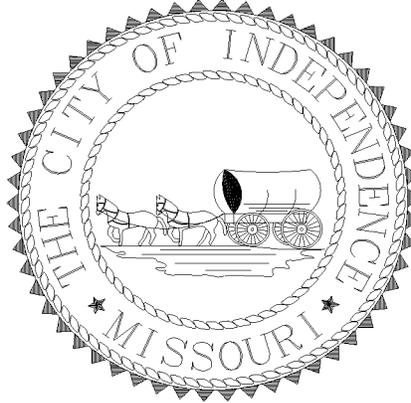


**CITY OF INDEPENDENCE, MISSOURI**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



**Mayor**  
Don B. Reimal

***City Council***

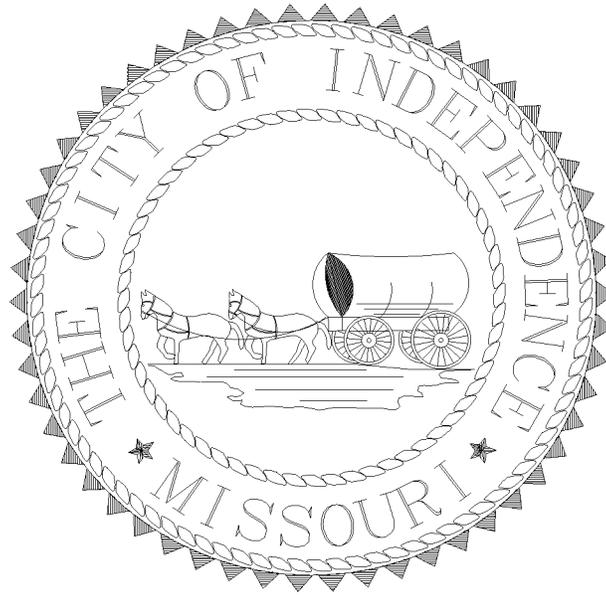
Marcie Gragg	District #1
Curt Dougherty	District #2
Myron Paris	District #3
Eileen N. Weir	District #4
Jim Schultz	At-large
Chris Whiting	At-large

***City Manager***

Robert Heacock

*Prepared by the Department of Finance*

*James C. Harlow, Director of Finance and Administration*



# CITY OF INDEPENDENCE, MISSOURI

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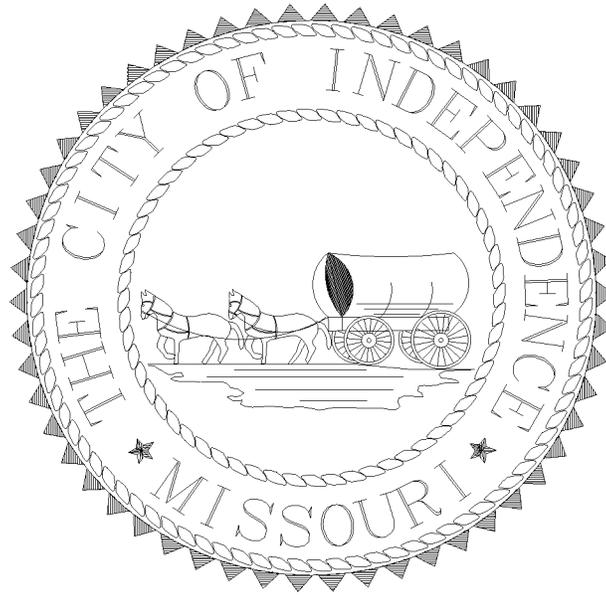
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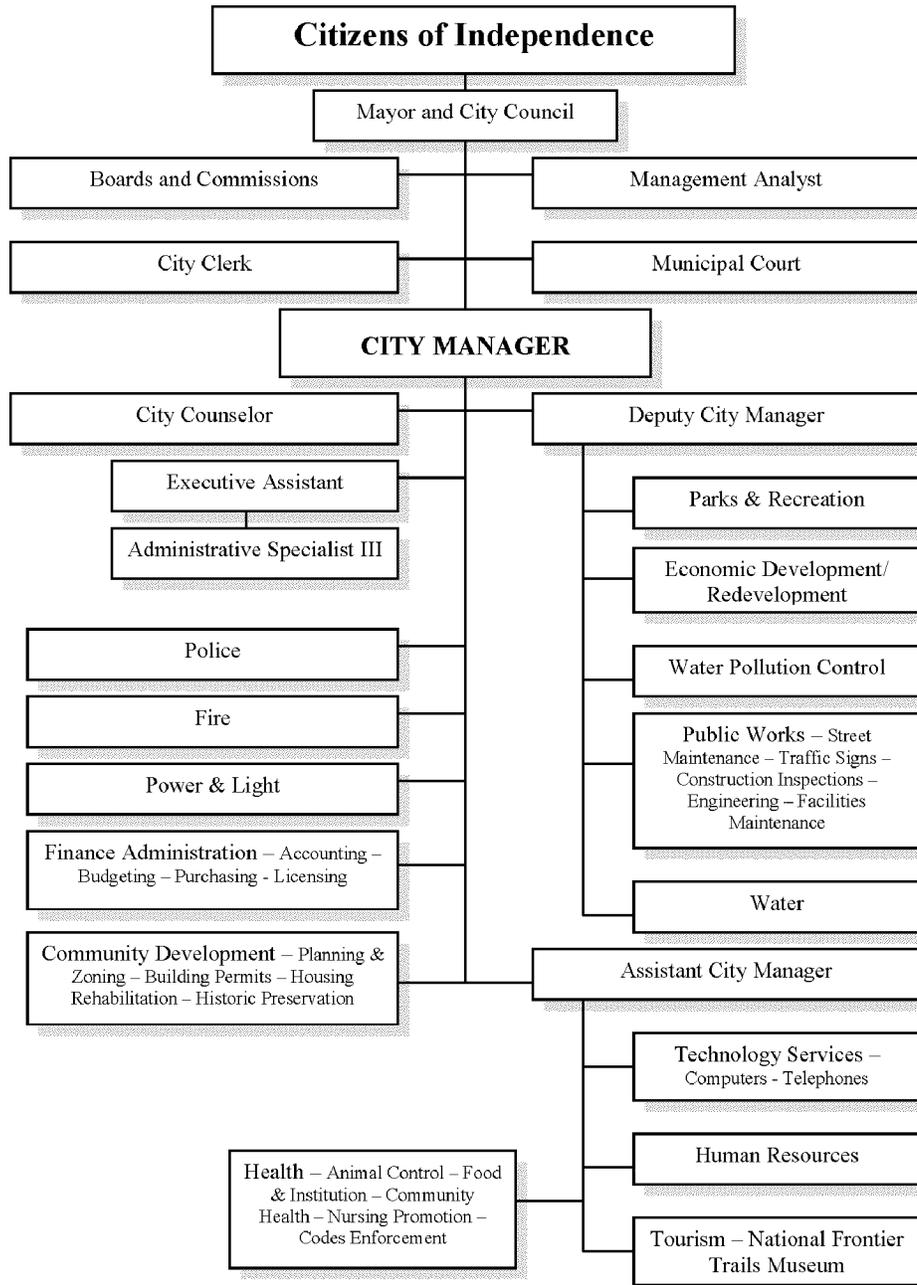
# CITY OF INDEPENDENCE, MISSOURI

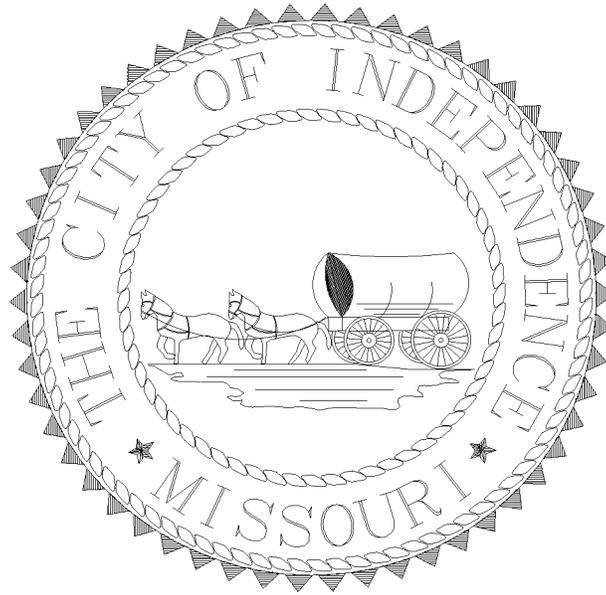
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# City of Independence

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

[www.ci.independence.mo.us](http://www.ci.independence.mo.us) • (816) 325-7000



October 21, 2013

***Honorable Mayor, Members of the City Council, and Citizens of the City of Independence, Missouri***

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2013. This report is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter.

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

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

The City of Independence's financial statements, as required by the Charter, have been audited. The independent audit was conducted by McGladrey LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

## **Profile of the City**

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

Working Woman magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21st Century Community Learning Centers. Patricia Schultz included several tourism attractions in Independence in her recent travel book, "1,000 Places to See in the United States and Canada Before You Die." National Geographic Traveler, September 2010, included Independence's Santa-Cali-Gon Days, an annual festival celebrating the start of the Santa Fe, California, and Oregon Trails, as one of "our pick of travel-worthy events." The Kansas City Convention and Visitors Association awarded Independence the "Best Day Trip" award for 2010 and 2011 based on votes received from visitors outside of the state. Independence was also named "Best Day Tour from Kansas City" for the second year in a row by the readers of AAA Midwest Traveler magazine.

Its central location in the "Heart of America" offers residents and businesses unique location advantages and means that traveling, shipping, receiving and communications are more economical because of shorter distances to most parts of the country. Situated along major interstate highways (I-70, I-49, I-35, I-29) and rail routes, access to Independence from all parts of the nation, as well as, Canada and Mexico is excellent. The City's 78 square miles accommodate its residents and numerous businesses with 32 square miles of mixed-use land in eastern Independence available for development.

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

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

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

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

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

Purchase orders and contracts are encumbered prior to their release to vendors. Any item, which would result in expenditures in excess of a department's budget, is not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2013, are reported as committed and assigned fund balance since the City intends to honor the purchase orders and contracts.

### **Local economy**

The City is continuing to experience growth on the eastern side of town. The I-70 interchange has made the Little Blue Parkway the professional business corridor of the 21<sup>st</sup> Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of a fast growing commercial area. This area is home to the Independence Events Center which includes an arena with 5,800 seats for sports with additional seating for concerts and a community ice rink. The Events Center is home to the Central Hockey League franchise the Missouri Mavericks and Major Indoor Soccer League the Comets. The Missouri Mavericks have a signed contract that expires in 2020 and the Comets contract expires March 2016. The Events Center opened in November 2009 providing approximately 120 new jobs.

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

Year	City of Independence Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2013*	7.2%	7.8%	7.0%
2012	7.1%	7.7%	6.9%
2011	8.7%	9.5%	8.4%
2010	10.0%	10.7%	9.4%
2009	9.7%	10.3%	9.4%

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

### Long-term financial planning

The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed projects for constructing, maintaining, upgrading, and replacing the City’s physical infrastructures. The budget for fiscal year 2013-2014 includes projects totaling an estimated \$21.3 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales taxes.

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

### Relevant financial policies

It is the City of Independence's policy to restore the unassigned fund balance through revenue allocations or expenditure reductions when it falls below the 5% of annual revenues. The City Manager has not funded vacant positions whenever possible in an effort to reduce salary and benefit costs. In addition, each department has been asked to reduce expenditures in an effort to reduce costs. The unassigned fund balance as of June 30, 2013 was .8% of the General Fund revenues. This is a decrease from 2.5% last year.

### Major initiatives

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

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

## Awards and Acknowledgements

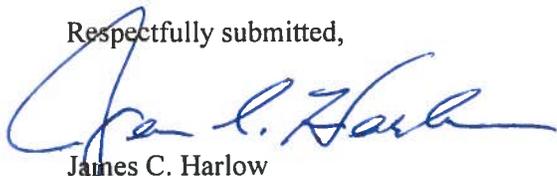
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2012. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award

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

Respectfully submitted,



James C. Harlow  
Director of Finance and Administration



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Independence  
Missouri**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



## Independent Auditor's Report

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

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 20, the Budgetary Comparison Schedules on pages 81 and 82, and the Schedules of Funding Progress on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The accompanying introductory, statistical sections and other schedules, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Kansas City, Missouri  
October 18, 2013

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2013**

This section of the City of Independence's comprehensive annual financial report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

**Financial Highlights**

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

Sales tax revenue increased by \$853,039. Again this year the lack of growth in revenue from sales tax can mostly be attributed to two factors. The first and probably the most significant is the slow economy that has generally been felt throughout the country. The second is the retail competition that continues to develop within the trade area of the City. Blue Springs and Lee's Summit continue to expand their retail shopping opportunities.

