

City of Independence, Missouri
Historic City of the Trails



For the Fiscal Year Ended

June 30, 2016

*Comprehensive Annual
Financial Report*

CITY OF INDEPENDENCE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Mayor
Eileen Weir

City Council

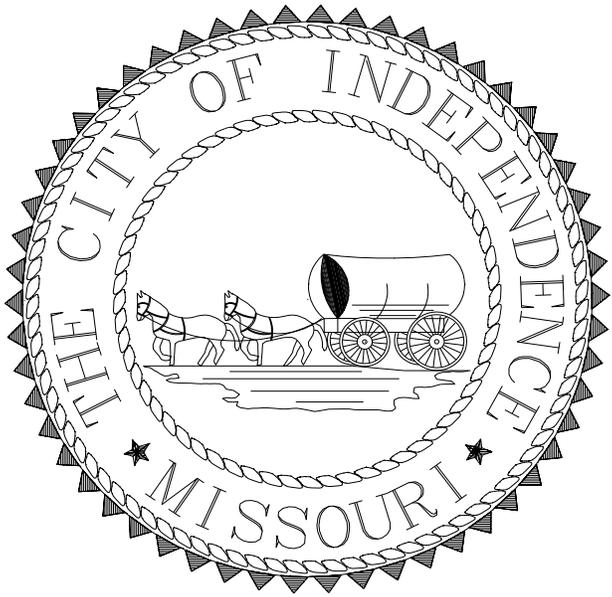
John Perkins	District #1
Curt Dougherty	District #2
Scott Roberson	District #3
Thomas Van Camp	District #4
Karen DeLuccie	At-large
Chris Whiting	At-large

City Manager

Zachary Walker

Prepared by the Department of Finance

Brian C. Watson, Director of Finance

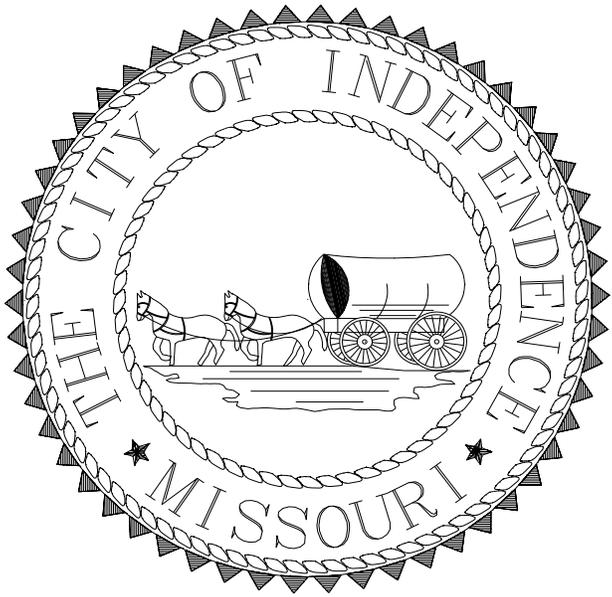


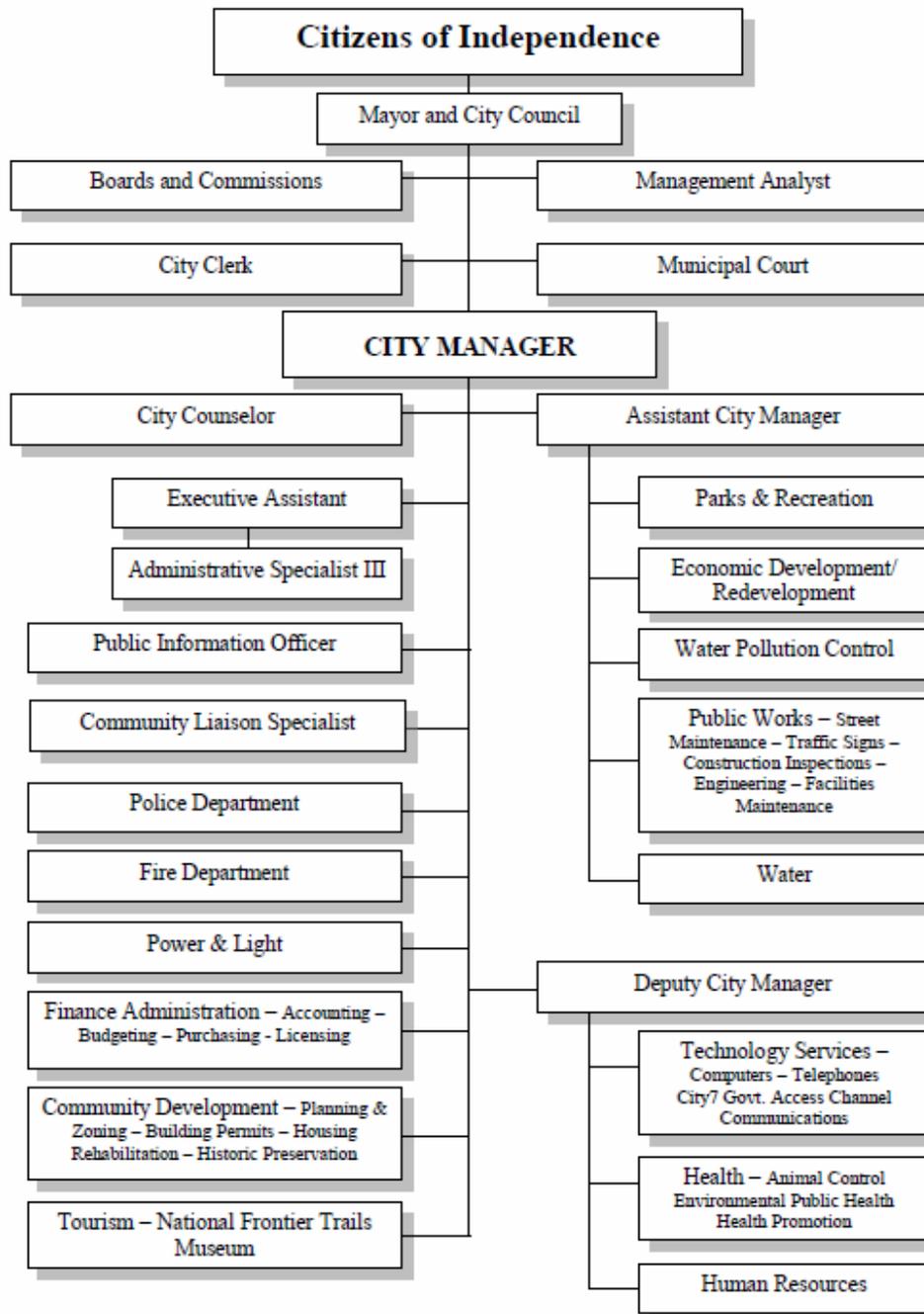
CITY OF INDEPENDENCE, MISSOURI

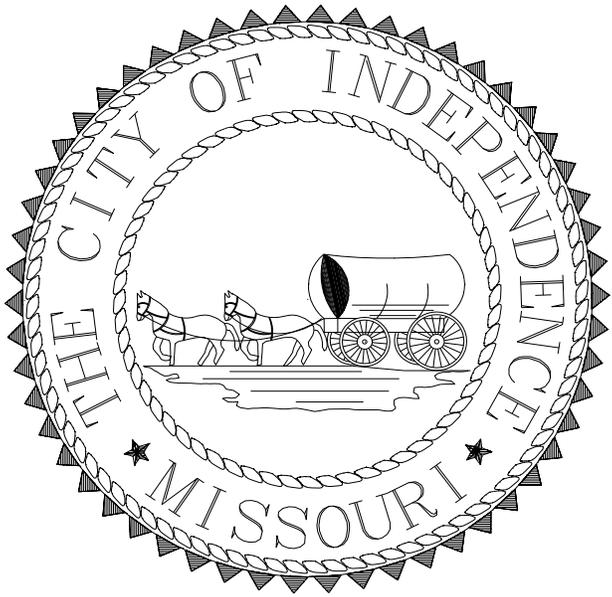
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City of Independence

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December 20, 2016

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2016. This report is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter.

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

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

The City of Independence's financial statements, as required by the Charter, have been audited. The independent audit was conducted by RSM US LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

In fulfilling its responsibilities for reliable financial statements, management depends on the City's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. In addition to the independent audit and the internal control system, the Charter provides that the Council appoint a Management Analyst. The Management Analyst performs such duties as directed by the Council. These duties include the periodic review of all departments and the preparation of an annual report to the Council.

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

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

Profile of the City

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S Truman, 33rd President of the United States. Independence is the fifth largest city in Missouri with an estimated population of 117,255.

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

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

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

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

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

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

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

Purchase orders and contracts are encumbered prior to their release to vendors. Any item, which would result in expenditures in excess of a department's budget, is not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2016, are reported as committed and assigned fund balance since the City intends to honor the purchase orders and contracts.

Local economy

The City is continuing to experience growth on the eastern side of town. The I-70 interchange has made the Little Blue Parkway the professional business corridor of the 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of a fast growing commercial area. This area is home to the Silverstein Eye Centers Arena, formerly known as the Independence Events Center which includes an arena with 5,800 seats for sports with additional seating for concerts and a community ice rink. The Silverstein Eye Centers Arena (Arena) is home to the Central Hockey League franchise the Missouri Mavericks and Major Indoor Soccer League the Comets. The Missouri Mavericks have a signed contract that expires in 2020 and the Comets contract expires March 2018. The Arena opened in November 2009 providing approximately 120 new jobs.

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

Year	City Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2016*	5.0%	5.3%	4.9%
2015	5.5%	5.9%	5.2%
2014	6.7%	7.0%	6.1%
2013	6.9%	7.5%	6.5%
2012	7.1%	7.7%	6.9%

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

*Average estimated thru June 2016.

Long-term financial planning

The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed projects for constructing, maintaining, upgrading, and replacing the City’s physical infrastructures. The budget for fiscal year 2016-2017 includes projects totaling an estimated \$32.5 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales taxes.

The City’s policy is to maintain an unassigned fund balance level in the General Fund equal to 5.0% of annual revenues. Unassigned fund balance in the General Fund does fall within the policy guidelines set by the Council for budgetary and planning purposes.

Relevant financial policies

It is the City of Independence's policy to restore the unassigned fund balance through revenue allocations or expenditure reductions when it falls below the 5.0% of annual revenues. The City Manager has not funded vacant positions whenever possible in an effort to reduce salary and benefit costs. In addition, each department has been asked to reduce expenditures in an effort to reduce costs. The unassigned fund balance as of June 30, 2016 was 5.0% of the General Fund revenues and transfers from utility payments in lieu of taxes. There was no change from last year’s percentage.

Major initiatives

The Neighborhood Stabilization Program continues to bring a number of private and public entities together to redevelop Northwest Independence as a vibrant community. The City anticipates the Neighborhood Stabilization Program will run through fiscal year 2017-18, until all funding sources have been exhausted. Development incentives, school redistricting, and tax abatements have combined to encourage construction of new housing, rehabilitation of existing housing, and redevelopment of commercial nodes. Additional infrastructure investments by both the City and Missouri Department of Transportation have improved access and enhanced property values. The City anticipates that population will continue to rebound in this geographic area over the next five to ten years.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2015. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

The preparation of this report would not have been possible without the efficient and dedicated services of several members of the Finance Department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. I also would like to thank the firm of RSM US LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,



Brian C. Watson
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Independence
Missouri**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Silverstein Eye Centers Arena (Arena), which is a blended component unit presented within the Events Center Fund, a major enterprise fund of the City. This activity represents 2 percent and 46 percent, respectively, of the total assets and total revenues of the major enterprise fund and 0.19 percent and 3 percent, respectively, of the total assets and total revenues of the business-type activities. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arena is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

RSM US LLP

Kansas City, Missouri
December 20, 2016

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2016

This section of the City of Independence's comprehensive annual financial report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

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

Sales tax revenue increased by \$365,863, or 0.7%. Again this year, the lagging growth in revenue from sales tax can mostly be attributed to two factors. The first and probably the most significant is the slow economy that has generally been felt throughout the country. The second is the retail competition that continues to develop within the trade area of the City. Blue Springs and Lee's Summit continue to expand their retail shopping opportunities.

The economy has continued to impact development in the 39th Street and I-70 commercial area of the City. This lack of growth has significantly impacted the Falls at Crackerneck Tax Increment Financing project. Since retail shopping has not occurred as originally expected the General, Power and Light, Water, Sewer, and Sanitary Sewer Sales Tax Funds have had to fund the debt service gap on the bonds issued for public improvements in this project. Several of the debt issues for the Falls at Crackerneck project were refinanced to reduce this coverage in future years.

