, neither City nor, to City's knowledge, has any third party used, generated, manufactured, stored or disposed of on, under or about the Leased Premises or transported to or from the Leased Premises any Hazardous Materials, other than in the normal operation of City's business, and then only in compliance with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials. As used in the Bass Pro Lease, "Hazardous Materials" shall include, but shall not be limited to, polychlorinated biphenyls (PCBs), Petroleum, (including oil, motor oil and gasoline), natural gas (and synthetic gas usable for fuel), asbestos and asbestos containing materials (ACMs), underground storage tanks (USTs), above-ground storage tanks (ASTs) as well as substances, materials or conditions now or in the future defined as "hazardous substances", "pollutants" or "contaminants" in the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601, et seq.), those substances, materials or conditions now or in the future defined as "hazardous waste" in any applicable Hazardous Waste Management Law, and in the regulations adopted pursuant to said laws and any other substance, material or condition which is now or in the future may be considered hazardous or otherwise subject to any statutory or regulatory requirement governing handling, disposal and/or clean up.

Environmental and Industrial Hygiene Compliance by Bass Pro

Bass Pro warrants that it will not knowingly or negligently allow or cause the presence, disposal, release or threatened release of any Hazardous Materials on, from or under the Leased Premises, other than in normal operations of Bass Pro's business, and then only in compliance with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials. Furthermore, Bass Pro covenants that it shall at all times during the Term of the Bass Pro Lease comply with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials.

Indemnification of Liability

City and Bass Pro each agree to indemnify and hold harmless the other party, its members, partners, shareholders, directors, officers, employees and agents, from and against any and all losses, claims, damages, penalties, liabilities, response costs and expenses (including all out-of-pocket litigation costs and the reasonable fees and expenses of counsel) (1) arising out of the material inaccuracy or incompleteness of any representation or warranty made in the Bass Pro Lease, or (2) arising in connection with the presence, use, generation, storage, release, threatened release, disposal or transport of Hazardous Materials by City, Bass Pro or, as respects City, any prior owner or operator of the Leased Premises including, without limitation, all costs of any required or necessary repair, clean-up or detoxification and preparation of any closure or other required plans, to the full extent that such action is attributable, directly or indirectly, to the presence or use, generation, storage, release, threatened release or disposal of Hazardous Materials by any known person or entity on the Leased Premises. This agreement to indemnify and hold harmless shall be in addition to any other obligations or liabilities that may exist at common law, or by statute or otherwise, and shall survive the transfer of title to the Leased Premises, any assignment of the Bass Pro Lease and the expiration or termination of the Bass Pro Lease.

Performance of Tests and Right of Entry

Bass Pro agrees to permit City, its agents, contractors, employees and representatives to enter upon and to inspect the Leased Premises at all reasonable times for the purposes of making site and building investigations and performing soil, groundwater and other tests. In performing such investigations and tests, City agrees to use its best efforts to avoid material interference with the operation of Bass Pro's business on the Leased Premises. If such investigations and tests do not reveal any Hazardous Materials contamination caused by Bass Pro other than any such contamination which may exist as a result of the normal business operations of Bass Pro, provided that the same is in compliance with all applicable federal, state and local laws and regulations, then City shall promptly repair any damages occasioned by such inspections and tests and City agrees to indemnify and save and hold harmless Bass Pro, its agents, employees and contractors, from any claim, suit, liability or damages, including reasonable attorney fees and court costs, arising out of or relating to such inspections and tests. In the event such investigations and tests do reveal any Hazardous Materials contamination caused by Bass Pro and such contamination is not in compliance with all applicable federal, state and local laws and regulations, then, in that event, Bass Pro shall promptly remove such contamination at its sole cost and expense and shall indemnify and save and hold harmless City, its agents, employees and contractors, from any claim, suit, liability or damages, including reasonable attorney fees and court costs, arising out of or relating to such contamination and Bass Pro shall reimburse City for the costs of such inspections and tests.

Indemnification by Bass Pro

In addition to any agreement to indemnify made by Bass Pro in the Bass Pro Lease, but subject to the Bass Pro Lease, City shall not be liable for, and, to the extent permitted by law, Bass Pro shall indemnify and save City harmless against and from, any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys’ fees, which may be imposed upon or incurred by or asserted against City by reason of any of the following occurrences during the Term: (a) any work or thing done in, on or about the Leased Premises or any part thereof by Bass Pro or any agents, contractors, servants, employees, sub-tenants, licensees or invitees of Bass Pro; (b) any negligence on the part of Bass Pro or any agents, contractors, servants, employees, space tenants, licenses or invitees of Bass Pro; (c) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises; or (d) subject to the Bass Pro Lease, any failure on the part of Bass Pro or any of the sub-tenants, licensees or users of the Leased Premises to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the Bass Pro Lease. In case any action or proceeding is brought against City by reason of any claim within the provisions of this section, Bass Pro, upon written notice from City, shall at Bass Pro’s expense resist or defend the claim by counsel reasonably acceptable to City.

Indemnification by City

In addition to any agreement to indemnify made by City in the Bass Pro Lease, but subject to the Bass Pro Lease, Bass Pro shall not be liable for, and to the extent permitted by law City shall indemnify and save

Bass Pro harmless against and from, any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees, which may be imposed upon or incurred by or asserted against Bass Pro by reason of any of the following occurrences during the term of the Bass Pro Lease: (a) any work or thing done in, on or about the Leased Premises or any part thereof by or at the direction of City or any agents, contractors, servants or employees of City; (b) any negligence on the part of City or any agents, contractors, servants of employees of City; (c) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises caused by City or any agents, contractors, servants or employees of City; or (d) any failure on the part of City to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the Bass Pro Lease. In case any action or proceeding is brought against Bass Pro by reason of any such claim within the provisions of this section, City, upon written notice from Bass Pro, shall at City's expense resist or defend the claim by counsel reasonably acceptable to Bass Pro.

Immunity and Release of Council Members Officers and Employees of City

No recourse shall be had for any claim based upon any representation, obligation, covenant or agreement in the Bass Pro Lease contained against any past, present or future council member, officer, employee, director or agent of the City, or, of any successor public corporation thereto, as such, either directly or through the City, any successor public corporation thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such council member, officers, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of the Bass Pro Lease.

APPENDIX F

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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APPENDIX F

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Indenture, the Financing Agreement, the Continuing Disclosure Agreement, the Deed of Trust and this Official Statement unless the context clearly otherwise requires. The summary of the Authorizing Ordinance contained herein has separate definitions as set forth herein.

"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 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2013A 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 Transaction Documents to be executed by the City.

"Bond" or **"Bonds"** means the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2013A Bonds and any Additional Bonds issued pursuant to the Indenture.

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

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

"Costs of the Project" means costs permitted under the Act and the TIF Act to be paid out of proceeds of the Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, and equipping of the Project, including without limitation; all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act and the TIF Act.

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

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

"Debt Service Reserve Fund Requirement" means (i) (i) with respect to the Series 2006A Bonds, an amount equal to $3,434,000, (ii) with respect to the Series 2006B Bonds, an amount equal to $1,403,000, (iii) with respect to the Series 2008A Bonds, an amount equal to $503,500, (iv) with respect to the Series 2013A Bonds, the amount set forth in the body of this Official Statement, and (v) with respect to any Additional Bonds that are entitled to the benefit of the Debt Service Reserve Fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds

"Deed of Trust" means the means the Future Advance Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing related to the Bonds originally dated as of the date of the

Original Indenture, granted by the City, as from time to time amended and supplemented in accordance with the provisions thereof.

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

"Defeasance Obligations" means:

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

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

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

"Escrow Agreement" means the Escrow Trust Agreement dated as of April 1, 2013 between the Board, the City and the Trustee, as escrow agent, related to the refunding of the Refunded Bonds.

"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" the Original Financing Agreement as amended by and supplemented by the Series 2008A Supplemental Financing Agreement, the Series 2009H Supplemental Financing Agreement and the Series 2013A Supplemental Financing Agreement, and as from time to time further amended and supplemented by Supplemental Financing Agreements in accordance with the provisions of the Financing Agreement.

"Indenture" means the Original Indenture as amended and supplemented by the Series 2008A Supplemental Indenture, the Series 2009H Supplemental Indenture, and the Series 2013A Supplemental Indenture, and as from time to time further amended and supplemented by Supplemental Indentures in accordance with the provisions of the Indenture.

"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.

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

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

"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.

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

"Original Purchaser" means Piper Jaffray Inc.

"Original Financing Agreement" means the Financing Agreement dated as of March 15, 2006, between the Board and the City.

"Original Indenture" means the Bond Trust Indenture dated as of March 15, 2006, 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 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),
- Senior debt obligations of the Federal Home Loan Bank System, and

(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; 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.

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; and

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest.

"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."

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

"Refunded Bonds" means the following Bonds issued under the Indenture and as further described in the Escrow Agreement:

(i) $5,680,000 of the Series 2006A Bonds with a stated maturity of March 1, 2017;

(ii) $775,000 of the Series 2008A Bonds with a stated maturity of March 1, 2014 and $875,000 of the Series 2008A Bonds with a stated maturity of March 1, 2015; and

(iii) $4,130,000 of the Series 2009H Bonds with a stated maturity of March 1, 2026.

"Series 2005C Bonds" means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Center Project), Series 2005C, aggregating the principal amount of $11,325,000, and issued under a separate bond indenture.

"Series 2006A Bonds" means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006A, aggregating the principal amount of $34,340,000, issued pursuant to the Indenture.

“Series 2006B Bonds” means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006B, aggregating the principal amount of $14,030,000.

“Series 2006C Bonds” means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006B, aggregating the principal amount of $12,790,000, and issued under a separate bond indenture.

“Series 2008A Bonds” means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2008A, aggregating the principal amount of $5,035,000.

“Series 2008B Bonds” means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2008B, aggregating the principal amount of $7,920,000, and issued under a separate bond indenture.

“Series 2009H Bonds” means the Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2009H, aggregating the principal amount of $4,130,000.

“Series 2009H Supplemental Financing Agreement” means the Series 2009H Supplemental Financing Agreement between the Board and the City.

“**Series 2009H Supplemental Indenture”** means the Series 2009H Supplemental Bond Trust Indenture.

“Series 2013A Bonds” means the Taxable Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2013A, aggregating the principal amount set forth in the body of this Official Statement.

“Series 2013A Supplemental Financing Agreement” means the Series 2013A Supplemental Financing Agreement dated as of April 1, 2013, between the Board and the City.

“**Series 2013A Supplemental Indenture”** means the Series 2013A Supplemental Bond Trust Indenture dated as of April 1, 2013, between the Board and the Trustee.

“Series 2013B Bonds” means the Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2013B, aggregating the principal amount set forth in the body of this Official Statement, and issued under a separate bond indenture.

“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.

“TDD Revenues” means 7/8 of the moneys received by the City from the Crackerneck Creek Transportation Development District which are derived from the sales tax levied by the District for the payment of project costs related to the Crackerneck Creek Project, and which are subject to annual appropriation by the District.

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

* * *

SUMMARY OF THE INDENTURE

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

Trust Estate

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

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

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

(c) All moneys or property held or realized by the Trustee under the Deed of Trust; and

(d) 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 hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

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

Authorization of Additional Bonds

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2013A Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and 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 Series 2006A Bonds, Series 2006B Bonds, the Series 2008A Bonds and the Series 2013A Bonds, except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices (subject to the provisions of the Indenture), 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 Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds, the Series 2013A 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 and further approving such Supplemental Indenture and the issuance and sale of the Additional Bonds.

(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, containing the annual appropriation covenant of the City in substantially the same form as contained the Financing Agreement.

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

(h) An Opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met.

(i) 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.