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

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

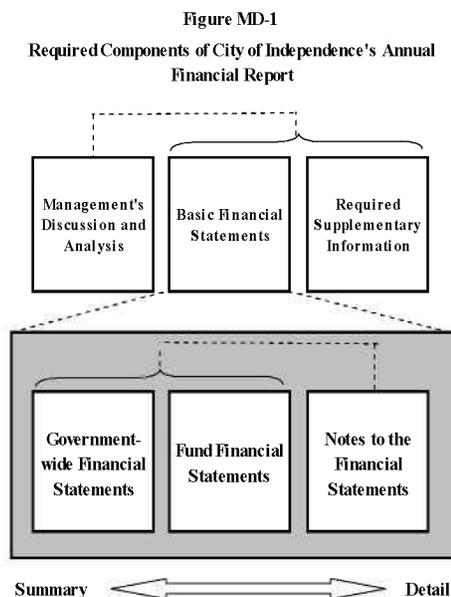
Rate studies have recently occurred for each of the three utilities: electric, water, and sanitary sewer. The City has continued the authorization of multi-year rate increases for electric, water, and sanitary sewer service.

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

**Overview of the Financial Statements**

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

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



**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2013**

- 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**

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

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**Government-wide Statements**

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

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

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

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

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

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- Proprietary funds – Business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
  - The City's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds. These are the self-funded health insurance fund, central garage fund, and the workers' compensation fund.
- Fiduciary funds – Periodically, the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, Seniors' Travel Fund, and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**CITY OF INDEPENDENCE, MISSOURI**  
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**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

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

**Table MD-1**  
**City of Independence's Net Position**

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

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

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

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

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

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**Change In Net Position**

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

Table MD-2  
City of Independence's Net Position

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

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

Total revenues decreased 4.3% or \$13.2 million, Business-type activities increased 0.6% or \$1.2 million, and Governmental revenues decreased 12.8% or \$14.4 million. The reduction in Operating grants and contributions is the result of fewer reimbursements in areas, such as, Neighborhood Stabilization and Energy Efficiency and Conservation. The reduction in Capital grants and contributions is primarily from fewer reimbursements for transportation grants. Of significance is the small increase from sales taxes. This is a reflection of the economy and retail competition. The increase in charges for services for Business-type activities is the result of rate increases and weather conditions.

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

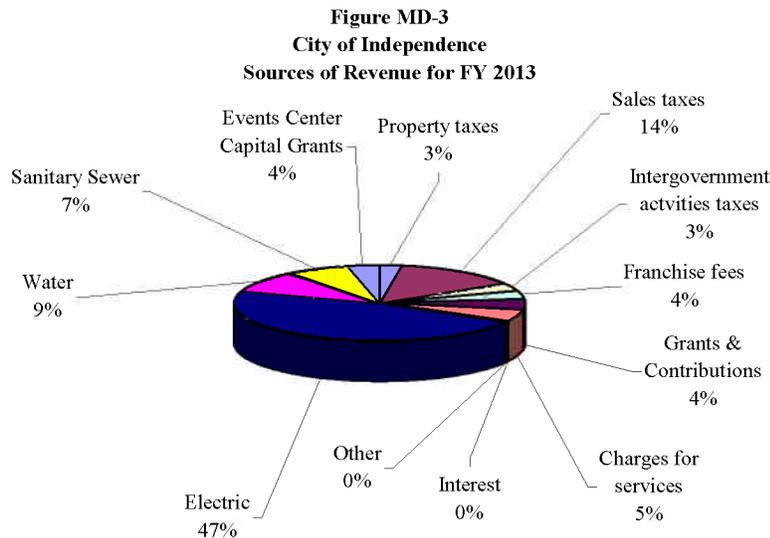
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Included with the Governmental expenses are costs associated with debt service payments for the blended component units. Revenues in the Falls at Crackerneck TIF special allocation fund were insufficient to pay all the debt service on the outstanding obligations and the developer indicated they were not able to fund the deficit. The City has appropriated and set aside \$4.8 million during FY 2013-14 for debt service on the Falls at Crackerneck obligations. Letters requesting reimbursement for these debt service shortfalls have been sent to the developer.

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

**Revenues**

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



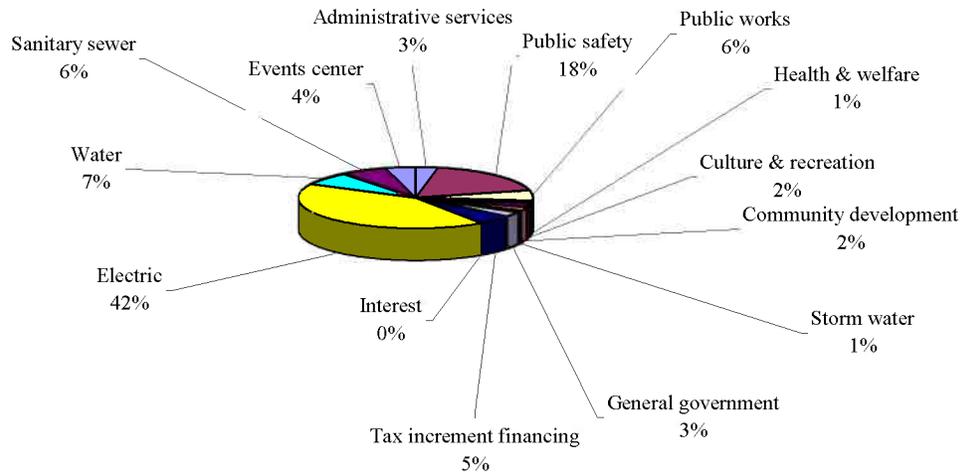
Revenues from Governmental activities were \$97.8 million. Sales taxes, the largest Governmental category, were \$40.7 million or 41.6%. All taxes represent \$68.4 million or 69.9% of Governmental revenue. Operating and capital grants were \$13.1 million or 13.4% of Governmental revenues. Charges for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

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**Expenses**

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

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



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

**Governmental Activities**

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

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

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

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

**Business-type Activities**

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

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

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

**General Fund Budgetary Highlights**

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

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$566,280 in the General Fund. These budget amendments generally fall into the following categories:

- Approval of new grants or the extension of current grants that was not previously included in the approved budget. These adjustments generally also include offsetting revenues.
- Transfer of previously approved salary and benefit appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.
- Increase or decrease appropriations for unanticipated events, including overtime costs, which may arise throughout the fiscal year.

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Actual expenditures, including encumbrances, were \$1.2 million less than the amount appropriated, representing operating savings of 1.7%. This was largely the result of an intentional under-spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset projected declining revenues and fund balance reserves.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013, the City had invested \$838.6 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased \$3.0 million or 0.4% during the period.

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

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

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

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

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**Debt Administration**

**Table MD-5**  
**City of Independence's Outstanding Debt**

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

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

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

**Economic Factors**

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

**Contacting the City's Financial Management**

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

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Net Position

June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary government:</b>					
Governmental activities:					
Administrative services	\$ 9,225,738	6,611,432	30,399	—	(2,583,907)
Public safety	55,139,731	4,567,625	2,508,640	90,031	(47,973,435)
Public works	17,428,294	362,732	4,161,914	2,034,170	(10,869,478)
Health and welfare	3,810,863	735,708	710,677	5,730	(2,358,748)
Culture and recreation	7,275,087	727,220	104,721	1,434,534	(5,008,612)
Community development	5,318,490	934,442	1,635,059	10,000	(2,738,989)
Storm water	2,862,544	—	—	16,437	(2,846,107)
General government	8,405,914	—	73,055	—	(8,332,859)
Tax increment financing	14,281,820	1,037,506	238,105	—	(13,006,209)
Interest on long-term debt	379,760	—	—	—	(379,760)
Total governmental activities	<u>124,128,241</u>	<u>14,976,665</u>	<u>9,462,570</u>	<u>3,590,902</u>	<u>(96,098,104)</u>
<b>Business-type activities:</b>					
Power and light	127,959,254	137,749,295	—	585,916	10,375,957
Water	21,886,576	26,642,646	—	145,178	4,901,248
Sewer	18,900,129	20,231,637	—	32,033	1,363,541
Events center	13,091,457	4,345,469	—	—	(8,745,988)
Total business-type activities	<u>181,837,416</u>	<u>188,969,047</u>	<u>—</u>	<u>763,127</u>	<u>7,894,758</u>
Total primary government	<u>\$ 305,965,657</u>	<u>203,945,712</u>	<u>9,462,570</u>	<u>4,354,029</u>	<u>(88,203,346)</u>
<b>Governmental</b>					
<b>Business-Type</b>					
<b>Total</b>					
Changes in net position:					
Net (expense) revenue			\$ (96,098,104)	7,894,758	(88,203,346)
General revenues:					
Taxes					
Property taxes			7,618,559	—	7,618,559
Sales and use taxes			40,689,725	5,291,682	45,981,407
Intergovernmental activity taxes			9,635,263	—	9,635,263
Franchise taxes			10,414,823	—	10,414,823
Financial institutions tax			15,225	—	15,225
Investment earnings			302,467	66,215	368,682
Miscellaneous			1,049,065	557,965	1,607,030
Transfers in (out)			18,232,349	(18,232,349)	—
Total general revenues and transfers			<u>87,957,476</u>	<u>(12,316,487)</u>	<u>75,640,989</u>
Change in net position			(8,140,628)	(4,421,729)	(12,562,357)
Net position (deficit), beginning as restated			<u>130,152,050</u>	<u>316,586,436</u>	<u>446,738,486</u>
Net position (deficit), ending			<u>\$ 122,011,422</u>	<u>312,164,707</u>	<u>434,176,129</u>

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Balance Sheet

## Governmental Funds

June 30, 2013

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

See accompanying notes to financial statements.



## CITY OF INDEPENDENCE, MISSOURI

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

## Governmental Funds

Year ended June 30, 2013

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

See accompanying notes to financial statements.

**Exhibit 4.1**

**CITY OF INDEPENDENCE, MISSOURI**

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

Year ended June 30, 2013

Net change in fund balances – total governmental funds	\$ (3,640,549)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay	17,271,377
Depreciation expense	(17,910,057)
Donated assets	16,437
	<u>(622,243)</u>
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net position and offset against the proceeds, resulting in a gain on the sale of capital assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities:	
Book value of assets disposed	(228,899)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(796,850)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Proceeds from debt issuance	(40,855,000)
Reoffering premium/original issue discount	14,334
Payment to refunded loans escrow agent	38,713,690
Principal payments	12,223,792
Debt premiums, discounts & deferred refunding amortizations	(224,327)
	<u>9,872,489</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated absences	388,752
Accrued interest	587,117
Other post-employment benefits	(8,441,174)
LAGERS net pension obligation	(1,186,288)
Unreimbursed certified costs - TIF	(1,849,494)
	<u>(10,501,087)</u>
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities:	<u>(2,223,489)</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ (8,140,628)</u>

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Net Position

## Proprietary Funds

June 30, 2013

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

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year ended June 30, 2013

	<b>Enterprise funds</b>				<b>Total</b>	<b>Internal Service Funds</b>
	<b>Power and Light</b>	<b>Water</b>	<b>Sanitary Sewer</b>	<b>Events Center</b>		
Operating revenues:						
Charges for services	\$ 135,455,737	26,272,134	20,016,456	4,345,469	186,089,796	24,621,049
Sales tax	—	—	—	5,291,682	5,291,682	—
Miscellaneous	2,293,558	370,512	215,181	—	2,879,251	—
Total operating revenues	<u>137,749,295</u>	<u>26,642,646</u>	<u>20,231,637</u>	<u>9,637,151</u>	<u>194,260,729</u>	<u>24,621,049</u>
Operating expenses:						
Personal services	23,987,082	7,434,513	5,513,624	—	36,935,219	852,796
Other services	21,918,918	4,768,009	7,817,993	—	34,504,920	28,592,810
Supplies	50,143,233	1,845,027	839,220	—	52,827,480	1,264,008
Capital outlay	—	71,478	—	—	71,478	—
Other expenses	7,533,292	3,215,754	59,426	5,502,428	16,310,900	—
Depreciation and amortization	17,989,424	3,205,490	2,760,580	1,891,143	25,846,637	3,900
Total operating expenses	<u>121,571,949</u>	<u>20,540,271</u>	<u>16,990,843</u>	<u>7,393,571</u>	<u>166,496,634</u>	<u>30,713,514</u>
Operating income (loss)	<u>16,177,346</u>	<u>6,102,375</u>	<u>3,240,794</u>	<u>2,243,580</u>	<u>27,764,095</u>	<u>(6,092,465)</u>
Nonoperating revenues (expenses):						
Interest revenue	40,306	6,453	8,378	11,078	66,215	14,781
Miscellaneous revenue	772,031	1,516,384	9,960	837,210	3,135,585	2,013,245
Interest and amortization expense	(6,343,837)	(1,942,401)	(2,093,328)	(5,697,886)	(16,077,452)	—
Total nonoperating revenue (expenses)	<u>(5,531,500)</u>	<u>(419,564)</u>	<u>(2,074,990)</u>	<u>(4,849,598)</u>	<u>(12,875,652)</u>	<u>2,028,026</u>
Income (loss) before contributions and transfers	<u>10,645,846</u>	<u>5,682,811</u>	<u>1,165,804</u>	<u>(2,606,018)</u>	<u>14,888,443</u>	<u>(4,064,439)</u>
Capital contributions	585,916	145,178	32,033	—	763,127	—
Transfers out – utility payments in lieu of taxes	(13,392,682)	(2,593,715)	(2,034,680)	—	(18,021,077)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	(74,586)	(64,641)	(82,045)	—	(221,272)	—
Change in net position	<u>(2,235,506)</u>	<u>3,169,633</u>	<u>(908,888)</u>	<u>(2,606,018)</u>	<u>(2,580,779)</u>	<u>(4,064,439)</u>
Total net position (deficit):						
Beginning of the year, as restated	<u>171,587,224</u>	<u>73,098,105</u>	<u>76,427,439</u>	<u>(4,956,738)</u>	<u>3,475,489</u>	<u>3,475,489</u>
End of the year	<u>\$ 169,351,718</u>	<u>76,267,738</u>	<u>75,518,551</u>	<u>(7,562,756)</u>	<u>(588,950)</u>	<u>(588,950)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>(1,840,950)</u>	
Change in net position of business-type activities.					<u>\$ (4,421,729)</u>	

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2013

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

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2013

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

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 Year ended June 30, 2013

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

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**

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# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

### (1) Summary of Significant Accounting Policies

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

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

#### *(a) The Financial Reporting Entity*

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

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

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

The Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission) is a blended component unit under the Debt Service Fund category of the City because the outstanding debt of the TIF commission is expected to be repaid from payments in lieu of taxes and economic activity taxes collected by the City. The Commission is governed by an 11-member board, of which six members are appointed by the City Council. The remaining five members (two from the county, two from the local

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

school district and one from other taxing jurisdictions) are appointed by the respective taxing districts' boards. Financial transactions of the Commission are processed by the Finance Department of the City on the Commission's behalf. No separate financial statements are issued by the Commission.