Revenues of the General Fund were also significantly impacted by the combined impact of extremely low cost of natural gas and weather. As a result of the low cost of fuel and a very mild winter, revenues from the franchise tax on natural gas sales within the City were \$1,608,947 less than originally projected. Weather has also impacted revenues from sales of electricity and water.

The Silverstein Eye Centers Arena (Arena), formerly known as the Independence Events Center opened in the southeast part of the City during November 2009. This project allowed for the establishment of a community improvement district and a sales tax in the district to finance the obligations issued to construct the arena. The Arena's primary tenant is the Mavericks a member of the Central Hockey League (CHL). A second tenant with a multi-year lease is the Comets of the Major Indoor Soccer League (MISL). The City engaged Spectra Venue Management, formerly known as Global Spectrum on July 1, 2014 to manage the activities and operation of the facility.

Overview of the Financial Statements

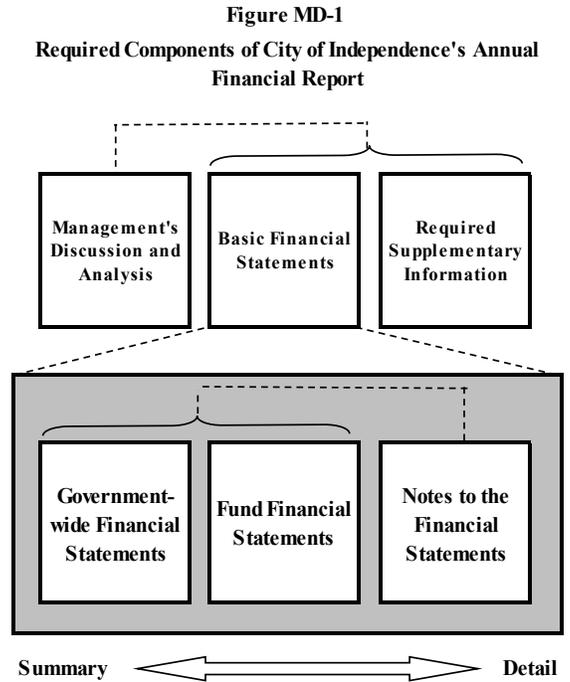
This annual report consists of four parts, management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements:

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2016

- The governmental funds statements tell how general government services, like public safety, were financed in the short-term, as well as, what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the Power and Light system, Water system, Sanitary Sewer system, and the Silverstein Eye Centers Arena.
- Fiduciary fund statements provide information about financial relationships for which the City acts solely as a trustee or agent for the benefit of others, to whom the underlying resources belong, such as the Seniors Travel Fund, and Flexible Benefit Plan Fund.

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



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

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

Figure MD-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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2016

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2016

not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

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

Table MD-1
City of Independence's Net Position

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

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

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

CITY OF INDEPENDENCE, MISSOURI
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Change In Net Position

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

Table MD-2
City of Independence's Net Position

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

Total revenues decreased 0.7% or \$2.0 million, Business-type activities decreased \$81,181, and Governmental revenues decreased 1.9% or \$1.9 million. The increase in Operating grants and contributions is due to an increase in the Community Development Block Grant revenues during the current fiscal year and the decrease in Capital grants and contributions is primarily due to larger grants winding down or decreases in funding under the Governmental activities. Of significance is the small increase from sales taxes of 0.7% or \$365,863. There

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continues to be a lagging growth in sales tax revenues due to the economy and retail competition. The decrease in charges for services for Business-type activities is primarily the result of rate weather conditions which impacted charges for services for the Power and Light and Water funds.

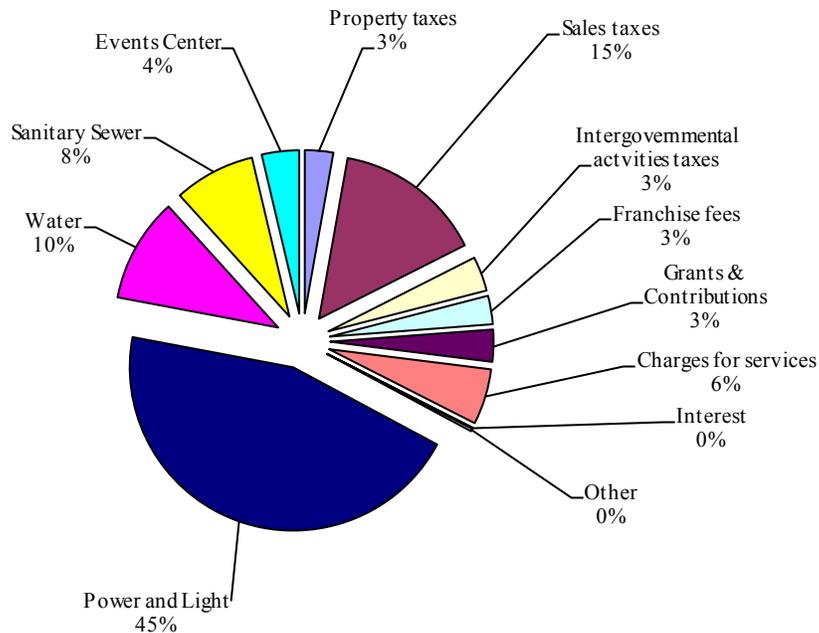
Total expenses increased 1.4% or \$4.4 million, Governmental expenses increased 2.5% or \$3.1 million and Business-type expenses increased 0.7% or \$1.2 million.

For both Governmental and Business-type activities the increase in expenses are primarily from the current year increase to the pension expense due to requirements of GASB No. 68, mentioned earlier. Another factor for Business-type expenses is attributed to normal operations; some of the changes are related to the effect of weather on electric and water sales. The transfers out of the Business-type activities and in to the Governmental activities represents the payment in-lieu of taxes that would be paid and received if they operated as private utilities.

Revenues

For the fiscal year ending June 30, 2016 revenues totaled \$302.8 million. Of this amount charges for services (Governmental and Business-type) were \$210.5 million or 69.5% of the total. Revenue from Business-type activities represents \$203.4 million or 67.2% of the total City revenues (Figure MD-3).

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



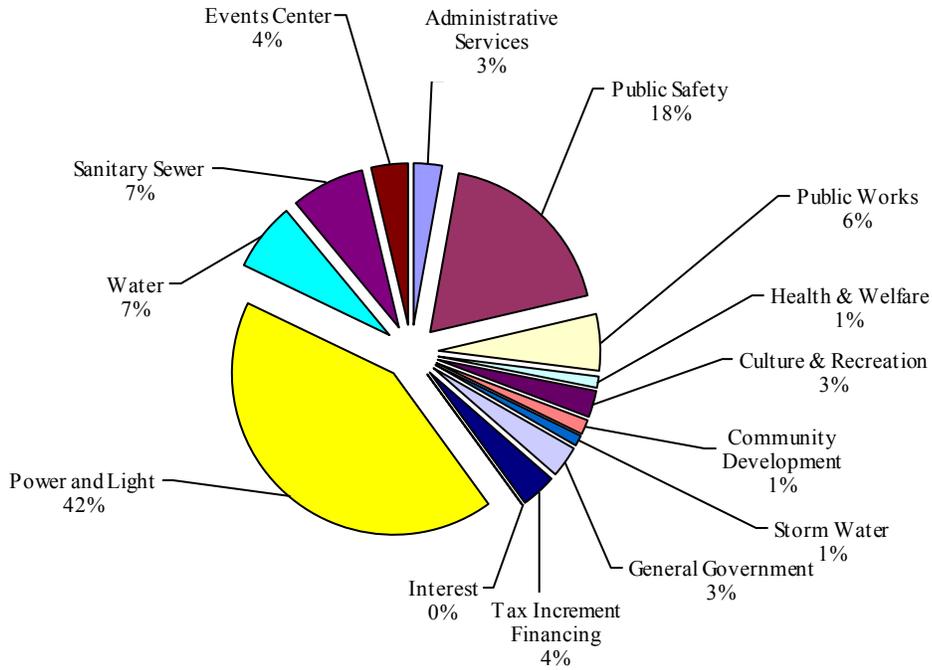
Revenues from Governmental activities were \$99.5 million. Sales taxes, the largest Governmental category, were \$44.7 million or 44.9%. All taxes represent \$72.1 million or 72.5% of Governmental revenue. Operating and capital grants were \$9.6 million or 9.7% of Governmental revenues. Charges for services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

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Expenses

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

Figure MD-4
City of Independence
Functional Expenses FY 2016



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

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Governmental Activities

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

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

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

Business-type Activities

Revenues of the City's Business-type activities decreased \$81,181 and expenses increased \$1.2 million. This change in revenues is primarily the result of scheduled rate increases for the Sanitary Sewer Fund and unfavorable weather conditions for the Electric and Water utilities. Fluctuations in weather for the Power and Light and Water funds impact both the revenues and expenses of these utilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its Governmental funds reported a combined fund balance of \$45.6 million. The fund balance of the General Fund decreased \$3,835 and the TIF Debt Service fund increased \$1.8 million, during fiscal year 2016. The unassigned portion of the General Fund's fund balance decreased \$56,965. The General Fund's fund balance was impacted by several of the financial highlights pointed out earlier, as well as the following:

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

The budget for fiscal year 2017 projects the City will spend an additional \$32.5 million for capital projects. The largest category at \$16.4 million is improvements to the City's Power and Light system.

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

CITY OF INDEPENDENCE, MISSOURI
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Debt Administration

Table MD-5
City of Independence's Outstanding Debt

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

The City at the end of fiscal year 2016 had a total of \$505.2 million of outstanding obligations. This was a decrease of \$13.1 million or 2.5% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$344.2 million or 68.1% are obligations of the Business-type activities.

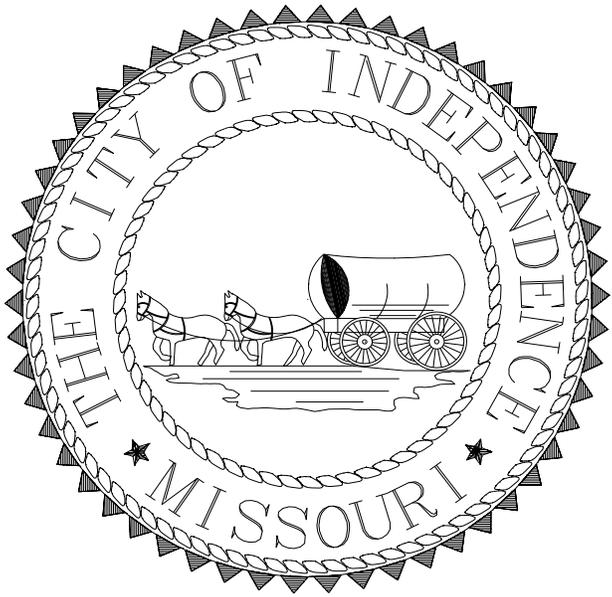
Additional information regarding debt can be found in the 'Notes to Financial Statements' section, Note (7), of this report.

Economic Factors

In the last five years the City, as a community, gained 3,621 jobs, with current total employment at 57,059 jobs. Unemployment by mid-2016 was 5.0%; this is lower than Jackson County at 5.3% and higher than the State at 4.9%. Average household income for 2016 is estimated to be \$55,297, compared to \$68,065 for the State as a whole. Per capita income for 2016 is estimated to be \$24,313, compared to \$27,384 for the State as a whole.