When the documents specified above have been filed with the Trustee, and when such Additional Bonds have been executed and authenticated as required by the Indenture, the Trustee shall deliver such Additional Bonds to or upon the order of the purchasers thereof, but only upon payment to the Trustee of the purchase price of such Additional Bonds. The proceeds of the sale of such Additional Bonds, including accrued interest and premium thereon, if any, shall be immediately paid over to the Trustee and shall be deposited and applied by the Trustee as provided in the Indenture and in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Except as provided in the 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

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

(a) "Missouri Development Finance Board–City of Independence, Missouri 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 - 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 - Infrastructure Facilities Debt Service Fund” (the “Debt Service Fund”) and within such fund separate accounts for each series of Bonds, and within such separate accounts, subaccounts for capitalized interest on each Series of Bonds if applicable.

(d) “Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Debt Service Reserve Fund” (the “Debt Service Reserve 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 relating to the applicable Project with such changes, or amendment or substitutions as deemed advisable by the City and approved in accordance with the Financing Agreement.

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

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

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

Debt Service Reserve Fund

Except as provided in the Indenture for earnings on moneys prior to the Completion Date, the moneys in the respective series accounts of the Debt Service Reserve Fund shall be disbursed and expended by the Trustee, without any further authorization from the City, solely for the payment of the principal of and interest on the corresponding series of Bonds to the extent of any deficiency in the applicable series account of the Debt Service Fund for such purposes. The Trustee may disburse and expend moneys from the accounts of the Debt Service Reserve Fund for such purpose whether or not the amount in such accounts of the Debt Service Reserve Fund at that time equals the Debt Service Reserve Fund Requirement with respect to the applicable series of Bonds. 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 applicable account of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement with respect to the applicable series of Bonds, and the Trustee shall and 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, subject to the limitations on such funding contained in the Financing Agreement.

Events of Default

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

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

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

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

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

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

Acceleration of Maturity; Rescission and Annulment

If an event of default occurs and is continuing, the Trustee 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 hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and

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

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

Exercise of Remedies by the Trustee

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

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

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

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

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

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

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

Limitation on Suits by Bondowners

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

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

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

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

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

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

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

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 applicable portions of 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 the Indenture, 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.

Foreclosure under the Deed of Trust in Event of Default

(a) If an Event of Default shall have occurred and be continuing, the Trustee may (i) enforce each and every right granted to the Trustee by the City under the Deed of Trust, and (ii) direct the mortgage trustee under the Deed of Trust to foreclose the lien on the Project created and vested by the Deed of Trust either by sale at public auction or by proceedings in equity, and the Trustee or the Owner or Owners of any of the Bonds then Outstanding may become the purchaser at any foreclosure sale if the highest bidder. The Trustee shall receive the proceeds of any sale and shall pay the same in accordance with the provisions of the Indenture.

(b) If the Trustee becomes the purchaser of the Project at any foreclosure sale, the Trustee may lease the Project or any part thereof, in the name of and for the account of the Board, and collect, receive and sequester the payments, revenues and receipts therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including without limitation (i) reasonable compensation to the Trustee, its agents and counsel, (ii) any charges of the Trustee hereunder, (iii) any taxes and assessments and other charges prior to the lien of the Deed of Trust which the Trustee may deem it wise to pay, and (iv) all expenses of repairs and improvements to the Project, and the Trustee shall apply the remainder of the moneys so received in accordance with the provisions of the Indenture. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession of the Project to the Board, its successors or assigns. While the Project is being leased by the Trustee, the Trustee shall render annually to the Board and the City a summarized statement of receipts and expenditures in connection therewith

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 Subsection (a).

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 are 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 applicable portions of 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 hereunder or under the Financing Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Board and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Board or the bondowners. If, within **30** days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner 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, as set forth in the Indenture, additional conditions, limitations and restrictions thereafter to be observed; or

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

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

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

(f) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision 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 hereunder 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 hereunder. The Trustee shall not be liable for any such determination made in good faith.

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

Payment, Discharge and Defeasance of Bonds

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

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

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

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

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

Satisfaction and Discharge of Indenture

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

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

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

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

(d) 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 as provided in the Indenture for the payment of the principal of, premium, if any, and interest on the Bonds.

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SUMMARY OF THE AUTHORIZING ORDINANCE

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

Definitions

"**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.

"Additional Payments" shall have the meaning set forth in the Financing Agreements.

"Bass Pro Lease Agreement" means the Lease with Options between the City and Bass Pro Outdoor World, L.L.C., dated as of June 16, 2004, as amended by an Amendment to Lease with Options dated December 20, 2004, as further amended by a Second Amendment to Lease With Options dated March 6, 2006, and as further amended from time to time.

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

"**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.

"**City**" means the City of Independence, Missouri, and any successors or assigns.

"Crackerneck Creek Redevelopment Agreement" means the Crackerneck Creek Redevelopment Agreement described in the Authorizing Ordinance.

"Crackerneck Loans" means the Taxable Crackerneck Loans and the Tax-Exempt Crackerneck Loans.

"**Economic Activity Tax Account**" means the Economic Activity Tax Account in the Special Allocation Fund described in the Authorizing Ordinance.

"**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 Crackerneck Creek Redevelopment Area over the amount of such taxes generated by economic activities within the Crackerneck Creek Redevelopment Area in the calendar year prior to the adoption of the first TIF Ordinance for the Crackerneck Creek Redevelopment Project, while tax increment financing remains in effect, but excluding (i) taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments and (ii) personal property taxes, other than Payments in Lieu of Taxes, all as determined in accordance with the Act.

"Financing Agreements" means the Taxable Financing Agreement and the Tax-Exempt Financing Agreement.

"Loan Payments" shall have the meaning set forth in the Taxable Financing Agreement and the Tax-Exempt Financing Agreement.

"**Ordinance**" means the Authorizing Ordinance as from time to time amended in accordance with the terms thereof.

"**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 Crackerneck Creek Redevelopment Area over and above the certified total initial equalized assessed value of each such unit of property in the Crackerneck Creek Redevelopment Area on the date of the adoption of the first TIF Ordinance with respect to such Redevelopment Area, all as determined in accordance with the Act.

"**PILOTS Account**" means the PILOTS Account in the Special Allocation Fund described in the Authorizing Ordinance.

"**Redevelopment Area**" means the Crackerneck Creek Redevelopment Area, with the governing body of the City having adopted tax increment financing therefore in accordance with the Act.

"**Redevelopment Costs**" means the "redevelopment project costs," as defined in the Act, that may be paid through tax increment financing and which the City has agreed to pay under the Crackerneck Creek Redevelopment Agreement.

"Series 2005C Bonds" means the $11,325,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2005C, issued by the Board.

"Series 2005C Loan" means the loan from the Board to the City made pursuant to the Series 2005C Financing Agreement as described in the recitals hereto.

"Series 2006A Bonds" means the $34,340,000 Missouri Development Finance Board Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2006A, issued by the Board.

"Series 2006A and 2006B Loan" means the loan from the Board to the City made pursuant to the Series 2006A and 2006B Financing Agreement as described in the recitals hereto.

"Series 2006B Bonds" means the $14,030,000 Missouri Development Finance Board Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2006B, issued by the Board.

"Series 2006C Bonds" means the $12,790,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2006C, issued by the Board.

"Series 2006C Loan" means the loan from the Board to the City made pursuant to the Series 2006C Financing Agreement as described in the recitals hereto.

"Series 2008A Bonds" means the $5,035,000 Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2008A, issued by the Board.

"Series 2008A Loan" means the loan from the Board to the City made pursuant to the Series 2008A Financing Agreement as described in the recitals hereto.

"Series 2008B Bonds" means the $7,920,000 Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2008B, issued by the Board.

"Series 2008B Loan" means the loan from the Board to the City made pursuant to the Series 2008B Financing Agreement as described in the recitals hereto.

"Series 2009H Bonds" means the $4,130,000 Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project), Series 2009H, issued by the Board.

"Series 2009H Loan" means the loan from the Board to the City made pursuant to the Series 2009H Financing Agreement as described in the recitals hereto.

"Series 2013A Bonds" means the Taxable Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2013A, issued by the Board.

"Series 2013A Loan" means the loan from the Board to the City made pursuant to the Series 2013A Financing Agreement as described in the recitals hereto.

"Series 2013B Bonds" means the Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2013B, issued by the Board.

"Series 2013B Loan" means the loan from the Board to the City made pursuant to the Series 2013B Financing Agreement as described in the recitals hereto.

"**Special Allocation Fund**" means the Crackerneck Creek Special Allocation Fund ratified and confirmed by **Section 401** hereof.

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

"State TIF Revenues" means payments received from the State under the Act for paying Costs of the Crackerneck Creek Redevelopment Project.

"Taxable Crackerneck Bonds" means the Series 2006A Bonds, the Series 2006B Bonds, the Series 2008A Bonds and the Series 2013A Bonds.

"Tax-Exempt Crackerneck Bonds" means the Series 2006C Bonds, the Series 2008B Bonds and the Series 2013B Bonds.

"Taxable Crackerneck Loans" means the Series 2006A and 2006B Loan, the Series 2008A Loan and the Series 2013A Loan.

“Tax-Exempt Crackerneck Loans” means the Series 2006C Loan, the Series 2008B Loan and the Series 2013B Loan.

“Taxable Crackerneck Financing Agreements” means the Series 2006A and 2006B Financing Agreement, the Series 2008A Financing Agreement and the Series 2013A Financing Agreement each between the Board and the City and related to the associated series of Bonds.

“Tax-Exempt Crackerneck Financing Agreements” means the Series 2005C Financing Agreement, the Series 2006C Financing Agreement and the Series 2008B Financing Agreement, the Series 2013B Financing Agreement each between the Board and the City and related to the associated series of Bonds.

“TDD Revenues” means 7/8 of the moneys received by the City from the Crackerneck Creek Transportation Development District which are derived from the sales tax levied by the District for the payment of project costs related to the Crackerneck Creek Redevelopment Project, and which are subject to annual appropriation by the District.

“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 Act, which for the Crackerneck Creek project include Ordinance Nos. 15928, 15929, 15930, 15931 and 15932 of the City.

Security for the Crackerneck Loans

(a) Except as provided in the following paragraph, the City’s obligation to make Loan Payments and Additional Payments pursuant to the Financing Agreements shall be subject to annual appropriation as provided in the Financing Agreements.

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

(b) As additional security for the City’s obligation to make Loan Payments and Additional Payments pursuant to the Taxable Crackerneck Financing Agreement and the Tax-Exempt Crackerneck Financing Agreement, such payments shall be payable from and secured as to the payment of principal and interest by (a) a pledge of the Payments in Lieu of Taxes deposited in the PILOTS Account of the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project, (b) subject to annual appropriation by the City Council as provided herein, the Economic Activity Tax Revenues deposited in the Economic Activity Tax Account of the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project. The taxing power of the City is not pledged to the payment of the Crackerneck Loans either as to principal or interest. The Crackerneck Loans shall not constitute a general obligation of the City, nor shall any of the Crackerneck Loans 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 Crackerneck Creek Redevelopment Project are hereby pledged to the payment of the Crackerneck Loans; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described herein.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project to the repayment of the Crackerneck Loans. In preparing the City’s annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the

City Council votes to not appropriate such Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) Commerce Bank, as trustee for the Taxable Crackerneck Bonds and the Tax-Exempt Crackerneck Bonds, (iii) the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access ("EMMA") system (or successor thereto), and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

The City also covenants and agrees to pledge the State TIF Revenues (if any), TDD Revenues (if any) and the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Crackerneck Loans.

(c) The Tax-Exempt Crackerneck Loans shall be secured on a parity basis with each other related to application of revenues and in all other respects.

(d) The Taxable Crackerneck Loans shall be secured on a parity basis with each other related to application of revenues and in all other respects.