### *(b) Basis of Presentation*

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

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

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

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

The City reports the following major governmental funds:

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

**Tax Increment Financing Debt Service Fund** – This fund is used to account for the financing of finance redevelopment project expenses through payments in lieu of taxes and economic activity taxes.

The City reports the following major enterprise funds:

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

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

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

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

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

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

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

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

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

***Internal Service Funds*** – These funds account for the costs of fleet maintenance, the Staywell Healthcare program, Workers’ Compensation fund, and other benefits provided to other departments on a cost-reimbursement basis.

***Trust Funds*** – These funds account for monies held in trust by the City for preservation and maintenance of the Vaile Mansion.

***Agency Funds*** – These funds account for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City’s cafeteria plan, monies held for the Susie Paxton Block Distinguished Public Service Award, and monies held for the Seniors Travel Program.

### ***(c) Basis of Accounting***

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

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

*Agency Funds.* Agency funds only have asset and liability accounts and the accrual basis of accounting is used to recognize receivables and payables within these accounts. Agency funds do not have operating accounts such as revenues and expenses, so therefore a measurement focus does not apply to these funds.

### *(d) Accounts Receivable*

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

### *(e) Investments*

Investments 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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

service. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

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

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

**(i) Capital Assets**

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City’s business-type activities during the fiscal year was \$17,528,872. Of this amount, \$1,452,423 was included as part of the cost of the capital assets under construction in connection with Power and Light, Water, and Events Center projects.

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

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

***(j) Bond Premiums/Discounts, and Issuance Costs***

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

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

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2013

#### **(k) Deferred Inflows/Outflows**

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

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

#### **(l) Compensated Absences**

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

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

#### **(m) Fund Balances**

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

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

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

***Committed*** – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council, which is the highest level of

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2013

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

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

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

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

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

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

#### **(n) Net Position**

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

**Net Investment in Capital Assets** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds of \$14,021,957 for Power and Light, \$3,765,733 for Water, \$27,423,862 for Sewer and \$6,981,716 for the Events Center.

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

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

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2013

#### *(o) Statement of Cash Flows*

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

#### *(p) Use of Estimates*

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

#### *(q) New Accounting Pronouncements*

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

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

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(2) Deposits and Investments**

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

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

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

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

*Investment Policy*

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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:

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

*Custodial Credit Risk*

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At June 30, 2013, the City's deposits and repurchase obligations were insured by Federal depository insurance and uninsured deposits and repurchase obligations were fully collateralized by securities held in the City's name by their financial institution's agent. The City's securities were registered and held by the City's financial institution in the City's name. Accordingly, management has determined that none of the City's deposits or investments was exposed to custodial credit risk as of June 30, 2013.

*Interest Rate Risk*

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

As of June 30, 2013, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of \$26,652 that will mature in 2027.

**(3) Tax Revenue**

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

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

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

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2012, on which the fiscal 2013 levy was based, was \$1,279,153,384.

The City is permitted by Missouri state statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general governmental services, other than payment of principal and interest on long-term debt, up to \$0.40 per \$100 of assessed valuation for public health and recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. Property tax levies per \$100 assessed valuation for the year ended June 30, 2013 were \$0.4950 for the General Fund, \$0.2331 for Public Health and Recreation, and \$0.5596 for the Independence Square Benefit District Fund.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(4) Intergovernmental Revenue and Receivables**

Intergovernmental revenue during fiscal year 2013 consisted of the following:

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(5) Interfund Activity**

*(a) Interfund Balances*

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

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

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

*(b) Interfund Charges for Support Services*

Interfund charges for support services and rent paid to the General Fund during fiscal year 2013 were as follows:

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

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

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2013, and are included in non-operating miscellaneous revenue as follows:

Sanitary Sewer Fund	\$ 222,396
Power and Light Fund	1,186,382
	<u>\$ 1,408,778</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

Sanitary Sewer Fund	\$ 195,008
Water Fund	<u>973,834</u>
	<u>\$ 1,168,842</u>

*(c) Payments in Lieu of Taxes*

The payments in lieu of taxes of \$13,392,682, \$2,593,715 and \$2,034,680 in fiscal year 2013 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund approximate franchise taxes and real estate taxes on plant in service. The franchise tax rate, established by City ordinance at 9.08%, is applied to gross billed operating revenues less amounts written off to arrive at the franchise tax due the General Fund. Real estate taxes are charged at a set amount.

*(d) Interfund Transfers*

Interfund transfers for the year ended June 30, 2013, consisted of the following:

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(6) Capital Assets**

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to functions as follows:

Administrative services	\$	98,857
Public safety		2,568,399
Public works		10,806,161
Health and welfare		102,522
Culture and recreation		1,669,399
Community development		67,197
Storm water		1,282,787
General government		1,314,735
Total		<u>17,910,057</u>

In addition, depreciation on capital assets held by the City's  
Central Garage Fund is charged to the various functions  
based on their usage of the assets

Total depreciation expense	\$	<u>3,900</u>
		<u><u>17,913,957</u></u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

\* See page 55 note regarding depreciation.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

\* See page 55 note regarding depreciation.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	9,471,067	13,098,558	(2,596,973)	19,972,652
Total nondepreciable capital assets	9,801,258	13,098,558	(2,596,973)	20,302,843
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	96,890,026	525,046	—	97,415,072
Pumping plant	5,325,151	—	—	5,325,151
Treatment plant	12,892,361	1,817,417	(147,243)	14,562,535
General plant	1,591,994	—	—	1,591,994
Total infrastructure	116,745,900	2,342,463	(147,243)	118,941,120
Machinery and equipment	6,342,055	432,681	(274,769)	6,499,967
Total depreciable capital assets	123,087,955	2,775,144	(422,012)	125,441,087
Less accumulated depreciation:				
Infrastructure	(51,731,909)	(2,426,582)	147,243	(54,011,248)
Machinery and equipment	(5,485,026)	(361,399)	274,769	(5,571,656)
Total accumulated depreciation	(57,216,935)	(2,787,981)	422,012	(59,582,904)
Total depreciable capital assets, net	65,871,020	(12,837)	—	65,858,183
Total sewer capital assets	75,672,278	13,085,721	(2,596,973)	86,161,026
* See page 55 note regarding depreciation.				
Events Center:				
Nondepreciable capital assets:				
Land	5,796,315	—	—	5,796,315
Construction in progress	—	—	—	—
Total nondepreciable capital assets	5,796,315	—	—	5,796,315
Depreciable capital assets:				
Infrastructure	65,581,451	—	—	65,581,451
Machinery and equipment	3,555,930	—	—	3,555,930
Total depreciable capital assets	69,137,381	—	—	69,137,381
Less accumulated depreciation:				
Infrastructure	(4,353,678)	(1,639,536)	—	(5,993,214)
Machinery and equipment	(668,102)	(251,607)	—	(919,709)
Total accumulated depreciation	(5,021,780)	(1,891,143)	—	(6,912,923)
Total depreciable capital assets, net	64,115,601	(1,891,143)	—	62,224,458
Total events center capital assets	69,911,916	(1,891,143)	—	68,020,773
Total business-type activities capital assets	\$ 492,432,749	21,876,441	(18,042,026)	496,267,164

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to functions as follows:

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

Depreciation charged to Power and Light and Water funds are different because certain depreciation related to utility vehicles and heavy equipment are charged to clearing accounts and redistributed to various operating, construction, and other capital accounts. As of June 30, 2013 the difference for Power and Light is \$578,941 and the difference for Water is \$51,995.

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(7) Long-Term Obligations**

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

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2013:

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

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

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(a) Governmental activities**

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

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

\$8,225,000 Series 2005 (Public Safety Facilities Projects) annual installments of \$670,000 to \$1,010,000 through 2015; interest at 4.00% to 5.25%.	\$ 1,975,000
\$4,020,000 Series 2009 (Streets Projects) annual installments of \$395,000 to \$515,000 through 2018; interest at 3.50% to 4.375%.	2,810,000
Total Governmental Activities Loans Payable	<u>\$ 4,785,000</u>

**(2) Neighborhood Improvement District**

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

Neighborhood Improvement District bonds payable at June 30, 2013 are comprised of the following:

\$995,000 Series 2004 (Noland Road and Englewood Improvements) annual installments of \$55,000 to \$85,000 through 2019; interest at 4.50% to 5.75%	\$ 455,000
\$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.50%	74,000
Total Neighborhood Improvement District	<u>\$ 529,000</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(3) Capital Lease Obligations**

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

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

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

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

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

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

### **(4) Blended Component Unit**

#### ***(a) Tax Increment Financing Loans and Developer Obligations***

The City's tax increment financing loan (TIF loans) indebtedness is recorded as a liability of the TIF Commission to match revenue streams to the related debt for which they have been pledged. The obligation of the City and the Commission to pay principal and interest on these bonds is limited solely to the tax increment financing (TIF) revenues generated from each project, and in certain instances an annual appropriation pledge from the City.

The City and other taxing districts and governmental entities have pledged a portion of future property tax and sales tax revenues to repay \$249 million in tax increment financing loans (TIF Loans) issued at various dates beginning in 1999 to finance redevelopment projects within each of the respective TIF plans. The loans are payable solely from the incremental increase in property taxes and sales taxes generated within the TIF plans. TIF revenues were projected to produce sufficient funds to meet debt service requirements over the life of the TIF loans. Should TIF revenues not be sufficient to meet the required debt service obligations, neither the City nor the Commission is obligated to make such loan payments from any other sources of its revenues. However, the City has appropriated funds sufficient to make all payments required by the bonds for the next fiscal year. During this fiscal year, the City's general fund paid \$4,571,206 in debt service payments for the Crackerneck Creek development. The City has appropriated \$4,571,206 from the General Fund, \$74,586 from the Power & Light Fund, \$64,641 from the Water Fund, and \$82,045 from the Sewer Fund for the Crackerneck Creek development debt service payments due in fiscal year 2013-14.

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

At June 30, 2013, total principal and interest remaining on the loans was \$249 million and the outstanding developer obligations was \$26.1 million. The loans are scheduled to mature at varying amounts through 2029 and the developer obligations are payable to the extent incremental taxes are available for a period not to exceed 23 years.