Contacting the City's Financial Management

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



CITY OF INDEPENDENCE, MISSOURI

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets:			
Pooled cash and investments	\$ 34,482,773	82,174,144	116,656,917
Receivables:			
Taxes	24,762,458	902,023	25,664,481
Accounts, net	735,689	13,176,795	13,912,484
Unbilled revenue	—	12,813,301	12,813,301
Special assessment principal	1,245,634	135,225	1,380,859
Internal balances	(178,874)	178,874	—
Due from other governments	2,389,925	1,105,140	3,495,065
Inventory	152,864	7,270,505	7,423,369
Prepaid items	12,295	386,421	398,716
Restricted cash and investments	—	4,643,257	4,643,257
Total current assets	<u>63,602,764</u>	<u>122,785,685</u>	<u>186,388,449</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	45,876,573	95,425,273	141,301,846
Depreciable, net	287,615,155	452,925,718	740,540,873
Goodwill	—	999,203	999,203
Other assets	—	272,532	272,532
Restricted cash and investments	18,486,836	36,989,127	55,475,963
Total noncurrent assets	<u>351,978,564</u>	<u>586,611,853</u>	<u>938,590,417</u>
Total assets	<u>415,581,328</u>	<u>709,397,538</u>	<u>1,124,978,866</u>
Deferred outflows of resources:			
Deferred charge on refunding	6,301,505	9,704,098	16,005,603
Pension related amounts	30,358,566	23,215,764	53,574,330
Total deferred outflows of resources	<u>36,660,071</u>	<u>32,919,862</u>	<u>69,579,933</u>
Total assets and deferred outflows of resources	<u>\$ 452,241,399</u>	<u>742,317,400</u>	<u>1,194,558,799</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities:			
Accounts and contracts payable	\$ 2,165,681	7,413,922	9,579,603
Accrued items	6,042,189	3,660,940	9,703,129
Other current liabilities	699,124	395,326	1,094,450
Unearned revenue	599,494	683,874	1,283,368
Current portion of long-term obligations	13,692,100	12,326,064	26,018,164
Self-insurance claims payable	3,771,560	—	3,771,560
Liabilities payable from restricted assets	236,048	10,305,785	10,541,833
Total current liabilities	<u>27,206,196</u>	<u>34,785,911</u>	<u>61,992,107</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	191,402,782	339,920,191	531,322,973
Self-insurance claims payable	2,348,462	—	2,348,462
Other post-employment benefits	67,743,153	31,255,588	98,998,741
Net pension liability	57,841,197	44,256,152	102,097,349
Advances for construction	—	135,786	135,786
Total noncurrent liabilities	<u>319,335,594</u>	<u>415,567,717</u>	<u>734,903,311</u>
Total liabilities	<u>346,541,790</u>	<u>450,353,628</u>	<u>796,895,418</u>
Deferred inflows of resources:			
Real estate tax revenue	16,293,183	—	16,293,183
Pension related amounts	3,682,656	2,811,929	6,494,585
Total deferred inflows of resources	<u>19,975,839</u>	<u>2,811,929</u>	<u>22,787,768</u>
Net position:			
Net investment in capital assets	330,518,564	238,427,241	568,945,805
Restricted for:			
Public safety	3,694,247	—	3,694,247
Public works	3,309,810	—	3,309,810
Storm water	7,344,873	—	7,344,873
General government	135,072	—	135,072
Debt service	139,332	12,448,436	12,587,768
Worker's compensation escrow	200,000	—	200,000
Dogwood SPP escrow	—	61,500	61,500
Southwest Power Pool collateral	—	831,040	831,040
Community improvement district	—	4,267,793	4,267,793
Unrestricted (deficit)	<u>(259,618,128)</u>	<u>33,115,833</u>	<u>(226,502,295)</u>
Total net position	<u>85,723,770</u>	<u>289,151,843</u>	<u>374,875,613</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 452,241,399</u>	<u>742,317,400</u>	<u>1,194,558,799</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2016

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

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2016

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

June 30, 2016

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2016

	General	TIF Debt Service	Nonmajor Funds	Total Funds
Revenues:				
Taxes	\$ 34,310,898	14,402,781	23,102,156	71,815,835
Licenses and permits	3,588,466	—	213,752	3,802,218
Intergovernmental	5,303,538	—	3,871,457	9,174,995
Charges for services	2,075,958	—	1,197,941	3,273,899
Interfund charges for support services	4,913,709	—	—	4,913,709
Fines, forfeitures, and court costs	4,214,064	—	—	4,214,064
Investment income	108,463	154,472	23,153	286,088
Developer contributions	—	17,025	—	17,025
Other	649,229	1,379,264	523,174	2,551,667
Total revenues	<u>55,164,325</u>	<u>15,953,542</u>	<u>28,931,633</u>	<u>100,049,500</u>
Expenditures:				
Current:				
Administrative services	7,556,113	—	20,615	7,576,728
Public safety	44,745,696	—	5,767,488	50,513,184
Public works	4,542,415	—	151,245	4,693,660
Health and welfare	2,557,116	—	573,067	3,130,183
Culture and recreation	1,538,291	—	4,350,469	5,888,760
Community development	2,985,685	—	1,318,050	4,303,735
Storm water	—	—	1,769,844	1,769,844
General government	8,899,694	—	21,311	8,921,005
Tax increment financing	—	859,000	—	859,000
Capital outlay	168,113	—	13,722,851	13,890,964
Debt service:				
Principal	109,319	6,116,598	608,071	6,833,988
Interest and fiscal agent fees	30,902	8,414,352	96,240	8,541,494
Debt issuance costs	—	1,156,904	—	1,156,904
Total expenditures	<u>73,133,344</u>	<u>16,546,854</u>	<u>28,399,251</u>	<u>118,079,449</u>
Excess (deficiency) of revenues over expenditures	<u>(17,969,019)</u>	<u>(593,312)</u>	<u>532,382</u>	<u>(18,029,949)</u>
Other financing sources (uses):				
Debt issuance	—	49,450,000	624,897	50,074,897
Reoffering premium/original issue discount	—	(1,168,942)	—	(1,168,942)
Payment to refunded loans escrow agent	—	(47,379,813)	—	(47,379,813)
Transfers in – utility payments in lieu of taxes	18,515,336	—	—	18,515,336
Transfers in	—	2,011,205	953,736	2,964,941
Transfers out	(550,152)	(531,832)	(1,644,819)	(2,726,803)
Total other financing sources (uses)	<u>17,965,184</u>	<u>2,380,618</u>	<u>(66,186)</u>	<u>20,279,616</u>
Net change in fund balances	(3,835)	1,787,306	466,196	2,249,667
Fund balances, beginning	5,657,220	25,845,758	11,878,003	43,380,981
Fund balances, ending	<u>\$ 5,653,385</u>	<u>27,633,064</u>	<u>12,344,199</u>	<u>45,630,648</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, 2016

Net change in fund balances – total governmental funds	\$ 2,249,667
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay	15,795,692
Depreciation expense	<u>(19,437,373)</u>
	(3,641,681)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net position and offset against the proceeds, if any, resulting in a gain (loss) on the sale of capital assets in the statement of activities.	
Book value of assets disposed	(169,477)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(400,786)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Proceeds from debt issuance	(49,450,000)
Reoffering premium/original issue discount	1,168,942
Payment to refunded loans escrow agent	47,379,813
Principal payments	6,667,390
Debt premiums, discounts & deferred refunding amortizations	(825,760)
Issuance of capital lease	<u>(624,897)</u>
	4,315,488
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated absences	106,678
Accrued interest	299,455
Other post-employment benefits	(8,804,011)
Pension related amount - LAGERS pension expense	(5,702,084)
Unreimbursed certified costs - TIF	<u>(183,577)</u>
	(14,283,539)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities:	<u>2,062,397</u>
Change in net position of governmental activities (Exhibit 2)	\$ <u><u>(9,867,931)</u></u>

See accompanying notes to financial statements

CITY OF INDEPENDENCE, MISSOURI

Exhibit 5

Statement of Net Position

Proprietary Funds

June 30, 2016

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2016

	Enterprise funds				Total	Governmental Activities
	Power and Light	Water	Sanitary Sewer	Events Center		Internal Service Funds
Operating revenues:						
Charges for services	\$ 132,838,218	30,557,373	23,482,958	4,461,330	191,339,879	27,564,706
Miscellaneous	1,909,257	301,025	260,382	—	2,470,664	—
Total operating revenues	<u>134,747,475</u>	<u>30,858,398</u>	<u>23,743,340</u>	<u>4,461,330</u>	<u>193,810,543</u>	<u>27,564,706</u>
Operating expenses:						
Personal services	29,867,615	8,364,198	6,626,058	—	44,857,871	1,022,881
Other services	24,012,236	4,935,962	9,596,884	185,624	38,730,706	24,183,437
Supplies	52,066,572	1,870,984	563,780	—	54,501,336	783,282
Capital outlay	4,403	14,476	—	—	18,879	—
Other expenses	9,850,457	3,863,723	109,472	5,232,752	19,056,404	—
Depreciation and amortization	15,643,492	3,227,140	3,182,756	1,891,143	23,944,531	4,671
Total operating expenses	<u>131,444,775</u>	<u>22,276,483</u>	<u>20,078,950</u>	<u>7,309,519</u>	<u>181,109,727</u>	<u>25,994,271</u>
Operating income	<u>3,302,700</u>	<u>8,581,915</u>	<u>3,664,390</u>	<u>(2,848,189)</u>	<u>12,700,816</u>	<u>1,570,435</u>
Nonoperating revenues (expenses):						
Interest revenue	105,496	25,074	26,623	19,243	176,436	24,940
Miscellaneous revenue	626,703	1,899,925	522,211	961,505	4,010,344	2,091,384
Interest and amortization expense	(4,669,586)	(1,064,472)	(4,197,698)	(4,424,511)	(14,356,267)	—
Sales tax	—	—	—	5,741,439	5,741,439	—
Total nonoperating revenue (expenses)	<u>(3,937,387)</u>	<u>860,527</u>	<u>(3,648,864)</u>	<u>2,297,676</u>	<u>(4,428,048)</u>	<u>2,116,324</u>
Income (loss) before contributions and transfers	(634,687)	9,442,442	15,526	(550,513)	8,272,768	3,686,759
Capital contributions	1,135,134	290,478	—	—	1,425,612	—
Transfers out – utility payments in lieu of taxes	(13,212,505)	(2,959,611)	(2,343,220)	—	(18,515,336)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	(83,642)	(72,490)	(92,006)	—	(248,138)	—
Change in net position	<u>(12,795,700)</u>	<u>6,700,819</u>	<u>(2,409,700)</u>	<u>(550,513)</u>	<u>(9,055,094)</u>	<u>3,686,759</u>
Total net position (deficit):						
Beginning of the year	149,308,135	85,223,580	72,397,543	(9,519,112)	—	129,318
End of the year	<u>\$ 136,512,435</u>	<u>91,924,399</u>	<u>69,987,843</u>	<u>(10,069,625)</u>	<u>—</u>	<u>3,816,077</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>1,624,362</u>	
Change in net position of business-type activities					<u>\$ (7,430,732)</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2016

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year ended June 30, 2016

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

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

(a) The Financial Reporting Entity

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

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

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

The Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission) is a blended component unit under the Debt Service Fund category of the City because the outstanding

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

(b) Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

The City reports the following major enterprise funds:

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

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

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

Events Center Fund – This fund accounts for the acquisition and maintenance of the Silverstein Eye Centers Arena, formerly known as the Independence Events Center. This fund also includes the operational activities which are managed by the Corporation, operational activities of Spectra, and the activity of the Events Center CID.

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

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

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

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

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

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

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

(c) Basis of Accounting

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

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

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

(d) Accounts Receivable

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

(e) Investments

Investments, other than the external investment pool, are recorded at fair value. The City's investment in the external investment pool (MOSIP) is not SEC registered and is regulated by the State of Missouri. This external investment pool is reported at amortized cost pursuant to the criteria set forth in GASB Statement No. 79.

(f) Inventory

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

(g) Prepaid Items

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(h) Interfund Activity

The City has the following types of interfund activity:

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

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

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

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

(i) Capital Assets

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City's business-type activities during the fiscal year was \$15,570,496. Of this amount, \$1,214,229 was included as part of the cost of the capital assets under construction in connection with Power and Light, Water, Sewer and Events Center projects.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

	Years
Governmental activities:	
Buildings and improvements	20-40
Improvements other than buildings	20
Roads	20
Bridges	40
Drainage systems	35
Office equipment and furniture	7
Mobile equipment – vehicles	5
Mobile equipment – heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5
	Years
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
Machinery and equipment	7-25
Water Fund:	
Source of supply	15-50
Pumping	20-50
Water treatment	40-50
Transmission and distribution system	20-100
General plant	5-50
Acquisition adjustment	30
Nonutility property	10
Machinery and equipment	5-22
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25
Machinery and equipment	5-20
Events Center Fund:	
Buildings and improvements	20-40
Improvements other than buildings	20
Machinery and equipment	4-20

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

(j) Bond Premiums/Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period in which the debt is issued.

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

(k) Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred pension related amounts reported in the government-wide and the proprietary funds statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension related deferred outflow consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, plan experience, and changes in assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category, unavailable revenue and deferred pension related amounts. The governmental funds report unavailable revenues from two sources: real estate taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide and the proprietary fund statements of net position report pension related deferred inflows, which consists of the unamortized portion of the difference between expected and actual experience on plan assumptions, and real estate taxes, which will become an inflow in the year for which they are levied.

