

*City of Independence, Missouri*  
*Historic City of the Trails*



*For the Fiscal Year Ended*

*June 30, 2010*

*Comprehensive Annual  
Financial Report*

# CITY OF INDEPENDENCE, MISSOURI

## Table of Contents

		<b>Page</b>
<b>Introductory Section:</b>		
Organizational Chart		1
Letter of Transmittal		2-6
GFOA Certificate of Achievement		7
<b>Financial Section:</b>		
Independent Auditors' Report		8-9
Management's Discussion and Analysis		10-20
	<b>Exhibit</b>	
<b>Basic Financial Statements:</b>		
<b>Government-wide:</b>		
Statement of Net Assets	1	21
Statement of Activities	2	22
<b>Fund Financial Statements:</b>		
<b>Governmental Funds:</b>		
Balance Sheet	3	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	3.1	24
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	4.1	26
<b>Proprietary Funds:</b>		
Balance Sheet	5	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets	6	28
Statement of Cash Flows	7	29
<b>Fiduciary Funds:</b>		
Statement of Fiduciary Net Assets	8	30
Statement of Changes in Fiduciary Net Assets	9	31
Notes to Financial Statements		32-74
<b>Required Supplementary Information:</b>		
Notes to Budgetary Comparison Schedules		75
Budgetary Comparison Schedule – General Fund	10	76
Budgetary Basis Reconciliation Schedule – General Fund	10.1	77
Schedule of Funding Progress – Retirement & Other Post Employment Plans	11	78

**CITY OF INDEPENDENCE, MISSOURI**

**Table of Contents**

	<b>Exhibit</b>	<b>Page</b>
<b>Supplementary Information:</b>		
Combining Balance Sheet – Nonmajor Governmental Funds	12	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	13	80
Combining Balance Sheet – Nonmajor Special Revenue Funds	14	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	15	82
Budgetary Comparison Schedule – Tourism Fund	16	83
Budgetary Basis Reconciliation Schedule – Tourism Fund	16.1	84
Budgetary Comparison Schedule – Community Development Block Grant Fund	17	85
Budgetary Basis Reconciliation Schedule – Community Development Block Grant Fund	17.1	86
Budgetary Comparison Schedule – Rental Rehabilitation Fund	18	87
Budgetary Basis Reconciliation Schedule – Rental Rehabilitation Fund	18.1	88
Budgetary Comparison Schedule – Street Improvements Sales Tax Fund	19	89
Budgetary Basis Reconciliation Schedule – Street Improvements Sales Tax Fund	19.1	90
Budgetary Comparison Schedule – Park Improvements Sales Tax Fund	20	91
Budgetary Basis Reconciliation Schedule – Park Improvements Sales Tax	20.1	92
Budgetary Comparison Schedule – Storm Water Sales Tax Fund	21	93
Budgetary Basis Reconciliation Schedule – Storm Water Sales Tax Fund	21.1	94
Budgetary Comparison Schedule – Police Public Safety Sales Tax Fund	22	95
Budgetary Basis Reconciliation Schedule – Police Public Safety Sales Tax Fund	22.1	96
Budgetary Comparison Schedule – Fire Public Safety Sales Tax Fund	23	97
Budgetary Basis Reconciliation Schedule – Fire Public Safety Sales Tax Fund	23.1	98
Budgetary Comparison Schedule – Grants Fund	24	99
Budgetary Basis Reconciliation Schedule – Grants Fund	24.1	100
Combining Balance Sheet – Nonmajor Sales Tax Funds	25	101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Sales Tax Funds	26	102
Combining Balance Sheet – Nonmajor Capital Projects Funds	27	103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Nonmajor Capital Projects Funds	28	104
Combining Statement of Net Assets – Internal Service Funds	29	105
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	30	106
Combining Statement of Cash Flows – Internal Service Funds	31	107
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	32	108
Combining Balance Sheet – Discretely Presented Component Unit – Tax Increment Financing	33	109-110

**CITY OF INDEPENDENCE, MISSOURI**

**Table of Contents**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Discretely Presented Component Unit		
– Tax Increment Financing	34	111-112
Schedules of Operating Expenses – Power and Light Fund	35	113-114
Schedule of Operating Statistics – Power and Light Fund	36	115
Schedules of Operating Expenses – Water Fund	37	116
Schedule of Operating Statistics – Water Fund	38	117
Schedule of Operating Statistics – Sanitary Sewer Fund	39	118

	<b>Table</b>	<b>Page</b>
Statistical Data (Unaudited):		
Net Assets by Component	1	119
Changes in Net Assets	2	120-121
Fund Balances of Governmental Funds	3	122
Changes in Fund Balances of Governmental Funds	4	123
Total City Taxable Sales by Category	5	124
Sales Tax Rates Direct and Overlapping Governments	6	125
Assessed Value and Estimated Actual Value of Taxable Property	7	126
Property Tax Rates Direct and Overlapping Debt	8	127
Principal Property Taxpayers	9	128
Property Tax Levies and Collections	10	129
Utility Sales by Category	11	130
Utility Rates by Category	12	131
Principal Utility Payers – Power and Light	13	132
Principal Utility Payers – Water	14	133
Principal Utility Payers – Sewer	15	134
Ratios of Outstanding Debt by Type	16	135
Ratios of General Bonded Debt Outstanding	17	136
Direct and Overlapping Governmental Activities Debt	18	137
Legal Debt Margin Information	19	138
Pledged-Revenue Coverage	20	139
Demographic and Economic Statistics	21	140
Principal Employers	22	141
Full-time Equivalents City Government Employees by Function/Program	23	142
Operating Indicators by Function/Program	24	143
Capital Asset Statistics by Function/Program	25	144

**CITY OF INDEPENDENCE, MISSOURI**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



**Mayor**  
Don B. Reimal

***City Council***

Marcie Gragg	District #1
Will Swoffer	District #2
Myron Paris	District #3
Jim Page	District #4
Lucy Young	At-large
Jim Schultz	At-large

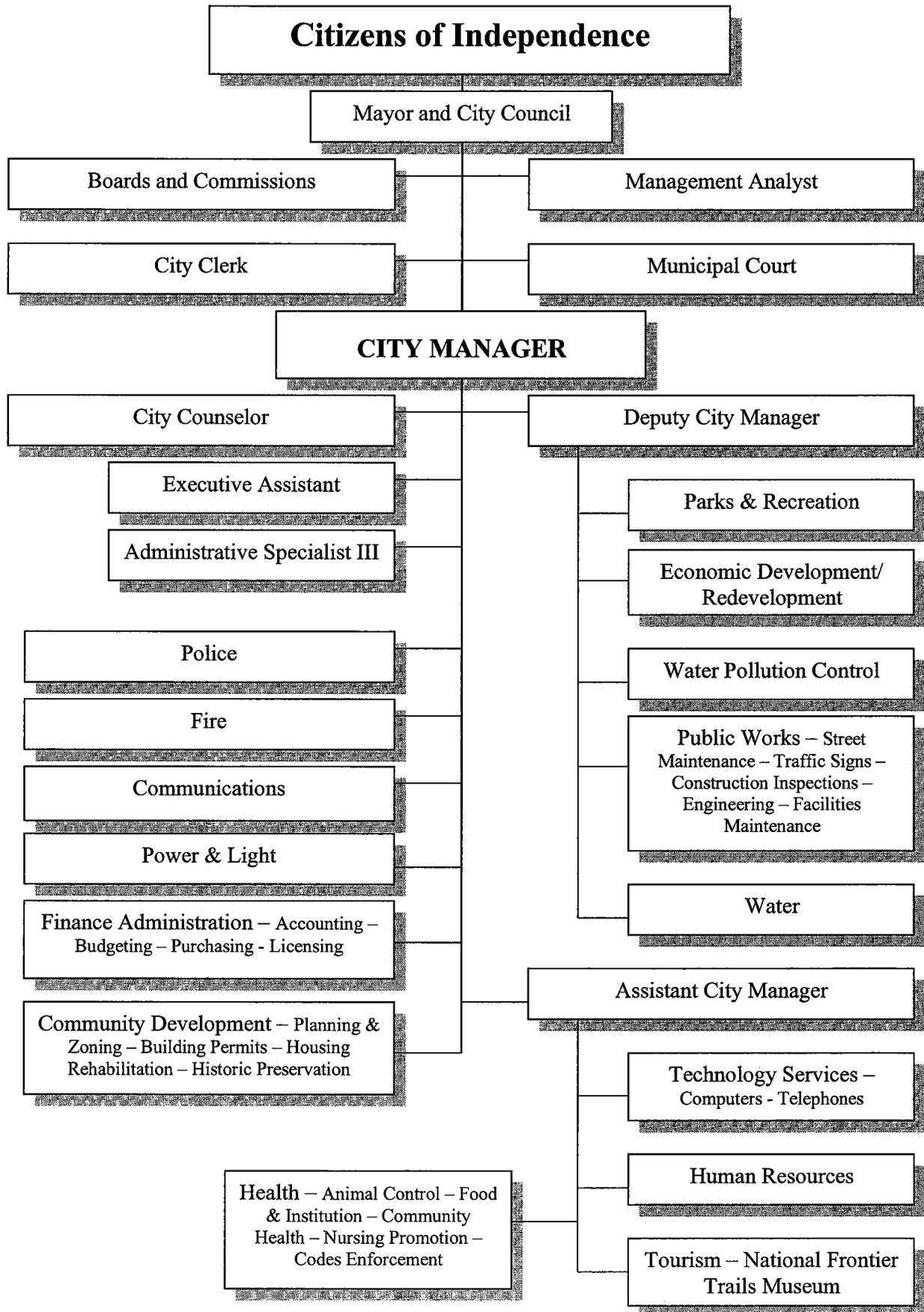
***City Manager***

Robert Heacock

*Prepared by the Department of Finance*

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

# City of Independence, Missouri Organizational Chart



# City of Independence

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



November 10, 2010

***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, 2010. 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 Cochran Head Vick & Co., P.C. (independent auditor) 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, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

AN EQUAL OPPORTUNITY EMPLOYER • A COMMUNITY IN EASTERN JACKSON COUNTY

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, 33<sup>rd</sup> President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 121,212. The City of Independence was presented the All American City award for 2001 by the National Civic League. *Working Woman* magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21<sup>st</sup> Century Community Learning Centers. Patricia Schultz included several tourism attractions in Independence in her recent travel book, *"1,000 Places to See in the United States and Canada Before You Die."* National Geographic Traveler, September 2010, included Independence's Santa-Cali-Gon Days, an annual festival celebrating the start of the Santa Fe, California, and Oregon Trails, as one of "our pick of travel-worthy events."

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

The City of Independence is home to Lake City Army Ammunition Plant, the largest small-caliber ammunition manufacturing plant in the world. Lake City is the largest employer in Independence and encompasses 458 buildings on 3,935 acres. Independence is home to the Harry S Truman Presidential Museum & Library, one of only twelve 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's activities in its financial statements as a discretely presented component unit

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, 2010, are reported as reservations of fund balances 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. Non-residential building permits have increased by 66% in the last year. The I-70 interchange has made the Little Blue Parkway the professional business corridor of the 21<sup>st</sup> Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of the fastest growing area in the Kansas City metropolitan area. This area is home to the Events Center which includes an arena with 5,800 seats for hockey with additional seating for concerts and a community ice rink. The Events Center is home to the Central Hockey League franchise the Missouri Mavericks and Major Indoor Soccer League the Comets. The Events Center opened in November 2009 providing approximately 120 new jobs.

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

<b>Year</b>	<b>Area Unemployment Rate</b>	<b>Jackson County Unemployment Rate</b>	<b>Statewide Unemployment Rate</b>
2010	10.4%	10.7%	9.5%
2009	9.8%	10.2%	9.3%
2008	6.4%	6.9%	6.1%
2007	5.4%	5.8%	5.1%
2006	5.3%	5.7%	4.8%

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

## **Long-term financial planning**

The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The CIP for fiscal year 2010-2011 includes projects totaling an estimated \$45 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 undesignated fund balance level in the General Fund equal to 5% of annual revenues. Unreserved, undesignated fund balance in the General Fund does not fall within the policy guidelines set by the Council for budgetary and planning purposes.