For the current year, principal and interest paid on TIF loans and developer obligations totaled \$20.2 million. Incremental revenues from the City included \$2.9 million in sales taxes and \$.7 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, City and developer contributions, cash reserves, and debt trust funds.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

### Missouri Development Finance Board Loans Payable

\$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$90,000 through 2020; interest at 3.00% to 4.50%	\$ 560,000
\$48,370,000 Series 2006 A&B (Crackerneck Creek TIF) annual installments of \$340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00%	37,625,000
\$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of \$3,500,000 to \$5,385,000 through 2026; interest at 5.00%	12,790,000
\$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%	975,000
\$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25%	4,285,000
\$19,390,000 Series 2007 A (Eastland Center TIF) annual installments of \$815,000 to \$2,570,000 through 2022; interest at 4.00% to 5.00%	11,905,000
\$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00%	6,570,000
\$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of \$385,000 to \$1,795,000 through 2023; interest at 5.41% to 6.096%	7,515,000
\$995,000 Series 2007 D (Drumm Farm TIF) annual installments of \$70,000 to \$80,000 through 2020; interest at 4.00% to 4.50%	550,000
\$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of \$425,000 to \$2,670,000 through 2028; interest at 4.75% to 5.125%	17,215,000
\$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,000 through 2017; interest at 4.30% to 5.70%	1,205,000
\$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,000 through 2025; interest at 4.00% to 5.125%	7,920,000
\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%	7,035,000
\$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00%	1,080,000

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

\$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of \$135,000 to \$480,000 through 2022; interest at 4.00% to 5.500%	2,590,000
\$3,630,000 Series 2009 J (Eastland Center TIF) annual installments of \$110,000 to \$835,000 through 2022; interest at 3.00% to 4.50%	2,795,000
\$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of \$65,000 to \$525,000 through 2027; interest at 3.00% to 5.00%	2,045,000
\$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of \$365,000 to \$1,815,000 through 2021; interest at 2.000% to 4.125%	5,970,000
\$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of \$50,000 to \$165,000 through 2017; interest at 2.000% to 3.000%	325,000
\$12,050,000 Series 2012 D (HCA - Centerpoint TIF) annual installments of \$575,000 to \$1,865,000 through 2027; interest at 3.00% to 4.00%	11,475,000
\$3,965,000 Series 2012 E (Eastland Center TIF) annual installments of \$310,000 to \$805,000 through 2022; interest at 2.00% to 3.00%	3,655,000
\$14,005,000 Series 2013 A (Crackerneck Creek TIF) annual installments of \$50,000 to \$5,200,000 through 2028; interest at 4.693% to 4.993%	14,005,000
\$10,835,000 Series 2013 B (Crackerneck Creek TIF) one installment of \$10,835,000 through 2029; interest at 4.125%	10,835,000
Total TIF Loans Payable	<u>\$ 170,925,000</u>

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

***(1) Tax Increment Financing Refunding***

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

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2013

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

#### *(2) Tax Increment Financing Advance Refunding*

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

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

#### *(b) Bass Pro Lease*

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

As part of the Project, the City has entered into the Lease Agreement (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City will own a 150,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions as contained in the Bass Pro Lease. Under the Bass Pro Lease the City was obligated to make \$25,000,000 available to Bass Pro. This amount was funded from

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the proceeds of the Series 2006A Bonds. The Bass Pro Store is located on an approximate 20-acre parcel owned by the City.

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

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

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

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

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

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**(b) Business-type Activities**

**(1) Revenue Bonds**

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

**Power and Light Fund:**

\$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250%	\$	24,705,000
\$55,185,000 Series 2012 A annual installments of \$150,000 to \$11,900,000 through 2037; interest at 2.00% to 5.00%		54,565,000
\$52,525,000 Series 2012 F annual installments of \$140,000 to \$3,630,000 through 2037; interest at 3.00% to 4.00%		52,385,000
Less deferred charge on refunding		(2,518,327)
<b>Total Power and Light fund</b>		<u>129,136,673</u>

**Water Fund:**

\$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2025; interest at 3.054% to 5.00%		10,365,000
\$17,520,000 Series 2009 C annual installments of \$505,000 to \$4,205,000 through 2029; interest at 4.00% to 5.75%		17,520,000
\$19,310,000 Series 2009 E annual installments of \$2,210,000 to \$3,245,000 through 2016; interest at 3.00% to 4.00%		12,180,000
Less deferred charge on refunding		(216,789)
<b>Total Water Fund</b>		<u>39,848,211</u>

**Sanitary Sewer Fund:**

\$37,035,000 Series 2012 B annual installments of \$745,000 to \$2,220,000 through 2041; interest at 2.00% to 5.00%		37,035,000
<b>Total Sanitary Sewer fund</b>		<u>37,035,000</u>

**Events Center Fund:**

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75%		11,570,000
\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50%		11,575,000
\$68,945,000 Series 2012 C annual installments of \$105,000 to \$12,540,000 through 2038; interest at 2.00% to 4.00%		68,840,000
Less deferred charge on refunding		(7,398,705)
<b>Total Events Center Fund</b>		<u>84,586,295</u>

<b>Total revenue bonds</b>	<b>\$</b>	<u><u>290,606,179</u></u>
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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:

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

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

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

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

***(a) Advance Refunding***

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

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

***(b) Pledged Revenues***

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

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

***(2) Events Center Bonds***

The Events Center Bonds (Bonds) are secured by a pledge of certain community improvement district sales taxes (CID sales taxes) and related Tax Increment Financing (TIF) revenues generated within the Independence Events Center Community Improvement District (District) boundaries. In addition, the Bonds include an annual appropriation covenant pursuant to which the City agrees to budget and appropriate sufficient funds to meet the scheduled debt service requirements of the Bonds should the CID sales taxes and TIF revenues not be sufficient to do so. For the year ended June 30, 2013, District

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revenues paid to the City for debt service totaled \$5,166,994. The remaining debt service amounts of \$34,457 were funded from capitalized interest funds that were established at the time the Bonds were issued. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in payments during the next fiscal year.

### **(8) Advances for Construction**

As new developments are constructed, the Power and Light (Enterprise) Fund requires a nonrefundable cash payment from a customer or developer to be paid toward the cost of extending the distribution system, installation of street lights, and other additions or modifications solely for the benefit of the customer or developer. The advances for construction at June 30, 2013, were \$10,452.

As new additions to the water distribution system are constructed, the Water (Enterprise) Fund requires the developer or wholesaler to advance the estimated cost of the water main extension or improvement. Upon project completion, any excess of the advance over the project cost is refunded to the developer or wholesaler or vice versa. The advances for construction at June 30, 2013, were \$98,322.

### **(9) Employee Retirement System**

#### *Plan Description*

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

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

#### *Funding Policy*

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 11.3% (General), 12.5% (Police), and 13.1% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 28, 2013, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$215,306,565. The actuarial value of assets was \$124,786,458 which results in an unfunded accrued liability (UAL) of \$90,520,107 and a funded ratio of 58%. The covered payroll (annual payroll of active employees covered by the plan) was \$66,004,494 which results in a ratio of the UAL to the covered payroll of 137%.

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

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

***Annual Pension Cost & Net Pension Obligation***

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

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

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

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

For 2013, the City's annual pension cost of \$9,905,910 was not equal to the required and actual contribution which resulted in an increase to the Net Pension Obligation of \$1,944,230 resulting in an ending Net Pension Obligation balance of \$7,067,896. The required contribution was determined as part of the February 28, 2011 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

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

**CITY OF INDEPENDENCE, MISSOURI**

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- (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation;
- (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit;
- (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table, set back 0 years for men and women; and
- (e) post-retirement mortality based on the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2011 was 30 years.

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

**(10) Post-Employment Health Benefits**

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

*Plan Description*

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

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

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

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***Funding Policy***

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

***Annual OPEB Cost and Net OPEB Obligation***

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

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

The City's annual OPEB cost, the percentage of annual OPEB costs estimated to be contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2013 is as follows:

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

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

### *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.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2013

### (11) Risk Management

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

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

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

The City offers its employees and retirees a contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of \$250,000 and aggregate claims in excess of \$25,754,953 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately \$16,043,379. Premiums paid by the City are recorded as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Incurred but not reported medical, vision, and prescription claims are accrued as a liability in the Internal Service Fund.

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Changes in the balances of the workers' compensation and health care claims liability during the last two years are as follows:

	<b>Claims Payable</b>			
	<b>Workers' Compensation</b>		<b>Staywell</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
Beginning of year	\$ 2,902,508	2,681,196	2,285,676	2,257,468
Current year claims and changes in estimates	1,070,329	3,128,458	21,197,983	24,976,934
Claims payments	<u>(1,291,641)</u>	<u>(1,643,847)</u>	<u>(21,226,191)</u>	<u>(24,884,473)</u>
End of year	\$ <u>2,681,196</u>	<u>4,165,807</u>	<u>2,257,468</u>	<u>2,349,929</u>

**(12) Commitments**

*Construction Commitments*

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

*Purchase/Sales of Capacity and Energy*

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

In January 2004, the City entered into a participation power agreement with OPPD. Under this agreement, the City purchases an 8.33% share (approximately 57 megawatts) of a 682 megawatt coal-fired baseload generating unit at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD is the owner/operator of the unit and OPPD sells the City's share of the output on a cost-based approach. OPPD issued tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its proportionate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are approximately \$167,000,000 through the year 2049. During fiscal year 2013, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately \$16,100,000 for 359,867 megawatt-hours of wholesale energy. For fiscal year 2014, the projected costs under the agreement are estimated to be approximately \$18,400,000.

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

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2013

transmission service billings from OPPD for delivery of the energy from the Nebraska City Unit 2. The final credit amount was applied in June 2013 leaving a \$0 balance as of June 30, 2013.

In June 2006, the City entered into a unit power purchase agreement with the MJMEUC. Under this agreement, the City purchases a 50% share (approximately 50 megawatts) of MJMEUC's 100 MW ownership share of the nominal 850 megawatt Iatan 2 coal-fired generating unit located at Kansas City Power & Light Company's (KCPL) existing power station site in Weston, Missouri. The agreement provides that MJMEUC sells the City's share of the output on a cost-based approach. MJMEUC issued tax-exempt bonds to pay for its share of the construction of the unit and the City is obligated to pay its share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, renewals and replacements of the unit and related administrative costs incurred by MJMEUC. The unit began commercial operations on December 31, 2010. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are approximately \$246,000,000 through the year 2039. During fiscal year 2013, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately \$15,800,000 for 296,139 megawatt-hours of wholesale energy. For fiscal year 2014, the projected costs under the agreement are estimated to be approximately \$20,000,000.

In August 2008, the City entered into a renewable energy purchase agreement with Smoky Hills. Under this agreement, the City purchases a 10.10% share (15 megawatts) of a 148.5 megawatt wind farm generation project located in north-central Kansas. The agreement provides that the City will purchase its share of the energy output of the Smoky Hills project and will pay a flat fixed rate (in dollars per megawatt-hour) for the entire term of the agreement. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties. During fiscal year 2013, the cost of the energy purchases including transmission costs was approximately \$2,500,000 for 50,405 megawatt-hours of wholesale energy.

#### *Dogwood Energy Facility*

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

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

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2013

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

#### *Litigation*

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation proceedings, and suits contesting the legality of certain taxes. While other cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

#### **(13) Deficits**

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

#### **(14) Subsequent Events**

The City evaluated subsequent events through October 18, 2013, the date the financial statements were available to be issued.

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

**(15) Fund Equity**

Fund balances at year-end are as follows:

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

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Totals above include encumbrances as follows: General Fund \$569,779 and Non-major Funds \$6,882,238.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2013

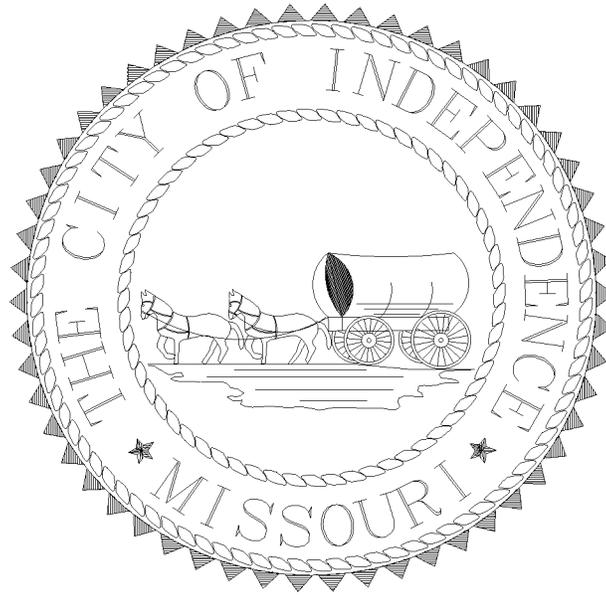
**(16) Prior Period Adjustment**

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

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

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

**Required  
Supplementary  
Information**



## CITY OF INDEPENDENCE, MISSOURI

### Notes to Budgetary Comparison Schedules

Year ended June 30, 2013

#### **(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.

## CITY OF INDEPENDENCE, MISSOURI

## Budgetary Comparison Schedule

## General Fund

Year ended June 30, 2013

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Funding Progress  
 Retirement Plan and Other Post Employment Benefit Plan

**Schedule of Funding Progress:**

**LAGERS Retirement Plan**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry-Age Actuarial Accrued Liability	(b) – (a) Unfunded (assets in excess of) Accrued Liability (UAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b) – (a)/(c) UAL as a Percentage of Covered Payroll
<b>Retirement Plan-</b>						
February 28, 2011	137,468,939	220,918,979	83,450,040	62%	68,136,107	122%
February 29, 2012	125,863,329	210,700,773	84,837,444	60%	65,208,725	130%
February 28, 2013	124,786,458	215,306,565	90,520,107	58%	66,004,494	137%