(l) Compensated Absences

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

employee's current rate of pay and compensation for vacation is paid up to a maximum of 400 hours for General Fund employees and 780 hours for 24-hour shift Firefighters.

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

(m) Pensions

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

(n) Fund Balances

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

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

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

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

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

Unassigned – consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. The General Fund is the only fund that

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

would report a positive amount in unassigned fund balances. Residual deficit amounts of other governmental funds are reported as unassigned.

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

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

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

(o) Net Position

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

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds of \$3,627,210 for Water, \$13,942,159 for Sewer and \$6,971,322 for the Events Center.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consists of \$875,995 for the License Surcharge and \$2,231,745 for the Street Sales Tax; \$7,344,873 for Storm Water Sales Tax; \$3,694,247 for Public Safety Sales Tax; \$12,587,768 for debt service; and \$4,267,793 for the Events Center Community Improvement District.

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

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

(p) Statement of Cash Flows

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

(q) Use of Estimates

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(r) New Accounting Pronouncements

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

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

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

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(2) Deposits and Investments

Fair Value Measurements

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

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the City's own assumptions as there is little, if any, related market activity.

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

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

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

	Government-Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Primary Government Total
Pooled cash and investments	\$ 116,656,917	162,755	116,819,672
Restricted cash and investments	<u>60,119,220</u>	<u>—</u>	<u>60,119,220</u>
	\$ <u><u>176,776,137</u></u>	<u><u>162,755</u></u>	<u><u>176,938,892</u></u>

Investment Policy

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

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in U.S. Government securities, a local government investment pool, and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned on the cash and cash equivalents is allocated to the funds on the basis of average

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

monthly cash and investment balances, and investment interest earned is based on each funds share of the investment balances at the beginning of the fiscal year. Only funds with overdrawn balances (cash and investments) are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

Credit Risk/Concentration of Credit Risk

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

<u>Issuer</u>	<u>Moody's Credit Rating</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank	AAA	13.48%
Federal National Mortgage Association	AAA	17.99%
Local government investment pool - MOSIP	AAAm (S & P)	N/A

Custodial Credit Risk

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

At June 30, 2016, the City's deposits and repurchase obligations were insured by Federal depository insurance and uninsured deposits and repurchase obligations were fully collateralized by securities held in the City's name by their financial institution's agent. The City's securities were registered and held by the City's financial institution in the City's name. Accordingly, management has determined that none of the City's deposits or investments was exposed to custodial credit risk as of June 30, 2016.

Interest Rate Risk

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

As of June 30, 2016, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of \$30,057 that will mature in 2027.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(3) Tax Revenue

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

	<u>General</u>	<u>TIF Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Real estate tax	\$ 7,520,295	8,128,484	25,223	15,674,002
Railroad utilities tax	41,184	—	—	41,184
Cigarette tax	461,964	—	—	461,964
Transient guest tax	—	—	1,954,406	1,954,406
Sales tax	17,758,714	6,274,297	21,122,527	45,155,538
Franchise tax	8,528,741	—	—	8,528,741
	<u>\$ 34,310,898</u>	<u>14,402,781</u>	<u>23,102,156</u>	<u>71,815,835</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. Property taxes are recognized as a receivable at the time they become an enforceable legal claim (the lien date), and revenue is recognized in the year for which the property tax is levied. Jackson County bills and collects all real estate taxes for the City and charges a 1.5% to 1.6% commission on all taxes collected.

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2015, on which the fiscal 2016 levy was based, was \$1,315,162,858.

The City is permitted by Missouri state statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general governmental services, other than payment of principal and interest on long-term debt, up to \$0.40 per \$100 of assessed valuation for public health and recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. Property tax levies per \$100 assessed valuation for the year ended June 30, 2016 were \$0.4871 for the General Fund, \$0.2294 for Public Health and Recreation, and \$0.5638 for the Independence Square Benefit District Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2016 consisted of the following:

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(5) Interfund Activity

(a) Interfund Balances

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

	<u>Due from Nonmajor Governmental</u>	<u>Due from TIF Debt Service</u>	<u>Due from Events Center</u>	<u>Total</u>
Due to:				
Governmental activities:				
General Fund	\$ 278,055	1,240	617,917	897,212
Nonmajor governmental	<u>3,284,970</u>	<u>—</u>	<u>—</u>	<u>3,284,970</u>
Total governmental activities	<u>\$ 3,563,025</u>	<u>1,240</u>	<u>617,917</u>	<u>4,182,182</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 2016 were as follows:

	<u>Interfund Charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 70,394	\$ —
Power and Light Fund	2,669,194	62,844
Sanitary Sewer Fund	996,317	19,989
Water Fund	<u>1,177,804</u>	<u>29,843</u>
	<u>\$ 4,913,709</u>	<u>\$ 112,676</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 2016, and are included as a credit to Water's operating expenses as follows:

Sanitary Sewer Fund	\$ 1,507,759
Power and Light Fund	<u>300,035</u>
	<u>\$ 1,807,794</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

Sanitary Sewer Fund	\$	222,451
Water Fund		<u>1,112,973</u>
	\$	<u><u>1,335,425</u></u>

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of \$13,212,505, \$2,959,611 and \$2,343,220 in fiscal year 2016 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund approximate franchise taxes and real estate taxes on plant in service. The franchise tax rate, established by City ordinance at 9.08%, is applied to gross billed operating revenues less amounts written off to arrive at the franchise tax due the General Fund. Real estate taxes are charged at a set amount.

(d) Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(6) Capital Assets

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

Depreciation expense was charged to functions as follows:

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

* See page 58 note regarding depreciation.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

* See page 58 note regarding depreciation.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

	Balance			Balance
	June 30, 2015	Additions	Retirements	June 30, 2016
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	86,868,926	3,934,442	(30,507,375)	60,295,993
Total nondepreciable capital assets	<u>87,199,117</u>	<u>3,934,442</u>	<u>(30,507,375)</u>	<u>60,626,184</u>
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	99,180,307	4,760,482	—	103,940,789
Pumping plant	5,179,724	25,565,878	—	30,745,602
Treatment plant	14,426,605	—	(342,595)	14,084,010
General plant	1,548,817	31,680	—	1,580,497
Total infrastructure	<u>120,381,821</u>	<u>30,358,040</u>	<u>(342,595)</u>	<u>150,397,266</u>
Machinery and equipment	7,026,637	220,831	(64,951)	7,182,517
Total depreciable capital assets	<u>127,408,458</u>	<u>30,578,871</u>	<u>(407,546)</u>	<u>157,579,783</u>
Less accumulated depreciation:				
Infrastructure	(58,096,050)	(2,856,066)	342,595	(60,609,521)
Machinery and equipment	(6,040,753)	(326,690)	64,951	(6,302,492)
Total accumulated depreciation	<u>(64,136,803)</u>	<u>(3,182,756)</u>	<u>407,546</u>	<u>(66,912,013)</u>
Total depreciable capital assets, net	<u>63,271,655</u>	<u>27,396,115</u>	<u>—</u>	<u>90,667,770</u>
Total sewer capital assets	<u>150,470,772</u>	<u>31,330,557</u>	<u>(30,507,375)</u>	<u>151,293,954</u>
Events Center fund:				
Nondepreciable capital assets:				
Land	\$ 5,796,315	—	—	5,796,315
Construction in progress	—	—	—	—
Total nondepreciable capital assets	<u>5,796,315</u>	<u>—</u>	<u>—</u>	<u>5,796,315</u>
Depreciable capital assets:				
Infrastructure	65,581,451	—	—	65,581,451
Machinery and equipment	3,555,930	—	—	3,555,930
Total depreciable capital assets	<u>69,137,381</u>	<u>—</u>	<u>—</u>	<u>69,137,381</u>
Less accumulated depreciation:				
Infrastructure	(9,272,287)	(1,639,536)	—	(10,911,823)
Machinery and equipment	(1,422,922)	(251,607)	—	(1,674,529)
Total accumulated depreciation	<u>(10,695,209)</u>	<u>(1,891,143)</u>	<u>—</u>	<u>(12,586,352)</u>
Total depreciable capital assets, net	<u>58,442,172</u>	<u>(1,891,143)</u>	<u>—</u>	<u>56,551,029</u>
Total events center capital assets	<u>64,238,487</u>	<u>(1,891,143)</u>	<u>—</u>	<u>62,347,344</u>
Total business-type activities capital assets	<u>\$ 546,246,076</u>	<u>43,040,539</u>	<u>(40,935,624)</u>	<u>548,350,991</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	\$ 15,643,492
Water	3,227,140
Sanitary sewer	3,182,756
Events center	1,891,143
Total business-type activities depreciation expense	<u>\$ 23,944,531</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, 2016 the difference for Power and Light is \$678,427 and the difference for Water is \$58,982.

Under accounting practices promulgated in the utility industry by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC), for business-type activities, units are retired plus the cost of removal, less salvage, are charged against accumulated depreciation, with no gain or loss recognized. The retirement of these assets can cause the decrease in accumulated depreciation to be higher than the decrease of the capital asset due to the cost of removal.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(7) Long-Term Obligations

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

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

	<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	\$ 1,945,000	—	460,000	1,485,000	475,000
TIF loans	161,275,000	49,450,000	51,460,000	159,265,000	6,240,000
Capital lease obligations	1,036,529	624,897	177,389	1,484,037	185,724
Neighborhood Improvement District (NID)	379,000	—	80,000	299,000	81,000
Premium (discount), net	<u>(786,464)</u>	<u>(1,168,942)</u>	<u>(428,912)</u>	<u>(1,526,494)</u>	—
Total loans and note payable	<u>163,849,065</u>	<u>48,905,955</u>	<u>51,748,477</u>	<u>161,006,543</u>	<u>6,981,724</u>
Other liabilities:					
Compensated absences	15,505,559	5,891,114	5,987,590	15,409,083	6,400,952
Other post-employment benefits	58,825,959	8,917,194	—	67,743,153	—
Net pension liability	30,530,145	27,311,052	—	57,841,197	—
TIF developer obligations	28,495,679	350,175	166,598	28,679,256	309,424
Total other liabilities	<u>133,357,342</u>	<u>42,469,535</u>	<u>6,154,188</u>	<u>169,672,689</u>	<u>6,710,376</u>
Total Governmental Activities	\$ <u>297,206,407</u>	<u>91,375,490</u>	<u>57,902,665</u>	<u>330,679,232</u>	<u>13,692,100</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, 2016

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(a) Governmental activities

(1) Loans Payable – Missouri Development Finance Board

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

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

(2) Neighborhood Improvement District

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

Neighborhood Improvement District bonds payable at June 30, 2016 are comprised of the following:

\$995,000 Series 2004 (Noland Road and Englewood Improvements) annual installments of \$55,000 to \$85,000 through 2019; interest at 4.50% to 5.75%	\$ 240,000
\$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.50%	59,000
Total Neighborhood Improvement District	\$ <u><u>299,000</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(3) Capital Lease Obligations

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(4) Blended Component Unit

(a) Tax Increment Financing Loans and Developer Obligations

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

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

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

At June 30, 2016, total principal and interest remaining on the loans was \$236 million and the outstanding developer obligations was \$28.7 million. The loans are scheduled to mature at varying amounts through 2045 and the developer obligations are payable to the extent incremental taxes are available for a period not to exceed 23 years.