## **Relevant financial policies**

It is the City of Independence's policy to restore the undesignated fund balance through revenue allocations or expenditure reductions when it falls below the 5% of annual revenues. The City Manager has not funded vacant positions whenever possible in an effort to reduce salary and benefit costs. In addition, each department has been asked to reduce expenditures in an effort to reduce costs. The undesignated fund balance as of June 30, 2010 was 3.5% of the General Fund revenues. This is a slight increase from 3.1% last year.

## **Major initiatives**

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

Construction continues at the Falls at Crackerneck, a project that covers approximately 200 acres and includes a 160,000 square-foot Bass Pro Shops Outdoor World (Bass Pro) retail store, restaurant, hotel, and three adjoining commercial areas providing 350,000 square feet of retail shops and will create 300 new jobs. The Bass Pro retail store opened in February 2008, two other stores opened in the fall of 2009 and a restaurant is currently under construction.

## **Awards and Acknowledgements**

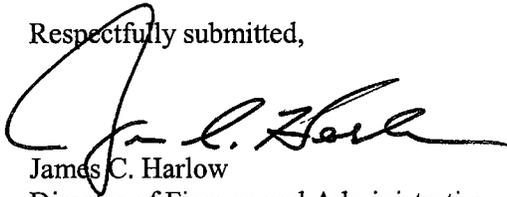
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate 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, 2009. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. C. Harlow", written over a horizontal line.

James C. Harlow  
Director of Finance and Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence  
Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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



President

Executive Director



**Independent Auditors' Report**

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Kansas City, MO 64116  
(816) 584-9955  
Fax (816) 584-9958

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Independence, Missouri, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Other Offices**

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St. Joseph, MO 64501  
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**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

**Financial Highlights**

The City's total net assets increased over \$3.0 million. The City's 'governmental-type activities' had an increase of \$4.6 million and the 'business-type activities' had a decrease of \$1.6 million.

Sales tax revenue decreased by \$1.3 million. Again this year the lack of growth in revenue from sales tax can mostly be attributed to two factors. The first and probably the most significant is the slow economy that has generally been felt throughout the country. The second is the retail competition that is developing within the trade area of the City. Wal-Mart has recently opened super centers in Blue Springs to our east and Kansas City at our southwest border. Lee's Summit has expanded its retail shopping opportunity with the opening of Summit Fair.

The State authorized legislation that was intended to settle the dispute between cell phone providers and local jurisdictions concerning franchise fees and was implemented on July 1, 2006. It was subsequently over-turned by the Missouri Supreme Court in August 2006. The City's Code allowed for this possibility and the business license fee reverted to the pre-July 1<sup>st</sup> rate of 9.08%. Verizon, AT&T, and Sprint have reached a settlement with the City and T-Mobile is in the final stages of a settlement.

Development continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World (Bass Pro) store and theme hotel. The Bass Pro store opened during February 2008 and Hobby Lobby and Mardels opened at the end of 2009. A Cheddars restaurant will open in early 2011.

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

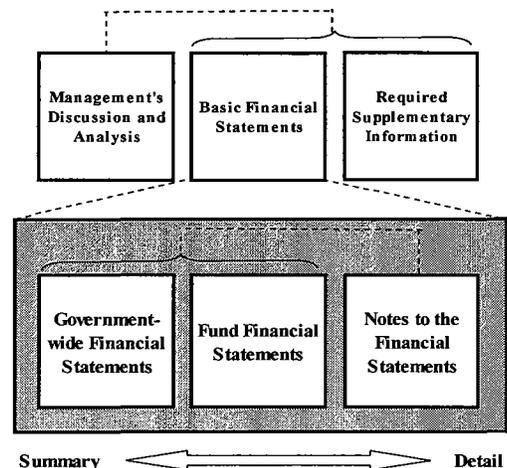
The Independence Events Center opened in the southeast part of the City during November 2009. This project required the establishment of a community improvement district and a sales tax in the district to finance the obligations issued to construct the events center. The events center's primary tenant is the Mavericks, a member of the Central Hockey League. Prior to opening, the City entered into a contract with Global Enterprises to operate a multi-purpose events center. During October 2010 the City and Global Enterprises mutually agreed to terminate the agreement and the City is currently operating the events center with staff from the prior operator.

**Overview of the Financial Statements**

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

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

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



**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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

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

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

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

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

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

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

**Government-wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

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

The City has three kinds of funds:

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

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

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

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 40,986,218	47,614,181	97,269,780	140,011,759	138,255,998	187,625,940
Capital assets	321,102,754	304,518,101	424,486,261	386,094,078	745,589,015	690,612,179
<b>Total assets</b>	<b>362,088,972</b>	<b>352,132,282</b>	<b>521,756,041</b>	<b>526,105,837</b>	<b>883,845,013</b>	<b>878,238,119</b>
Long-term obligations	50,427,210	43,236,438	191,056,042	191,088,617	241,483,252	234,325,055
Other liabilities	12,987,480	14,879,351	14,839,417	17,524,080	27,826,897	32,403,431
<b>Total liabilities</b>	<b>63,414,690</b>	<b>58,115,789</b>	<b>205,895,459</b>	<b>208,612,697</b>	<b>269,310,149</b>	<b>266,728,486</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	305,569,028	289,028,019	279,970,114	283,871,824	585,539,142	572,899,843
Restricted	16,889,552	15,475,723	3,692,885	3,691,325	20,582,437	19,167,048
Unrestricted (deficit)	(23,784,298)	(10,487,249)	32,197,583	29,929,991	8,413,285	19,442,742
<b>Total net assets</b>	<b>\$ 298,674,282</b>	<b>294,016,493</b>	<b>315,860,582</b>	<b>317,493,140</b>	<b>614,534,864</b>	<b>611,509,633</b>

The City's combined net assets increased 0.50% to \$614.5 million from \$611.5 million. Net assets of the City's governmental activities increased 1.58% to \$298.7 million. Governmental assets increased \$10.0 million and liabilities increased \$5.3 million. Long-term obligations for Governmental Activities increased \$7.2 million and Business-type Activities decreased \$32,575. The increase in long term obligations is due to the issuance of obligations for street improvements and construction of the events center.

Total unrestricted net assets were \$8.4 million with the business-type activities being \$32.2 million. The City's unrestricted net assets (deficit) for governmental activities were (\$23.8) million.

Unrestricted net assets for business activities were \$32.2 million and increased \$2.3 million from the previous year. Net assets invested in capital assets, net of related debt were \$280.0 million and decreased \$3.9 million from the previous year.

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

**Changes In Net Assets**

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

**Table MD-2**  
**City of Independence's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 14,439,932	13,920,788	150,142,821	139,020,540	164,582,753	152,941,328
Operating grants and contributions	9,182,959	8,223,227	—	—	9,182,959	8,223,227
Capital grants and contributions	11,912,031	41,557,506	7,760,380	3,396,999	19,672,411	44,954,505
General revenues						
Property taxes	7,276,215	7,963,698	—	—	7,276,215	7,963,698
Sales taxes	36,021,505	37,353,520	—	—	36,021,505	37,353,520
Other taxes	11,838,782	13,183,160	—	—	11,838,782	13,183,160
Interest	197,476	605,453	69,869	485,895	267,345	1,091,348
Other	466,775	438,354	609,962	1,405,433	1,076,737	1,843,787
<b>Total revenues</b>	<u>91,335,675</u>	<u>123,245,706</u>	<u>158,583,032</u>	<u>144,308,867</u>	<u>249,918,707</u>	<u>267,554,573</u>
<b>Expenses</b>						
Administrative services	9,172,736	8,216,824	—	—	9,172,736	8,216,824
Public works	13,687,890	13,197,612	—	—	13,687,890	13,197,612
Public safety	49,861,503	47,972,502	—	—	49,861,503	47,972,502
Culture & recreation	7,604,501	8,135,903	—	—	7,604,501	8,135,903
Community development	4,386,689	4,003,876	—	—	4,386,689	4,003,876
Health & welfare	3,607,469	3,599,725	—	—	3,607,469	3,599,725
Electric	—	—	105,486,932	100,572,906	105,486,932	100,572,906
Water	—	—	20,324,005	19,938,460	20,324,005	19,938,460
Sanitary sewer	—	—	15,268,389	15,233,127	15,268,389	15,233,127
Events center	—	—	4,862,017	132,808	4,862,017	132,808
Storm water	2,569,381	2,445,470	—	—	2,569,381	2,445,470
General government	9,421,062	8,374,983	—	—	9,421,062	8,374,983
Interest	640,902	891,473	—	—	640,902	891,473
<b>Total expenses</b>	<u>100,952,133</u>	<u>96,838,368</u>	<u>145,941,343</u>	<u>135,877,301</u>	<u>246,893,476</u>	<u>232,715,669</u>
Excess (deficiency) of revenues or expenses before transfers	(9,616,458)	26,407,338	12,641,689	8,431,566	3,025,231	34,838,904
Transfers - In (Out)	<u>14,274,247</u>	<u>13,398,378</u>	<u>(14,274,247)</u>	<u>(13,398,378)</u>	<u>—</u>	<u>—</u>
<b>Change in net assets</b>	4,657,789	39,805,716	(1,632,558)	(4,966,812)	3,025,231	34,838,904
Net assets, beginning of year	294,016,493	254,210,777	317,493,140	322,459,952	611,509,633	576,670,729
Net assets, end of year	<u>\$ 298,674,282</u>	<u>294,016,493</u>	<u>315,860,582</u>	<u>317,493,140</u>	<u>614,534,864</u>	<u>611,509,633</u>

Total revenues decreased 6.6% or \$17.6 million, Business-Type Activities increased 9.9% or \$14.3 million, and Governmental revenues decreased 25.9% or \$31.9 million. The decrease in capital grants and contributions for Governmental Activities is the result of receiving fewer donations of assets from developers, fewer contributions from tax increment financing projects, and a reduction in the amount of grants. Of significance is the decrease of property and sales taxes. This is a reflection of the economy and retail competition. The increase in charges for services is the result of rate increases and more favorable weather conditions.

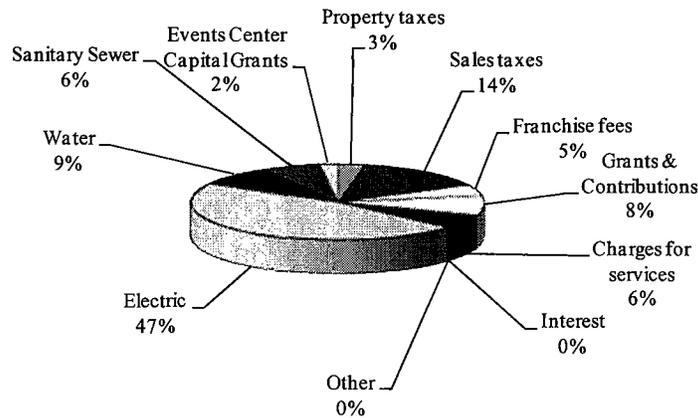
Total expenses increased 6.1% or \$14.2 million and Governmental expenses increased 4.3% or \$4.1 million. This increase can be attributed, to a great extent, to costs associated with public safety. The change in the business-type activities is attributable to normal operations; capitalization of interest expense ended as the Events Center was opened in November 2009 some of the changes are related to the effect of weather on electric and water sales.

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

**Revenues**

For the fiscal year ending June 30, 2010 revenues totaled \$249.2 million. Of this amount charges for services (governmental and business-type) was \$164.6 million or 66.0% of the total. Revenue from business-type activities represents \$157.9 million or 63.4% of the total City revenues (Figure MD-3).