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

**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%

## CITY OF INDEPENDENCE, MISSOURI

### Nonmajor Governmental Funds

#### Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

#### Capital Projects Funds

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

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

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

## **CITY OF INDEPENDENCE, MISSOURI**

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

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

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

### **Debt Service Fund**

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

## CITY OF INDEPENDENCE, MISSOURI

## Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Governmental Funds

Year ended June 30, 2013

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

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2013

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 25)	License Surecharge	Grants	Total
Pooled cash and investments	\$ —	3,589	—	—	5,224,164	1,342,882	83,586	6,654,221
Receivables:								
Taxes	155,000	3,532	—	—	3,320,521	—	—	3,479,053
Accounts	1,525	—	—	—	—	—	29,691	31,216
Due from other funds	689,279	—	—	—	6,867,563	—	—	7,556,842
Due from other governments	26,431	—	50,232	34,099	—	—	615,637	726,399
Prepaid items	—	—	—	—	480,253	—	—	480,253
Total assets	\$ 872,235	7,121	50,232	34,099	15,892,501	1,342,882	728,914	18,927,984

Liabilities and Fund Balances

Liabilities:								
Accounts and contracts payable	\$ 61,897	—	8,941	—	294,884	—	70,390	436,112
Due to other funds	—	—	30,790	14,396	6,982,419	—	—	7,027,605
Accrued items	15,539	—	9,178	—	104,006	—	22,224	150,947
Other current liabilities	—	—	—	19,696	1,347	—	—	21,043
Unearned revenue	—	—	—	—	—	—	636,300	636,300
Total liabilities	77,436	—	48,909	34,092	7,382,656	—	728,914	8,272,007

Fund balances:

Nonspendable	—	—	—	—	480,253	—	—	480,253
Restricted	794,799	7,121	1,323	7	14,411,722	1,342,882	—	16,557,854
Unassigned	—	—	—	—	(6,382,130)	—	—	(6,382,130)
Total fund balances	794,799	7,121	1,323	7	8,509,845	1,342,882	—	10,655,977
Total liabilities, deferred outflows of resources and fund balances	\$ 872,235	7,121	50,232	34,099	15,892,501	1,342,882	728,914	18,927,984

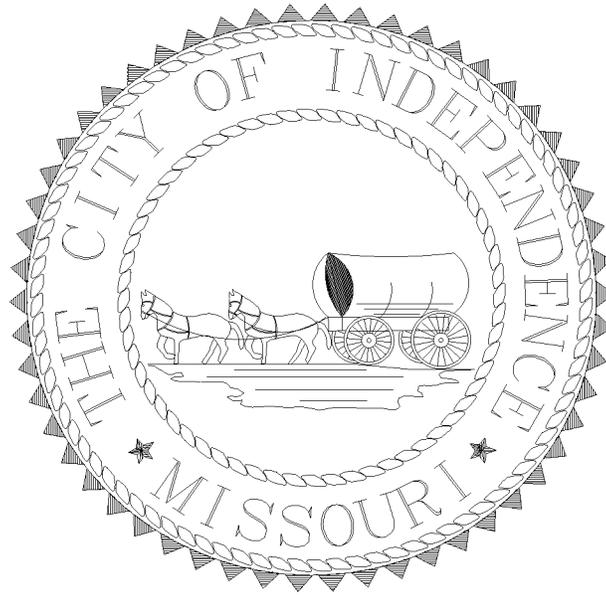
CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2013

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



## CITY OF INDEPENDENCE, MISSOURI

## Budgetary Comparison Schedule

## Tourism Fund

Year ended June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

## Budgetary Basis Reconciliation Schedule

## Tourism Fund

Year ended June 30, 2013

	<u>Tourism Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,441,188
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,441,188</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,551,913
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	(137,562)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>34,280</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,448,631</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Community Development Block Grant Fund  
 Year ended June 30, 2013

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

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

**Exhibit 17.1**

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Community Development Block Grant Fund

Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Rental Rehabilitation  
 Year Ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2013

	<u>Rental Rehabilitation</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 126,877
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 126,877</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 127,518
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>(641)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 126,877</u>

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Street Improvements Sales Tax Fund  
 Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2013

	<b>Streets Improvements Sales Tax</b>
	<u>                    </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 7,801,882
Basis differences – budget to GAAP:	
None	<u>                    —</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 7,801,882</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,603,993
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>                    —</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 5,603,993</u></u>

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Park Improvements Sales Tax Fund  
 Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Storm Water Sales Tax Fund  
 Year Ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Police Public Safety Sales Tax Fund  
 Year Ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Police Public Safety Sales Tax Fund

Year ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Fire Public Safety Sales Tax Fund  
 Year Ended June 30, 2013

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Fire Public Safety Sales Tax Fund

Year ended June 30, 2013

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

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

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

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2013

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

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

## CITY OF INDEPENDENCE, MISSOURI

## Combining Balance Sheet

## Nonmajor Sales Tax Funds

June 30, 2013

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

**CITY OF INDEPENDENCE, MISSOURI**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Sales Tax Funds  
Year ended June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

## Combining Balance Sheet

## Nonmajor Capital Projects Funds

June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2013

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

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Balance Sheet**  
**Component Unit - Tax Increment Financing**  
**June 30, 2013**

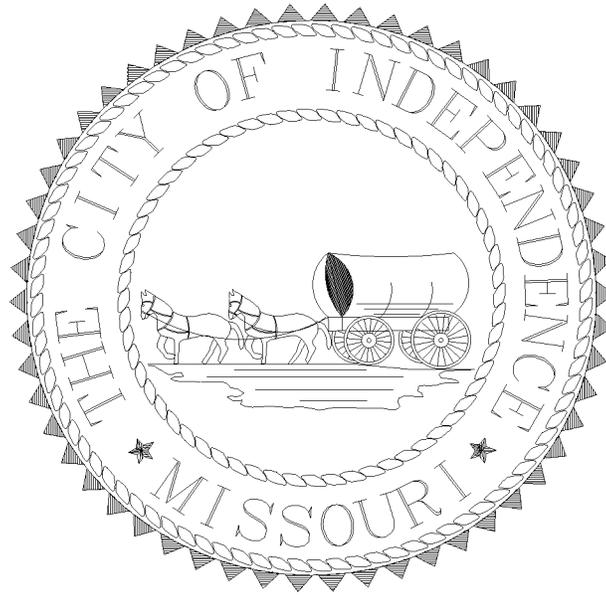
<b>Assets</b>	<b>Midtown Truman</b>	<b>RSO</b>	<b>Sante Fe</b>	<b>Hartman Heritage</b>	<b>Drumm Farm</b>	<b>Eastland Center</b>	<b>North Independence</b>	<b>Mount Washington</b>	<b>Noland Rd Auto Plaza</b>	<b>Crackerneck Creek</b>
Pooled cash and investments	\$ 114,522	27,680	—	—	934,300	3,081,657	22,662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

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

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)**  
**Component Unit - Tax Increment Financing**  
**Year ended June 30, 2013**

	Midtown Truman	RSO	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Hy-Yee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill
<b>Revenues:</b>												
Taxes	19,874	124,987	17,550	1,326,234	499,573	5,338,811	34,296	1,898	8,756	3,626	1,443,486	107,959
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	760	895	1,097	43,381	1,025	117,601	30	30	—	1	8,534	44
Developer contributions	—	—	238,105	—	—	—	—	—	—	—	—	—
Other	—	—	109,886	—	—	85	—	—	—	—	1,027,506	—
<b>Total revenues</b>	<b>20,634</b>	<b>125,882</b>	<b>366,638</b>	<b>1,369,615</b>	<b>500,598</b>	<b>5,456,497</b>	<b>34,326</b>	<b>1,928</b>	<b>8,756</b>	<b>3,627</b>	<b>2,479,526</b>	<b>108,003</b>
<b>Expenditures:</b>												
Tax increment financing	303	1,777	5,561	175,509	17,717	1,123,856	755	38	8,756	69	61,282	2,143
Debt service:												
Principal	21,689	—	475,000	1,100,000	280,000	2,248,500	—	—	—	—	2,747,809	—
Interest and fiscal agent fees	—	140,100	476,211	550,194	156,704	1,354,582	14,500	—	—	—	4,649,302	51,600
Debt issuance costs	—	—	—	—	—	87,208	—	—	—	—	655,964	—
<b>Total expenditures</b>	<b>21,992</b>	<b>141,877</b>	<b>956,772</b>	<b>1,825,703</b>	<b>454,421</b>	<b>4,814,146</b>	<b>15,255</b>	<b>38</b>	<b>8,756</b>	<b>69</b>	<b>8,114,357</b>	<b>53,743</b>
Excess (deficiency) of revenues over expenditures	(1,358)	(15,995)	(590,134)	(456,088)	46,177	642,351	19,071	1,890	—	3,558	(5,634,831)	54,260
<b>Other financing sources:</b>												
Issuance of debt	—	—	—	—	—	3,965,000	—	—	—	—	24,840,000	—
Reoffering premium/original issue discount	—	—	—	—	—	54,807	—	—	—	—	(338,052)	—
Payment to refunded loans escrow agent	—	—	—	—	—	(3,932,663)	—	—	—	—	(22,729,135)	—
Transfers in	—	—	—	—	—	—	—	—	—	—	4,792,478	—
Transfers out	—	—	—	—	—	(680,165)	—	—	—	—	—	—
<b>Total other financing sources</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(995,021)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,565,291</b>	<b>—</b>
Net change in fund balances	(1,358)	(15,995)	(590,134)	(456,088)	46,177	49,330	19,071	1,890	—	3,558	990,460	54,260
Fund balances (deficits), beginning	131,123	56,310	342,243	1,418,373	892,555	8,785,609	6,162	38,623	—	(182)	10,009,825	7,065
Fund balances (deficits), ending	\$ 129,765	\$ 40,315	\$ (247,891)	\$ 962,285	\$ 938,732	\$ 8,834,939	\$ 25,233	\$ 40,513	\$ —	\$ 3,376	\$ 10,940,285	\$ 61,325

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



## **CITY OF INDEPENDENCE, MISSOURI**

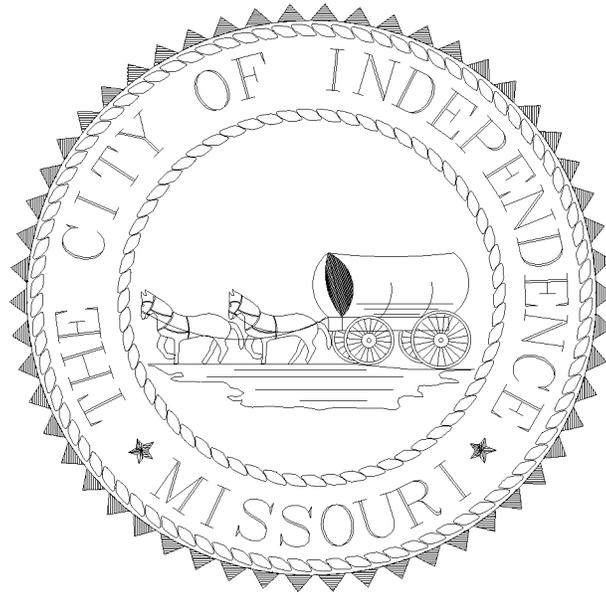
### **Internal Service Funds**

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

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

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

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



## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Net Position

## Internal Service Funds

June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

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

## Internal Service Funds

Year ended June 30, 2013

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

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Cash Flows

## Internal Service Funds

Year ended June 30, 2013

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

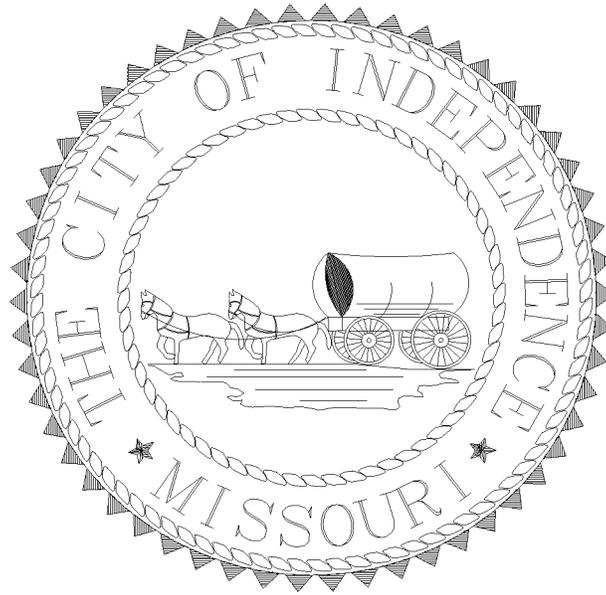
## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2013

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



**CITY OF INDEPENDENCE, MISSOURI**  
Schedules of Operating Expenses – Power and Light Fund  
Years ended June 30, 2013 and 2012

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

**CITY OF INDEPENDENCE, MISSOURI**  
Schedules of Operating Expenses – Power and Light Fund  
Years ended June 30, 2013 and 2012

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

**CITY OF INDEPENDENCE, MISSOURI**  
Schedule of Operating Statistics – Power and Light Fund  
Year ended June 30, 2013

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

CITY OF INDEPENDENCE, MISSOURI  
Schedules of Operating Expenses – Water Fund  
Years ended June 30, 2013 and 2012

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics – Water Fund  
 Year ended June 30, 2013

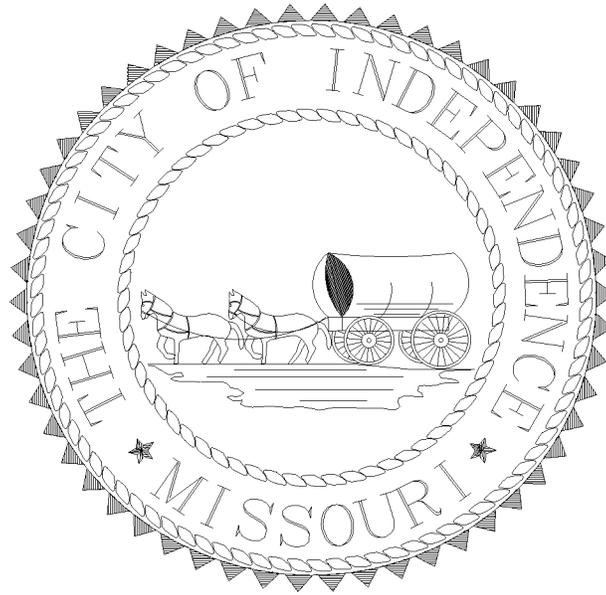
	<u>Number of customers</u>			<u>Revenue</u>	<u>MGS*</u>
	<u>Beginning of year</u>	<u>End of year</u>			
Sale of water:					
Residential	44,520	44,501	\$	13,080,814	3,156,886
Commercial	3,097	3,092		3,847,161	1,008,200
Industrial	6	6		547,930	239,315
Public authority	75	77		270,391	69,550
Resale	13	13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

\* Thousand gallons sold.