(e) The pledge of Economic Activity Tax Revenues (subject to annual appropriation), State TIF Revenues, TDD Revenues and Payments in Lieu of Taxes described herein to the payment of the Tax-Exempt Crackerneck Loans shall be senior to the pledge of such revenues securing the payment of the Taxable Crackerneck Loans and the Loan Payments and Additional Payments relating thereto. The State TIF Revenues and TDD Revenues shall be aggregated with Economic Activity Taxes and Payments in Lieu of Taxes and applied in the same manner and at the same time as Economic Activity Tax Revenues and Payments in Lieu of Taxes as set forth in the Authorizing Ordinance.

(f) The pledge of rentals paid to the City pursuant to the Bass Pro Lease Agreement described herein to the payment of the Taxable Crackerneck Loans shall be senior to the pledge of such rentals to the payment of the Tax-Exempt Crackerneck Loans and the Loan Payments and Additional Payments relating thereto.

Crackerneck Creek Special Allocation Fund

The moneys in the Crackerneck Creek Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in the Authorizing Ordinance. At any time moneys are to be withdrawn, transferred or paid from the Crackerneck Creek Special Allocation Fund pursuant to the Authorizing Ordinance, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City agrees in the Authorizing Ordinance to deposit into the Crackerneck Creek Special Allocation Fund as received all Payments in Lieu of Taxes and Economic Activity Taxes. The Payments in Lieu of Taxes and Economic Activity Taxes shall be determined, collected and applied in the manner provided by law. Payments in Lieu of Taxes from the Crackerneck Creek Redevelopment Area shall be deposited into the PILOTS Account of the Crackerneck Creek Special Allocation Fund, and subject to annual appropriation as provided in the Authorizing Ordinance, all Economic Activity Tax Revenues from the Crackerneck Creek Redevelopment Area shall, as and when received by the City, be deposited into the Economic Activity Tax Account of the Crackerneck Creek Special Allocation Fund. All interest earnings on moneys in the Crackerneck Creek Special Allocation Fund shall be credited to and deposited in the Crackerneck Creek Special Allocation Fund.

The Crackerneck Creek Special Allocation Fund shall be administered by the City as follows:

(a) Not later than the last business day of each February and August, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Tax-Exempt Crackerneck Financing Agreements or any other Financing Agreement relating to Additional Bonds secured on a parity with the Tax-Exempt Crackerneck Bonds. In the event such moneys shall be insufficient to make such Loan Payments, such deposits shall be made pro rata into the various accounts with the Debt Service Fund for the Tax-Exempt Crackerneck Bonds and any Additional Bonds issued on a parity with the Tax-Exempt Crackerneck Bonds.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Tax-Exempt Crackerneck Bonds) is less than the Debt Service Reserve Requirement for the Tax-Exempt Crackerneck Bonds (as defined in the Indenture relating to the Tax-Exempt Crackerneck Bonds) or any Additional Bonds (as defined in the Indenture relating to the Tax-Exempt Crackerneck Bonds) issued on a parity with the Tax-Exempt Crackerneck Bonds, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the accounts in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Reserve Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Tax-Exempt Crackerneck Bonds and any Additional Bonds issued on a parity with the Tax-Exempt Crackerneck Bonds.

(c) Moneys remaining in the Crackerneck Creek Special Allocation Fund, after making the payments described in **(a)** and **(b)** above, shall be expended in the following order of priority:

(i) For deposit into the Business Interruption Reserve Fund established with the Trustee until such time as the amount on deposit therein equals the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Tax-Exempt Crackerneck Bonds) or to restore the amount on deposit therein to the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Tax-Exempt Crackerneck Bonds);

(ii) Any Excess Tax Revenues shall be transferred by the City to the Trustee for the purpose of prepaying that portion of the Tax-Exempt Crackerneck Loans the City has elected to prepay. "Excess Tax Revenues" means the amount of (i) Payments in Lieu of Taxes and Economic Activity Taxes, (ii) any State TIF Sales Tax revenues, and (iii) the Bass Pro Lease payments (subject to the senior pledge of such lease payments to the Taxable Crackerneck Loans), collected by the City (in increments of $5,000) which the City determines are in excess of the amounts needed to make Loan Payments under the Tax-Exempt Crackerneck Financing Agreements relating to regularly scheduled payments of principal and interest on the Tax-Exempt Crackerneck Bonds and any Additional Bonds issued on a parity with the Tax-Exempt Crackerneck Bonds.

(iii) For the purpose of prepaying any Loan Payments or Additional Payments due under the Tax-Exempt Crackerneck Financing Agreements or any other Financing Agreement relating to Additional Bonds secured on a parity with the Tax-Exempt Crackerneck Bonds.

(d) Moneys remaining in the Crackerneck Creek Special Allocation Fund, after making the payments described in **(a)**, **(b)** and **(c)** above, shall be expended in the following order of priority:

(i) Not later than the last business day of each February and August, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Taxable Crackerneck Financing Agreements or any other Financing Agreement relating to Additional Bonds (as defined in the Indenture relating to the Taxable Crackerneck Bonds) secured on a parity with the Taxable Crackerneck Bonds. In the event such moneys shall be insufficient to make such Loan Payments, such deposits shall be made pro rata into the various accounts with the Debt Service Fund for the

Taxable Crackerneck Bonds and any Additional Bonds issued on a parity with the Taxable Crackerneck Bonds.

(ii) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Taxable Crackerneck Bonds) is less than the Debt Service Reserve Requirement for the Series Taxable Crackerneck Bonds (as defined in the Indenture relating to the Taxable Crackerneck Bonds) or any Additional Bonds (as defined in the Indenture relating to the Taxable Crackerneck Bonds) issued on a parity with the Taxable Crackerneck Bonds, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the accounts in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Reserve Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Taxable Crackerneck Bonds and any Additional Bonds issued on a parity with the Taxable Crackerneck Bonds.

(e) Moneys remaining in the Crackerneck Creek Special Allocation Fund, after making the payments described in **(a)**, **(b), (c)** and **(d)** above, shall be expended in the following order of priority:

(i) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

(ii) for the purpose of reimbursing the City for any transfer of any legally available funds to the Crackerneck Creek Special Allocation Fund; or

(iii) for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the Act.

* * *

SUMMARY OF THE FINANCING AGREEMENT

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

Amount and Source of the Loan; Issuance of Bonds

The Board agrees to lend to the City, upon the terms and conditions in the Financing Agreement and in the Indenture specified, the net proceeds received by the Board from the sale of the Bonds (the "Loan"). In order to provide funds to make the Loan and finance the Costs of the Project, the Board agrees that it will issue, sell and deliver the Bonds to the Original Purchaser. The proceeds of the sale of the Bonds shall be paid over to the Trustee for the account of the Board and shall be administered, disbursed and applied for the payment of the Costs of the Project and the Refunding of the Refunded Bonds, as applicable, and other purposes upon the terms and in the manner as provided in the Indenture and in the Financing Agreement.

Loan Payments

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

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

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

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

Additional Payments

Subject to the limitations of the Financing Agreement, 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 Indenture 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 Indenture for which the Trustee and other persons are entitled to repayment or reimbursement;

(b) to the appropriate person, such payments as are required (i) as payment for or reimbursement of any and all reasonable costs, expenses and liabilities incurred by the Board or the Trustee or any of them in satisfaction of any obligations of the City hereunder that the City do not perform, or incurred in the defense of any action or proceeding with respect to the Project, the Indenture 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 Indenture and that the City is not otherwise required to pay under the Indenture;

(c) to the Trustee, upon written demand of the Trustee the amount required by the Indenture necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement. Any Supplemental Financing Agreement shall provide for similar deposits into the Debt Service Reserve Fund of amounts sufficient to increase, if necessary, the deposits to such fund as required by the Indenture.

(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 Indenture and the Indenture, which are not otherwise to be paid by the City under the Indenture or the Indenture;

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

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

Annual Appropriations

Except as provided in the following paragraph, the City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Indenture, 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 Indenture 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 Indenture shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments hereunder. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance is directed to do all things lawfully within such person's power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City's normal procedures for such decisions.

Loan Payments to Constitute Current Expenses of the City

Except as provided in the following paragraph, the Board and the City acknowledge and agree that the Loan Payments and Additional Payments hereunder shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Indenture 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 described in the Financing Agreement and any amounts required to be paid under the Financing Agreement shall be limited, special obligations of the City payable solely from, and secured as to the payment of principal and interest by, a pledge of, subject to annual appropriation by the City as provided in the Financing Agreement, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan in the Special Allocation Fund and the TDD Revenues as provided in the Authorizing Ordinance. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Deed of Trust

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions of the Financing Agreement, the City has executed and delivered the Deed of Trust to the mortgage trustee, for the benefit of the Board and the Trustee. The City hereby agrees and consents to such assignments in the manner and to the extent set forth in the Indenture and to the other assignments therein made by the Board.

Subordinate Lien on Incremental Tax Revenues

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions hereof, the City has pledged in the Authorizing Ordinance amounts on deposit in the Special Allocation Fund described therein (including without limitation the State TIF Revenues), as well as the TDD Revenues, subject to the prior pledge of such amounts to the payment of the Series 2006C Bonds, the 2008B Bonds, the Series 2013B Bonds and the bonds issued on a parity with such bonds.

Information Provided to the Board and the Trustee

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

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

Property Casualty Insurance

So long as any bonds issued by or on behalf of the City for the purpose of financing or refinancing the Mortgaged Property are outstanding and unpaid, the City, at its sole cost and expense, shall obtain and maintain standard "all risk" property casualty insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement, including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Project as of the date of such casualty; provided, however, this requirement shall only be effective if neither the City nor Bass Pro Outdoor World, LLC (or any successor to such company) are providing such casualty insurance pursuant to the terms of the Bass Pro Lease or any replacement thereof.

Additional Bonds

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

Events of Default Defined

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

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

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

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

(d) Any representation or warranty by the City in the Financing Agreement or in any certificate or other instrument delivered under or pursuant to the Indenture 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) below:

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

(b) Take whatever other action at law or in equity is necessary and appropriate to exercise or to cause the exercise of the rights and powers set forth in the Financing Agreement or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to the Indenture 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 Indenture or the Indenture.

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

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

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

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

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

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

Supplemental Financing Agreements without Consent of Bondowners

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

(a) to subject to the Indenture additional property or to more precisely identify any project financed or refinanced out of the proceeds of any series of Bonds, or to substitute or add additional property thereto; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Financing Agreement, additional conditions, limitations and restrictions thereafter to be observed; or

(c) in connection with the issuance of any Additional Bonds and make such other provisions as provided in the Financing Agreement; or

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

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

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

Supplemental Financing Agreements with Consent of Bondowners

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

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

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

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

* * *

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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

Pursuant to the Continuing Disclosure Agreement, the City will, not later than **180** days after the end of the City's fiscal year, provide to the Municipal Securities Rulemaking Board (the "MSRB") the following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, (B) the amounts deposited into the Special Allocation Fund established for the Project, and (C) any State TIF Revenues, TDD Revenues and Bass Pro Lease Payments received by the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.