**Figure MD-3**  
**City of Independence**  
**Sources of Revenue for FY 2009**

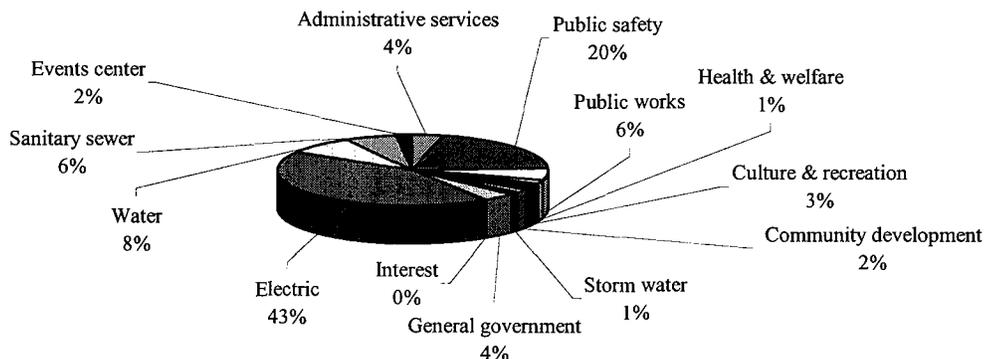


Revenues from governmental activities were \$91.3 million. Sales taxes, the largest governmental category, were \$36.0 million or 39.4%. All taxes represent \$55.1 million or 60.4% of governmental revenue. Operating and capital grants were \$21.1 million or 23.1% of governmental revenues. Charges for services at \$14.4 million were 15.8% of the total.

**Expenses**

For the fiscal year ending June 30, 2010 expenses totaled \$246.2 million. Of this amount the electric utility was \$104.8 million or 42.6% of the total. Business-type expenses represent \$145.2 million or 60.0% of the total City expenses (Figure MD-4).

**Figure MD-4**  
**City of Independence**  
**Functional Expenses for FY 2009**



**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

Expenses from governmental activities were \$101.0 million. Public safety expenses, the largest governmental category, were \$49.9 million or 49.4% of the total. Public Works is the next largest category at \$13.7 million, which is 13.6% of the total.

**Governmental Activities**

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Administrative services	\$ 9,172,736	8,216,824	2,867,076	1,952,780
Public works	13,687,890	13,197,612	(2,143,765)	(22,807,547)
Public safety	49,861,503	47,972,502	42,874,932	41,574,272
Culture & Recreation	7,604,501	8,135,903	5,784,459	6,507,481
Community development	4,386,689	4,003,876	1,366,880	1,483,876
Health & Welfare	3,607,469	3,599,725	2,320,177	2,321,386
Storm water	2,569,381	2,445,470	2,511,069	1,454,148
General government and interest on long-term debt	10,061,964	9,266,456	9,836,383	650,451
<b>Total</b>	<b>\$ 100,952,133</b>	<b>96,838,368</b>	<b>65,417,211</b>	<b>33,136,847</b>

As noted in Table MD-3 expenses from governmental activities for fiscal year 2010 were \$101.0 million. However, the net costs of these services were \$65.4 million. The difference represents direct revenues received from charges for services of \$14.4 million, operating grants and contributions of \$9.2 million, and capital grants and contributions of \$11.9 million. Taxes and other revenues of \$55.8 million were collected to cover these net costs.

**Business-type Activities**

Revenues of the City's business-type activities increased \$13.6 million or 9.4% and expenses increased \$9.4 million. This change in revenues is primarily the result of scheduled rate increases and favorable weather conditions for both the electric and water utilities. Fluctuations in weather for the electric and water utilities impact both the revenues and expenses of these utilities. The increase in expenses associated with debt service and depreciation related to the Events Center have been previously discussed.

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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

As the City completed the year, its governmental funds reported a combined fund balance of \$17.8 million. The fund balance of the General Fund decreased \$1,869,669 during fiscal year 2010. The unreserved, undesignated portion of the General Fund's fund balance decreased \$61,608. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as the following:

While position vacancies continued to be managed with the intent of controlling termination and recruitment costs, overtime cost exceeded budgeted amounts for police.

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

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

The fund balance of the Street Improvements Fund was a deficit of \$358,181. The decrease in the deficit from the prior year is due to increased revenues over expenditures. The Fund has a receivable from other governments in the amount of \$1.5 million. Operating capital, for projects that have matching agreements from other governmental units, is primarily provided by other City funds.

**General Fund Budgetary Highlights**

Resources available for appropriation increased \$76,385 from the original estimate. Actual revenues at the end of the year were less than projected by \$1.7 million. The largest variance was in the area of taxes and payments in lieu of taxes, accounting for \$1.7 million of the revenue variance. A large variance also occurred in the area of Licenses and Permits, accounting for \$0.6 million.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$2.0 million in the General Fund. These budget amendments generally fall into the following categories:

- Re-appropriation of \$0.9 million that is designated by Council action.
- Approval of new grants or the extension of current grants that was not previously included in the approved budget. These adjustments generally also include offsetting revenues.
- Transfer of previously approved salary and benefit appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.
- Increase or decrease appropriations for unanticipated events, including overtime costs, which may arise throughout the fiscal year.

Actual expenditures, including encumbrances, were \$1.6 million less than the amount appropriated, representing operating savings of 2.2%. 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**  
**Management's Discussion and Analysis**  
**June 30, 2010**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010, the City had invested \$745.6 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased \$55.0 million or 8.0% during the period.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change 2009-2010</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	
Land & land imp	\$ 27,627,890	27,484,679	11,244,437	11,244,437	38,872,327	38,729,116	0.37%
Buildings & Improvements	74,650,577	77,535,320	—	—	74,650,577	77,535,320	-3.72%
Office furniture & equipment	74,091	66,174	—	—	74,091	66,174	11.96%
Computer equipment	340,338	483,082	—	—	340,338	483,082	-29.55%
Mobile equipment	6,943,616	6,785,193	—	—	6,943,616	6,785,193	2.33%
Other equipment	2,137,074	2,281,734	9,710,588	6,800,542	11,847,662	9,082,276	30.45%
Infrastructure	118,419,651	114,866,418	371,586,211	306,790,630	490,005,862	421,657,048	16.21%
Construction in progress	90,909,517	75,015,501	31,945,025	61,258,469	122,854,542	136,273,970	-9.85%
<b>Total</b>	<b>\$ 321,102,754</b>	<b>304,518,101</b>	<b>424,486,261</b>	<b>386,094,078</b>	<b>745,589,015</b>	<b>690,612,179</b>	<b>7.96%</b>

The budget for fiscal year 2011 projects the City will spend an additional \$15.2 million for capital projects.

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

**Debt Administration**

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change 2009-2010</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	
Loans and bonds payable	\$ 14,366,011	13,586,351	175,035,863	178,411,467	189,401,874	191,997,818	-1.35%
Capital lease obligations	431,454	603,524	43,988	65,954	475,442	669,478	-28.98%
Neighborhood Improvement District	736,261	800,207	—	—	736,261	800,207	-7.99%
<b>Total</b>	<b>\$ 15,533,726</b>	<b>14,990,082</b>	<b>175,079,851</b>	<b>178,477,421</b>	<b>190,613,577</b>	<b>193,467,503</b>	<b>-1.48%</b>

The City at the end of fiscal year 2010 had a total of \$190.6 million of outstanding obligations. This was a decrease of \$2.9 million or 1.5% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$175.1 million or 91.9% are obligations of the business-type activities.

**CITY OF INDEPENDENCE, MISSOURI**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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

**Economic Factors**

In the last five years the City, as a community, lost 9,786 jobs, with current total employment at 49,124 jobs. Unemployment by mid-2010 was 10.35%, this is lower than Jackson County at 10.74% and higher than the State at 9.5%. As with most of the rest of the country the City's unemployment rate has increased during the last two years. Median income for 2010 is estimated to be \$54,419, compared to \$61,383 for the State as a whole.

**Contacting the City's Financial Management**

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

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Net Assets

June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
<b>Assets:</b>				
<b>Current assets:</b>				
Pooled cash and investments	\$ 21,790,311	17,545,986	39,336,297	6,785,176
Receivables:				
Taxes	12,519,714	—	12,519,714	511,238
Accounts	330,598	10,434,650	10,765,248	653,304
Unbilled revenue	—	13,581,682	13,581,682	—
Special assessment principal and accrued interest	2,195,233	21,961	2,217,194	—
Accrued interest	5,303	6,060	11,363	—
Internal balances	459,852	(459,852)	—	616,086
Due from component unit	21,453	—	21,453	—
Due from other governments	3,002,191	690,340	3,692,531	312,835
Inventory	84,441	10,999,973	11,084,414	—
Prepaid items	—	91,666	91,666	—
Restricted cash and investments	251,018	2,238,035	2,489,053	—
Total current assets	<u>40,660,114</u>	<u>55,150,501</u>	<u>95,810,615</u>	<u>8,878,639</u>
<b>Noncurrent assets:</b>				
Capital assets:				
Nondepreciable	112,099,025	43,189,462	155,288,487	—
Depreciable, net	209,003,729	381,296,799	590,300,528	—
Deferred debt issue costs	221,687	6,217,427	6,439,114	1,720,995
Other deferred charges	—	1,645,263	1,645,263	—
Restricted cash and investments	104,417	34,256,589	34,361,006	23,542,096
Total noncurrent assets	<u>321,428,858</u>	<u>466,605,540</u>	<u>788,034,398</u>	<u>25,263,091</u>
Total assets	<u>\$ 362,088,972</u>	<u>521,756,041</u>	<u>883,845,013</u>	<u>34,141,730</u>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts and contracts payable	\$ 4,178,650	8,360,313	12,538,963	—
Due to other funds	—	—	—	616,086
Accrued items	2,004,746	1,558,476	3,563,222	2,877,404
Other current liabilities	547,181	309,880	857,061	29,996
Due to primary government	—	—	—	21,453
Unearned revenue	557,889	—	557,889	—
Current portion of long-term obligations	9,366,198	7,601,346	16,967,544	8,680,000
Self-insurance claims payable	3,468,893	—	3,468,893	—
Liabilities payable from restricted assets	251,018	3,933,406	4,184,424	—
Total current liabilities	<u>20,374,575</u>	<u>21,763,421</u>	<u>42,137,996</u>	<u>12,224,939</u>
<b>Noncurrent liabilities:</b>				
Noncurrent portion of long-term obligations	22,393,647	175,049,304	197,442,951	204,743,268
Self-insurance claims payable	1,979,103	—	1,979,103	—
Other post-employment benefits	18,667,365	8,405,392	27,072,757	—
Advances for construction	—	677,342	677,342	—
Total noncurrent liabilities	<u>43,040,115</u>	<u>184,132,038</u>	<u>227,172,153</u>	<u>204,743,268</u>
Total liabilities	<u>63,414,690</u>	<u>205,895,459</u>	<u>269,310,149</u>	<u>216,968,207</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	305,569,028	279,970,114	585,539,142	—
Restricted for:				
Public safety	3,255,315	—	3,255,315	—
Public works	3,696,027	—	3,696,027	—
Storm water	8,867,925	—	8,867,925	—
General government	3,822	—	3,822	—
Debt service	1,066,463	3,692,885	4,759,348	—
Unrestricted (deficit)	<u>(23,784,298)</u>	<u>32,197,583</u>	<u>8,413,285</u>	<u>(182,826,477)</u>
Total net assets (deficit)	<u>298,674,282</u>	<u>315,860,582</u>	<u>614,534,864</u>	<u>(182,826,477)</u>
Total liabilities and net assets (deficit)	<u>\$ 362,088,972</u>	<u>521,756,041</u>	<u>883,845,013</u>	<u>34,141,730</u>