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics – Sanitary Sewer Fund  
 Year ended June 30, 2013

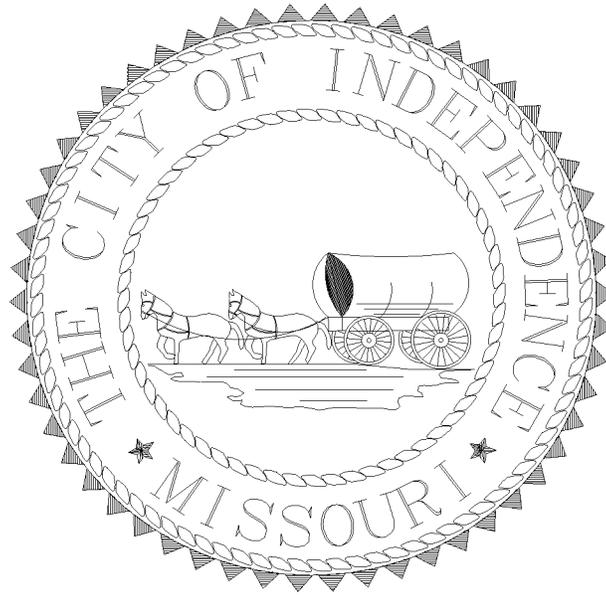
	<u>Number of customers</u>		<u>Revenue</u>	<u>CCF*</u>
	<u>Beginning of year</u>	<u>End of year</u>		
Sale of sanitary sewer services:				
Residential	40,572	40,588	\$ 10,601,887	2,548,241
Commercial:				
Base	3,481	3,463	4,199,879	1,713,014
Surcharge	—	—	1,088,985	—
Contract waste treatment	14	14	250,393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

\* Hundred cubic feet.



### **STATISTICAL DATA**

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



# STATISTICAL SECTION

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

## Contents

## Tables

### **Financial Trends**

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

**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.

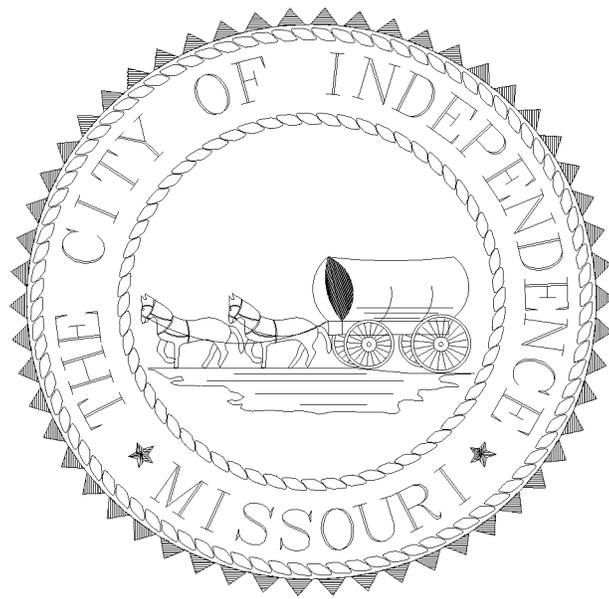


Table 1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets	\$ 86,613,728	102,014,271	163,333,646	195,251,671	233,350,380	289,028,019	305,569,028	321,072,648	334,320,197	336,357,164
Restricted	12,415,044	26,147,417	25,262,407	28,164,683	25,270,318	15,975,723	16,889,552	16,275,115	17,220,970	16,853,297
Unrestricted	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)	(4,410,121)	(10,387,249)	(23,784,298)	(41,705,135)	(219,659,905)	(231,195,039)
Total governmental activities net position	\$ 50,151,360	122,409,342	186,567,169	220,283,552	254,210,577	294,016,493	298,674,282	295,642,628	131,881,262	122,011,422
<b>Business-type activities</b>										
Net investment in capital assets	\$ 212,840,200	233,908,193	246,080,008	267,330,916	285,931,913	281,280,070	279,970,114	272,062,890	262,631,937	251,523,417
Restricted	500,000	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885	6,423,693	14,629,418	15,545,776
Unrestricted	85,443,314	72,143,939	70,071,662	60,010,180	31,311,367	29,929,991	32,197,583	37,479,969	46,597,826	45,095,514
Total business-type activities net position	\$ 298,783,514	306,552,132	316,883,322	328,072,197	322,459,952	314,901,386	315,860,582	315,966,552	323,859,181	312,164,707
<b>Primary government</b>										
Net investment in capital assets	\$ 299,453,928	335,922,464	411,413,654	462,585,587	519,282,293	570,308,089	585,539,142	593,135,538	596,952,134	587,880,581
Restricted	12,915,044	26,647,417	25,994,059	28,895,784	30,487,190	19,167,048	20,582,437	22,698,808	31,850,388	32,390,073
Unrestricted	(36,565,802)	(66,391,593)	(66,042,778)	(56,877,378)	(26,901,246)	(19,442,742)	(8,413,285)	(4,225,160)	(173,062,079)	(186,103,525)
Total primary government net position	\$ 348,934,874	428,961,474	505,450,491	548,555,419	576,670,729	608,917,879	614,534,864	611,609,180	455,740,443	454,176,129

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

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

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

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

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

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

Table 2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
<b>Governmental activities:</b>										
Administrative services	6,808,416	7,148,065	7,363,102	7,749,779	8,487,120	8,216,824	9,172,736	9,305,826	8,344,371	9,225,738
Public safety	32,987,626	35,069,866	36,796,996	38,253,819	44,390,164	47,972,502	49,861,503	53,067,764	53,836,564	55,139,731
Public works	6,196,849	6,889,773	12,817,343	13,231,006	13,013,430	13,197,612	13,687,890	13,647,390	15,562,899	17,428,294
Health and welfare	2,524,823	2,421,255	2,638,369	2,898,542	3,287,200	3,599,725	3,752,793	3,732,793	3,575,162	3,810,863
Culture and recreation	4,069,244	4,247,735	5,161,139	6,965,260	7,813,086	8,135,903	7,604,501	7,947,692	8,476,301	7,275,087
Community development	3,471,030	3,372,610	3,809,726	4,096,835	4,381,932	4,003,876	4,386,689	7,052,272	5,128,323	5,318,490
Storm water	1,043,573	1,493,534	1,641,992	2,193,290	2,270,858	2,445,470	2,369,381	2,876,073	2,765,629	2,862,544
General government	15,012,715	6,266,060	6,678,208	8,225,760	7,921,217	8,374,983	9,421,062	9,366,479	9,293,399	8,405,914
Tax increment financing	—	—	—	—	—	—	—	—	2,992,581	—
Debt service component unit	3,237,213	536,124	991,856	1,050,153	1,073,318	891,473	640,902	7,709,611	10,125,399	379,760
Interest on long-term debt	75,351,489	67,445,022	77,898,731	84,664,444	92,638,725	96,838,368	100,952,133	115,311,680	120,100,568	124,128,241
Total governmental activities expenses	173,726,914	169,367,041	191,797,549	204,374,717	228,065,616	235,307,423	246,893,476	279,576,601	294,224,470	305,965,657
<b>Business-type activities:</b>										
Power and light	71,641,843	73,531,757	84,564,657	89,265,988	101,665,442	101,097,606	105,486,932	113,956,212	124,533,699	127,959,254
Water	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054	20,250,295	20,324,005	20,239,748	20,563,502	21,886,576
Sewer	11,381,487	11,995,774	12,236,654	12,721,171	14,451,363	15,233,127	15,268,389	16,304,874	16,157,412	18,900,129
Events center	98,375,425	101,922,019	113,898,818	119,710,273	135,426,891	138,469,055	145,941,343	137,764,087	12,869,289	13,091,457
Total business-type activities expenses	197,751,750	203,744,038	213,797,626	229,410,546	250,682,700	255,654,783	257,041,269	266,865,621	279,720,902	281,837,416
Total primary government expenses	371,478,664	373,111,079	405,595,175	433,785,263	478,748,316	490,962,206	503,934,745	546,442,222	573,945,372	587,803,073
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Administrative services	5,117,112	5,067,474	5,512,413	5,696,158	5,905,973	6,247,933	6,276,153	6,453,890	6,676,240	6,611,432
Public safety	3,618,327	3,841,471	4,588,766	4,202,328	4,202,059	4,432,454	4,867,364	4,943,734	4,829,421	4,567,625
Public works	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172	462,490	437,032	398,071	362,732
Health and welfare	487,956	482,601	435,775	723,574	791,825	776,194	819,659	732,116	817,774	735,708
Culture and recreation	252,814	619,630	975,889	845,560	925,880	842,523	771,890	796,820	871,799	727,220
Community development	2,068,279	2,050,172	2,203,367	2,292,638	1,949,275	1,172,512	1,242,376	1,167,853	968,438	934,442
Storm water	—	—	—	—	645	—	—	—	—	—
General government	15,000	—	—	—	—	—	—	—	1,012,898	1,037,506
Operating grants and contributions	9,181,339	9,336,061	9,199,332	9,957,178	8,902,787	8,223,227	9,182,959	13,517,593	12,487,041	9,462,570
Capital grants and contributions	957,411	7,242,924	26,417,977	23,963,312	27,772,386	41,557,506	11,912,031	12,598,018	14,465,335	3,590,902
Total governmental activities program revenues	23,614,318	29,442,539	50,337,280	49,019,227	51,190,473	63,701,521	35,534,922	40,647,056	42,527,017	28,090,137
<b>Business-type activities:</b>										
Charges for services:										
Power and light	81,333,414	82,592,294	98,278,354	103,133,249	107,619,947	105,064,847	114,744,814	126,755,826	139,878,341	137,749,295
Water	16,610,572	17,080,050	18,312,720	17,744,404	18,114,183	18,607,799	20,134,421	22,203,258	24,635,637	26,642,646
Sewer	13,520,317	13,975,780	14,364,165	15,058,695	15,283,055	15,347,894	15,263,586	17,061,489	18,233,724	20,231,637
Events center	—	—	—	—	—	—	—	4,874,623	8,370,481	4,345,469
Operating grants and contributions	—	—	—	—	—	—	—	4,813,612	5,000	—
Capital grants and contributions	4,031,475	3,491,383	2,964,925	5,562,049	4,363,127	3,396,999	7,760,380	4,012,182	1,122,019	763,127
Total business-type activities program revenues	115,295,778	117,139,507	133,920,164	141,498,397	145,380,312	142,417,539	157,903,201	179,720,990	192,245,202	189,732,174
Total primary government program revenues	138,910,096	146,582,046	184,257,444	190,517,624	196,570,785	206,119,060	193,438,123	220,368,046	234,772,219	217,762,311