For the current year, principal and interest paid on TIF loans and developer obligations totaled \$14.5 million. Incremental revenues from the City included \$4.0 million in sales taxes and \$0.8 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, City and developer contributions, cash reserves, and debt trust funds.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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%	\$	340,000
\$14,030,000 Series 2006 B (Crackerneck Creek TIF) annual installments of \$1,340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00%		14,030,000
\$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%		615,000
\$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25%		3,720,000
\$19,390,000 Series 2007 A (Eastland Center TIF) annual installments of \$815,000 to \$2,570,000 through 2022; interest at 4.00% to 5.00%		8,865,000
\$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00%		4,070,000
\$995,000 Series 2007 D (Drumm Farm TIF) annual installments of \$70,000 to \$80,000 through 2020; interest at 4.00% to 4.50%		315,000
\$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of \$425,000 to \$2,670,000 through 2028; interest at 4.75% to 5.125%		15,240,000
\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%		5,330,000
\$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00%		980,000
\$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of \$365,000 to \$1,815,000 through 2021; interest at 2.000% to 4.125%		4,805,000
\$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of \$50,000 to \$165,000 through 2017; interest at 2.000% to 3.000%		55,000
\$12,050,000 Series 2012 D (HCA - Centerpoint TIF) annual installments of \$575,000 to \$1,865,000 through 2027; interest at 3.00% to 4.00%		9,675,000
\$3,965,000 Series 2012 E (Eastland Center TIF) annual installments of \$310,000 to \$805,000 through 2022; interest at 2.00% to 3.00%		2,660,000

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

\$14,005,000 Series 2013 A (Crackerneck Creek TIF) annual installments of \$50,000 to \$5,200,000 through 2028; interest at 4.693% to 4.993%	14,005,000
\$10,835,000 Series 2013 B (Crackerneck Creek TIF) one installment of \$10,835,000 through 2029; interest at 4.125%	10,835,000
\$4,855,000 Series 2014 A (Eastland Center TIF) annual installments of \$500,000 to \$1,095,000 through 2022; interest at 3.000%	3,845,000
\$2,030,000 Series 2014 B (HCA - Centerpoint TIF) annual installments of \$105,000 to \$495,000 through 2027; interest at 2.000% to 4.000%	1,815,000
\$5,225,000 Series 2015 A (Santa Fe TIF) annual installments of \$100,000 to \$285,000 through 2044; interest at 3.000% to 4.000%	5,125,000
\$3,545,000 Series 2015 B (Santa Fe TIF) annual installments of \$55,000 to \$215,000 through 2044; interest at 3.000% to 5.250%	3,490,000
\$47,060,000 Series 2015 C (Crackerneck Creek TIF) annual installments of \$1,200,000 to \$5,670,000 through 2045; interest at 3.000% to 5.000%	47,060,000
\$2,390,000 Series 2015 D (Crackerneck Creek TIF) annual installments of \$1,180,000 to \$1,210,000 through 2024; interest at 2.750% to 3.000%	2,390,000
Total TIF Loans Payable	\$ <u><u>159,265,000</u></u>

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

(1) Tax Increment Financing Refunding

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(2) Tax Increment Financing Prior Year Defeasance of Debt

In prior years, the City defeased certain loans payable with the Missouri Development Finance Board by placing the proceeds of refunding TIF loans in an irrevocable trust to provide for all future debt service payments on the old loans. Accordingly, the trust account assets and the liability for the defeased loans are not included in the City's financial statements. At June 30, 2016, \$8,200,000 of loans payable are considered defeased.

(b) Bass Pro Lease

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing (TIF) Plan. The Crackerneck Creek TIF Plan provides for the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek Project (the Project) is scheduled to include (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel. In January 2010, a 55,000 square foot Hobby Lobby opened and in late 2009 a 23,000 square foot Mardel opened. During early 2011, an 8,000 square foot Cheddar's Restaurant opened. In March 2015, Stoney Creek Hotel & Conference Center opened with 167 guest rooms and 30,000 square feet of conference space. The City and the developer remain in discussions regarding securing additional retail development for the project. However, no additional agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2016 are comprised of the following individual issues:

Power and Light Fund:

\$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250%	\$ 17,615,000
\$55,185,000 Series 2012 A annual installments of \$150,000 to \$11,900,000 through 2037; interest at 2.00% to 5.00%	53,765,000
\$52,525,000 Series 2012 F annual installments of \$140,000 to \$3,630,000 through 2037; interest at 3.00% to 4.00%	48,600,000
Total Power and Light fund	119,980,000

Water Fund:

\$36,240,000 Series 2013 D annual installments of \$1,480,000 to \$4,260,000 through 2029; interest at 2.00% to 5.00%	29,730,000
Total Water Fund	29,730,000

Sanitary Sewer Fund:

\$37,035,000 Series 2012 B annual installments of \$745,000 to \$2,220,000 through 2041; interest at 2.00% to 5.00%	34,740,000
\$43,800,000 Series 2013 C annual installments of \$250,000 to \$2,855,000 through 2042; interest at 2.00% to 5.25%	43,050,000
\$21,170,000 Series 2014 C annual installments of \$250,000 to \$6,150,000 through 2043; interest at 2.00% to 5.00%	20,920,000
Total Sanitary Sewer fund	98,710,000

Events Center Fund:

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75%	10,820,000
\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50%	11,255,000
\$68,945,000 Series 2012 C annual installments of \$105,000 to \$12,540,000 through 2038; interest at 2.00% to 4.00%	67,750,000
Total Events Center Fund	89,825,000
Total revenue bonds	\$ 338,245,000

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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	\$ 11,948,436	—	—	—
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	—	3,627,210	13,942,159	6,971,322
Total revenue bond reserves	11,948,436	4,127,210	13,942,159	6,971,322
Customer deposits	2,415,812	719,702	615,203	—
Purchase of Dogwood Plant	61,500	—	—	—
Southwest Power Pool collateral	831,040	—	—	—
Total	\$ <u>15,256,788</u>	<u>4,846,912</u>	<u>14,557,362</u>	<u>6,971,322</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(a) Pledged Revenues

The Power and Light and Water Bonds are secured by a pledge of revenues, net of specified operating expenses to repay revenue bonds issued. The pledged revenue information for June 30, 2016 is as follows:

<u>Date Issued</u>	<u>Description</u>	<u>Purpose of Debt</u>	<u>Revenue Pledged</u>	<u>Term of Commitment</u>	<u>Principal & Interest Remaining</u>	<u>Principal & Interest 2015-2016</u>	<u>Net Available Revenues 2015-2016</u>
11/2010	Power and Light Leasehold Revenue Bonds	Electric System Projects	Appropriated Revenues	through 2035	26,942,550	2,510,588	
03/2012	Power and Light Revenue Bonds	Electric System - Dogwood	Appropriated Revenues	through 2037	95,721,049	2,631,219	
12/2012	Power and Light Leasehold Revenue Bonds - Refunding	Electric System Projects	Appropriated Revenues	through 2037	68,148,750	3,793,150	
					\$ <u>190,812,349</u>	<u>8,934,957</u>	<u>25,097,750</u>
11/2013	Water Revenue Bonds - Refunding	Water System Improvements	Appropriated Revenues	through 2029	39,078,047	5,466,338	
					\$ <u>39,078,047</u>	<u>5,466,338</u>	<u>15,222,607</u>
08/2012	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2041	59,194,403	2,274,906	
09/2013	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2042	78,839,369	2,580,650	
11/2014	Sewer System Revenue Bonds	Sewer System Improvements	Appropriated Revenues	through 2043	37,619,306	1,053,325	
					\$ <u>175,653,078</u>	<u>5,908,881</u>	<u>8,505,662</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, 2016, District revenues paid to the City for debt service totaled \$4,397,238. The remaining debt service amounts of \$8,322 were funded from capitalized interest funds that were established at the time the Bonds were issued. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in payments during the next fiscal year.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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(8) Advances for Construction

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

As new additions to the water distribution system are constructed, the Water (Enterprise) Fund requires the developer or wholesaler to advance the estimated cost of the water main extension or improvement. Upon project completion, any excess of the advance over the project cost is refunded to the developer or wholesaler or vice versa. The advances for construction at June 30, 2016, were \$105,632.

(9) Employee Retirement System

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

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

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

CITY OF INDEPENDENCE, MISSOURI

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June 30, 2016

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

Employees Covered by Benefit Terms

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

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

Contributions

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

Net Pension Liability

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

Actuarial Assumptions

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

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

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

CITY OF INDEPENDENCE, MISSOURI

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June 30, 2016

were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employee’s mortality table for males and females.

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

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

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

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

Discount Rate

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

Changes in the Net Pension Liability

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

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(10) Post-Employment Health Benefits

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

Plan Description

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

The number of participants that either are, or potentially could be, covered by the City's plan, as of January 1, 2016, which is the effective date of the current OPEB actuarial valuation, is listed below. There have been no significant changes in the number of covered participants or the type of coverage since that date.

Active Employees	952
Retirees & covered spouses of retirees	<u>773</u>
Total Participants	1,725

Funding Policy

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

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Notes to Financial Statements

June 30, 2016

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	19,909,105
Interest on net OPEB obligation		3,014,788
Adjustment to annual required contribution		<u>(3,519,966)</u>
Annual OPEB cost (expense)		19,403,927
Less: Employer contributions		<u>(6,542,000)</u>
Increase in net OPEB obligation		12,861,927
Net OPEB obligation – July 1, 2015		<u>86,136,814</u>
Net OPEB obligation – June 30, 2016	\$	<u><u>98,998,741</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, 2016 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, 2014	\$ 19,179,213	%	40.23	\$	73,190,015
June 30, 2015	19,276,799		32.84		86,136,814
June 30, 2016	19,403,927		33.71		98,998,741

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

The entry age normal (level percent of pay) cost method is used in the January 1, 2016 actuarial valuation. At this valuation date, the annual cost accruals (individual normal cost for each participant) are determined as a level percentage of pay for each year from entry age until expected retirement. The sum of these individual normal costs for all active participants whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial valuation date, accumulated with interest over the plan assets, represents the initial unfunded actuarial accrued liability.

The actuarial assumptions include a 3.5% investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 3.5%. The actuarial assumptions for healthcare cost trend is a growth factor of 6.50 % for the first year and then declining by one half of one percent (0.25%) per year until 5.00% is reached. The 5.00% growth is used on a go-forward basis. The actuarial assumptions include a 2.75% rate for general inflation and a 2.00% rate for aggregate payroll growth. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

(11) Risk Management

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

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

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

The City offers its employees and retirees contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of \$250,000 and aggregate claims in excess of \$32,104,334 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was \$18,533,195. Premiums paid by the City are recorded as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Incurred but not reported medical, vision, and prescription claims are accrued as a liability in the Internal Service Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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

	Claims Payable			
	Workers' Compensation		Staywell	
	2015	2016	2015	2016
Beginning of year	\$ 4,197,247	4,564,144	2,183,559	1,925,134
Current year claims and changes in estimates	2,007,166	1,020,205	23,777,329	19,026,499
Claims payments	<u>(1,640,269)</u>	<u>(1,222,868)</u>	<u>(24,035,754)</u>	<u>(19,193,092)</u>
End of year	\$ <u>4,564,144</u>	<u>4,361,481</u>	<u>1,925,134</u>	<u>1,758,541</u>

(12) Commitments

Construction Commitments

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

Purchase/Sales of Capacity and Energy

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

In January 2004, the City entered into a participation power agreement with OPPD. Under this agreement, the City purchases an 8.33% share (approximately 57 megawatts) of a 682 megawatt coal-fired baseload generating unit at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD is the owner/operator of the unit and OPPD sells the City's share of the output on a cost-based approach. OPPD issued tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its proportionate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are approximately \$146,000,000 through the year 2049. During fiscal year 2016, the delivered cost of capacity and energy under the agreement, including all demand, energy, and debt service was approximately \$15,300,000 for 412,849 megawatt-hours of wholesale energy. For fiscal year 2017, the projected costs under the agreement are estimated to be approximately \$16,400,000.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

In June 2006, the City entered into a unit power purchase agreement with the MJMEUC. Under this agreement, the City purchases a 50% share (approximately 53 megawatts) of MJMEUC's 106 MW ownership share of the nominal 875 megawatt Iatan 2 coal-fired generating unit located at Kansas City Power & Light Company's (KCPL) existing power station site in Weston, Missouri. The agreement provides that MJMEUC sells the City's share of the output on a cost-based approach. MJMEUC issued tax-exempt bonds to pay for its share of the construction of the unit and the City is obligated to pay its share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, renewals and replacements of the unit and related administrative costs incurred by MJMEUC. The unit began commercial operations on December 31, 2010. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are approximately \$199,000,000 through the year 2038. During fiscal year 2016, the delivered cost of capacity and energy under the agreement, including all demand, energy, and debt service was approximately \$19,100,000 for 330,313 megawatt-hours of wholesale energy. For fiscal year 2017, the projected costs under the agreement are estimated to be approximately \$20,300,000.

In August 2008, the City entered into a renewable energy purchase agreement with Smoky Hills. Under this agreement, the City purchases a 10.10% share (15 megawatts) of a 148.5 megawatt wind farm generation project located in north-central Kansas. The agreement provides that the City will purchase its share of the energy output of the Smoky Hills project and will pay a flat fixed rate (in dollars per megawatt-hour) for the entire term of the agreement. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties. During fiscal year 2016, the cost of the energy purchases was approximately \$2,500,000 for 55,734 megawatt-hours of wholesale energy.