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary government:</b>					
Governmental activities:					
Administrative services	\$ 9,172,736	6,276,153	29,507	—	(2,867,076)
Public safety	49,861,503	4,867,364	2,119,207	—	(42,874,932)
Public works	13,687,890	462,490	4,262,070	11,107,095	2,143,765
Health and welfare	3,607,469	819,659	467,633	—	(2,320,177)
Culture and recreation	7,604,501	771,890	286,953	761,199	(5,784,459)
Community development	4,386,689	1,242,376	1,777,433	—	(1,366,880)
Storm water	2,569,381	—	14,575	43,737	(2,511,069)
General government	9,421,062	—	225,581	—	(9,195,481)
Interest on long-term debt	640,902	—	—	—	(640,902)
Total governmental activities	<u>100,952,133</u>	<u>14,439,932</u>	<u>9,182,959</u>	<u>11,912,031</u>	<u>(65,417,211)</u>
<b>Business-type activities:</b>					
Power and light	105,486,852	114,744,814	—	1,413,624	10,671,586
Water	20,324,005	20,134,421	—	977,339	787,755
Sewer	15,268,389	15,263,586	—	392,710	387,907
Events center	4,862,017	—	—	4,976,707	114,690
Total business-type activities	<u>145,941,263</u>	<u>150,142,821</u>	<u>—</u>	<u>7,760,380</u>	<u>11,961,938</u>
Total primary government	<u>\$ 246,893,396</u>	<u>164,582,753</u>	<u>9,182,959</u>	<u>19,672,411</u>	<u>(53,455,273)</u>
<b>Component unit:</b>					
Tax increment financing	\$ <u>27,299,306</u>	<u>997,202</u>	<u>—</u>	<u>865,004</u>	<u>(25,437,100)</u>
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
Changes in net assets:					
Net (expense) revenue		\$ (65,417,211)	11,961,938	(53,455,273)	(25,437,100)
General revenues:					
Taxes					
Property taxes		7,276,215	—	7,276,215	824,543
Sales and use taxes		36,021,505	—	36,021,505	2,765,247
Intergovernmental activity taxes		—	—	—	9,388,817
Franchise taxes		11,823,113	—	11,823,113	—
Financial institutions tax		15,669	—	15,669	—
Investment earnings		197,476	69,869	267,345	101,554
Developer contributions		—	—	—	(5,364)
Miscellaneous		466,775	609,962	1,076,737	—
Transfers in (out)		14,274,247	(14,274,247)	—	—
Total general revenues and transfers		<u>70,075,000</u>	<u>(13,594,416)</u>	<u>56,480,584</u>	<u>13,074,797</u>
Change in net assets		4,657,789	(1,632,478)	3,025,311	(12,362,303)
Net assets (deficit), beginning		<u>294,016,493</u>	<u>317,493,140</u>	<u>611,509,633</u>	<u>(170,464,174)</u>
Net assets (deficit), ending		<u>\$ 298,674,282</u>	<u>315,860,662</u>	<u>614,534,944</u>	<u>(182,826,477)</u>

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

Balance Sheet  
Governmental Funds  
June 30, 2010

Assets	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 321,604	—	14,822,179	15,143,783
Receivables:				
Taxes	9,243,385	—	3,276,329	12,519,714
Accounts, net	159,585	—	22,103	181,688
Special assessment principal and accrued interest	713,582	500,691	980,960	2,195,233
Accrued interest	—	—	3,788	3,788
Due from other funds	3,258,463	—	1,528,059	4,786,522
Due from component unit	—	21,453	—	21,453
Due from other governments	736,107	1,511,117	754,967	3,002,191
Restricted assets	251,018	—	104,417	355,435
Total assets	<u>\$ 14,683,744</u>	<u>2,033,261</u>	<u>21,492,802</u>	<u>38,209,807</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts and contracts payable	\$ 602,804	1,268,819	1,546,942	3,418,565
Due to other funds	—	266,781	5,643,310	5,910,091
Accrued items	1,699,729	—	97,811	1,797,540
Other current liabilities	535,606	—	11,575	547,181
Deferred revenue	6,405,488	855,842	1,183,698	8,445,028
Liabilities payable from restricted assets:				
Deposits and court bonds	251,018	—	—	251,018
Total liabilities	<u>9,494,645</u>	<u>2,391,442</u>	<u>8,483,336</u>	<u>20,369,423</u>
Fund balances:				
Reserved for:				
Encumbrances	696,102	4,825,050	8,129,257	13,650,409
Other purposes	57,432	—	12,049	69,481
Unreserved, reported in:				
General fund	4,435,565	—	—	4,435,565
Special revenue funds	—	—	4,868,018	4,868,018
Debt service fund	—	—	84,124	84,124
Capital projects funds	—	(5,183,231)	(83,982)	(5,267,213)
Total fund balance (deficit)	<u>5,189,099</u>	<u>(358,181)</u>	<u>13,009,466</u>	<u>17,840,384</u>
Total liabilities and fund balance	<u>\$ 14,683,744</u>	<u>2,033,261</u>	<u>21,492,802</u>	<u>38,209,807</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

June 30, 2010

Fund balances – total governmental funds	\$ 17,840,384
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	483,891,444
Less accumulated depreciation	<u>(162,915,823)</u>
	320,975,621
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid	(182,100)
Adjustment of deferred revenue	7,887,139
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets	1,994,957
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	(14,957,000)
Capital lease obligations	(431,454)
Compensated absences	(16,080,025)
Discounts (premiums)	(145,272)
Other post-employment benefits	<u>(18,449,655)</u>
	(50,063,406)
Deferred debt costs	<u>221,687</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 298,674,282</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, 2010

	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 36,195,141	—	19,758,286	55,953,427
Licenses and permits	2,922,711	—	561,056	3,483,767
Intergovernmental	5,080,818	7,786,908	4,053,438	16,921,164
Charges for services	2,012,664	35,983	710,670	2,759,317
Interfund charges for support services	3,580,384	—	—	3,580,384
Fines, forfeitures, and court costs	4,510,754	—	—	4,510,754
Investment income	104,665	115	61,159	165,939
Reimbursements from component unit	—	3,135,495	656,971	3,792,466
Other	318,916	307,958	189,944	816,818
<b>Total revenues</b>	<b>54,726,053</b>	<b>11,266,459</b>	<b>25,991,524</b>	<b>91,984,036</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Administrative services	7,843,075	—	24,350	7,867,425
Public safety	39,641,231	—	5,509,206	45,150,437
Public works	6,513,379	—	—	6,513,379
Health and welfare	2,761,009	—	465,696	3,226,705
Culture and recreation	2,204,402	—	3,956,284	6,160,686
Community development	2,630,872	—	1,488,946	4,119,818
Storm water	295,086	—	1,373,062	1,668,148
General government	8,046,264	—	495,322	8,541,586
Capital outlay	353,545	14,185,695	11,807,741	26,346,981
<b>Debt service:</b>				
Principal	376,682	—	3,089,000	3,465,682
Interest and fiscal agent fees	32,681	—	781,939	814,620
<b>Total expenditures</b>	<b>70,698,226</b>	<b>14,185,695</b>	<b>28,991,546</b>	<b>113,875,467</b>
<b>Deficiency of revenues over expenditures</b>	<b>(15,972,173)</b>	<b>(2,919,236)</b>	<b>(3,000,022)</b>	<b>(21,891,431)</b>
<b>Other financing sources (uses):</b>				
Debt issuance	—	—	4,020,000	4,020,000
Reoffering premium/original issue discount	—	—	18,402	18,402
Transfers in – utility payments in lieu of taxes	14,225,247	—	—	14,225,247
Transfers in	—	2,957,486	112,133	3,069,619
Transfers out	(144,000)	—	(2,876,619)	(3,020,619)
Sale of capital assets	21,257	—	17,315	38,572
<b>Total other financing sources</b>	<b>14,102,504</b>	<b>2,957,486</b>	<b>1,291,231</b>	<b>18,351,221</b>
<b>Net change in fund balances</b>	<b>(1,869,669)</b>	<b>38,250</b>	<b>(1,708,791)</b>	<b>(3,540,210)</b>
<b>Fund balances (deficit), beginning</b>	<b>7,058,768</b>	<b>(396,431)</b>	<b>14,718,257</b>	<b>21,380,594</b>
<b>Fund balances (deficit), ending</b>	<b>\$ 5,189,099</b>	<b>(358,181)</b>	<b>13,009,466</b>	<b>17,840,384</b>

See accompanying notes to financial statements.

**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, 2010

Net change in fund balances – total governmental funds \$ (3,540,210)

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	29,032,384
Depreciation expense	(12,564,461)
Donated assets	105,000
	<u>16,572,923</u>

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net assets and offset against the proceeds, resulting in a gain on the sale of capital assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities:

Book value of assets disposed (20,324)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (866,637)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Proceeds from debt issuance	(4,020,000)
Principal payments	3,465,682
Debt issuance costs amortization	81,876
Debt premiums and discounts amortizations	10,673
	<u>(461,769)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(838,168)
Accrued interest	45,733
Other post-employment benefits	(6,220,929)
Claim payable	500,000
	<u>(6,513,364)</u>

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities: (512,830)

Change in net assets of governmental activities (Exhibit 2) \$ 4,657,789

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Exhibit 5

Balance Sheet  
Proprietary Funds  
June 30, 2010

Assets	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
<b>Current assets:</b>						
Pooled cash and investments	\$ 10,162,785	620,951	6,007,836	754,414	17,545,986	6,646,528
Receivables:						
Accounts (net of allowance of \$857,444)	7,371,316	1,578,048	1,485,286	—	10,434,650	148,910
Unbilled revenue	11,288,593	1,207,025	1,086,064	—	13,581,682	—
Special assessment principal and accrued interest	2,600	—	19,361	—	21,961	—
Accrued interest	4,545	—	1,515	—	6,060	1,515
Due from other funds	19,301	11,614	7,701	—	38,616	1,229,953
Due from other governments	576,518	—	—	113,822	690,340	—
Inventory	10,306,056	634,330	59,587	—	10,999,973	84,441
Prepaid items	91,666	—	—	—	91,666	—
Restricted cash and investments	1,487,133	411,553	339,349	—	2,238,035	—
<b>Total current assets</b>	<b>41,310,513</b>	<b>4,463,521</b>	<b>9,006,699</b>	<b>868,236</b>	<b>55,648,969</b>	<b>8,111,347</b>
<b>Noncurrent assets:</b>						
<b>Capital assets:</b>						
Nondepreciable	28,557,596	5,016,025	3,819,526	5,796,315	43,189,462	93,979
Depreciable, net	145,762,384	102,620,017	65,730,202	67,184,196	381,296,799	33,154
Deferred debt issue costs	1,431,244	1,294,640	—	3,491,543	6,217,427	—
Other deferred charges	—	1,645,263	—	—	1,645,263	—
Restricted cash and investments	15,729,100	9,148,149	—	9,379,340	34,256,589	—
<b>Total noncurrent assets</b>	<b>191,480,324</b>	<b>119,724,094</b>	<b>69,549,728</b>	<b>85,851,394</b>	<b>466,605,540</b>	<b>127,133</b>
<b>Total assets</b>	<b>\$ 232,790,837</b>	<b>124,187,615</b>	<b>78,556,427</b>	<b>86,719,630</b>	<b>522,254,509</b>	<b>8,238,480</b>
<b>Liabilities and Net Assets</b>						
<b>Current liabilities:</b>						
Accounts and contracts payable	\$ 7,886,184	258,702	203,682	11,745	8,360,313	43,413
Due to other funds	—	—	—	—	—	145,000
Accrued items	871,558	380,722	306,196	—	1,558,476	25,106
Other current liabilities	226,620	19,879	63,381	—	309,880	—
Current portion of long-term obligations	3,763,679	3,290,650	347,017	200,000	7,601,346	52,933
Self-insurance claims payable	—	—	—	—	—	4,185,565
Liabilities payable from restricted assets	1,530,768	756,234	310,582	1,335,822	3,933,406	—
<b>Total current liabilities</b>	<b>14,278,809</b>	<b>4,706,187</b>	<b>1,230,858</b>	<b>1,547,567</b>	<b>21,763,421</b>	<b>4,452,017</b>
<b>Noncurrent liabilities:</b>						
Revenue bonds payable	38,249,706	46,546,157	—	84,905,000	169,700,863	—
Compensated absences – long-term	3,329,451	1,251,305	746,332	—	5,327,088	93,161
Other long-term obligations	13,346	5,872	2,135	—	21,353	—
Other post employment benefits	4,843,138	1,993,479	1,568,775	—	8,405,392	217,710
Self-insurance claims payable	—	—	—	—	—	1,979,103
Advances for construction	597,400	79,942	—	—	677,342	—
<b>Total noncurrent liabilities</b>	<b>47,033,041</b>	<b>49,876,755</b>	<b>2,317,242</b>	<b>84,905,000</b>	<b>184,132,038</b>	<b>2,289,974</b>
<b>Total liabilities</b>	<b>61,311,850</b>	<b>54,582,942</b>	<b>3,548,100</b>	<b>86,452,567</b>	<b>205,895,459</b>	<b>6,741,991</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	146,233,997	66,935,937	69,545,329	(2,745,149)	279,970,114	127,133
Restricted for:						
Debt service/capital outlay	3,192,885	500,000	—	—	3,692,885	—
Unrestricted	22,052,105	2,168,736	5,462,998	3,012,212	32,696,051	1,369,356
<b>Total net assets</b>	<b>171,478,987</b>	<b>69,604,673</b>	<b>75,008,327</b>	<b>267,063</b>	<b>316,359,050</b>	<b>1,496,489</b>
<b>Total liabilities and net assets</b>	<b>\$ 232,790,837</b>	<b>124,187,615</b>	<b>78,556,427</b>	<b>86,719,630</b>	<b>522,254,509</b>	<b>8,238,480</b>
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					(498,468)	
Net assets of business-type activities					\$ 315,860,582	