Table 2

City of Independence, Missouri Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Net (expense)/revenue</b>											
Governmental activities	\$	(51,737,171)	(38,002,483)	(27,561,451)	(35,645,217)	(41,448,252)	(33,136,847)	(65,417,211)	(74,664,624)	(77,573,551)	(96,098,104)
Business-type activities		16,920,353	15,217,488	20,021,346	21,788,124	9,953,421	3,948,484	11,961,858	15,456,069	18,121,300	7,894,758
Total primary government net expense	\$	(34,816,818)	(22,784,995)	(7,540,105)	(13,857,093)	(31,494,831)	(29,188,363)	(53,455,353)	(59,208,555)	(59,452,251)	(88,203,346)
<b>General Revenues and Other Changes in Net Position</b>											
Governmental activities:											
Taxes	\$	6,458,742	6,564,690	6,895,323	6,952,380	7,067,966	7,963,698	7,276,215	7,458,788	8,652,704	7,618,559
Property taxes		35,423,599	33,295,203	37,754,853	37,728,799	38,086,941	37,353,520	36,021,505	36,030,316	39,836,686	40,689,725
Sales and use taxes		7,241,437	7,500,356	7,645,601	8,209,734	16,519,852	13,138,965	11,823,113	10,696,214	10,914,940	10,414,823
Intergovernmental activity taxes		29,000	37,149	22,181	34,802	31,960	44,195	15,669	28,410	21,646	15,225
Franchise taxes		583,364	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476	138,471	228,812	302,467
Financial institutions tax		1,646,836	1,143,207	714,149	589,469	348,143	438,354	466,775	1,079,391	397,567	1,049,065
Investment earnings		9,554,727	10,058,823	13,167,930	13,180,055	14,181,015	13,398,378	14,274,217	16,201,380	17,329,950	18,232,349
Miscellaneous		60,937,705	59,477,407	67,585,163	68,480,350	77,712,325	72,942,563	70,075,000	71,632,970	86,916,957	87,957,476
Payments to component unit		—	—	—	—	—	—	—	—	—	—
Transfers		—	—	—	—	—	—	—	—	—	—
Total governmental activities	\$	709,029	1,567,536	2,449,623	2,532,853	1,850,519	485,895	69,869	171,413	28,936	5,291,682
Business-type activities:		1,774,387	1,022,417	436,132	47,953	37,982	1,405,433	609,962	679,868	2,212,916	66,215
Sales and use taxes		(9,554,727)	(10,058,823)	(13,167,930)	(13,180,055)	(14,181,015)	(13,398,378)	(14,274,217)	(16,201,380)	(17,329,950)	(18,232,349)
Investment earnings		(7,071,311)	(7,448,870)	(10,282,175)	(10,599,249)	(12,292,514)	(11,507,050)	(13,594,416)	(15,350,099)	(15,088,098)	(12,316,487)
Miscellaneous		—	—	—	—	—	—	—	—	—	—
Transfers		—	—	—	—	—	—	—	—	—	—
Total business-type activities	\$	53,866,394	52,028,337	57,302,988	57,881,101	65,419,811	61,435,513	56,480,584	56,282,871	71,828,859	75,640,989
Total primary government	\$	9,200,534	21,474,924	40,023,712	32,835,133	36,264,073	39,805,716	4,657,789	(3,031,654)	9,343,406	(8,140,628)
Governmental activities		9,849,042	7,768,618	9,739,171	11,888,875	(2,339,093)	(7,558,566)	(4,632,558)	105,970	3,033,202	(4,421,729)
Business-type activities		19,049,576	29,243,542	49,762,883	44,024,008	33,924,980	32,247,150	3,025,231	(2,925,684)	12,376,608	(12,562,357)
Total primary government	\$	—	—	—	—	—	—	—	—	—	—

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

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

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

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

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

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

Table 3

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>General Fund</b>						
Reserved	\$ 1,651,092	1,650,890	1,756,039	2,200,693	1,265,717	1,319,086
Unreserved	3,515,412	3,196,765	6,029,006	4,534,005	8,062,100	5,739,682
<b>Total General Fund</b>	\$ 5,166,504	4,847,655	7,785,045	6,734,698	9,327,817	7,058,768
<b>All other governmental funds</b>						
Reserved	\$ 15,656,867	18,110,669	20,786,620	10,928,435	41,091,787	19,583,280
Unreserved, reported in:						
Special revenue funds	8,619,880	17,461,153	14,250,375	17,620,241	12,648,957	5,357,555
Capital project funds	2,476,752	(3,837,893)	(10,687,320)	(1,859,546)	(29,245,744)	(10,675,562)
Debt service funds	92,704	92,278	86,300	82,229	71,068	56,553
Permanent funds	13,274	13,616	14,220	9,670	—	—
<b>Total all other governmental funds</b>	\$ 26,859,477	31,839,823	24,450,195	26,781,029	24,566,068	14,321,826
<b>General Fund</b>	2010	2011	2012	2013		
Restricted	236,365	442,556	584,917	417,361		
Committed	2,277,479	1,413,292	453,285	391,399		
Assigned	662,881	667,065	593,561	464,633		
Unassigned	2,012,374	2,302,039	1,831,406	600,662		
	\$ 5,189,099	4,824,952	3,463,169	1,874,055		
<b>All other governmental funds</b>						
Nonspendable	—	—	—	480,253		
Restricted	17,329,836	16,659,329	44,378,155	43,513,724		
Committed	440,243	437,150	1,404,187	451,142		
Unassigned	(5,118,794)	(5,369,883)	(6,237,737)	(6,951,949)		
	\$ 12,651,285	11,726,596	39,544,605	37,493,170		

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

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

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

Table 4

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 49,123,780	47,360,251	52,295,777	52,890,913	58,474,761	55,131,682	55,953,427	59,053,886	68,437,032	68,799,104
Licenses, fees and permits	4,951,856	4,670,617	5,073,944	5,472,192	4,642,719	3,695,971	3,483,767	3,426,859	3,319,496	3,255,877
Intergovernmental	10,091,764	13,013,181	21,762,714	16,534,433	10,862,317	19,131,915	16,921,164	24,785,082	24,127,728	12,724,286
Changes for services	1,569,283	2,023,297	2,926,800	2,587,783	2,784,144	2,759,317	3,095,040	3,015,294	3,095,040	2,866,943
Interfund charges for support services	2,567,631	2,700,215	2,919,682	3,105,514	3,222,406	3,389,629	3,580,384	3,703,875	3,791,414	3,835,972
Fines, forfeitures, and court costs	3,219,276	3,521,377	4,029,569	3,900,967	3,724,608	4,009,673	4,310,754	4,329,537	4,329,537	4,061,879
Investment earnings	571,402	901,209	1,309,569	1,588,358	1,197,790	1,095,337	1,659,939	124,223	214,584	287,686
Reimbursements from component unit	—	—	—	3,502,961	11,413,444	12,274,171	3,792,466	581,524	—	—
Developer contributions	—	—	—	—	—	—	—	—	—	—
Other	1,619,995	1,260,113	493,127	799,580	740,435	924,092	816,818	1,115,938	832,549	238,105
Total revenues	73,914,987	75,450,260	90,835,594	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792	110,503,075	98,433,816
<b>Expenditures</b>										
Administrative services	6,593,368	6,618,488	6,897,346	7,592,963	7,460,421	7,728,128	7,867,425	7,862,603	7,332,146	6,997,537
Public safety	32,271,567	35,462,979	38,976,460	39,693,647	40,950,718	40,956,235	45,150,437	48,037,112	45,457,931	46,169,791
Public works	6,035,389	5,930,041	6,586,771	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868	5,191,326	5,645,470
Health and welfare	2,395,294	2,419,833	2,614,557	2,835,949	2,875,392	3,150,172	3,226,705	3,277,614	3,055,362	3,362,706
Culture and recreation	3,752,185	4,048,187	4,628,228	5,098,826	5,800,784	5,942,029	6,160,686	5,995,558	6,205,463	5,694,462
Community development	3,446,574	3,278,951	3,712,454	4,182,354	4,090,318	3,657,531	4,119,818	6,730,888	4,877,604	5,029,870
Storm water	820,703	1,180,789	1,141,595	1,538,857	1,388,856	1,542,289	1,668,148	1,772,387	1,581,460	1,532,184
General government	6,964,846	7,148,583	6,678,208	7,582,224	7,612,540	7,486,977	8,541,586	8,507,142	8,343,550	7,461,577
Tax increment financing	—	—	—	—	—	—	—	—	2,992,581	2,578,489
Capital outlay	20,481,873	21,040,394	33,296,700	31,736,638	28,561,029	42,442,528	26,346,981	22,527,627	24,697,928	15,475,351
Debt Service	—	—	—	—	—	—	—	—	—	—
Principal	3,554,106	1,019,196	3,230,099	3,256,394	3,378,132	7,277,755	3,465,682	2,963,391	12,935,067	12,223,792
Debt service component unit	—	—	—	—	—	—	—	—	—	—
Interest	3,153,530	246,458	996,600	1,001,306	1,114,072	977,116	814,620	600,864	10,283,032	9,505,756
Debt issuance costs	—	—	—	—	—	—	—	—	258,358	1,059,129
Total expenditures	89,069,435	88,393,899	108,759,018	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806	133,211,808	122,736,114
Excess of revenues over (under) expenditures	(15,554,448)	(12,943,639)	(17,923,424)	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)	(17,757,014)	(22,708,733)	(24,302,298)
<b>Other Financing Sources (Uses)</b>										
Transfers in	651,553	222,429	1,724,648	2,102,299	1,266,294	3,897,938	3,069,619	2,499,761	8,446,498	9,771,846
Transfers out	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)	(2,461,566)	(8,446,498)	(9,560,573)
Issuance of debt	11,096,464	20,748,448	—	8,477,809	100,695	101,734	4,020,000	—	8,694,700	40,855,000
Premiums/Discounts on debt issued	—	—	—	—	—	—	18,402	—	(99,950)	(14,334)
Payment to refunded loans escrow agent	—	—	—	—	—	—	—	—	(6,426,286)	(38,713,690)
Transfers in - utility payments in lieu of taxes	9,712,812	10,179,317	12,624,861	13,039,463	13,702,586	13,503,735	14,225,247	16,211,380	17,329,950	18,021,077
Payments to component unit	—	—	—	—	—	—	—	—	—	—
Sale of capital assets	31,537	56,379	303,255	50,834	23,581	40,269	38,572	218,603	100,901	302,423
Total other financing sources (uses)	20,682,729	30,843,652	13,471,185	21,708,698	13,721,505	13,540,178	18,351,221	16,468,178	19,599,315	20,661,749
Net change in fund balances	\$ 5,128,281	17,900,013	(4,452,239)	399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)	(3,109,418)	(3,640,549)
Debt service as a percentage of non capital expenditures	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%	7.67%	21.79%	21.61%

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

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

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

Table 5

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

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

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

Source: Missouri Department of Revenue

Table 6

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Direct Sales Tax Rate City of Independence</b>										
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.375	0.375	0.375	0.375	0.375	0.500	0.500	0.500	0.500	0.500
Park Improvements	0.125	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.250	0.250	0.250	0.125	0.125	0.125	0.125	0.125
<b>Direct Sales Tax Rate City of Independence</b>	<b>1.750</b>	<b>1.875</b>	<b>2.250</b>							
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
<b>Total Direct Sales Tax Rate</b>	<b>1.875</b>	<b>2.000</b>	<b>2.375</b>							
<b>Total Local Option Sales Tax Rate</b>										
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Jackson County	0.750	0.750	0.750	1.125	1.125	1.125	1.125	1.125	1.125	1.125
Kansas City Zoo	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125	0.125
City of Independence	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
<b>Total Direct and Overlapping Sales Tax Rate</b>	<b>6.850</b>	<b>6.975</b>	<b>7.350</b>	<b>7.725</b>	<b>7.725</b>	<b>7.725</b>	<b>7.725</b>	<b>7.725</b>	<b>7.850</b>	<b>7.850</b>

Note: The rate shown for the Transportation Development District is for the 39th Street corridor only.