In May 2015, the City entered into a renewable energy purchase agreement with Marshall Wind Energy LLC. Under this agreement, the City purchases a 27.78% share (20 megawatts) of a 72 megawatt wind farm generation project located in north central Kansas. The agreement provides that the City will purchase its share of the energy output of the Marshall Wind project and will pay a flat fixed rate (in dollars per megawatt-hour) for the entire term of the agreement. Energy deliveries from the wind farm began on March 22, 2016 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties. During fiscal year 2016, the cost of the energy purchases was approximately \$600,000 for 18,674 megawatt-hours of wholesale energy.

Dogwood Energy Facility

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

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

The plant had a value of \$53,785,771 with \$6,049,771 accumulated depreciation, making the net purchase price \$47,736,000. An operating reserve account was established in the amount of \$430,500 for working capital and \$61,500 for SPP credit. Prepaid operating expenses as of June 30, 2016 were \$136,029 and depreciation expense for fiscal year end June 30, 2016 was \$974,633.

Litigation

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

(13) Deficits

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

(14) Subsequent Events

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

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2016

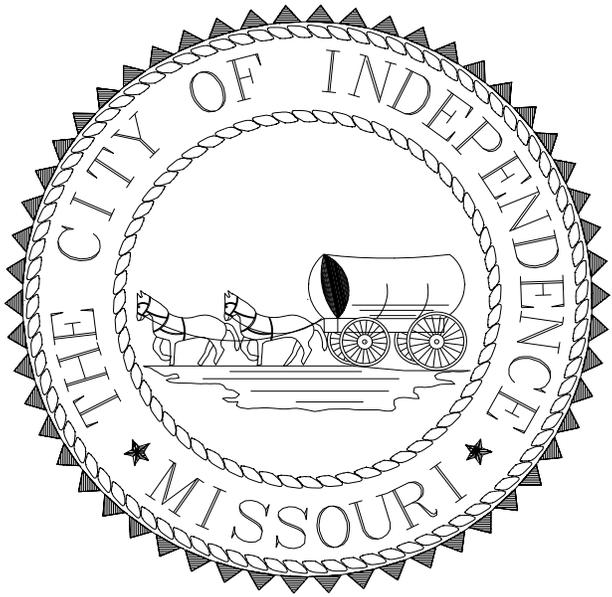
(15) Fund Balance

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

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Totals above include encumbrances as follows: General Fund \$1,349,387 and Non-Major Funds \$6,749,619.

**Required
Supplementary
Information**



CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2016

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2016

(1) Budgets and Budgetary Accounting

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

- Prior to May 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to June 27, the City Council adopts the budget. If the City Council fails to adopt the budget on or before that date, the budget, as submitted or amended, goes into effect.
- The City Manager is authorized to transfer budgeted amounts between divisions of a department within any fund; however, any revisions that alter the total appropriations within any fund, or that transfer appropriations between departments, must be approved by the City Council. The 2015-2016 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for most funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Improvements Sales Tax, Storm Water Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax, and Grant Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

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

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

Schedule of Funding Progress:

Other Post Employment Benefits

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

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

CITY OF INDEPENDENCE, MISSOURI
LAGERS Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2016

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

Notes to schedule:

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

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

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

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

Notes to schedule:

Valuation Date

Actuarially determined contribution rates were calculated as of February 29, 2016 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

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, 2016

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

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2016

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

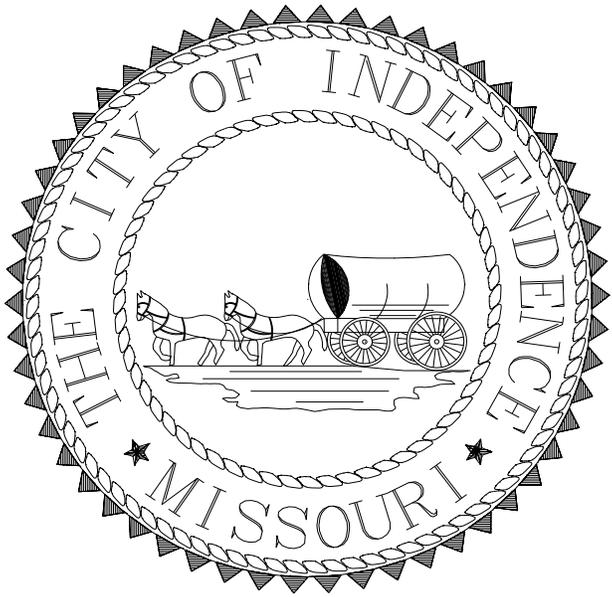
CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2016

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



CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2016

	Tourism Fund
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,082,651
Basis differences – budget to GAAP:	
None	<u> </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,082,651</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,857,506
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(173,657)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>116,692</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,800,541</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, 2016

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

Exhibit 19.1

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

	<u>Community Development Block Grant</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,045,242
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,045,242</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 604,717
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(70,575)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 534,142</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, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2016

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

- (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, 2016

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

Exhibit 21.1

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

	Streets Improvements Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 8,512,241
Basis differences – budget to GAAP:	
None	<u> —</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 8,512,241</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 15,034,876
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(4,288,698)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u> —</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 10,746,178</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, 2016

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

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

	<u>Park Improvements Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,745,005
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,745,005</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,949,734
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(176,606)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>145,017</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,918,145</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, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2016

	<u>Storm Water Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,386,967
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,386,967</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,900,520
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(127,978)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>85,080</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 3,857,622</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, 2016

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

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Basis Reconciliation Schedule
 Police Public Safety Sales Tax Fund
 Year ended June 30, 2016

	<u>Police Public Safety Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,291,131
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,291,131</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,050,969
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(191,162)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>149,118</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,008,925</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, 2016

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

Exhibit 25.1

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Basis Reconciliation Schedule
 Fire Public Safety Sales Tax Fund
 Year ended June 30, 2016

	Fire Public Safety Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,122,288
Basis differences – budget to GAAP:	
None	<u> —</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,122,288</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,828,187
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(456,361)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>24,690</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,396,516</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, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2016

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

(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, 2016

Assets	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 16)
Pooled cash and investments	\$ 2,181,612	—	3,636,626	1,613,783	1,588,623	9,020,644
Receivables:						
Taxes	1,337,258	668,628	668,629	342,007	334,444	3,350,966
Due from other funds	—	—	3,284,970	—	—	3,284,970
Prepaid items	—	325	200	—	—	525
Total assets	\$ 3,518,870	668,953	7,590,425	1,955,790	1,923,067	15,657,105
 Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	\$ 1,279,021	23,501	90,849	115,767	67,284	1,576,422
Due to other funds	—	3,268,815	—	—	—	3,268,815
Accrued items	8,104	73,621	54,991	—	—	136,716
Other current liabilities	—	875	—	—	—	875
Total liabilities	1,287,125	3,366,812	145,840	115,767	67,284	4,982,828
Fund balances:						
Nonspendable	—	325	200	—	—	525
Restricted	2,231,745	—	7,444,385	1,840,023	1,855,783	13,371,936
Unassigned	—	(2,698,184)	—	—	—	(2,698,184)
Total fund balances (deficit)	2,231,745	(2,697,859)	7,444,585	1,840,023	1,855,783	10,674,277
Total liabilities and fund balances	\$ 3,518,870	668,953	7,590,425	1,955,790	1,923,067	15,657,105

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Sales Tax Funds
Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI
Combining Balance Sheet
Component Unit - Tax Increment Financing
June 30, 2016

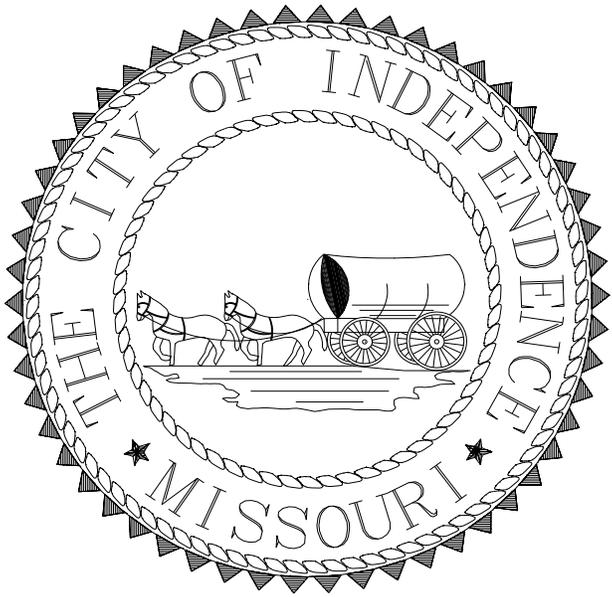
Assets	Midtown Truman	RSO	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cinema East	Trinity
Pooled cash and investments	\$ 63,923	43,216	—	—	1,160,544	4,729,354	44,213	35,844	20,726	795,955	5,908	16,526	36,843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

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

CITY OF INDEPENDENCE, MISSOURI
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Component Unit - Tax Increment Financing
Year ended June 30, 2016

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

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



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, 2016

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

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2016 and 2015

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

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2016 and 2015

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

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics – Power and Light Fund
Year ended June 30, 2016

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

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2016 and 2015

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

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2016

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

* Thousand gallons sold.

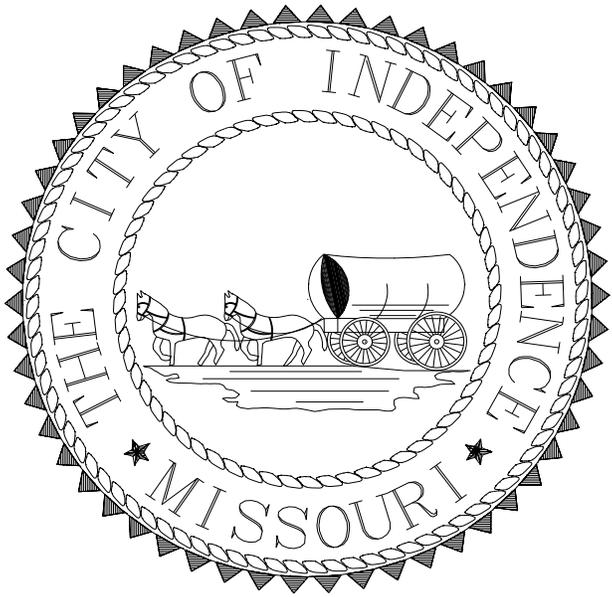
CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2016

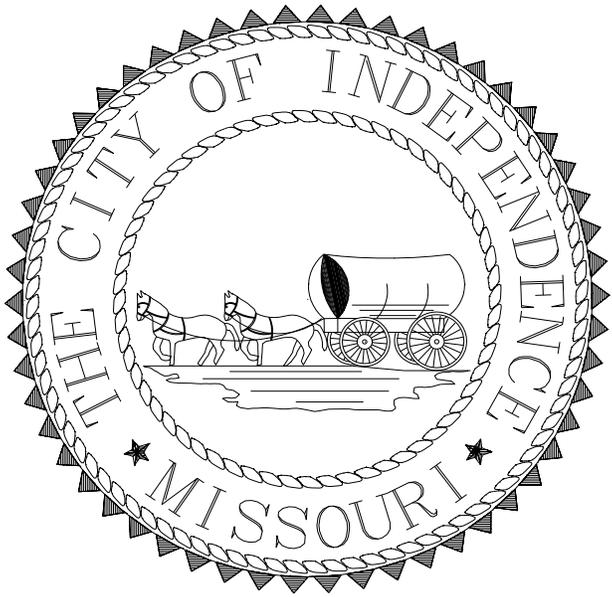
	<u>Number of customers</u>		<u>Revenue</u>	<u>CCF*</u>
	<u>Beginning of year</u>	<u>End of year</u>		
Sale of sanitary sewer services:				
Residential	41,312	41,080	\$ 12,121,229	2,479,500
Commercial:				
Base	3,470	3,469	4,794,560	1,523,514
Surcharge	—	—	608,128	—
Contract waste treatment	11	10	346,699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

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Demographic and Economic Information

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

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.

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

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

Table 1

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

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

Note: In 2007 the GASB 34 Retroactive Infrastructure was added.

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

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

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

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

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

Table 2

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

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

Table 2

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

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

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

Note: In 2007 the GASB 34 Retroactive Infrastructure was added.