Pursuant to the Continuing Disclosure Agreement, the City also will give within 10 days of the occurrence thereof notice 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 security, or other material events affecting the tax status of the security;
(7) modifications to rights of security holders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the securities, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the City should fail to comply with any provision of the Continuing Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or

Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under the Continuing Disclosure Agreement; provided that the sole and exclusive remedy for breach of the Continuing Disclosure Agreement shall be an action to compel specific performance of the obligations of the City under the Continuing Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with the Continuing Disclosure Agreement are conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default as though such provisions applied under the Continuing Disclosure Agreement. Failure of the City to perform its obligations under the Continuing Disclosure Agreement shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may amend or make changes to the Continuing Disclosure Agreement for any purpose, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth in the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

* * *

SUMMARY OF THE DEED OF TRUST

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

The Grantor under the Deed of Trust grants, bargains and sells, mortgages, warrants, conveys and confirms, assigns, transfers and sets over to the Trustee the Mortgaged Property described therein together with (1) all buildings, improvements and structures at any time, now or hereafter, erected, situated or placed thereon; (2) all rights, privileges, easements, rights of way, franchises, tenements, hereditaments, appendages and appurtenances thereunto belonging or in anywise appertaining; (3) all right, title, interest and estate of Grantor in and to streets, roads, ways, sidewalks, curbs, alleys and areas adjoining said real estate and portions thereof, private or public, and whether vacated by law or ordinance (conditionally or otherwise); (4) all rents, revenues, royalties, income, issues and profits, which are hereby specifically assigned, transferred and pledged primarily and on a parity with said real estate; (5) all fixtures and personal property now or at any time hereafter annexed, affixed or attached to said real estate and/or the buildings, improvements or structures thereon and all replacements, additions and substitutions thereof or thereto, including (but not limited to) all apparatus, appliances, machinery, equipment and articles used to supply or provide, or in connection with, heat, gas, air-conditioning, plumbing, water, lighting, power, elevator, sewerage, cleaning, refrigeration, cooling, ventilation and sprinkler systems, all water heaters, ranges, stoves, dishwashers and disposals, all window shades, drapes and drapery equipment and apparatus, all carpeting, tile and floor coverings, all fire prevention and extinguishing apparatus, all security and access control apparatus, and all trees, plants and landscaping; (6) all other personal property, whether now owned or hereafter acquired by Grantor, and used or intended to be used in the possession, occupation or enjoyment thereof, and all replacements, additions and substitutions thereof and thereto, including (but not limited to) all furniture, furnishings and equipment, all appliances, all shelving and storage apparatus, all construction goods and materials whether or not the same have been incorporated into the buildings or improvements thereon, and all tools, supplies and equipment used in connection with construction, repair, maintenance, janitorial or groundskeeping services thereon or therefor; (7) all existing and hereafter created or acquired accounts, contract rights and general intangibles arising from or relating in any manner to the foregoing or the development or operation thereof; (8) all books, records, reports, tests, surveys, plans, specifications, permits, licenses and documents of any kind or nature relating to the foregoing or the development or operation thereof; and (9) all products and proceeds of any of the foregoing, including, without limitation, insurance proceeds, SUBJECT TO, all Permitted Encumbrances as defined in the Deed of Trust and provided that the Mortgaged Property shall not include any inventory, furniture, equipment or other personal property of Bass Pro Outdoor World, L.L.C..

Limitation on Grantor's Obligations. Notwithstanding any other provision of the Deed of Trust to the contrary, any and all obligations of the Grantor under the Deed of Trust to make any payment or perform any obligation or covenant under the Deed of Trust shall be subject to the conditions and limitations contained in the Financing Agreement (including Section 3.5 of the Financing Agreement), and shall be payable solely from the Trust Estate described in the Indenture, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the Grantor 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 Deed of Trust constitute a pledge of the general credit, tax revenues, funds or moneys of the City.

Permitted Encumbrances. Permitted Encumbrances under the Deed of Trust are defined as, as of any particular time (a) liens for ad valorem taxes and special assessments not then delinquent or if delinquent are being contested in accordance with the Financing Agreement, (b) the Indenture, (c) the Financing Agreement, (d) any and all Uniform Commercial Code Financing Statements executed to perfect any security interest created in connection with the issuance of the Bonds, (e) utility, access and other easements and rights-of-way, mineral rights, restrictions, exceptions and encumbrances that will not materially interfere with or impair the operations being conducted on the Mortgaged Property or easements granted to the Board, (f) such minor defects, irregularities, encumbrances, easements, mechanic's liens, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Mortgaged Property and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Board or the City, (g) the Bass Pro Lease, and (g) any lease, management agreement, condominium declaration or other agreement related to the management and upkeep of the Mortgaged Property or the financing of improvements thereon.

Rent Assignment. The Deed of Trust is intended to create an absolute and present assignment to Beneficiary of the items of Mortgaged Property constituting rents, revenues, royalties, income, issues and profits, and not merely the passing of a security interest; provided, that so long as no event of default exists under the Deed of Trust, Grantor shall have the right and license to collect said rents, revenues royalties, income, issues and profits as the same shall accrue.

Security Agreement. The Deed of Trust is intended to be a security agreement for any of the items specified as part of the Mortgaged Property which, under applicable law, may be subject to a security interest, and in the Deed of Trust Grantor grants Beneficiary a security interest in said items, whether now owned or hereafter acquired, and including all products and proceeds of said items. Grantor agrees that Beneficiary may file the Deed of Trust, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified as part of the Mortgaged Property. Any reproduction of the Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Grantor agrees in the Deed of Trust to execute and deliver to Beneficiary, upon Beneficiary's request, and authorizes Beneficiary under the Deed of Trust to file any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of the Deed of Trust, in such form as Beneficiary may require to perfect a security interest with respect to said items. Subject to the limits described in the Deed of Trust, Grantor shall pay all costs of filing such financing statements and any extensions, renewals and amendments thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Grantor shall not create or suffer to be created any other security interest in said items, including replacements and additions thereto. Upon the occurrence of an event of default under the Deed of Trust, Beneficiary shall have the remedies of a secured party under applicable law and, at Beneficiary's option, may also invoke the remedies as otherwise provided in the Deed of Trust. In exercising any of said remedies, Beneficiary may proceed against the items of real property and any items of personal property specified as part of the Mortgaged Property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under applicable law or of the remedies otherwise provided in the Deed of Trust.

Subject to Bass Pro Lease. Beneficiary acknowledges and agrees that the lien of the Deed of Trust shall be subject to the Bass Pro Lease in the manner provided in the Subordination, Non-Disturbance and Attornment Agreement among the City, the Board, Bass Pro Outdoor World, LLC and Commerce Bank, N.A..

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

April 25, 2013

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: $14,005,000 Missouri Development Finance Board Taxable Infrastructure Facilities Refunding Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2013A

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 March 15, 2006, as supplemented and amended by the Series 2008A Supplemental Bond Trust Indenture dated as of February 1, 2008, the Series 2009H Supplemental Bond Trust Indenture dated as of August 1, 2009, and the Series 2013A Supplemental Bond Trust Indenture dated as of April 1, 2013 (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 March 15, 2006, as supplemented and amended by the Series 2008A Supplemental Financing Agreement dated as of February 1, 2008, the Series 2009H Supplemental Financing Agreement dated as of August 1, 2009, and the Series 2013A Supplemental Financing Agreement dated as of April 1, 2013 (as supplemented and amended, the "Financing Agreement"), between the Board and the City.

Reference is made to an opinion of even date herewith of the City Counselor of the City, with respect to, among other matters, (a) the power of the City to enter into and perform its obligations under the Financing Agreement, (b) the passage and effectiveness of the Authorizing Ordinance, and (c) the due authorization, execution and delivery of the Financing 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; and

(ii) the Financing 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 and Financing 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 and the Financing 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 is *included* in gross income for federal income tax purposes, in accordance with an owner's normal method of accounting.

6. Under the law existing as of the issue date of the Bonds, the interest on the Bonds is exempt from income taxation by the State of Missouri.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Financing 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 H

TAX INCREMENT FINANCING IN MISSOURI

Overview

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

When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property is improved, the assessed value of real property in the redevelopment area should increase above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a "tax increment" is produced. The annual tax increments (referred to as "Payments in Lieu of Taxes" or "Pilots") are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in the Pilots Account of a "special allocation fund." Similarly, an amount (referred to as "Economic Activity Tax Revenues" or "EATS") attributable to 50% of the increase in tax revenues generated by economic activities within the Redevelopment Area (including sales and utilities taxes, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments, other than payments in lieu of taxes, sales taxes levied pursuant to Section 70.500 RSMo and taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo) over the amount of such taxes generated by economic activities within the Redevelopment Area in the calendar year prior to the adoption of tax increment financing for the Redevelopment Area by the City are transferred by the collecting agency to the treasurer of the city or county and deposited in an economic activity tax account of such special allocation find. Tax increment financing for the Crackerneck Redevelopment Project was adopted in 2004. 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 Annual Appropriations"** herein.

Tax Increment Financing Litigation

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

Assessment and Collection of Ad Valorem Taxes

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

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

Real property within the County is assessed by the County Assessor. The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The Board of Equalization has the authority to question and determine the proper values of real property and then adjust and equalize individual properties appearing on the tax rolls. The County Collector collects taxes for all

Taxing Districts within the County limits. The County Collector deducts a commission for its services. After such collections and deductions of commission, taxes are distributed according to the Taxing District's pro rata share.

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

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

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

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

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

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

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

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

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

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

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

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

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

Collection of Economic Activity Tax Revenues

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

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

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APPENDIX I

ACTUARIAL REPORT OF
GABRIEL ROEDER SMITH & COMPANY
DATED FEBRUARY 29, 2012

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Summary of the Results of the Forty-Fourth Annual Actuarial Valuation

February 29, 2012

Covering the Participation of The City of Independence

In the Missouri Local Government Employees Retirement System

OUTLINE OF CONTENTS

Summary of the Annual Actuarial Valuation Covering

The City of Independence

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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248.799.9020 fax
www.gabrielroeder.com

June 21, 2012

The City of Independence
Independence, Missouri

Ladies and Gentlemen:

Submitted in this report is a summary of the results of the ***Forty-Fourth Annual Actuarial Valuation,*** which determines the employer contribution rate(s) required to support, for your employees, the benefits provided by the ***Missouri Local Government Employees Retirement System ("LAGERS").*** The purpose of the valuation is to measure funding progress in relation to the actuarial cost method, to determine the employer contribution rate and to determine actuarial information for Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The results of the valuation may not be applicable for other purposes.

Your participation in LAGERS was effective November 1, 1968. ***The LAGERS provisions*** reflected in the actuarial valuation are:

	This Year	**Last Year**
Benefit Program	L-6	L-6
Final Average Salary	3 years	3 years
Rule of 80 Adopted?	No	No
Member Contribution Rate	4%	4%
Contribution Refund Adopted?	No	No

The date of the valuation was February 29, 2012. The valuation was based on data furnished by your LAGERS administrative staff. Data was checked for year-to-year consistency and completeness but was not otherwise audited by us.

The new employer contribution rates are shown on page 12 and are applicable for the fiscal year beginning July 1, 2013.

The financial assumptions and methods used to determine contributions are adopted system wide by the LAGERS Board of Trustees, and are described in the system's Comprehensive Annual Financial Report and the Compiled Annual Actuarial Valuation Report. In our opinion, they produce results that are reasonable.