Source: Missouri Department of Revenue

Table 7

**City of Independence, Missouri**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property			State Assessed	Total	Other Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Agricultural Property	Commercial Property			Personal Property	Railroads & Utilities				
2004	\$ 692,984,990	1,058,124	240,816,129	5,477,070	940,336,313	257,027,857	378,363	1,197,742,533	0.7500	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	5,525,949	1,037,312,716	256,782,138	251,053	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	5,244,739	1,052,143,415	266,654,033	1,105,062	1,319,902,510	0.6930	5,787,206,471	22.81%
2007	826,183,410	1,077,386	289,266,376	4,991,962	1,121,519,134	278,254,929	836,952	1,400,611,015	0.6630	6,115,085,122	22.90%
2008	835,415,560	1,092,071	280,076,363	4,385,286	1,120,969,280	289,243,271	1,720,003	1,411,932,554	0.6630	6,168,940,666	22.89%
2009	774,152,986	1,020,696	255,474,757	3,793,786	1,034,442,225	268,317,482	1,114,259	1,303,873,966	0.6560	5,702,449,660	22.87%
2010	770,979,192	1,083,868	257,788,756	4,145,717	1,033,997,533	263,606,423	1,237,018	1,298,840,974	0.7030	5,680,839,244	22.86%
2011	781,239,728	1,126,981	235,721,480	4,951,250	1,023,039,439	262,875,610	1,242,492	1,287,157,541	0.7280	5,666,580,865	22.71%
2012	781,254,601	1,128,703	236,979,066	4,844,455	1,024,206,825	252,082,951	2,943,813	1,279,233,589	0.7236	5,643,175,957	22.67%
2013	779,674,017	1,128,605	235,695,566	4,816,906	1,021,315,094	254,225,408	3,612,882	1,279,153,384	0.7281	5,639,283,894	22.68%

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

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

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

Table 8

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

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

- Notes:
- (1) Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property. Commercial real property is also assessed an additional "replacement tax" of 1.437 per \$100 assessed value.
  - (2) The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$.40 per \$100.00 assessed valuation. There is no limit on the levy rates for General Debt and Interest.
  - (3) County Tax Breakdown (see note 5):
 

Health & Welfare Fund	0.1529
General Fund	0.1481
Road & Bridge Fund	0.1391
Park Fund	0.0897
Mid-Continent Public Library	0.3200
Developmentally Disabled	0.0748
Mental Health	0.1218
<b>Total County</b>	<b>1.0464</b>
  - (4) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for these districts are:
 

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

Table 9

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

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

Source: Jackson County Collection Department

Table 10

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

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year		Collected within Fiscal Year of Levy		Collections in Subsequent Years		Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2004	\$ 6,330,247	90.50%	\$ 5,729,077	90.50%	\$ 598,211	99.95%	\$ 6,327,288	99.95%
2005	6,444,741	94.42%	6,084,821	94.42%	357,771	99.97%	6,442,592	99.97%
2006	6,818,619	90.41%	6,164,479	90.41%	651,237	99.96%	6,815,716	99.96%
2007	6,905,547	94.96%	6,557,341	94.96%	344,905	99.95%	6,902,246	99.95%
2008	7,103,810	93.55%	6,645,387	93.55%	453,605	99.93%	7,098,993	99.93%
2009	7,287,258	93.41%	6,807,203	93.41%	479,402	99.99%	7,286,605	99.99%
2010	7,232,424	95.17%	6,883,318	95.17%	305,513	99.40%	7,188,831	99.40%
2011	7,493,616	95.35%	7,145,073	95.35%	270,879	98.96%	7,415,952	98.96%
2012	7,495,895	93.00%	6,971,357	93.00%	223,235	95.98%	7,194,592	95.98%
2013	7,402,402	95.44%	7,065,183	95.44%	—	95.44%	7,065,183	95.44%

Source: City of Independence

Table 11

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

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

Source: City of Independence

Table 12

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

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

Source: City of Independence

Table 13

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

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

Source: City of Independence

Table 14

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

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

Source: City of Independence

Table 15

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

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

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

Source: City of Independence

Table 16

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

Fiscal Year	Governmental Activities				Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation				
2004	\$ 59,317,916	\$ 995,000	\$ 718,955	\$ —	\$ —	5.15%	\$ 1,106.10	
2005	(2) 21,498,153	1,039,990	1,015,831	—	86,523,582	3.39%	751.42	
2006	(2) 18,590,023	982,044	737,370	—	79,670,760	3.03%	687.10	
2007	23,870,529	923,099	712,483	—	81,054,149	3.06%	696.59	
2008	20,681,754	864,153	650,673	—	86,026,333	3.48%	788.08	
2009	13,586,351	800,207	603,524	—	193,467,503	7.48%	1,695.18	
2010	14,366,011	736,261	431,454	—	190,613,577	6.77%	1,572.56	
2011	11,580,656	667,315	292,063	—	208,531,403	7.91%	1,784.91	
2012	(3) 180,792,033	598,369	1,642,764	—	426,070,565	16.49%	3,635.01	
2013	171,371,974	528,423	1,407,347	—	470,244,759	18.19%	4,009.93	

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

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

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

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

Table 17

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

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

Notes: (1) See Table 7 for property value data.  
(2) See Table 21 for population data.

Note: The City does not have any General Bonded Debt over the past ten fiscal years. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Table 18**

**City of Independence, Missouri**  
**Direct and Overlapping Governmental Activities Debt**  
 As of June 30, 2013

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

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

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

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

Table 19

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit (1)	\$ 239,548,507	238,869,181	263,980,502	280,122,203	282,386,511	282,386,511	259,768,195	257,431,508	255,846,718	255,830,677
Total net debt applicable to limit	—	948,722	896,700	840,870	790,240	790,240	650,505	585,340	515,768	455,018
Legal Debt Margin	\$ 239,548,507	257,920,459	263,083,802	279,281,333	281,596,271	281,596,271	259,117,690	256,846,168	255,330,950	255,375,659

Total net debt applicable to the limit as a percentage of debt limit

	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%	0.227%	0.202%	0.178%
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**Legal Debt Margin Calculation for Fiscal Year 2013**

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

Notes:

- (1) - Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.
- (1) - Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur additional indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.
- (1) - Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

Table 20

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

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (2)	
<b>Power &amp; Light (2)</b>						
2004	\$ 82,265,717	\$ 61,851,943	\$ 20,413,774	\$ 1,745,000	\$ 983,448	\$ 7.48
2005	84,020,908	64,452,736	19,568,172	1,855,000	921,038	7.05
2006	100,254,630	75,369,477	24,885,153	1,925,000	855,273	8.95
2007	105,313,797	80,423,304	24,890,493	1,995,000	784,823	8.95
2008	109,358,222	90,141,975	19,216,247	2,065,000	708,218	6.93
2009	106,810,460	88,778,796	18,031,664	2,155,000	1,157,423	5.44
2010	115,265,625	91,580,614	23,685,011	2,245,000	2,149,388	5.39
2011	127,486,725	98,684,455	28,802,270	2,965,000	2,645,010	5.13
2012	140,997,371	104,196,848	36,800,523	3,820,000	3,042,435	5.36
2013	138,561,630	100,672,846	37,888,784	4,080,000	6,100,037	3.72
<b>Water (2)</b>						
2004	\$ 16,907,411	\$ 10,718,853	\$ 6,188,558	\$ 1,200,000	\$ 1,449,060	\$ 2.34
2005	17,928,618	11,096,626	6,831,992	1,285,000	2,014,517	2.07
2006	19,285,620	12,300,943	6,984,677	1,905,000	2,053,730	1.76
2007	18,473,889	12,850,111	5,623,778	2,040,000	1,923,627	1.42
2008	18,422,122	13,268,938	5,153,184	2,200,000	1,838,014	1.28
2009	18,709,946	13,618,857	5,091,089	2,380,000	2,032,591	1.15
2010	20,224,820	13,386,180	6,838,640	2,525,000	2,413,924	1.38
2011	22,292,691	13,133,820	9,158,871	2,790,000	2,210,141	1.83
2012	25,043,870	13,882,468	11,161,402	2,965,000	2,096,341	2.21
2013	28,165,483	16,255,647	11,909,836	3,180,000	2,003,608	2.30
<b>Sanitary Sewer</b>						
2004	\$ 13,549,180	\$ 9,243,252	\$ 4,305,928	\$ —	\$ —	\$ —
2005	14,272,438	10,017,560	4,254,878	—	—	—
2006	14,850,445	10,400,801	4,449,644	—	—	—
2007	15,519,278	10,884,567	4,634,711	—	—	—
2008	15,860,966	11,852,963	4,008,003	—	—	—
2009	15,585,793	13,005,365	2,580,428	—	—	—
2010	15,310,352	13,001,081	2,309,271	—	—	—
2011	17,099,048	13,451,850	3,647,198	—	—	—
2012	19,260,332	13,840,938	5,419,394	—	—	—
2013	20,259,977	14,293,949	5,966,028	—	1,030,631	5.79

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Notes: (1) Operating expenses excludes depreciation, interest expense, amortization, non-operating expenses, OPEB, and payments in lieu of taxes.

(2) Numbers displayed for Power and Light are in accordance with FERC accounting. Numbers displayed for Water are in accordance with NARUC accounting.

Table 21

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

Calendar Year (3)	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (1)
2004	114,745	2,465,640,560	21,488	38.55	18,215	6.50%
2005	115,146	2,552,786,820	22,170	38.57	16,278	6.00%
2006	115,953	2,632,249,053	22,701	38.91	14,829	5.30%
2007	116,359	2,651,123,456	22,784	39.22	14,113	5.40%
2008	109,159	2,471,141,442	22,638	39.28	13,550	6.40%
2009	114,128	2,585,569,840	22,655	39.56	16,065	9.80%
2010	121,212	2,817,572,940	23,245	39.81	20,755	10.35%
2011	116,830	2,636,035,290	22,563	38.79	19,505	10.20%
2012	117,213	2,583,374,520	22,040	38.18	24,900	7.80%
2013	117,270	2,584,630,800	22,040	39.60	25,320	7.20%

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

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

(2) Information provided by school districts.

Table 22

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

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

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

Table 23

City of Independence, Missouri  
Full-time Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
City council office	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	6.50	6.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
City manager	8.50	7.00	7.50	10.50	10.50	10.50	9.50	9.50	7.00	7.00
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75
Technology services	20.00	20.00	20.00	21.00	21.00	21.00	21.00	21.00	22.00	22.00
Municipal court	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00	14.67
Law - General fund	5.50	5.50	5.75	6.75	6.51	6.50	6.50	6.00	6.25	6.25
Law - Grant fund	—	0.50	0.50	0.50	0.37	0.25	0.25	0.25	0.25	0.25
Finance	24.00	24.00	25.00	26.00	25.00	24.15	24.15	24.15	22.65	22.65
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	7.50	6.50	6.50	6.44
Public Safety										
Police - General fund	275.00	277.00	281.50	281.50	283.00	290.40	290.40	292.90	274.65	276.91
Police - Grant fund	—	15.00	12.00	10.00	14.00	15.00	15.00	13.00	14.00	13.00
Fire - General fund	174.00	173.25	173.25	173.25	173.25	173.25	173.25	173.25	173.25	173.25
Fire - Grant fund	—	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Public Works										
General Fund	82.00	81.00	82.00	83.00	82.00	82.00	82.00	83.00	79.90	79.90
Street Sales Tax Fund	—	—	—	—	—	—	—	—	—	3.00
Health and Welfare										
General fund	39.47	33.50	34.25	34.25	35.25	35.25	35.25	36.00	35.16	40.20
Grant fund	—	5.50	6.00	7.70	6.25	7.10	5.35	4.95	8.65	7.65
Culture and Recreation										
General fund	42.14	41.70	36.70	35.53	32.65	32.65	33.46	31.71	28.71	30.15
Tourism fund	3.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.66	4.66
Park Improvement Sales Tax fund	8.61	11.59	12.59	17.12	25.29	25.29	23.98	22.48	21.75	20.75
Community Development										
General fund	22.00	22.00	26.00	25.75	26.64	26.05	27.55	27.05	27.30	27.30
Community Dev Block Grant fund	3.00	3.00	3.00	2.50	2.11	2.70	2.00	2.00	2.00	2.00
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	—	—
Storm Water Sales Tax fund	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	13.00	13.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Power and Light	220.00	220.00	220.00	220.00	220.00	217.00	218.00	222.00	233.00	236.00
Water										
City Manager - General fund	1.50	—	—	—	—	—	—	—	—	—
Finance - General fund	1.00	1.00	1.00	0.17	0.15	0.85	0.85	0.85	0.85	0.85
Water	97.48	97.48	98.48	97.48	98.50	101.65	101.65	101.65	93.65	93.42
Sewer										
Public Works - General fund	—	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	69.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
Central Garage fund	9.00	9.00	9.00	9.00	10.00	10.00	9.75	9.75	9.75	9.75
Worker Compensation Fund	—	—	—	—	1.75	1.75	1.75	1.75	2.00	2.00
Total	1,162.61	1,182.18	1,188.18	1,195.66	1,208.88	1,218.00	1,216.30	1,216.90	1,196.93	1,209.05

Source: City of Independence Budget

Table 24

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

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

Source: City of Independence

Table 25

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Safety</b>										
Police										
Police stations	3	3	3	4	4	4	5	4	3	5
Vehicles	162	90	177	203	206	201	215	166	180	191
K - 9 Facility	—	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Fire Training Facilities	—	—	—	—	—	1	1	1	1	1
Vehicles	42	41	44	45	42	45	48	47	45	44
<b>Public Works</b>										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	535	535	580	550	564	547	557	565	565	560
<b>Culture and Recreation</b>										
Park acreage	724	724	757	826	728	728	781	730	843	843
Parks	40	42	43	44	42	42	45	43	45	46
Community Centers	3	3	3	3	3	3	3	3	4	3
Fitness Centers	2	2	2	2	2	2	2	2	2	2
Ball Fields	53	53	53	53	54	54	57	54	42	45
<b>Power and Light</b>										
Power stations	5	5	5	5	5	5	5	5	6	6
Transmission/Distribution Circuits (miles)	802	809	817	829	835	840	844	847	859	853
Maximum daily use (Mwh)	5,838	5,320	5,464	5,865	5,579	5,472	4,909	5,456	5,780	5,654
<b>Water</b>										
Water mains (miles)	711	711	729	736	741	742	746	750	757	758
Fire hydrants	4,186	4,186	4,401	4,520	4,635	4,679	4,728	4,787	4,854	4,875
Maximum daily pumpage (millions of gallons)	42	41	44	44	39	38	35	42	42	47
<b>Sewer</b>										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	582	576	578	590	578	596	597	596	614	614
Maximum daily capacity of treatment (MGD)	18	19	19	18	16	18	18	18	16	16

Source: City of Independence