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year ended June 30, 2010

	Enterprise funds				Total	Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center		
Operating revenues:						
Charges for services	\$ 113,420,313	19,802,164	15,111,601	—	148,334,078	20,783,956
Other reimbursements	—	—	—	—	—	418,496
Miscellaneous	1,324,501	332,257	151,985	—	1,808,743	—
Total operating revenues	114,744,814	20,134,421	15,263,586	—	150,142,821	21,202,452
Operating expenses:						
Personal services	19,724,696	8,107,468	5,368,866	—	33,201,030	791,649
Other services	15,324,091	3,580,146	6,876,794	—	25,781,031	21,002,910
Supplies	51,785,217	1,743,266	680,136	—	54,208,619	1,065,171
Capital outlay	—	63,218	—	—	63,218	1,359
Other expenses	6,472,827	2,400,247	75,286	—	8,948,360	—
Depreciation and amortization	11,661,807	3,050,251	2,619,330	1,248,366	18,579,754	2,514
Total operating expenses	104,968,638	18,944,596	15,620,412	1,248,366	140,782,012	22,863,603
Operating income (loss)	9,776,176	1,189,825	(356,826)	(1,248,366)	9,360,809	(1,661,151)
Nonoperating revenues (expenses):						
Interest revenue	27,098	4,710	24,935	13,126	69,869	31,537
Miscellaneous revenue	493,713	1,839,940	21,998	1,425	2,357,076	909,619
Interest expense	(1,159,339)	(1,926,122)	(168)	(3,613,651)	(6,699,280)	—
Intergovernmental	—	—	—	506,924	506,924	—
Reimbursements from component unit	—	—	—	4,380,783	4,380,783	—
Total nonoperating revenue (expenses)	(638,528)	(81,472)	46,765	1,288,607	615,372	941,156
Income (loss) before contributions and transfers	9,137,648	1,108,353	(310,061)	40,241	9,976,181	(719,995)
Capital contributions	1,413,624	977,339	392,710	89,000	2,872,673	—
Transfers out – utility payments in lieu of taxes	(10,838,548)	(1,898,396)	(1,488,303)	—	(14,225,247)	—
Transfers in	—	—	—	—	—	86,957
Transfers out	—	—	(49,000)	—	(49,000)	(86,957)
Change in net assets	(287,276)	187,296	(1,454,654)	129,241	(1,425,393)	(719,995)
Total net assets:						
Beginning of the year	171,766,263	69,417,377	76,462,981	137,822	—	2,216,484
End of the year	\$ 171,478,987	69,604,673	75,008,327	267,063	—	1,496,489

Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds

(207,165)

Change in net assets of business-type activities.

\$ (1,632,558)

See accompanying notes to financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Cash Flows

## Proprietary Funds

Year ended June 30, 2010

	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Cash flows from operations:						
Receipts from customers and others	\$ 111,019,626	21,363,404	15,269,984	5,256,133	152,909,147	22,367,723
Payments to suppliers	(69,552,105)	(7,938,650)	(8,706,294)	—	(86,197,049)	(20,724,658)
Payments to employees	(17,110,739)	(7,193,868)	(4,790,778)	—	(29,095,385)	(691,188)
Net cash provided by (used in) operating activities	24,356,782	6,230,886	1,772,912	5,256,133	37,616,713	951,877
Cash flows from noncapital financing activities:						
Transfers in	—	—	(49,000)	(1,072)	(50,072)	—
Transfers out – payments in lieu of taxes	(10,838,548)	(1,898,396)	(1,488,303)	—	(14,225,247)	—
Advances to/(from) other funds	—	—	—	—	—	(1,229,953)
Net cash provided by (used in) noncapital financing activities	(10,838,548)	(1,898,396)	(1,537,303)	(1,072)	(14,275,319)	(1,229,953)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(21,810,946)	(2,997,237)	(2,084,296)	(31,025,276)	(57,917,755)	(34,568)
Capital Lease Payable	(13,729)	—	(2,197)	—	(15,926)	—
Interest paid on revenue bonds and equipment contracts	(827,174)	(2,089,169)	—	(3,453,654)	(6,369,997)	—
Debt expense paid on revenue bonds	—	(194,750)	—	(17,413)	(212,163)	—
Disposal costs from disposition of equipment	(548,268)	(6,023)	—	—	(554,291)	—
Proceeds from bond issue	—	19,905,238	—	2,812,217	22,717,455	—
Redemption of revenue bonds	(2,155,000)	(23,806,041)	—	(100,000)	(26,061,041)	—
Interest received on special assessment	—	—	83	—	83	—
Net cash provided by (used in) capital and related financing activities	(25,355,117)	(9,187,982)	(2,086,410)	(31,784,126)	(68,413,635)	(34,568)
Cash flows from investing activities:						
Purchases of investments	—	—	(1,998,156)	—	(1,998,156)	(1,998,155)
Proceeds from sales and maturities of investments	3,505,533	—	3,500,000	—	7,005,533	3,000,000
Interest on investments	53,830	4,710	38,044	13,126	109,710	43,655
Net cash provided by (used in) investing activities	3,559,363	4,710	1,539,888	13,126	5,117,087	1,045,500
Net increase (decrease) in cash and cash equivalents	(8,277,520)	(4,850,782)	(310,913)	(26,515,939)	(39,955,153)	732,856
Cash and cash equivalents at beginning of year	29,662,071	15,031,435	4,659,942	36,649,693	86,003,141	3,915,516
Cash and cash equivalents at end of year	21,384,551	10,180,653	4,349,029	10,133,754	46,047,988	4,648,372
Investments with original maturities greater than 90 days	5,994,467	—	1,998,156	—	7,992,623	1,998,156
Pooled cash and investments	\$ 27,379,018	10,180,653	6,347,185	10,133,754	54,040,611	6,646,528
Noncash capital and related financing activities:						
Contributed capital	\$ 1,413,624	977,339	392,710	—	2,783,673	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	\$ 10,162,785	620,951	6,007,836	754,414	17,545,986	6,646,528
Restricted assets	17,216,233	9,559,702	339,349	9,379,340	36,494,624	—
Total pooled cash and investments	\$ 27,379,018	10,180,653	6,347,185	10,133,754	54,040,610	6,646,528
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 9,776,176	1,189,825	(356,826)	(1,248,366)	9,360,809	(1,661,151)
Adjustments not affecting cash:						
Depreciation and amortization	11,661,807	3,050,251	2,619,330	1,248,366	18,579,754	2,514
Nonoperating revenues	493,713	1,839,940	21,998	4,978,132	7,333,783	909,619
Nonoperating expenses	—	(358,164)	—	—	(358,164)	—
Change in assets and liabilities:						
Accounts receivable	(1,001,429)	(172,121)	31,007	—	(1,142,543)	255,652
Inventory	1,228,235	13,436	18,020	—	1,259,691	66,857
Prepaid items and other assets	(28,967)	—	—	—	(28,967)	15,308
Unbilled revenue	(3,429,768)	(100,551)	(62,753)	—	(3,593,072)	—
Due from other governments	36,017	—	—	278,001	314,018	—
Special assessments receivable	775	—	15,074	—	15,849	—
Other receivable	—	—	1,072	—	1,072	—
Accounts and contracts payable	2,604,142	(268,893)	(1,203,674)	—	1,131,575	(10,092)
Accrued and other liabilities	737,239	121,981	90,752	—	949,972	1,421,970
Other post-employment benefits	1,726,218	695,276	457,698	—	2,879,192	70,219
Self-insurance claims payable	—	—	—	—	—	(136,830)
Customer deposits	—	25,192	34,577	—	59,769	—
Compensated absences	552,624	194,714	106,637	—	853,975	17,811
Total adjustments	14,580,606	5,041,061	2,129,738	6,504,499	28,255,904	2,613,028
Net cash provided (used) by operating activities	\$ 24,356,782	6,230,886	1,772,912	5,256,133	37,616,713	951,877

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Pooled cash and investments	\$ 50,538	125,077
Accrued interest receivable	—	492
Total assets	<u>50,538</u>	<u>125,569</u>
Liabilities:		
Accounts and contracts payable	1,200	—
Funds held in escrow	984	63,247
Flexible benefit payable	—	62,322
Total liabilities	<u>2,184</u>	<u>\$ 125,569</u>
Net assets:		
Held in trust	<u>\$ 48,354</u>	

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 Year ended June 30, 2010

	<u>Private- Purpose Trust Funds</u>
Additions:	
Charges for services	\$ 20,496
Interest	71
Total additions	<u>20,567</u>
Deductions:	
Capital outlay	<u>32,768</u>
Total deductions	<u>32,768</u>
Change in net assets	(12,201)
Net assets, beginning	<u>60,555</u>
Net assets, ending	<u>\$ 48,354</u>

See accompanying notes to financial statements.

**CITY OF INDEPENDENCE, MISSOURI**

Index to Notes to Financial Statements

June 30, 2010

(1)	Summary of Significant Accounting Policies.....	34
(a)	The Financial Reporting Entity .....	34
(b)	Basis of Presentation .....	34
(c)	Basis of Accounting .....	36
(d)	Accounts Receivable .....	37
(e)	Investments.....	37
(f)	Inventory .....	37
(g)	Prepaid Items.....	37
(h)	Interfund Activity.....	37
(i)	Capital Assets .....	38
(j)	Bond Premiums, Discounts, and Issuance Costs.....	39
(k)	Compensated Absences.....	40
(l)	Fund Balances .....	40
(m)	Net Assets.....	40
(n)	Statement of Cash Flows.....	40
(o)	Use of Estimates.....	40
(p)	New Accounting Pronouncements .....	41
(2)	Deposits and Investments .....	42
(3)	Tax Revenue .....	44
(4)	Intergovernmental Revenue and Receivables.....	45
(5)	Interfund Activity .....	47
(a)	Interfund Balances.....	47
(b)	Interfund Charges for Support Services .....	47
(c)	Payments in Lieu of Taxes .....	48
(d)	Interfund Transfers.....	48
(6)	Capital Assets .....	49

**CITY OF INDEPENDENCE, MISSOURI**

Index to Notes to Financial Statements

June 30, 2010

(7) Long-Term Obligations .....	54
(a) Governmental Activities .....	57
(1) Loans Payable .....	57
(2) Neighborhood Improvement District .....	57
(3) Capital Lease Obligations .....	58
(b) Business-type Activities .....	59
(1) Revenue Bonds.....	59
(a) Advance Refunding .....	60
(2) Other Obligations .....	61
(3) Events Center Bonds .....	61
(c) Discretely-Presented Component Unit.....	61
(1) Tax Increment Financing Loans and Developer Obligations.....	61
(a) Prior Year Defeasance of Debt .....	64
(2) Bass Pro Lease .....	64
(8) Advances for Construction.....	65
(9) Employee Retirement System.....	65
(10) Post-Employment Health Benefits.....	67
(11) Risk Management .....	70
(12) Commitments.....	71
(13) Deficits.....	73
(14) Fund Equity .....	74

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2010

### (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) and its component unit, the Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission). The Commission is considered to be a discretely presented component unit and is presented in a separate column on the government-wide financial statements to emphasize that it is a separate entity from the City.