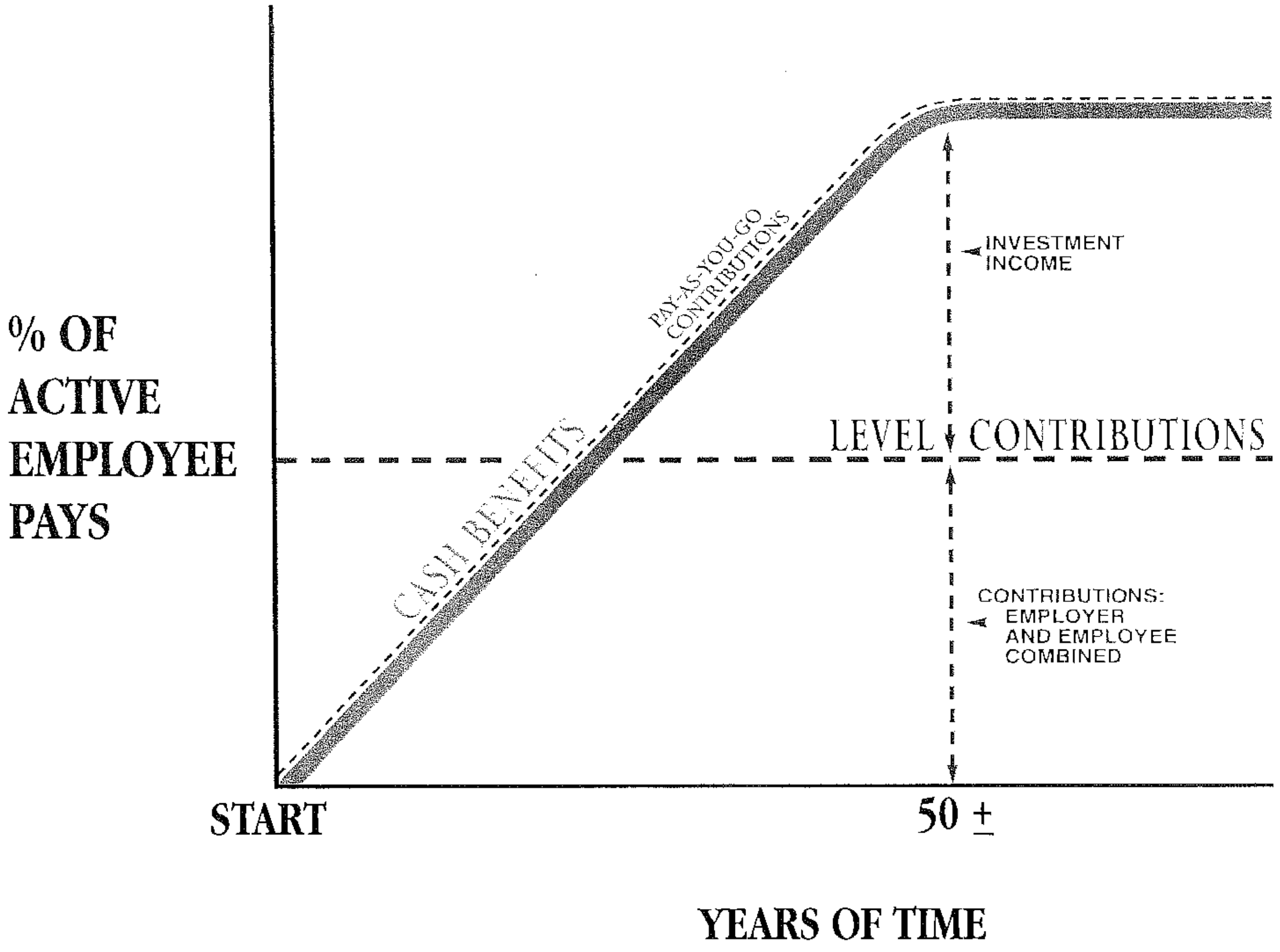
The fundamental financial objective of LAGERS is to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Missouri citizens. To test how well the fundamental objective is being achieved, annual actuarial valuations are made, which adjust employer contributions, up or down as the case may be, for differences in the past year between assumed financial experiences and actual financial experiences.

The actuaries submitting this report are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,
Gabriel, Roeder, Smith and Company

Mita Drazilov
Mita D. Drazilov, ASA, MAAA

Judith A. Kermans
Judith A. Kermans, EA, MAAA



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- Economic Risk Areas
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size
- Non-Economic Risk Areas
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability

The Annual Actuarial Valuation Process For LAGERS

The financing diagram on the preceding page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the federal Social Security program) which is thus an increasing contribution method; and the ***level contribution method*** which equalizes contributions between the generations. Missouri law requires the level contribution method.

The ***actuarial valuation*** is the mathematical process by which liabilities and the level contribution rates are determined, and the flow of activity constituting the valuation may be summarized as follows:

A. ***Covered Person Data***, furnished by plan administrator, including:
   - Retired lives now receiving benefits
   - Former employees with vested benefits not yet payable
   - Active employees

B. + ***Asset data*** (cash and investments), furnished by plan administrator

C. + ***Assumptions concerning future financial experiences in various risk areas***, which assumptions are established by the Board of Trustees after consulting with the actuary.

D. + ***The funding method*** for employer contributions (the long-term, planned pattern for employer contributions).

E. + ***Mathematically combining the assumptions, funding method, and the data.***

F. = Determination of:

Employer's financial position in LAGERS
and
New Employer Contribution Rates.

Brief Summary of LAGERS
Benefits and Conditions Evaluated and/or Considered
Through February 29, 2012
(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 841 retirees and beneficiaries with total annual benefits of $14,858,416 reported as of February 29, 2012.

The City of Independence

Retirees and Beneficiaries Added To and Removed From Rolls Comparative Schedule

Valuation Date	Added to Rolls *		Removed from Rolls		Year End	
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits #
2/28/2007	32	$799,179	26	$401,472	639	$8,900,301
2/29/2008	64	1,337,853	20	366,981	683	9,871,173
2/28/2009	65	1,616,876	25	381,445	723	11,106,603
2/28/2010	49	1,022,503	23	487,900	749	11,641,206
2/28/2011	54	1,406,387	27	436,158	776	12,611,435
2/29/2012	87	2,701,900	22	454,919	841	14,858,416

* Includes post-retirement adjustments.

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

Benefits to retirees and beneficiaries are paid out of the Benefit Reserve Fund, which is a pooled fund over all employers. When a member retires, employer and member assets are transferred to the pooled Benefit Reserve Fund in order to pay the lifetime benefits to the retiring member. Therefore, the assets and liabilities associated with the above retirees and beneficiaries are not included in this report.

The City of Independence

Retirees and Beneficiaries on Rolls as of February 29, 2012 By Disbursing Fund and Type of Benefit Being Paid

Type of Benefit	Number	Annual Benefits #
Service Early & Deferred		
Life Option	253	$4,369,395
Option A	196	3,931,765
Option B	186	3,911,583
Option C	34	443,005
Beneficiary Receiving	72	631,618
Totals	741	13,287,366
Duty Disability		
Life Option	23	539,186
Option A	8	160,487
Option B	5	148,325
Option C	1	22,658
Totals	37	870,656
Non-Duty Disability		
Life Option	13	204,537
Option A	7	83,733
Option B	8	120,419
Option C		
Totals	28	408,688
Beneficiary receiving	8	88,584
Total Disability	73	1,367,928
Death-In-Service		
Spouse Receiving	27	203,122
Children Receiving		
Totals	27	203,122
Totals	**841**	**$14,858,416**

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

The City of Independence

Active and Vested Former Members as of February 29, 2012

	Active Members					
			Averages *			
Division	Number	Annual Payroll	Annual Pay	Age	Service	Number of Vested Former Members
General	666	$41,782,245	$62,736	48.4 yrs.	14.7 yrs.	153
Police	197	13,222,132	67,117	40.9	13.6	23
Fire	153	10,204,348	66,695	41.7	13.8	9

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

A vested former member is a person who terminated employment after 5 or more years of LAGERS service, with rights to a deferred benefit commencing at age 60 (age 55 for police and fire members). Former members who terminated with this employer and now work for another LAGERS-covered employer are also included in the above right-most column.

Meaning of Actuarial Accrued Liabilities

"Actuarial Accrued Liabilities" are the present value $ of plan promises to pay benefits in the future allocated to service already rendered --- a liability has been established ("accrued") because the service has been rendered, but the resulting monthly cash benefit may not be payable until years in the future. Accrued liability $ are the result of complex mathematical calculations, which are made by the plan's actuary (which is the name given to the specialist who makes such calculations).

"Unfunded Accrued Liabilities" are the difference between the accrued liabilities and the assets on hand. The assets credited to your account in the Employer Accumulation Fund and the Members Deposit Fund were reported to the actuary on a cost basis. For actuarial valuation purposes, the actuary adjusted the reported cost basis assets to a market related value ("actuarial value of assets"). Unfunded accrued liabilities were amortized over a period of future years.

The City of Independence

Employer Accumulation Fund (EAF) and Members Deposit Fund (MDF) Actuarial Accrued Liabilities and Actuarial Value of Assets as of February 29, 2012

		Reported Assets (Cost Basis)				
Division	**Accrued Liabilities (1)**	**EAF (2)**	**MDF (3)**	**Total (4)=(2)+(3)**	**Actuarial Value of Assets (5)**	**Unfunded Accrued Liabilities (6)=(1)-(5)**
General	$134,851,553	$68,801,471	$3,767,300	$72,568,771	$83,359,747	$51,491,806
Police	43,649,606	19,242,823	1,174,114	20,416,937	23,452,936	20,196,670
Fire	32,199,614	15,702,414	882,113	16,584,527	19,050,646	13,148,968

The City of Independence

Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2013

	Employer Contributions Expressed as %'s of Active Member Payroll			
	Current Cost		Prior Service Cost	Total Employer Contribution Rate
Division	**Service Retirement**	**Disability Retirement**		
General	7.1%	0.3%	4.9%	12.3%
Police	6.8	0.3	6.4	13.5
Fire	10.1	0.3	3.7	14.1

The current cost for service retirements was determined by financing each member's retirement benefits over the period from the member's date of hire until the member's projected date of retirement (entry age actuarial cost method). The current cost for service retirements is credited to the employer's account in the Employer Accumulation Fund.

The current cost for disability retirements represents the value of disability benefits in excess of members' accrued service retirement benefits, and was determined system-wide using a modified terminal funding method. The current cost for disability retirements is credited to the system-wide pooled Casualty Reserve Fund.

The prior service cost is computed by financing the unfunded accrued liabilities over a period or periods of future years. If the prior service cost is negative, it is used to partially offset the current cost. The prior service cost is credited to the employer's account in the Employer Accumulation Fund.

Under Section 70.730 of the Revised Statutes of Missouri, the computed employer contribution rate shall not exceed the contribution rate for the immediately preceding fiscal year by more than one percent (not including the effects of any benefit changes). The contribution rates shown above reflect the one percent maximum increase, if applicable. The uncapped employer contribution rate for the General division was computed to be 15.9%. The uncapped employer contribution rate for the Police division was computed to be 18.5%. The uncapped employer contribution rate for the Fire division was computed to be 19.6%.