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

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

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

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

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

Table 3

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 2,200,693	1,265,717	1,319,086							
Unreserved	4,534,005	8,062,100	5,739,682							
Total General Fund	<u>\$ 6,734,698</u>	<u>9,327,817</u>	<u>7,058,768</u>							
All other governmental funds										
Reserved	\$ 10,928,435	41,091,787	19,583,280							
Unreserved, reported in:										
Special revenue funds	17,620,241	12,648,957	5,357,555							
Capital project funds	(1,859,546)	(29,245,744)	(10,675,562)							
Debt service funds	82,229	71,068	56,553							
Permanent funds	9,670	—	—							
Total all other governmental funds	<u>\$ 26,781,029</u>	<u>24,566,068</u>	<u>14,321,826</u>							
General Fund										
Nonspendable	\$ —	—	—	—	—	—	—	14,141	—	11,424
Restricted	236,365	442,556	584,917	417,361	402,899	402,899	402,899	142,966	142,966	273,164
Committed	2,277,479	1,413,292	453,285	391,399	437,083	437,083	437,083	471,606	471,606	348,001
Assigned	662,881	667,065	593,561	464,633	398,283	398,283	398,283	1,300,973	1,300,973	1,336,086
Unassigned	2,012,374	2,302,039	1,831,406	600,662	600,662	600,662	3,591,990	3,741,675	3,741,675	3,684,710
	<u>\$ 5,189,099</u>	<u>4,824,952</u>	<u>3,463,169</u>	<u>1,874,055</u>	<u>1,874,055</u>	<u>1,874,055</u>	<u>4,844,396</u>	<u>5,657,220</u>	<u>5,657,220</u>	<u>5,653,385</u>
All other governmental funds										
Nonspendable	\$ —	—	—	480,253	—	—	—	—	—	665
Restricted	17,329,836	16,659,329	44,378,155	43,513,724	44,679,472	44,679,472	44,679,472	43,356,113	43,356,113	42,864,399
Committed	440,243	437,150	1,404,187	451,142	204,117	204,117	204,117	164,507	164,507	41,772
Unassigned	(5,118,794)	(5,369,883)	(6,237,737)	(6,951,949)	(6,167,243)	(6,167,243)	(6,167,243)	(5,796,859)	(5,796,859)	(2,929,573)
	<u>\$ 12,651,285</u>	<u>11,726,596</u>	<u>39,544,605</u>	<u>37,493,170</u>	<u>37,493,170</u>	<u>37,493,170</u>	<u>38,716,346</u>	<u>37,723,761</u>	<u>37,723,761</u>	<u>39,977,263</u>

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

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

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

Table 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 52,890,913	58,474,761	55,131,682	55,953,427	59,053,886	68,437,032	68,799,104	70,380,577	71,412,311	71,815,835
Licenses, fees and permits	5,472,192	4,642,719	3,695,971	3,483,767	3,426,859	3,319,496	3,255,877	3,464,631	3,785,532	3,802,218
Intergovernmental	16,534,433	10,862,317	19,131,915	16,921,164	24,785,082	24,127,728	12,724,286	13,672,530	10,337,589	9,174,995
Charges for services	2,587,783	2,784,144	2,774,284	2,759,317	3,015,294	3,095,040	2,966,943	2,699,813	2,905,601	3,273,899
Interfund charges for support services	3,105,514	3,222,406	3,389,629	3,580,384	3,743,875	3,791,444	3,835,972	3,987,029	4,544,233	4,913,709
Fines, forfeitures, and court costs	3,900,967	3,724,608	4,009,673	4,510,754	4,398,111	4,329,537	4,061,879	4,790,383	4,652,309	4,214,064
Investment earnings	1,588,358	1,197,790	495,337	165,939	124,223	214,584	287,686	259,908	250,763	286,088
Reimbursements from component unit	3,502,961	11,413,444	12,274,171	3,792,466	581,524	—	—	—	—	—
Developer contributions	—	—	—	—	—	832,549	238,105	250,000	35,000	17,025
Other	799,580	740,435	924,092	816,818	1,115,938	2,355,665	2,263,964	2,281,201	2,042,419	2,382,870
Total revenues	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792	110,503,075	98,433,816	101,786,072	99,965,757	99,880,703
Expenditures										
Administrative services	7,592,963	7,460,421	7,728,128	7,867,425	7,862,603	7,332,146	6,997,537	7,547,357	7,640,238	7,576,728
Public safety	39,693,647	40,950,718	40,956,235	45,150,437	48,037,112	45,457,931	46,169,791	49,093,577	49,529,374	50,513,184
Public works	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868	5,191,326	5,645,470	5,899,660	5,386,719	4,693,660
Health and welfare	2,835,949	2,875,392	3,150,172	3,226,705	3,277,614	3,055,362	3,362,706	3,322,766	3,206,732	3,130,183
Culture and recreation	5,098,826	5,800,784	5,942,029	6,160,686	5,995,558	6,205,463	5,694,462	5,747,828	5,793,101	5,888,760
Community development	4,182,354	4,090,318	3,657,531	4,119,818	6,730,888	4,877,604	5,029,870	6,007,452	4,460,559	4,303,735
Storm water	1,538,857	1,388,856	1,542,289	1,668,148	1,772,387	1,581,460	1,532,184	1,686,782	1,629,842	1,769,844
General government	7,582,224	7,612,540	7,486,977	8,541,586	8,507,142	8,343,550	7,461,577	7,688,526	8,622,570	8,921,005
Tax increment financing	—	—	—	—	—	2,992,581	2,578,489	2,886,495	1,290,274	859,000
Capital outlay	31,736,638	28,561,029	42,442,528	26,346,981	22,527,627	24,697,928	15,475,351	12,296,360	14,159,976	13,890,964
Debt Service										
Principal	3,256,394	3,378,132	7,277,755	3,465,682	2,963,391	12,935,067	12,223,792	7,614,702	8,513,930	6,833,988
Debt service component unit	—	—	—	—	3,566,752	—	—	—	—	—
Interest	1,001,306	1,114,072	977,116	814,620	600,864	10,283,032	9,505,756	8,844,986	9,243,134	8,541,494
Debt issuance costs	—	—	—	—	—	258,358	1,059,129	201,254	240,698	1,156,904
Total expenditures	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806	133,211,808	122,736,114	118,837,745	119,717,147	118,079,449
Excess of revenues over (under) expenditures	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)	(17,757,014)	(22,708,733)	(24,302,298)	(17,051,673)	(19,751,390)	(18,198,746)
Other Financing Sources (Uses)										
Transfers in	2,102,299	1,266,294	3,897,938	3,069,619	2,499,761	8,446,498	9,771,846	2,630,331	2,119,880	2,964,941
Transfers out	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)	(2,461,566)	(8,446,498)	(9,560,573)	(1,969,709)	(1,857,265)	(2,726,803)
Issuance of debt	8,477,809	100,695	101,734	4,020,000	—	8,694,700	40,855,000	6,981,126	8,770,000	50,074,897
Premiums/Discounts on debt issued	—	—	—	18,402	—	(99,950)	(14,334)	74,056	(99,693)	(1,168,942)
Payment to refunded loans escrow agent	—	—	—	—	—	(6,426,286)	(38,713,690)	(6,982,279)	(7,887,707)	(47,379,813)
Transfers in - utility payments in lieu of taxes	13,039,463	13,702,586	13,503,735	14,225,247	16,211,380	17,329,950	18,021,077	18,144,063	18,413,389	18,515,336
Sale of capital assets	50,834	23,581	40,269	38,572	218,603	100,901	302,423	164,172	113,025	168,797
Total other financing sources (uses)	21,708,698	13,721,505	13,540,381	18,351,221	16,468,178	19,599,315	20,661,749	19,041,760	19,571,629	20,448,413
Special items:										
Litigation settlement	—	—	—	—	—	—	—	2,203,430	—	—
Net change in fund balances	\$ 399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)	(3,109,418)	(3,640,549)	4,193,517	(179,761)	2,249,667
Debt service as a percentage of non capital expenditures	5.42%	5.63%	9.75%	5.04%	3.83%	21.55%	20.60%	15.90%	17.45%	15.03%

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

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

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

Table 5

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

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

Note: Amounts for 2016 are not provided due to only receiving partial year figures.

Source: Missouri Department of Revenue

Table 6

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

Direct Sales Tax Rate City of Independence	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.375	0.375	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Park Improvements	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.250	0.250	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	<u>2.250</u>									
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	<u><u>2.375</u></u>									
Total Local Option Sales Tax Rate	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Jackson County	1.125	1.125	1.125	1.125	1.125	1.125	1.125	1.125	1.125	1.125
Kansas City Zoo	0.000	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125
City of Independence	2.250	2.250	2.250	2.250	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	<u><u>7.725</u></u>	<u><u>7.725</u></u>	<u><u>7.725</u></u>	<u><u>7.725</u></u>	<u><u>7.725</u></u>	<u><u>7.850</u></u>	<u><u>7.850</u></u>	<u><u>7.850</u></u>	<u><u>7.850</u></u>	<u><u>7.850</u></u>

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

Source: Missouri Department of Revenue

Table 7

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

Fiscal Year Ended June 30,	Real Property					Other Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Agricultural Property	Commercial Property	State Assessed	Total	Personal Property	Railroads & Utilities				
2007	\$ 826,183,410	1,077,386	289,266,376	4,991,962	1,121,519,134	278,254,929	836,952	1,400,611,015	0.6630	6,115,085,122	22.90%
2008	835,415,560	1,092,071	280,076,363	4,385,286	1,120,969,280	289,243,271	1,720,003	1,411,932,554	0.6630	6,168,940,666	22.89%
2009	774,152,986	1,020,696	255,474,757	3,793,786	1,034,442,225	268,317,482	1,114,259	1,303,873,966	0.6560	5,702,449,660	22.87%
2010	770,979,192	1,083,868	257,788,756	4,145,717	1,033,997,533	263,606,423	1,237,018	1,298,840,974	0.7030	5,680,839,244	22.86%
2011	781,239,728	1,126,981	235,721,480	4,951,250	1,023,039,439	262,875,610	1,242,492	1,287,157,541	0.7280	5,666,580,865	22.71%
2012	781,254,601	1,128,703	236,979,066	4,844,455	1,024,206,825	252,082,951	2,943,813	1,279,233,589	0.7236	5,643,175,957	22.67%
2013	779,674,017	1,128,605	235,695,566	4,816,906	1,021,315,094	254,225,408	3,612,882	1,279,153,384	0.7281	5,639,283,894	22.68%
2014	779,683,482	1,138,200	233,988,631	5,106,421	1,019,916,734	257,382,527	3,528,618	1,280,827,879	0.7394	5,644,201,744	22.69%
2015	779,384,690	1,138,682	232,114,740	5,387,691	1,018,025,803	244,122,675	2,857,999	1,265,006,477	0.7393	5,595,741,171	22.61%
2016	814,095,793	1,227,696	242,938,873	5,523,260	1,063,785,622	248,605,246	2,771,990	1,315,162,858	0.7165	5,826,614,435	22.57%

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

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

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

Table 8

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

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
2007	2006	\$ 0.451	0.212	—	0.663	0.217	5.084	1.060	0.030
2008	2007	0.451	0.212	—	0.663	0.217	5.084	1.063	0.030
2009	2008	0.446	0.210	—	0.656	0.213	5.084	1.053	0.030
2010	2009	0.478	0.225	—	0.703	0.214	5.084	1.061	0.030
2011	2010	0.495	0.233	—	0.728	0.2329	5.430	1.0596	0.030
2012	2011	0.4924	0.2312	—	0.7236	0.2335	5.580	1.0596	0.030
2013	2012	0.4950	0.2331	—	0.7281	0.2349	5.670	1.0464	0.030
2014	2013	0.5026	0.2368	—	0.7394	0.2369	5.700	1.0464	0.030
2015	2014	0.5026	0.2367	—	0.7393	0.2374	5.700	1.0317	0.030
2016	2015	0.4871	0.2294	—	0.7165	0.2343	5.913	1.0038	0.030

Notes:

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

Health & Welfare Fund	0.1442
General Fund	0.1356
Road & Bridge Fund	0.1319
Park Fund	0.0839
Mid-Continent Public Library	0.3146
Developmentally Disabled	0.0738
Mental Health	0.1198
Total County	<u>1.0038</u>
- (4) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for these districts are:

Fort Osage Reorganized #1	5.7000
Blue Springs Reorganized #4	5.7286
Kansas City School District	4.9599

Table 9

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

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

Source: Jackson County Collection Department

Table 10

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

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 6,905,547	\$ 6,557,341	94.96%	\$ 345,002	\$ 6,902,343	99.95%
2008	7,103,810	6,645,387	93.55%	453,960	7,099,347	99.94%
2009	7,287,258	6,807,203	93.41%	485,124	7,292,326	100.07%
2010	7,232,424	6,883,318	95.17%	325,426	7,208,743	99.67%
2011	7,493,616	7,145,073	95.35%	312,480	7,457,553	99.52%
2012	7,495,895	6,971,357	93.00%	365,754	7,337,111	97.88%
2013	7,402,402	7,065,183	95.44%	302,549	7,367,732	99.53%
2014	7,625,313	7,145,159	93.70%	299,779	7,444,938	97.63%
2015	7,468,109	7,164,660	95.94%	162,126	7,326,787	98.11%
2016	7,633,251	7,182,858	94.10%	—	7,182,858	94.10%