The Commission is governed by an 11-member board, of which six members are appointed by the City Council. The remaining five members (two from the county, two from the local school district and one from other taxing jurisdictions) are appointed by the respective taxing districts' boards. Financial transactions of the Commission are processed by the Finance Department of the City on the Commission's behalf. No separate financial statements are issued by the Commission.

#### *(b) Basis of Presentation*

**Government-wide Statements.** The statement of net assets and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations of internal charges and interfund balances have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2010

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 functions 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 nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

**Street Improvements Fund** – This fund is used to account for major street improvement construction projects.

The City reports the following major enterprise funds:

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

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

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

**Events Center Fund** – This fund accounts for the acquisition and maintenance of the City's events center facility.

The City reports the following fund types of nonmajor 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 relating financing sources of major City projects.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2010

***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, Pharmacy Benefit plan, 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 Fiduciary Fund Financial Statements.*** The government-wide, proprietary and fiduciary 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. Nonexchange 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.

Governmental activities, business-type activities and all enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins unless those pronouncements conflict with GASB pronouncements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

***Agency Funds.*** Agency funds only have Assets and Liability accounts and the accrual basis of accounting is used to recognize receivables and payables within these accounts. Agency funds do not have operating accounts such as Revenues and Expenses so therefore a measurement focus does not apply to these funds.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2010

Under the terms of grant agreements, the City funds programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

#### ***(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.

#### ***(e) Investments***

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

#### ***(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.

#### ***(g) Prepaid Items***

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

#### ***(h) Interfund Activity***

The City has the following types of interfund activity:

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

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

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

***Transfers*** – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2010

### (i) Capital Assets

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City's business-type activities during the fiscal year was \$11,293,234. Of this amount, \$4,593,954 was included as part of the cost of the capital assets under construction in connection with power and light, water, and events center projects.

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

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

Fully depreciated capital assets are included in the capital assets accounts until their disposal. For business-type activities, units retired plus the cost of removal, less salvage, are charged against accumulated depreciation, with no gain or loss recognized.

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2010

financing sources. Premiums or discounts are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***(k) Compensated Absences***

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

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

#### ***(l) Fund Balances***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative City plans that are subject to change. Detailed information on the City's reservations and designations of fund balance may be found at Note 14 in the financial statements.

#### ***(m) Net Assets***

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

***Invested in Capital Assets, Net of Related Debt*** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

***Restricted*** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

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

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

#### ***(o) Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2010

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***(p) New Accounting Pronouncements***

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes clearer fund balance classification that can be more consistently applied and clarifies the existing governmental fund type definitions. The City is currently evaluating the impact of adopting Statement No. 54. The City will implement GASB No. 54 beginning with the year ended June 30, 2011.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer and other post-employment benefit plans. The City is currently evaluating the impact of adopting Statement No. 57. The City will implement GASB No. 57 beginning with the year ended June 30, 2012.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The City is currently evaluation the impact of adopting Statement No. 59. The City will implement GASB No. 59 beginning with the year ended June 30, 2011.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(2) Deposits and Investments**

At June 30, 2010, the carrying values of deposits and investments are summarized as follows:

Investments:		
Short-term investments held in trust (bond reserves)	\$	57,142,269
Investment pool:		
U.S. government securities		26,652
U.S. agency securities		14,986,167
Total investments		<u>72,155,088</u>
Deposits and repurchase obligations		34,518,627
Petty cash		15,528
Total	\$	<u><u>106,689,243</u></u>

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

	<u>Government-Wide Statement of Net Assets</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Primary Government Total</u>	<u>Component Unit</u>	<u>Grand Total</u>
Pooled cash and investments	\$ 39,336,297	175,615	39,511,912	6,785,176	46,297,088
Restricted cash and investments	<u>36,850,059</u>	—	<u>36,850,059</u>	<u>23,542,096</u>	<u>60,392,155</u>
	<u>\$ 76,186,356</u>	<u>175,615</u>	<u>76,361,971</u>	<u>30,327,272</u>	<u>106,689,243</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. Treasury securities and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned is allocated to the funds on the basis of average monthly cash and investment balances. Only funds with overdrawn balances (cash and investments) are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

*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. As of June 30, 2010 the City had no investments subject to ratings by Moody's Investor Service. Presented below is the actual rating by Moody's Investor Service as of year end for each investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating As of June 30, 2010</u>
Federal Home Loan Mortgage Corporation	\$ 14,986,167	AAA
U.S. Treasury Bond	<u>26,652</u>	Exempt from rating requirement
Total	<u>\$ 15,012,819</u>	

*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, 2010, 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, 2010.

*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, 2010, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of \$26,652 that will mature in 2027.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

*Concentration of Credit Risk*

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of June 30, 2010, the City had a U.S. Treasury Bond investment of \$26,652.

<u>Issuer</u>	<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage</u>
Federal Home Loan Mortgage Corporation	U.S. agency securities	\$ 14,986,167	100%

**(3) Tax Revenue**

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2010 is as follows:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Real estate tax	\$ 7,224,258	23,999	7,248,257
Railroad utilities tax	27,958	—	27,958
Cigarette tax	454,533	—	454,533
Transient guest tax	—	988,984	988,984
Sales tax	15,832,685	18,745,303	34,577,988
Franchise tax	12,655,707	—	12,655,707
	<u>\$ 36,195,141</u>	<u>19,758,286</u>	<u>55,953,427</u>

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

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2009, on which the fiscal 2010 levy was based, was \$1,303,875,996.

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, 2010 were \$0.4478 for the General Fund, \$0.2250 for Public Health and Recreation, and \$0.5100 for the Independence Square Benefit District Fund.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(4) Intergovernmental Revenue and Receivables**

Intergovernmental revenue during fiscal year 2010 consisted of the following:

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Federal</b>				
Department of Housing & Urban Development	\$			
Community Development Block Grant	—	—	852,207	852,207
Neighborhood Stabilization Program	—	—	328,040	328,040
Emergency Shelter Grant	—	—	87,092	87,092
Home Investment Partnership	—	—	442,281	442,281
Department of the Interior	—	—	18,000	18,000
Department of Justice	92	—	781,051	781,143
Department of Transportation	25,393	7,704,628	312,139	8,042,160
Department of Energy	—	—	225,581	225,581
Department of Health & Human Services	25,000	—	371,068	396,068
Executive Office of the President	—	—	136,492	136,492
Department of Homeland Security	—	—	109,404	109,404
<b>Total Federal</b>	<u>50,485</u>	<u>7,704,628</u>	<u>3,663,355</u>	<u>11,418,468</u>
<b>State &amp; Local</b>				
Department of Health & Human Services	—	—	85,425	85,425
Department of Revenue				
Motor Vehicle Fuel Tax	3,171,508	—	—	3,171,508
Motor Vehicle Sales Tax	599,398	—	—	599,398
Motor Vehicle Fees	491,164	—	—	491,164
Financial Institutions Tax	15,669	—	—	15,669
Division of Tourism	—	—	219,772	219,772
Department of Public Safety	—	—	23,967	23,967
Missouri Highway and Transportation Commission	—	—	2,110	2,110
Missouri State Safety Center	—	—	12,211	12,211
Missouri Department of Natural Resources	—	—	5,157	5,157
Jackson County Anti Drug Tax	458,230	—	—	458,230
Jackson County DARE	294,364	—	—	294,364
Jackson County Urban Road System	—	82,280	—	82,280
Jackson County Independence Square Hotel	—	—	12,358	12,358
Healthcare Foundation of Greater Kansas City	—	—	22,403	22,403
American Humane Society	—	—	2,190	2,190
General Mills	—	—	4,490	4,490
<b>Total State &amp; Local</b>	<u>5,030,333</u>	<u>82,280</u>	<u>390,083</u>	<u>5,502,696</u>
<b>Grand Total</b>	<u>\$ 5,080,818</u>	<u>7,786,908</u>	<u>4,053,438</u>	<u>16,921,164</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

Amounts due from other governments at June 30, 2010 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
<b>General Fund:</b>				
Department of Health & Human Services	\$ 4,167	—	—	4,167
Department of Transportation	25,393	—	—	25,393
Department of Revenue				
Motor Vehicle Fuel Tax	—	535,000	—	535,000
Motor Vehicle Sales Tax	—	48,000	—	48,000
Motor Vehicle License Fees	—	122,000	—	122,000
39th St Transportation Development District	—	—	1,547	1,547
	<u>29,560</u>	<u>705,000</u>	<u>1,547</u>	<u>736,107</u>
<b>Street Improvements Fund:</b>				
Department of Transportation	1,148,436	—	—	1,148,436
Jackson County Urban Road System	—	—	355,151	355,151
39th St Transportation Development District	—	—	7,530	7,530
	<u>1,148,436</u>	<u>—</u>	<u>362,681</u>	<u>1,511,117</u>
<b>Nonmajor Governmental Funds:</b>				
Department of Agriculture	400	—	—	400
Department of Justice	234,013	—	—	234,013
Department of Transportation	45,575	—	—	45,575
Department of Health & Human Services	46,681	—	—	46,681
Department of Homeland Security	73,806	—	—	73,806
Department of Housing & Urban Development	151,807	—	—	151,807
Executive Office of the President	17,568	—	—	17,568
Missouri State Safety Center	—	4,998	—	4,998
Missouri Department of Natural Resources	—	5,157	—	5,157
Missouri Department of Health	—	9,516	—	9,516
Missouri Division of Tourism	—	153,087	—	153,087
Jackson County Independence Square Hotel	—	—	12,359	12,359
	<u>569,850</u>	<u>172,758</u>	<u>12,359</u>	<u>754,967</u>
<b>Totals</b>	\$ <u>1,747,846</u>	<u>877,758</u>	<u>376,587</u>	<u>3,002,191</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(5) Interfund Activity**

**(a) Interfund Balances**

Interfund balances at June 30, 2010, consisted of the following:

	<u>Due from Street Improvements</u>	<u>Due from Nonmajor Governmental</u>	<u>Due from Internal Service Fund</u>	<u>Total</u>
Due to:				
Governmental activities:				
General Fund	\$ 266,781	2,885,298	106,384	3,258,463
Nonmajor governmental	—	<u>1,528,059</u>	—	<u>1,528,059</u>
Total governmental activities	<u>266,781</u>	<u>4,413,357</u>	<u>106,384</u>	<u>4,786,522</u>
Business-type activities:				
Power and Light Fund	—	—	19,301	19,301
Water Fund	—	—	11,614	11,614
Sanitary Sewer Fund	—	—	7,701	7,701
Internal Service Funds	—	<u>1,229,953</u>	—	<u>1,229,953</u>
Total business-type activities	<u>—</u>	<u>1,229,953</u>	<u>38,616</u>	<u>1,268,569</u>
Total	<u>\$ 266,781</u>	<u>5,643,310</u>	<u>145,000</u>	<u>6,055,091</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 2010 were as follows:

	<u>Interfund Charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 35,000	\$ 13,820
Power and Light Fund	1,966,550	43,500
Sanitary Sewer Fund	674,324	13,200
Water Fund	<u>904,510</u>	<u>25,100</u>
	<u>\$ 3,580,384</u>	<u>\$ 95,620</u>

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2010 as follows:

Sanitary Sewer Fund	\$	278,048
Power and Light Fund		<u>1,469,066</u>
	\$	<u><u>1,747,114</u></u>

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2010 as follows:

Sanitary Sewer Fund	\$	107,256
Water Fund		<u>600,624</u>
	\$	<u><u>707,880</u></u>