The City of Independence
General Division

Employer Contributions – Comparative Schedule

	Active Members						
			Averages *				
Valuation Date	Number	Annual Payroll	Annual Pay	Age	Service	Vested Former Members	Employer Contribution Rate
2/28/2007	722	$37,861,304	$52,439	47.3 yrs.	14.3 yrs.	157	6.4%
2/29/2008	716	39,667,860	55,402	47.6	14.4	162	6.3
2/28/2009	734	41,898,085	57,082	47.5	14.1	157	7.3
2/28/2010	741	42,788,003	57,744	47.9	14.2	150	10.3
2/28/2011	727	44,180,140	60,770	48.0	14.3	150	11.3
2/29/2012	666	41,782,245	62,736	48.4	14.7	153	12.3

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

Accrued Liabilities and Assets - Comparative Schedule

				Unfunded Accrued Liabilities	
Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Dollar Amount	Percent of Annual Payroll
2/28/2007	$93,778,569	$99,742,139	106.4%	($5,963,570)	-
2/29/2008	99,645,970	106,870,805	107.3	(7,224,835)	-
2/28/2009	102,675,773	84,308,660	82.1	18,367,113	43.8
2/28/2010	129,466,448	86,543,737	66.8	42,922,711	100.3
2/28/2011	139,418,448	87,717,500	62.9	51,700,948	117.0
2/29/2012	134,851,553	83,359,747	61.8	51,491,806	123.2

Amortization of Unfunded Accrued Liabilities as of February 29, 2012

Amortization Period #	Remaining Unamortized Liability
15	$10,727,561
19	14,286,804
27	26,477,441

\# The minimum amortization period is 15 years, except for liabilities arising due to adoption of the Non-Contributory Refund provision. The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Police Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members					Vested Former Members	Employer Contribution Rate
			Averages *				
	Number	Annual Payroll	Annual Pay	Age	Service		
2/28/2007	191	$10,709,713	$56,072	41.0 yrs.	14.1 yrs.	20	7.4%
2/29/2008	194	11,374,428	58,631	40.2	13.4	19	8.2
2/28/2009	201	11,846,795	58,939	39.6	12.9	20	9.2
2/28/2010	201	12,649,929	62,935	40.2	13.2	24	11.5
2/28/2011	203	13,367,864	65,852	40.7	13.7	24	12.5
2/29/2012	197	13,222,132	67,117	40.9	13.6	23	13.5

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

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/28/2007	$29,782,046	$30,264,756	101.6%	($482,710)	-
2/29/2008	30,425,137	29,780,988	97.9	644,149	5.7
2/28/2009	31,860,963	23,108,872	72.5	8,752,091	73.9
2/28/2010	39,734,300	23,681,246	59.6	16,053,054	126.9
2/28/2011	45,161,960	26,267,712	58.2	18,894,248	141.3
2/29/2012	43,649,606	23,452,936	53.7	20,196,670	152.7

Amortization of Unfunded Accrued Liabilities as of February 29, 2012

Amortization Period #	Remaining Unamortized Liability
15	$9,118,382
19	4,250,446
27	6,827,842

\# The minimum amortization period is 15 years, except for liabilities arising due to adoption of the Non-Contributory Refund provision. The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Fire Division

Employer Contributions – Comparative Schedule

Valuation Date	Active Members					Vested Former Members	Employer Contribution Rate
			Averages *				
	Number	Annual Payroll	Annual Pay	Age	Service		
2/28/2007	168	$8,933,078	$53,173	42.6 yrs.	14.6 yrs.	12	8.5%
2/29/2008	164	9,448,032	57,610	43.1	15.2	12	8.5
2/28/2009	163	9,907,590	60,783	43.5	15.4	11	9.5
2/28/2010	162	10,187,651	62,887	43.2	15.4	10	12.1
2/28/2011	160	10,588,103	66,176	42.8	14.8	9	13.1
2/29/2012	153	10,204,348	66,695	41.7	13.8	9	14.1

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

Accrued Liabilities and Assets - Comparative Schedule

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/28/2007	$25,331,727	$28,396,343	112.1%	($3,064,616)	-
2/29/2008	27,745,280	31,033,900	111.9	(3,288,620)	-
2/28/2009	29,251,265	25,408,183	86.9	3,843,082	38.8
2/28/2010	35,711,591	25,444,769	71.3	10,266,822	100.8
2/28/2011	36,338,571	23,483,727	64.6	12,854,844	121.4
2/29/2012	32,199,614	19,050,646	59.2	13,148,968	128.9

Amortization of Unfunded Accrued Liabilities as of February 29, 2012

Amortization Period #	Remaining Unamortized Liability
15	$4,165,579
19	3,213,017
27	5,770,372

The minimum amortization period is 15 years, except for liabilities arising due to adoption of the Non-Contributory Refund provision. The maximum amortization period is 30 years, except in certain cases. The periods shown reflect the remaining amortization periods for: (i) the employer's initial liability and subsequent actuarial gains and losses; and (ii) benefit changes adopted by the employer.

The City of Independence
Governmental Accounting Standards Board (GASB)
Statement Numbers 25 and 27 Reporting Information

A. GASB Accounting Contribution

The LAGERS required contribution for the fiscal year beginning July 1, 2013 is shown on page 12 of this report. For accounting reporting purposes, a GASB contribution is computed. (Based upon specific GASB accounting requirements, in some instances this contribution may differ from the LAGERS required contribution.) Presented below is the GASB accounting contribution as a % of active member payroll:

Valuation Date	For the Fiscal Year Beginning	GASB Accounting Contribution		
		General	Police	Fire
02/28/2010	07/01/2011	12.8%	13.5%	16.1%
02/28/2011	07/01/2012	13.9	14.8	17.1
02/29/2012	07/01/2013	14.2	15.5	17.5

B. Schedule of Funding Progress

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2010	$135,669,752	$204,912,339	$69,242,587	66%	$65,625,583	106%
02/28/2011	137,468,939	220,918,979	83,450,040	62	68,136,107	122
02/29/2012	125,863,329	210,700,773	84,837,444	60	65,208,725	130

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

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APPENDIX J

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, 2012

BASED ON A
VALUATION DATE OF JANUARY 1, 2011

JULY 2012

Actuaries &
Consultants

LEWIS & ELLIS, INC.
OVERLAND PARK, KS

Dallas
Glenn A. Tobleman, F.S.A., F.C.A.S.
S. Scott Gibson, F.S.A.
Cabe W. Chadick, F.S.A.
Michael A. Mayberry, F.S.A.
David M. Dillon, F.S.A.
Gregory S. Wilson, F.C.A.S.
Steven D. Bryson, F.S.A.
Bonnie S. Albritton, F.S.A.
Brian D. Rankin, F.S.A.
Wesley R. Campbell, F.S.A.
Jacqueline B. Lee, F.S.A.
Robert B. Thomas, Jr., F.S.A., C.F.A. (Of Counsel)

Baltimore
David A. Palmer, C.F.E.

L&E
Actuaries &
Consultants

Kansas City
Gary L. Rose, F.S.A.
Terry M. Long, F.S.A.
David L. Batchelder, A.S.A.
Leon L. Langlitz, F.S.A.
Gary R. McElwain, FLMI
Anthony G. Proulx, F.S.A.
Thomas L. Handley, F.S.A.
D. Patrick Glenn, A.S.A., A.C.A.S.
Christopher H. Davis, F.S.A.
Karen E. Elsom, F.S.A.
Jill J. Humes, F.S.A.
Jan E. DeClue, A.S.A.
Patricia A. Peebles, A.S.A.

London/Kansas City
Roger K. Annin, F.S.A., F.I.A.
Timothy A. DeMars, F.S.A., F.I.A.
Scott E. Morrow, F.S.A., F.I.A.

July 10, 2012

Mr. James C. Harlow
Director of Finance & Administration
City of Independence
111 East Maple
Independence, MO 64050

Dear Mr. Harlow:

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

- Present information that provides a basis for disclosure on the financial statements for the fiscal year ending June 30, 2012; and
- Determine the Annual OPEB Cost for the fiscal year beginning July 1, 2011.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. Employee data, claim experience and plan descriptions were furnished by the City and its vendors. The data provided has been reviewed for reasonableness, but no attempt has been made to audit such information. The valuation is based on the provisions of the plan as of the time of the completion of this valuation study. Each actuarial assumption used in this valuation is reasonably related to past experience of the covered group and represents reasonable expectations of future experience.

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

Respectfully submitted,

LEWIS & ELLIS, INC.

Patrick Glenn

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

Lewis & Ellis, Inc. • 11225 College Boulevard • Suite 320 • Overland Park, KS 66210-2798
913/491-3388 • Fax 913/642-9777 • www.LewisEllis.com

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SUMMARY

BACKGROUND

The valuation procedures noted below and information presented in this report are based on provisions underlying Government Accounting Standards Board (GASB) Statement 45. GASB stipulates retiree benefits be based on age-adjusted costs. The excess of expected costs by age less retiree contributions equals the projected employer benefit that forms the basis for the valuation. The amount of annual expense accrual under GASB is equal to the Annual OPEB Cost. The offsetting liability, called the Net OPEB Obligation, is reduced by the amount of net employer contributions during the year.

VALUATION PROCEDURES

The financial information for fiscal year 2011-2012 is based upon an actuarial valuation performed as of January 1, 2011 using the participant census as of January 1, 2011. The previous valuation was performed as of January 1, 2009, using the participant census as of January 1, 2009. Updated valuations are required every two years for governments with more than 200 employees plus covered retirees. Financial results for interim years are based on the prior "full" or updated valuation unless a material change occurs.

SUBSTANTIVE PLAN

The City of Independence sponsors post retirement medical and prescription drug coverage. The benefit plan options offered by the City collectively operate as a single-employer defined benefit healthcare plan. Two plan options are available. For plan year 2011, the City plan options were OAP – In Network and Open Access. Beginning January 1, 2012, the In Network plan was replaced with the OAP II plan. The former Open Access plan remains as the OAP I plan. Coverage is available for each of the lifetimes of retirees and their spouses upon payment of required retiree contribution premiums. All plan options are self-insured with stop-loss coverage for large claims.

FUNDING OF BENEFITS

Costs under the self-funded program are paid from pooled investments. This arrangement does not qualify as an "OPEB Plan" under GASB requirements and thus these assets may not be reported as an offset to GASB liabilities.

FUNDING OF BENEFITS *(continued)*

GASB 45 requires a valuation interest rate (or discount rate) be used to calculate the present value of expected future benefits. Whether or not plan assets may apply, the valuation interest rate should equal the estimated long-term investment yield on the source of assets used to provide for the payment of benefits. Based on an analysis of long-term experience of comparable asset classes anticipated to be held by the City, an expected long-term return of 4.0% is assumed for valuation. This is a decrease from 4.5% assumed for the prior valuation.

RESULTS

The Annual OPEB Cost is a charge of $19.3 million for fiscal year 2011-2012. The Actuarial Accrued Liability (AAL) as of January 1, 2011 is $246.3 million. The financial results are detailed on pages 5 and 6.

Annual OPEB Cost consists of the Annual Required Contribution (ARC) and the Interest and ARC Adjustments. The ARC equals the Normal Cost plus amortization of the Actuarial Accrued Liability (AAL). The Normal Cost is the amount of Actuarial Present Value of Benefits allocated to the current year as determined under the applicable actuarial cost method. The amount of AAL is the portion of the Actuarial Present Value of benefits allocated to all prior years. The actuarial cost method is a procedure to allocate present value costs to different time periods. The entry age normal (level percent-of-pay) actuarial cost method has been utilized for allocation.

We have used a 30 year amortization of the AAL (based on level percent-of-pay) to produce the 2011-2012 expense. Thirty years is the maximum allowable number of years for amortizing the AAL. While only a portion of the AAL is currently recognized through amortization, the full amount of AAL must be disclosed. The Actuarial Present Value of Benefits is shown for informational / instructional purposes only; it is not required to be disclosed or recognized.

The major changes and items of impact relative to the last valuation are shown below:

- The assumed Medical / Rx trend rates were changed from 9%, 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5%, 5% (Ultimate) **to** 8.5%, 8%, 7.5%, 7%, 6.5%, 6%, 5.5%, 5.25% (Ultimate).
- The disability cost load for disabled retirees was removed since it is assumed the experience for projecting costs already includes the claims of disabled participants.
- The turnover rates and retirement age assumptions were updated in some cases to reflect the latest statistics available from LAGERS.

RESULTS *(continued)*

- The assumed proportion of future retirees with a covered spouse was increased from 60% to 65%. This is based on an analysis of current spousal elections.
- The OAP – In Network plan was replaced with the OAP II plan effective January 1, 2012. The former Open Access plan remains in place as the OAP I plan. As of January 1, 2012 over 95% of plan participants (retirees and actives) elected coverage in the OAP I plan.
- For the OAP I plan, projected pre 65 per capita retiree costs increased 12% per year relative to the prior valuation. Post 65 per capita retiree costs increased 3.2% relative to the prior valuation.
- Effective July 1, 2011, retiree contribution rates increased from 14% to 17% (for those retired prior to November 1, 2009) and from 17% to 20% (for those retired November 1, 2009 or after) of plan premiums.
- Based on recent emerging experience the valuation interest rate was lowered from 4.5% to 4.0%.