Source: City of Independence

Table 11

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

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

Source: City of Independence

Table 12

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

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

Source: City of Independence

Table 13

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

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

Source: City of Independence

Table 14

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

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

Source: City of Independence

Table 15

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

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

Source: City of Independence

Table 16

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

Governmental Activities									
Fiscal Year	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation					
2007	\$ 23,870,529	\$ 923,099	\$ 712,483	\$ —					
2008	20,681,754	864,153	650,673	—					
2009	13,586,351	800,207	603,524	—					
2010	14,366,011	736,261	431,454	—					
2011	11,580,656	667,315	292,063	—					
2012	(2) 180,792,033	598,369	1,642,764	—					
2013	171,371,974	528,423	1,407,347	—					
2014	167,681,305	453,477	1,226,414	—					
2015	162,434,005	378,531	1,036,529	—					
2016	159,223,920	298,586	1,484,037	—					
Business-Type Activities									
Fiscal Year	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)		
2007	\$ 55,548,038	\$ —	\$ —	\$ —	\$ 81,054,149	3.06%	\$ 696.59		
2008	63,829,753	—	—	—	86,026,333	3.48%	788.08		
2009	178,411,467	—	65,954	—	193,467,503	7.48%	1,695.18		
2010	175,035,863	—	43,988	—	190,613,577	6.77%	1,572.56		
2011	195,970,016	—	21,353	—	208,531,403	7.91%	1,784.91		
2012	243,037,399	—	—	—	426,070,565	15.64%	3,635.01		
2013	296,937,015	—	—	—	470,244,759	16.92%	4,010.96		
2014	342,793,093	—	—	—	512,154,289	18.43%	4,368.43		
2015	354,386,824	—	—	—	518,235,889	18.75%	4,410.74		
2016	344,168,539	—	—	—	505,175,082	17.72%	4,308.35		

Notes:

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

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

Table 17

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

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

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

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

Table 18

City of Independence, Missouri
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2016

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

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

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

Table 19

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

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

Notes:

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

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

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

Table 20

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

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (2)	
Power & Light (2)						
2007	\$ 105,313,797	\$ 80,423,304	\$ 24,890,493	\$ 1,995,000	\$ 784,823	\$ 8.95
2008	109,358,222	90,141,975	19,216,247	2,065,000	708,218	6.93
2009	106,810,460	88,778,796	18,031,664	2,155,000	1,157,423	5.44
2010	115,265,625	91,580,614	23,685,011	2,245,000	2,149,388	5.39
2011	127,486,725	98,684,455	28,802,270	2,965,000	2,645,010	5.13
2012	140,997,371	104,196,848	36,800,523	3,820,000	3,042,435	5.36
2013	138,561,630	100,672,846	37,888,784	4,080,000	6,100,037	3.72
2014	139,621,307	106,187,200	33,434,107	5,015,000	5,853,306	3.08
2015	139,687,551	107,899,251	31,788,300	3,265,000	5,670,556	3.56
2016	135,479,674	110,381,924	25,097,750	3,395,000	5,539,957	2.81
Water (2)						
2007	\$ 18,473,889	\$ 12,850,111	\$ 5,623,778	\$ 2,040,000	\$ 1,923,627	\$ 1.42
2008	18,422,122	13,268,938	5,153,184	2,200,000	1,838,014	1.28
2009	18,709,946	13,618,857	5,091,089	2,380,000	2,032,591	1.15
2010	21,979,071	14,628,914	7,350,157	2,525,000	2,495,816	1.46
2011	24,133,141	15,051,480	9,081,661	2,790,000	2,263,273	1.80
2012	26,383,701	15,282,735	11,100,966	2,965,000	2,150,678	2.17
2013	28,165,483	16,255,647	11,909,836	3,180,000	2,003,608	2.30
2014	29,374,518	16,856,321	12,518,197	3,395,000	1,463,831	2.58
2015	29,739,720	16,376,953	13,362,767	4,230,000	1,281,338	2.42
2016	32,783,397	17,560,790	15,222,607	4,260,000	1,206,338	2.78
Sanitary Sewer						
2007	\$ 15,519,278	\$ 10,884,567	\$ 4,634,711	\$ —	\$ —	\$ —
2008	15,860,966	11,852,963	4,008,003	—	—	—
2009	15,585,793	13,005,365	2,580,428	—	—	—
2010	15,310,352	13,001,081	2,309,271	—	—	—
2011	17,099,048	13,451,850	3,647,198	—	—	—
2012	19,260,332	13,840,938	5,419,394	—	—	—
2013	20,249,977	13,440,965	6,809,012	—	1,030,631	6.61
2014	21,501,256	14,301,898	7,199,358	745,000	2,740,012	2.07
2015	23,586,443	14,891,692	8,694,751	1,015,000	3,979,597	1.74
2016	24,292,174	15,786,512	8,505,662	1,535,000	4,373,881	1.44

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

Notes: (1) Operating expenses excludes depreciation, interest expense, amortization, non-operating expenses, OPEB, net pension expense (GASB 68), and payments in lieu of taxes.

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

Table 21

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

<u>Calendar Year (3)</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (1)</u>
2006	115,953	\$ 2,632,249,053	\$ 22,701	38.91	14,829	5.30%
2007	116,359	2,651,123,456	22,784	39.22	14,113	5.40%
2008	109,159	2,471,141,442	22,638	39.28	13,550	6.40%
2009	114,128	2,585,569,840	22,655	39.56	16,065	9.80%
2010	121,212	2,817,572,940	23,245	39.81	20,755	10.35%
2011	116,830	2,636,035,290	22,563	38.79	19,505	10.20%
2012	117,213	2,723,795,694	23,238	38.18	24,900	7.10%
2013	117,240	2,778,588,000	23,700	39.60	25,320	6.90%
2014	117,494	2,763,928,856	23,524	41.80	24,304	6.70%
2015	117,255	2,850,820,815	24,313	38.60	25,173	5.60%

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

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

Table 22

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

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

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

Table 23

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City council office	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00
City manager	10.50	10.50	10.50	9.50	9.50	7.00	7.00	7.00	7.00	7.00
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.00	—
Technology services	21.00	21.00	21.00	21.00	21.00	22.00	22.00	22.00	23.00	24.00
Municipal court	13.00	14.00	14.00	14.00	14.00	14.00	14.67	14.65	14.65	14.65
Law - General fund	6.75	6.51	6.50	6.50	6.00	6.25	6.25	6.25	6.23	6.23
Law - Grant fund	0.50	0.37	0.25	0.25	0.25	0.25	0.25	0.25	0.28	0.28
Finance	26.00	25.00	24.15	24.15	24.15	22.65	22.65	22.65	22.15	22.15
Human resources	7.50	7.50	7.50	7.50	6.50	6.50	6.44	7.44	6.75	6.75
Public Safety										
Police - General fund	281.50	283.00	290.40	290.40	292.90	274.65	276.91	291.91	296.91	296.91
Police - Grant fund	10.00	14.00	15.00	15.00	13.00	14.00	13.00	13.00	7.00	7.00
Fire - General fund	173.25	173.25	173.25	173.25	173.25	173.25	173.25	169.25	169.75	173.75
Fire - Grant fund	0.75	0.75	0.75	0.75	0.75	0.75	0.75	4.75	5.25	1.25
Public Works										
General Fund	83.00	82.00	82.00	82.00	83.00	79.90	79.90	80.27	80.27	80.27
Street Sales Tax Fund	—	—	—	—	—	—	3.00	3.00	3.00	3.00
Health and Welfare										
General fund	34.25	35.25	35.25	35.25	36.00	35.16	40.20	29.33	28.56	28.56
Grant fund	7.70	6.25	7.10	5.35	4.95	8.65	7.65	9.06	6.86	7.13
Culture and Recreation										
General fund	35.53	32.65	32.65	33.46	31.71	28.71	30.15	27.85	27.10	27.10
Tourism fund	4.41	4.41	4.41	4.41	4.41	4.66	4.66	5.66	8.18	14.18
Park Improvement Sales Tax fund	17.12	25.29	25.29	23.98	22.48	21.75	20.75	24.70	26.61	26.61
Community Development										
General fund	25.75	26.64	26.05	27.55	27.05	27.30	27.30	27.30	28.68	28.68
Community Dev Block Grant fund	2.50	2.11	2.70	2.00	2.00	2.00	2.00	2.00	2.00	2.00
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	—	—	—	—	—
Storm Water Sales Tax fund	8.00	8.00	8.00	8.00	8.00	13.00	13.00	13.00	13.00	13.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
Power and Light	220.00	220.00	217.00	218.00	222.00	233.00	236.00	238.00	239.00	239.00
Water										
Finance - General fund	0.17	0.15	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Water	97.48	98.50	101.65	101.65	101.65	93.65	93.42	92.42	93.42	93.42
Sewer										
Public Works - General fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	73.20
Central Garage fund	9.00	10.00	10.00	9.75	9.75	9.75	9.75	9.75	9.75	9.75
Worker' Compensation Fund	—	1.75	1.75	1.75	1.75	2.00	2.00	2.00	2.00	2.00
Total	<u>1,195.66</u>	<u>1,208.88</u>	<u>1,218.00</u>	<u>1,216.30</u>	<u>1,216.90</u>	<u>1,196.93</u>	<u>1,209.05</u>	<u>1,220.59</u>	<u>1,223.75</u>	<u>1,229.22</u>

Source: City of Independence Budget

Table 24

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

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

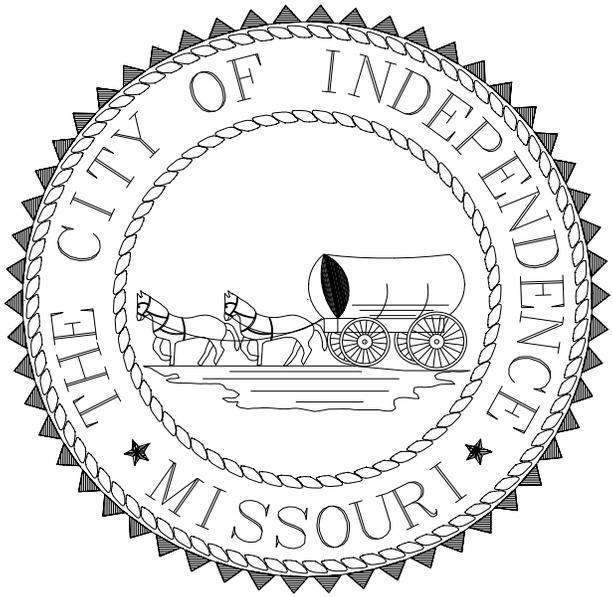
Source: City of Independence

Table 25

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Police stations	4	4	4	5	4	3	5	5	5	3
Vehicles	203	206	201	215	166	180	191	191	194	185
K - 9 Facility	1	1	1	1	1	1	1	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Fire Training Facilities	—	—	1	1	1	1	1	1	1	1
Vehicles	45	42	45	48	47	45	44	45	46	45
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	550	564	547	557	565	565	560	560	560	578
Culture and Recreation										
Park acreage	826	728	728	781	730	843	843	887	887	843
Parks	44	42	42	45	43	45	46	42	43	46
Community Centers	3	3	3	3	3	4	3	3	3	3
Fitness Centers	2	2	2	2	2	2	2	3	3	2
Ball Fields	53	54	54	57	54	42	45	44	44	44
Power and Light										
Power stations	5	5	5	5	5	6	6	6	6	6
Transmission/Distribution Circuits (miles)	829	835	840	844	847	859	853	869	870	888
Maximum daily use (Mwh)	5,865	5,579	5,472	4,909	5,456	5,780	5,654	4,818	4,754	4,983
Water										
Water mains (miles)	736	741	742	746	750	757	758	759	760	760
Fire hydrants	4,520	4,635	4,679	4,728	4,787	4,854	4,875	4,910	4,933	4,950
Maximum daily pumpage (millions of gallons)	44	39	38	35	42	42	47	40	37	39
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	590	578	596	597	596	614	614	614	614	616
Maximum daily capacity of treatment (MGD)	18	16	18	18	18	16	16	32	32	32

Source: City of Independence



City of Independence



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