***(c) Payments in Lieu of Taxes***

The payments in lieu of taxes of \$10,838,548, \$1,898,396 and \$1,488,303 in fiscal year 2010 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, 2010, consisted of the following:

	Transfer Out				
	General	Nonmajor Governmental	Sanitary Sewer	Staywell Health Care	Total
Transfers In:					
Street Improvements	\$ 119,001	2,789,485	49,000	—	2,957,486
Pharmacy Benefit Plan	—	—	—	86,957	86,957
Nonmajor governmental	<u>24,999</u>	<u>87,134</u>	<u>—</u>	<u>—</u>	<u>112,133</u>
Total Primary Government	\$ <u><u>144,000</u></u>	<u><u>2,876,619</u></u>	<u><u>49,000</u></u>	<u><u>86,957</u></u>	<u><u>3,156,576</u></u>

Transfers are the result of reimbursements for capital projects and closing the pharmacy benefit plan.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(6) Capital Assets**

Capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 21,084,508	105,000	—	21,189,508
Construction work in progress	<u>75,015,501</u>	<u>26,741,554</u>	<u>(10,847,538)</u>	<u>90,909,517</u>
Total nondepreciable capital assets	<u>96,100,009</u>	<u>26,846,554</u>	<u>(10,847,538)</u>	<u>112,099,025</u>
Depreciable capital assets:				
Land improvements	6,601,663	370,192	—	6,971,855
Buildings	49,272,450	376,931	—	49,649,381
Building improvements	13,306,412	99,293	—	13,405,705
Improvements other than buildings	31,742,452	85,404	—	31,827,856
Office furniture and equipment	826,758	25,895	—	852,653
Computer equipment	1,452,190	71,239	—	1,523,429
Mobile equipment	21,378,929	1,765,321	(363,689)	22,780,561
Other equipment	4,800,866	233,184	(7,070)	5,026,980
Infrastructure	<u>229,901,634</u>	<u>10,127,392</u>	<u>—</u>	<u>240,029,026</u>
Total depreciable capital assets	<u>359,283,354</u>	<u>13,154,851</u>	<u>(370,759)</u>	<u>372,067,446</u>
Less accumulated depreciation for:				
Land improvements	(201,492)	(331,981)	—	(533,473)
Buildings	(8,148,135)	(1,225,375)	—	(9,373,510)
Building improvements	(3,375,089)	(658,980)	—	(4,034,069)
Improvements other than buildings	(5,262,770)	(1,562,016)	—	(6,824,786)
Office furniture and equipment	(760,584)	(17,978)	—	(778,562)
Computer equipment	(969,108)	(213,983)	—	(1,183,091)
Mobile equipment	(14,593,736)	(1,606,898)	363,689	(15,836,945)
Other equipment	(2,519,132)	(375,605)	4,831	(2,889,906)
Infrastructure	<u>(115,035,216)</u>	<u>(6,574,159)</u>	<u>—</u>	<u>(121,609,375)</u>
Total accumulated depreciation	<u>(150,865,262)</u>	<u>(12,566,975)</u>	<u>368,520</u>	<u>(163,063,717)</u>
Total depreciable capital assets, net	<u>208,418,092</u>	<u>587,876</u>	<u>(2,239)</u>	<u>209,003,729</u>
Governmental activities capital assets, net	\$ <u><u>304,518,101</u></u>	<u><u>27,434,430</u></u>	<u><u>(10,849,777)</u></u>	<u><u>321,102,754</u></u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

Depreciation expense was charged to functions as follows:

Administrative services	\$	298,545
Public safety		2,497,350
Public works		6,121,691
Health and welfare		85,680
Culture and recreation		1,611,426
Community development		77,696
Storm water		943,905
General government		928,168
Total		<u>12,564,461</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>2,514</u>
		<u><u>12,566,975</u></u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 2,953,206	—	—	2,953,206
Construction in progress	13,873,825	23,741,996	(12,011,431)	25,604,390
Total nondepreciable capital assets	16,827,031	23,741,996	(12,011,431)	28,557,596
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	157,787,817	3,896,564	(651,803)	161,032,578
Transmission plant	27,380,931	389,898	(2,327)	27,768,502
Distribution plant	126,077,885	6,948,223	(535,146)	132,490,962
General plant	6,036,223	—	—	6,036,223
Total infrastructure	320,038,424	11,234,685	(1,189,276)	330,083,833
Machinery and equipment	13,669,434	776,745	(58,979)	14,387,200
Total depreciable capital assets	333,707,858	12,011,430	(1,248,255)	344,471,033
Less accumulated depreciation:				
Infrastructure	(175,551,595)	(11,438,336)	1,732,858	(185,257,073)
Machinery and equipment	(12,774,345)	(736,210)	58,979	(13,451,576)
Total accumulated depreciation	(188,325,940)	(12,174,546)	1,791,837	(198,708,649)
Total depreciable capital assets, net	145,381,918	(163,116)	543,582	145,762,384
Total power and light capital assets	\$ 162,208,949	23,578,880	(11,467,849)	174,319,980

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Water Fund:				
Nondepreciable capital assets:	\$			
Land	2,164,725	—	—	2,164,725
Construction in progress	1,579,575	1,271,725	—	2,851,300
Total nondepreciable capital assets	3,744,300	1,271,725	—	5,016,025
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	12,547,766	—	—	12,547,766
Nonutility property	40,014	—	—	40,014
Source of supply	7,458,437	45,769	—	7,504,206
Pumping plant	14,630,159	134,067	(74,001)	14,690,225
Treatment plant	22,311,846	585,515	(80,995)	22,816,366
Transmission plant	70,559,197	2,380,363	(214,644)	72,724,916
General plant	1,906,992	3,511	—	1,910,503
Total infrastructure	129,454,411	3,149,225	(369,640)	132,233,996
Machinery and equipment	6,335,839	176,400	(26,311)	6,485,928
Total depreciable capital assets	135,790,250	3,325,625	(395,951)	138,719,924
Less accumulated depreciation:				
Infrastructure	(30,919,953)	(2,717,000)	383,310	(33,253,643)
Machinery and equipment	(2,411,869)	(460,706)	26,311	(2,846,264)
Total accumulated depreciation	(33,331,822)	(3,177,706)	409,621	(36,099,907)
Total depreciable capital assets, net	102,458,428	147,919	13,670	102,620,017
Total water capital assets	\$ 106,202,728	1,419,644	13,670	107,636,042

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	<u>3,611,203</u>	<u>1,865,675</u>	<u>(1,987,543)</u>	<u>3,489,335</u>
Total nondepreciable capital assets	3,941,394	1,865,675	(1,987,543)	3,819,526
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	89,910,729	1,767,197	(2,792)	91,675,134
Pumping plant	4,927,010	154,296	—	5,081,306
Treatment plant	12,902,661	—	(5,700)	12,896,961
General plant	<u>1,205,333</u>	<u>408,851</u>	<u>(22,190)</u>	<u>1,591,994</u>
Total infrastructure	<u>108,992,101</u>	<u>2,330,344</u>	<u>(30,682)</u>	<u>111,291,763</u>
Machinery and equipment	<u>6,113,667</u>	<u>296,853</u>	<u>(182,113)</u>	<u>6,228,407</u>
Total depreciable capital assets	115,105,768	2,627,197	(212,794)	117,520,171
Less accumulated depreciation:				
Infrastructure	(45,222,758)	(2,113,663)	18,682	(47,317,739)
Machinery and equipment	<u>(4,132,184)</u>	<u>(505,668)</u>	<u>165,622</u>	<u>(4,472,229)</u>
Total accumulated depreciation	<u>(49,354,942)</u>	<u>(2,619,330)</u>	<u>184,304</u>	<u>(51,789,968)</u>
Total depreciable capital assets, net	<u>65,750,826</u>	<u>7,867</u>	<u>(28,490)</u>	<u>65,730,202</u>
Total sewer capital assets	<u>69,692,220</u>	<u>1,873,542</u>	<u>(2,016,033)</u>	<u>69,549,728</u>
Events Center:				
Nondepreciable capital assets:				
Land	5,796,315	—	—	5,796,315
Construction in progress	<u>42,193,866</u>	<u>26,238,695</u>	<u>(68,432,561)</u>	<u>—</u>
Total nondepreciable capital assets	<u>47,990,181</u>	<u>26,238,695</u>	<u>(68,432,561)</u>	<u>5,796,315</u>
Depreciable capital assets:				
Infrastructure	—	64,886,515	—	64,886,515
Machinery and equipment	<u>—</u>	<u>3,546,046</u>	<u>—</u>	<u>3,546,046</u>
Total depreciable capital assets	—	68,432,561	—	68,432,561
Less accumulated depreciation:				
Infrastructure	—	(1,081,441)	—	(1,081,441)
Machinery and equipment	<u>—</u>	<u>(166,924)</u>	<u>—</u>	<u>(166,924)</u>
Total accumulated depreciation	<u>—</u>	<u>(1,248,365)</u>	<u>—</u>	<u>(1,248,365)</u>
Total depreciable capital assets, net	<u>—</u>	<u>67,184,196</u>	<u>—</u>	<u>67,184,196</u>
Total events center capital assets	<u>47,990,181</u>	<u>93,422,891</u>	<u>(68,432,561)</u>	<u>72,980,511</u>
Total business-type activities capital assets	\$ <u>386,094,078</u>	<u>120,294,957</u>	<u>(81,902,773)</u>	<u>424,486,261</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

Depreciation expense was charged to functions as follows:

Business-type activities:		
Power and light	\$	11,661,807
Water		3,050,251
Sanitary sewer		2,619,330
Events center		<u>1,248,366</u>
Total business-type activities depreciation expense	\$	<u><u>18,579,754</u></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.

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

**(7) Long-Term Obligations**

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

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2010:

	<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	\$ 13,429,613	4,020,000	3,229,613	14,220,000	2,755,000
Capital lease obligations	603,524	—	172,070	431,454	137,165
Neighborhood Improvement District	801,000	—	64,000	737,000	69,000
Premium (discount), net	155,945	18,402	29,075	145,272	—
Total loans and notes payable	<u>14,990,082</u>	<u>4,038,402</u>	<u>3,494,758</u>	<u>15,533,726</u>	<u>2,961,165</u>
Other liabilities:					
Compensated absences	15,370,139	6,345,334	5,489,354	16,226,119	6,405,033
Other post-employment benefits	12,376,217	6,291,148	—	18,667,365	—
Claims payable	<u>500,000</u>	<u>—</u>	<u>500,000</u>	<u>—</u>	<u>—</u>
Total Governmental Activities	\$ <u><u>43,236,438</u></u>	<u><u>16,674,884</u></u>	<u><u>9,484,112</u></u>	<u><u>50,427,210</u></u>	<u><u>9,366,198</u></u>