The actual GASB 45 costs may differ from expected due to experience gains/losses and changes in plan provisions, assumptions and/or actuarial methods. Example sources of experience gains may include lower retirements than assumed and lower medical inflation than assumed. Example sources of experience losses may include lower turnover than assumed and less increase in retiree contribution premiums than assumed.

The projected AAL as of January 1, 2011 based on the January 1, 2009 valuation parameters is $218 million. Using a 4.5% discount rate, the AAL as of January 1, 2011 under current plan parameters is $227 million, a difference of about 4% relative to the projected $218 million. The final AAL as of January 1, 2011 using a discount rate of 4.0% is $246 million.

The projected Annual Required Contribution (ARC) for fiscal year 2011-2012 based on the January 1, 2009 valuation parameters is $17.5 million. Using a discount rate of 4.5%, the ARC for fiscal year 2011-2012 under current plan parameter is $18.3 million, a difference of less than 5%, relative to the projected $17.5 million. The final ARC for fiscal year 2011-2012 using a discount rate of 4.0% is $19.5 million.

FUTURE REPORTING

Under GASB 45 provisions, an updated "full" valuation is mandated for the City at least every two years. The next updated valuation is required for fiscal years 2013-2014 and 2014-2015 and should be based on a valuation date of January 1, 2013.

The current valuation provides information for fiscal years 2011-2012 and 2012-2013. The Annual Required Contribution for interim year 2012-2013 will remain at $19,459,020 but the Annual OPEB Cost will change. After the implementation year, the Annual Required Contribution (ARC) and Annual OPEB Cost do not equal due to two adjustments. These are the interest cost and the ARC adjustments.

The Net OPEB Obligation at any point in time equals the accumulated Annual OPEB Cost minus accumulated Net Employer Contributions since implementation of GASB 45. For self-insured programs, the Net Employer Contributions should equal claims, administrative costs and stop-loss premiums paid on behalf of retirees and their dependents, less retiree contribution premiums. The expected Net employer contributions for 2012-2013, based on the January 1, 2011 valuation, are shown below. The reported amount includes anticipated retirements which may vary from actual.

	Fiscal Year 2012-2013
Expected Retiree Costs	$8,475,000
Expected Retiree Contributions	1,205,000
Projected Net Employer Contributions	$7,270,000

ANNUAL OPEB COST FOR 2011/2012

A. Actuarial Present Value of Benefits	
Future Retirees	216,720,733
Current Retirees	110,228,170
	326,948,903
B. Actuarial Accrued Liability	
Future Retirees	136,113,126
Current Retirees	110,228,170
	246,341,296
C. OPEB Plan Assets	-0-
D. Unfunded Actuarial Accrued Liability (B – C)	246,341,296
E. Amortization Factor (30 Year Open, Level %-of-Pay)	22.95922
F. Amortization of Unfunded	11,379,681
G. Normal Cost	8,079,339
H. Annual Required Contribution (ARC) (F + G)	19,459,020
I. Net OPEB Obligation at Beginning of Year	36,338,530
J. Interest on Net OPEB Obligation to end of year (I x .04)	1,453,541
K. Adjustment to the ARC (I / E)	1,582,742
L. Annual OPEB Cost (H + J – K)	**19,329,819**
M. Valuation Interest Rate	4.00%
N. Aggregate Payroll Growth	2.00%
O. Measurement Date	January 1, 2011

DISCLOSURE INFORMATION

1. Annual OPEB Cost for 2011/2012

A. Normal Cost	8,079,339
B. Amortization of Unfunded Actuarial Accrued Liability	11,379,681
C. Annual Required Contribution (ARC)	19,459,020
D. Interest on Net OPEB Obligation	1,453,541
E. Adjustment to the ARC	1,582,742
F. Annual OPEB Cost (C + D – E)	19,329,819

2. Estimated Employer Contributions for 2011/2012

A. Retiree Costs	7,693,000
B. Retiree Contribution Premiums	1,080,000
C. Employer Contributions (A - B)	6,613,000

3. Schedule of Employer Contributions

For Fiscal Year Ended June 30

Year	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2008	13,210,480	4,111,836	31.13%	9,098,644
2009	13,264,139	4,460,366	33.63%	17,902,417
2010	14,947,974	5,777,634	38.65%	27,072,757
2011	14,935,773	5,670,000	37.96%	36,338,530
2012	19,329,819	6,613,000	34.21%	49,055,349

4. Net OPEB Obligation at 6/30/12

A. Balance at 6/30/2011	36,338,530
B. Annual OPEB Cost for 2011/2012	19,329,819
C. Employer Contributions for 2011/2012	6,613,000
D. Balance at 6/30/2012 (A + B - C)	49,055,349

5. Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent Of Covered Payroll ((b-a)/c)
1/1/2007	0	156,700,731	156,700,731	0%	54,887,375	285.5%
1/1/2009	0	198,767,219	198,767,219	0%	61,350,244	324.0%
1/1/2011	0	246,341,296	246,341,296	0%	65,353,754 (a)	377.0%

(a) 2010 Calendar Year Pay

RESULTS BY ACCOUNTING FUND

Census

Accounting Fund	Number of Active Employees	Number of Inactive Lives
General Fund (2)	660	645
Tourism (4)	4	0
Community Dev Block Grant (8)	2	0
Home Program Fund (9)	1	0
Parks Improv Sales Tax Fund (12)	13	0
Storm Water Sales Tax Fund (13)	7	0
Grants (15)	9	1
Power and Light Fund (20)	211	225
Sanitary Sewer Fund (30)	62	36
Water Fund (40)	88	75
Central Garage Fund (90)	9	6
Worker's Compensation Fund (92)	1	0
Total	1,067	988

Financial Results

Accounting Fund	Actuarial Accrued Liability (AAL)	Net OPEB Obligation at 6/30/2011	2011-2012 Annual OPEB Cost	2011-2012 Expected Employer Contributions	Net OPEB Obligation at 6/30/2012
General Fund (2)	160,501,550	23,538,889	12,503,786	4,429,086	31,613,589
Tourism (4)	268,697	143,598	40,357	3,939	180,016
Community Dev Block Grant (8)	192,091	60,231	16,900	11	77,120
Home Program Fund (9)	163,775	54,947	19,166	517	73,596
Parks Improv Sales Tax Fund (12)	882,008	371,990	151,347	208	523,129
Storm Water Sales Tax Fund (13)	594,094	159,981	82,148	214	241,915
Grants (15)	614,427	332,798	98,228	6,580	424,446
Power and Light Fund (20)	50,116,869	6,566,944	3,855,918	1,471,962	8,950,900
Sanitary Sewer Fund (30)	11,328,339	2,095,596	1,007,010	215,356	2,887,250
Water Fund (40)	19,820,865	2,721,606	1,391,464	427,816	3,685,254
Central Garage Fund (90)	1,711,659	278,970	154,024	57,297	375,697
Worker's Compensation Fund (92)	146,922	12,980	9,471	14	22,437
Total	246,341,296	36,338,530	19,329,819	6,613,000	49,055,349

SUMMARY OF PARTICIPANT DATA

Data on Plan Participants was provided by the City of Independence. A summary of Participants is shown below for the current and prior valuations. (Active employees waiving coverage were not valued.)

Participant Summary		January 1, 2009	January 1, 2011
Actives			
1.	General Employees	716	708
2.	Public Safety Employees	373	359
3.	Total Actives	1,089	1,067
Inactives			
4.	Retirees/Disableds/Surviving Spouses	604	629
5.	Spouses of Covered Retirees/Disableds	351	359
6.	Total Inactives	955	988
7.	Grand Total	2,044	2,055

Census Averages		
Actives - Average Service	14.2 years	14.3 years
Actives - Average Age	45.2 years	45.8 years
Retirees - Average Age (based on Item 4)	69.3 years	69.8 years

Enrollment by Coverage Tier – January 1, 2011

	Single	Single + Spouse	Single + Child(ren)	Family	Total
Actives	277	236	141	413	1,067
Retirees	266	338	4	21	629

SUMMARY OF PARTICIPANT DATA *(CONTINUED)*

Distribution of Active Participants

	Years of Service as of January 1, 2011								
Age	**Under 5**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35+**	**Total**
Under 25	17								17
25-29	58	22	1						81
30-34	48	43	20						111
35-39	23	32	43	19					117
40-44	18	29	43	29	11				130
45-49	22	27	22	22	33	16	3		145
50-54	21	22	28	16	27	42	40	4	200
55-59	7	26	19	13	17	33	40	15	170
60-64	9	13	9	3	3	10	13	15	75
65-69	4	2	1	2	5	1		1	16
70+		2	1				2		5
Total	**227**	**218**	**187**	**104**	**96**	**102**	**98**	**35**	**1,067**

Distribution of Retirees/Disableds/Surviving Spouses

Age	Total	Age	Total
≤50	2	66	31
51	1	67	30
52	5	68	28
53	3	69	32
54	7	70	26
55	4	71	26
56	13	72	19
57	9	73	19
58	15	74	6
59	14	75	23
60	15	76	14
61	22	77	14
62	22	78	16
63	28	79	19
64	35	80	12
65	28	>80	91
		Total	**629**
		Average Age	**69.8**

SUMMARY OF PLAN PROVISIONS

The City of Independence, Missouri (the City) provides for continuing medical and prescription insurance coverage to its retirees and their dependents. Below is a summary of the provisions of the healthcare program utilized in completing this valuation study.

ELIGIBILITY

Employees Hired Before January 2, 2009

	Retirement	Disability Retirement
General Employees	55 & 5	5 years of service
Public Safety	50 & 5	5 years of service

Employees Hired After January 1, 2009

	Retirement	Disability Retirement
General Employees	55 & 20	20 years of service *
Public Safety	50 & 20	20 years of service *

* Drops to 15 years of service if the employee goes on Duty Disability

BENEFITS

Medical and Prescription Drug coverage available to retirees are provided through a self-insured group insurance program. Effective January 1, 2012, the OAP – In Network plan was replaced with the OAP II plan. The former Open Access plan remains in place as the OAP I plan. Over 95% of plan participants currently participate in the OAP I plan.

The plan parameters are the same as those that apply to active employees. For retirees and spouses over age 65, the City coverage is secondary to Medicare and retirees must enroll in Medicare Parts A and B.

Retirees can change plan elections annually during open enrollment. Upon payment of required contributions, retirees and their spouses have benefits available for each of their own lifetimes. Plan benefits renew annually on January 1st.

SUMMARY OF PLAN PROVISIONS (*CONTINUED*)

A summary of the OAP I plan parameters for 2011 (and 2012) is shown below:

	In-Network	Out of Network
Deductible Individual / Family	$100 / $250	$200 / $500
Coinsurance – Plan Pays	90%	80%
Out of Pocket Individual / Family	$600 / $1,200	$1,450 / $2,875
Office Visit Copays		
Primary Care	$10 + Coinsurance	$35 + Coinsurance
Specialist	$10 + Coinsurance	$35 + Coinsurance
Wellness Benefit	100% Covered	
Emergency Room	$50 Copay + Deductible + Coinsurance	
Prescription Drugs Retail Copays (30 days)		
Generic	$10	
Brand Formulary	$35	
Non-formulary	$60	
Mail Order Copays (90 days)	2x Copay (N/A for Out of Network)	
Employer Specific Stop-Loss Limit	$250,000	

SUMMARY OF PLAN PROVISIONS (*CONTINUED*)

ANNUAL RETIREE CONTRIBUTION PREMIUMS

Participants must contribute a stipulated percentage of the plan premiums to maintain coverage. The contribution levels shown below for the OAP I plan serve as a starting point for the valuation and are assumed to increase at the same rate of health care costs in the future. Note that an increase in the stipulated percentage occurred effective July 1, 2011. The percentage increased 14% to 17% (for those Retired Prior to November 1, 2009) and 17% to 20% (for those Retired November 1, 2009 and after).

Retired Prior to November 1, 2009

Coverage	Jan 1, 2011	July 1, 2011	Jan 1, 2012
Pre-Medicare			
Single	$811	$985	$1,034
Single + Spouse	$1,963	$2,384	$2,503
Medicare without Part D			
Single	$767	$931	$978
Single + Spouse (2 on Medicare)	$1,534	$1,862	$1,956
Single + Spouse (1 on Medicare)	$1,561	$1,896	$1,990

Retired on or after November 1, 2009

Coverage	Jan 1, 2011	July 1, 2011	Jan 1, 2012
Pre-Medicare			
Single	$985	$1,159	$1,217
Single + Spouse	$2,384	$2,805	$2,945
Medicare without Part D			
Single	$931	$1,095	$1,150
Single + Spouse (2 on Medicare)	$1,862	$2,191	$2,301
Single + Spouse (1 on Medicare)	$1,896	$2,230	$2,341

COST ANALYSIS BY AGE

Ultimately the "benefits" provided by the City equal the claims and administrative costs paid on behalf of retirees less retiree contribution premiums. This is captured in "Net Employer Contributions."

The projected benefit that is valued under GASB 45 equals the age-adjusted cost (sample ages shown below) less the retiree contribution premium. Age-adjusted costs are the estimated costs that would result if a credible-size group of like-age participants was measured.

Age-adjusted costs are based on plan experience, and vendor contract rates for administrative and stop-loss premium costs. We studied claims experience for Medical and Prescription Drug from November 2008 to May 2012. The experience was analyzed separately for Actives, Pre 65 Retirees and Post 65 Retirees. Age-adjusted expected costs during 2011 are shown below at sample ages. These age-adjusted cost levels serve as a starting point for projecting costs into the future.

EXPECTED RETIREE COST LEVELS DURING PLAN YEAR 2011 (PER MEMBER PER YEAR)

Age	Medical / Rx Claims	Admin	Total
55	9,265	525	9,790
58	9,890	525	10,415
62	11,500	525	12,025
64	12,190	525	12,715
65	3,465	250	3,715
70	4,200	250	4,450
75	4,935	250	5,185
80	5,565	250	5,815
85	6,195	250	6,445

The difference between the above expected costs that apply by age less the retiree contribution premium is the "benefit" that is valued for GASB 45 cost recognition.

ACTUARIAL ASSUMPTIONS

A. Valuation Interest Rate	4.0%
B. Measurement Date	January 1, 2011

C. Trend on Medical/Rx Costs

Year From Measurement Date	Increase Over Prior Year
1	8.5%
2	8.0%
3	7.5%
4	7.0%
5	6.5%
6	6.0%
7	5.5%
8 (to Ultimate)	5.25%

D. Age-Adjusted Costs

The estimated cost by age during 2011 at sample ages is shown on page 13.

E. Healthy Life Mortality

Assumed mortality is based on the RP-2000 Combined Mortality Table. Illustrations of assumed annual rates of mortality are shown in the table below for selected ages:

Age	Male	Females
30	.04%	.03%
40	.11%	.07%
50	.21%	.17%
60	.67%	.51%
70	2.22%	1.67%
80	6.44%	4.59%
90	18.34%	13.17%

F. Disabled Life Mortality

Assumed mortality for disabled members is based on the RP-2000 Disabled Life Mortality. Illustrations of the assumed annual rates of mortality are shown in the table below for selected ages:

Age	Males	Females
30	2.26%	.75%
40	2.26%	.75%
50	2.90%	1.15%
60	4.20%	2.18%
70	6.26%	3.76%
80	10.94%	7.23%
90	18.34%	14.00%

G. Retirement Due to Disability

Assumed disability rates are based on rates used for the LAGERS pension actuarial valuation. Illustrations of annual rates of disability are shown below at sample ages:

			General	
Age	Police	Fire	Male	Female
30	0.0010	0.0007	0.0019	0.0002
40	0.0020	0.0023	0.0032	0.0006
45	0.0031	0.0037	0.0042	0.0012
50	0.0052	0.0057	0.0054	0.0025
55	NA	NA	0.0071	0.0047

H. Proportion of Disability Coverage due to Duty Disability

General Employees – 0%
Public Safety Employees – 100%

I. Retirement Age

Assumed rates are based on those used for the LAGERS pension actuarial valuation. Retirement rates project the annual probability of retiring for eligible employees.

No Rule of 80

			General	
Age(s)	**Police**	**Fire**	**Male**	**Female**
50-54	0.030	0.025	N/A	N/A
55-56	0.100	0.150	0.025	0.030
57	0.100	0.100	0.025	0.030
58-59	0.100	0.150	0.025	0.030
60	0.100	0.200	0.100	0.100
61	0.100	0.100	0.100	0.100
62	0.250	0.300	0.250	0.150
63	0.200	0.300	0.250	0.150
64	0.200	0.250	0.200	0.150
65	1.000	1.000	0.250	0.200
66	1.000	1.000	0.250	0.250
67-68	1.000	1.000	0.200	0.200
69	1.000	1.000	0.200	0.150
70+	1.000	1.000	1.000	1.000

J. *Turnover Incidence (Other than Retirement)*

Assumed turnover rates are based on rates used for the LAGERS pension actuarial valuation. Turnover rates are not applied when retirement eligibility is achieved. Illustrations of annual rates of turnover are shown below at sample ages and levels of service:

Police

	Years of Service				
Age	0-1	1-2	2-3	3-4	4-5
All Ages	.18	.17	.16	.13	.12

	Years of Service > 5
Age	Rate
25	.101
30	.080
35	.061
40	.047
50	.018

Fire

	Years of Service				
Age	0-1	1-2	2-3	3-4	4-5
All Ages	.08	.07	.06	.06	.05

	Years of Service > 5
Age	Rate
25	.050
30	.040
35	.028
40	.022
50	.010

General

		Years of Service				
Gender	Age	0-1	1-2	2-3	3-4	4-5
Male	All Ages	.18	.16	.14	.11	.09
Female	All Ages	.21	.20	.16	.13	.12

	Years of Service > 5	
Age	Male	Female
25	.075	.107
30	.065	.094
35	.051	.072
40	.038	.055
50	.024	.034

K. Retiree Participation	One hundred percent (100%) of future eligible retirees are assumed to participate in the City's program.
L. Covered Spouses	Sixty-five percent (65%) of future participating retirees are assumed to have a covered spouse. This is based on coverage elections of employees near retirement age eligibility. Actual spouse elections were valued for spouses of current retirees.
M. Spousal Age Difference	Males are assumed to be 3 years older than their female spouses for current and future retirees.
N. Non-Spouse Dependents	Not Valued
O. Plan Election	Future eligible retirees and current retirees are assumed to elect the Open Access I plan.
P. Timing of Claim Payments	Mid-year
Q. Medicare Eligibility Age	Age 65
R. Medicare Part D Enrollment	None
S. Salary Scale (per employee)	3.0% per year
T. Aggregate City Payroll Growth	2.0% per year
U. Duration of Coverage	Retirees and spouses are assumed to continue coverage for each of their own lifetimes.

ACTUARIAL METHODS

A. POPULATION VALUED

The valuation is based on a closed group. Covered retirees and employees as of the valuation date are considered; no provision is made for future hires. Active employees waiving coverage were not valued.

B. ACTUARIAL COST METHOD – ENTRY AGE NORMAL (LEVEL PERCENT-OF-PAY)

The actuarial calculations were performed in accordance with the Entry Age Normal (Level percent-of-pay) Actuarial Cost Method as allowed under Governmental Accounting Standard No. 45 (GASB 45).

- The actuarial present value of each member's projected benefits is allocated on a level basis over the member's assumed compensation between the entry age of the member and the assumed exit ages.
- The portion of the actuarial present value allocated to the valuation year is called the Normal Cost.
- The actuarial present value of benefits allocated to prior years of service is called the Actuarial Accrued Liability.
- The Unfunded Actuarial Accrued Liability represents the difference between the Actuarial Accrued Liability and the actuarial value of assets as of the valuation date.
- The Unfunded Actuarial Accrued Liability is calculated each year and reflects experience gains/losses.

C. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability is amortized over 30 years as a level percent-of-pay, on an open-period basis.

D. ANNUAL REQUIRED CONTRIBUTION (ARC)

The sum of the Normal Cost and the amortization of the Unfunded Actuarial Accrued Liability comprise the ARC.

ACTUARIAL METHODS (*CONTINUED*)

E. ANNUAL OPEB COST

The Annual OPEB Cost equals the Annual Required Contribution when reporting for the GASB 45 implementation year. After the implementation year, the Annual OPEB Cost consists of the following components:

(i) Annual Required Contribution (ARC)
(ii) Interest on the Net OPEB Obligation
(iii) Adjustment to the ARC

F. ACTUARIAL VALUE OF ASSETS

As of the date of this valuation, it is our understanding there are no plan assets as recognized under GASB rules. Healthcare costs of retirees are paid as they come due from pooled investments of the City.

G. CALCULATION OF PRESENT VALUES

Using the actuarial assumptions, the number of retired participants is projected each year in the future. Costs are projected for each future year at each age using the trend and aging assumptions. The projected costs less projected retiree contributions are multiplied by the expected number of retirees in each future year to produce expected benefits payments. These payments are then discounted using the valuation interest rate to determine the present value of the projected liabilities.

The actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the substantive plan and pertinent law as they exist at the time of the preparation of this valuation study. The substantive plan is the plan that operates in practice.

GLOSSARY

Actuarial Accrued Liability (AAL). That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits which is allocated to periods prior to the valuation date.

Actuarial Cost Method. A procedure for allocating the Actuarial Present Value of plan benefits to time periods, usually in the form of a Normal Cost and Actuarial Accrued Liability.

Actuarial Present Value. The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions, and plan provisions. Actuarial Present Value takes into account the probability of payment as well as the time value of money.

Adjustment to the ARC. An adjustment made to Annual OPEB Cost to avoid double counting of the Amortization of the AAL when full funding of the ARC does not occur.

Amortization Payment. That portion of the Annual Required Contribution that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost. The amount of expense an employer must recognize in accordance with a Defined Benefit OPEB Plan, calculated in accordance with the parameters.

Annual Required Contribution (ARC). The portion of expense an employer must recognize in accordance with a Defined Benefit OPEB Plan equal to the Amortization Payment plus the Normal Cost, calculated in accordance with the assumptions and plan provisions.

Defined Benefit OPEB Plan. An OPEB plan having terms that specify the amount of benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age and years of service.

Healthcare Cost Trend Rate. The rate of change in per capita health claims cost over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GASB 45 between Annual OPEB Cost and the employer's contributions in relation to the Annual Required Contribution (ARC). An employer has made a contribution in relation to the ARC if the employer has (1) made payments of benefits directly to or on behalf of a retiree or beneficiary, (2) made premium payments to an insurer, or (3) irrevocably transferred assets to a qualifying trust.

Normal Cost. That portion of the Actuarial Present Value of OPEB plan benefits that is allocated to a valuation year by the Actuarial Cost Method.

GLOSSARY

Other Postemployment Benefits (OPEB). Postemployment benefits other than pension benefits. OPEB includes Postemployment Healthcare Benefits, regardless of the type of plan that provides them, and all post employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Postemployment Healthcare Benefits. Medical, dental, vision and other health-related benefits provided to retired employees and their dependents and beneficiaries.

Substantive Plan. The terms of the OPEB plan as understood by the employer and plan members.

Unfunded Actuarial Accrued Liability. The excess, if any, of the Actuarial Accrued Liability over the assets of the plan.

Valuation Interest Rate (or Discount Rate). The expected long-term rate of return on the source of assets used to pay retiree insurance benefits.