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

	<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	\$ 43,720,000	—	2,245,000	41,475,000	2,345,000
Less deferred amount on refunding	<u>(1,083,533)</u>	—	<u>(203,239)</u>	<u>(880,294)</u>	—
Total revenue bonds	42,636,467	—	2,041,761	40,594,706	2,345,000
Capital lease obligations	41,221	—	13,729	27,492	14,147
Compensated absences	4,191,361	2,442,467	1,899,844	4,733,984	1,404,532
Other post-employment benefits	<u>3,116,920</u>	<u>1,726,218</u>	—	<u>4,843,138</u>	—
Total Power and Light Fund	<u>49,985,969</u>	<u>4,168,685</u>	<u>3,955,334</u>	<u>50,199,320</u>	<u>3,763,679</u>
Water Fund:					
Revenue bonds	53,490,000	19,310,000	23,800,000	49,000,000	2,790,000
Premium on bonds payable	—	836,642	88,586	748,056	—
Less deferred amount on refunding	—	<u>(460,677)</u>	<u>(48,778)</u>	<u>(411,899)</u>	—
Total revenue bonds	53,490,000	19,685,965	23,839,808	49,336,157	2,790,000
Capital lease obligations	18,138	—	6,041	12,097	6,225
Compensated absences	1,551,023	797,447	602,740	1,745,730	494,425
Other long-term obligations	358,164	—	358,164	—	—
Other post-employment benefits	<u>1,298,203</u>	<u>729,040</u>	<u>33,764</u>	<u>1,993,479</u>	—
Total Water Fund	<u>56,715,528</u>	<u>21,212,452</u>	<u>24,840,517</u>	<u>53,087,463</u>	<u>3,290,650</u>
Sanitary Sewer Fund:					
Capital lease obligations	6,595	—	2,196	4,399	2,263
Compensated absences	984,448	536,694	430,057	1,091,085	344,754
Other post-employment benefits	<u>1,111,077</u>	<u>527,443</u>	<u>69,745</u>	<u>1,568,775</u>	—
Total Sanitary Sewer Fund	<u>2,102,120</u>	<u>1,064,137</u>	<u>501,998</u>	<u>2,664,259</u>	<u>347,017</u>
Events Center Fund:					
Revenue bonds	82,285,000	2,950,000	130,000	85,105,000	200,000
Total Events Center Fund	<u>82,285,000</u>	<u>2,950,000</u>	<u>130,000</u>	<u>85,105,000</u>	<u>200,000</u>
Total business-type activities	\$ <u>191,088,617</u>	<u>29,395,274</u>	<u>29,427,849</u>	<u>191,056,042</u>	<u>7,601,346</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Discretely-presented component unit:					
TIF loans	\$ 185,030,000	10,085,000	5,165,000	189,950,000	6,980,000
Loans payable	75,388	—	75,388	—	—
Premium (discount), net	(1,997,985)	(123,407)	(137,543)	(1,983,849)	—
Deferred amount on refunding	<u>(799,225)</u>	—	<u>(62,528)</u>	<u>(736,697)</u>	—
	182,308,178	9,961,593	5,040,317	187,229,454	6,980,000
Developer obligations	<u>26,821,975</u>	<u>501,167</u>	<u>1,129,328</u>	<u>26,193,814</u>	<u>1,700,000</u>
	\$ <u>209,130,153</u>	<u>10,462,760</u>	<u>6,169,645</u>	<u>213,423,268</u>	<u>8,680,000</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

Debt service requirements on long-term debt with schedules maturities at June 30, 2010 are as follows:

	Governmental Activities					
	Loans Payable		NID Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,755,000	614,558	69,000	37,784	2,824,000	652,342
2012	3,270,000	479,534	69,000	34,467	3,339,000	514,001
2013	3,410,000	341,056	70,000	31,312	3,480,000	372,368
2014	1,390,000	204,344	75,000	27,774	1,465,000	232,118
2015	1,450,000	139,856	75,000	23,987	1,525,000	163,843
2016-2020	1,945,000	165,853	345,000	57,554	2,290,000	223,407
2021-2024	—	—	34,000	5,464	34,000	5,464
	<u>\$ 14,220,000</u>	<u>1,945,202</u>	<u>737,000</u>	<u>218,342</u>	<u>14,957,000</u>	<u>2,163,544</u>

	Business-type Activities							
	Power and Light		Water		Events Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,345,000	2,053,863	2,790,000	2,500,370	200,000	5,301,013	5,335,000	9,855,246
2012	2,455,000	1,952,263	2,965,000	2,376,133	200,000	5,279,588	5,620,000	9,607,984
2013	2,560,000	1,844,315	3,180,000	2,235,188	225,000	5,271,588	5,965,000	9,351,091
2014	2,700,000	1,730,035	3,395,000	2,075,948	250,000	5,262,088	6,345,000	9,068,071
2015	1,465,000	1,608,025	3,655,000	1,901,758	250,000	5,251,619		
2016-2020	8,250,000	7,109,713	12,065,000	6,864,624	2,320,000	26,037,297	22,635,000	40,011,634
2021-2025	10,855,000	4,851,888	8,310,000	4,682,738	5,890,000	25,071,784	25,055,000	34,606,409
2026-2030	4,795,000	2,584,156	12,640,000	2,079,119	14,115,000	22,674,931	31,550,000	27,338,206
2031-2035	6,050,000	986,700	—	—	29,985,000	16,016,478	36,035,000	17,003,178
2036-2038	—	—	—	—	31,670,000	4,346,563	31,670,000	4,346,563
	<u>\$ 41,475,000</u>	<u>24,720,958</u>	<u>49,000,000</u>	<u>24,715,877</u>	<u>85,105,000</u>	<u>120,512,949</u>	<u>170,210,000</u>	<u>161,188,383</u>

	Discretely-Presented Component Unit	
	TIF Loans	
	Principal	Interest
2011	\$ 6,980,000	9,830,895
2012	7,780,000	9,506,928
2013	7,870,000	9,143,138
2014	8,420,000	8,778,919
2015	9,005,000	8,383,320
2016-2020	54,850,000	34,678,096
2021-2025	58,075,000	18,703,298
2026-2028	36,970,000	3,285,702
	<u>\$ 189,950,000</u>	<u>102,310,295</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(a) Governmental activities**

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

Governmental activities loans payable at June 30, 2010 are comprised of the following:

\$6,175,000 Series 2005 (Aquatics Facilities Project) annual installments of \$300,000 to \$450,000 through 2013; interest at 3.00% to 5.00%.	\$ 2,580,000
\$8,225,000 Series 2005 (Public Safety Facilities Projects) annual installments of \$670,000 to \$1,010,000 through 2015; interest at 4.00% to 5.25%.	4,590,000
\$5,485,000 Series 2006 (Park Projects) annual installments of \$1,010,000 to \$1,190,000 through 2013; interest at 4.25%.	3,425,000
\$4,020,000 Series 2009 (Streets Projects) annual installments of \$395,000 to \$515,000 through 2018; interest at 3.50% to 4.375%.	3,625,000
Total Governmental Activities Loans Payable	<u>\$ 14,220,000</u>

Restricted assets in the General Fund of \$251,018 at June 30, 2010 consist of cash on deposit for municipal court bond deposits.

***(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.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

Neighborhood Improvement District bonds payable at June 30, 2010 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%	\$ 650,000
\$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%	87,000
Total Neighborhood Improvement District	\$ <u><u>737,000</u></u>

**(3) Capital Lease Obligations**

Capital leases payable at June 30, 2010 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of \$59,484 to \$64,437 through 2013; interest at 4.19%	\$ 336,918
IBM Corporation (computer equipment) monthly installments of \$1,969 to \$2,232 through 2011; interest at 3.199%	28,555
Missouri Development Finance Board (phone system) monthly installments of \$2.708 to \$2.948 through 2012; interest at 3.00%	65,981
Total Capital Lease Obligations	\$ <u><u>431,454</u></u>

The cumulative amount of assets acquired under the capital leases described above amounted to \$650,200 as of June 30, 2010.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

Year ending June 30:		
2011	\$	153,315
2012		130,221
2013		93,234
2014		93,233
		<u>470,003</u>
Less imputed interest		<u>(38,549)</u>
Present value of minimum lease payments	\$	<u><u>431,454</u></u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(b) Business-type Activities**

**(1) Revenue Bonds**

Revenue bonds payable at June 30, 2010 are comprised of the following individual issues:

Power and Light Fund:

\$23,520,000 Series 1998 annual installments of \$700,000 to \$2,040,000 through 2014; interest at 4.00% to 4.80%	\$ 7,625,000
\$5,975,000 Series 2003 annual installments of \$435,000 to \$660,000 through 2014; interest at 2.00% to 3.65%	2,435,000
\$31,415,000 Series 2009 D annual installments of \$810,000 to \$4,125,000 through 2034; interest at 3.75% to 5.75%	31,415,000
Less deferred amount on refunding	(880,294)
<b>Total Power and Light fund</b>	<b><u>40,594,706</u></b>

Water Fund:

\$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2025; interest at 3.054% to 5.00%	12,170,000
\$17,520,000 Series 2009 C annual installments of \$505,000 to \$4,205,000 through 2029; interest at 4.00% to 5.75%	17,520,000
\$19,310,000 Series 2009 E annual installments of \$2,210,000 to \$3,245,000 through 2016; interest at 3.00% to 4.00%	19,310,000
Less deferred amount on refunding	(411,899)
<b>Total Water Fund</b>	<b><u>48,588,101</u></b>

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%	12,195,000
\$10,725,000 Series 2008 H semi-annual installments of \$230,000 to \$1,220,000 through 2038; interest at 6.75% to 7.00%	10,725,000
\$15,190,000 Series 2009 A semi-annual installments of \$5,000 to \$2,035,000 through 2038; interest at 6.125% to 6.750%	15,190,000
\$44,045,000 Series 2009 F semi-annual installments of \$100,000 to \$9,365,000 through 2038; interest at 5.00% to 6.25%	44,045,000
\$2,950,000 Series 2010 A semi-annual installments of \$70,000 to \$485,000 through 2038; interest at 4.50% to 5.75%	2,950,000
<b>Total Events Center Fund</b>	<b><u>85,105,000</u></b>
<b>Total revenue bonds</b>	<b><u>\$ 174,287,807</u></b>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

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 assets 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	\$ 3,192,885	—	—	—
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	12,536,215	8,648,149	—	9,379,340
Total revenue bond reserves	15,729,100	9,148,149	—	9,379,340
Customer deposits	1,351,653	375,800	310,582	—
Workers' compensation	135,480	35,753	28,767	—
Total	\$ 17,216,233	9,559,702	339,349	9,379,340

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

**(a) Advance Refunding**

On October 1, 2009, the City issued revenue bonds through the Missouri Development Finance Board of \$19,310,000 with interest rates ranging from 3.00% to 4.00%, including the use of certain reserve funds totaling \$3,600,000, to advance refund the \$23,245,000 of outstanding 1986 Water revenue bonds with interest rates ranging from 3.25% to 5.00%. The City completed this advance refunding to realize a net present value savings of \$1,550,732 in debt service payments. The acquisition of the new refunding bonds carried a premium of \$826,800 and resulted in a deferred amount on refunding of \$460,677. Both items will be amortized over the life of the bonds.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2010

### **(2) Other Obligations**

The City entered into agreements with two of its wholesale water customers to settle disputes. The balance of \$358,164 was settled in full during the 2010 fiscal year.

### **(3) 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, 2010, District revenues paid to the City for debt service totaled \$506,924. The remaining debt service amounts of \$3,106,727 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.

### **(c) Discretely-presented component unit**

#### **(1) 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.

The City and other taxing districts and governmental entities have pledged a portion of future property tax and sales tax revenues to repay \$210 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. Management does not anticipate that any of the City's general 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

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2010

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, 2010, total principal and interest remaining on the loans was \$292.3 million and the outstanding developer obligations was \$26.2 million. The loans are scheduled to mature at varying amounts through 2028 and the developer obligations are payable to the extent incremental taxes are available for a period not to exceed 23 years.

For the current year, principal and interest paid on TIF loans and developer obligations totaled \$16.6 million. Incremental revenues from the City included \$2.8 million in sales taxes and \$.8 million in property taxes. The remaining funds necessary to meet the current year debt service requirements were derived from incremental tax revenues and other sources from other taxing districts and governmental entities, developer contributions, cash reserves, and debt trust funds.

### Missouri Development Finance Board Loans Payable

\$8,715,000 Series 2003 (Hartman Heritage TIF) annual installements of \$135,000 to \$2,675,000 through 2021; interest at 2.00% to 5.00%	\$	7,425,000
\$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$85,000 through 2020; interest at 3.00% to 4.50%		750,000
\$11,325,000 Series 20005 C (Crackerneck Creek TIF) annual installements of \$185,000 to \$1,270,000 through 2026; interest at 4.00% to 5.00%		10,840,000
\$48,370,000 Series 2006 A&B (Crackerneck Creek TIF) annual installments of \$340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00%		47,515,000
\$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of \$3,500,000 to \$5,385,000 through 2026; interest at 5.00%		12,790,000
\$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%		1,280,000
\$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25%		4,730,000
\$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%		15,545,000
\$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%		8,620,000

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

\$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of \$385,000 to \$1,795,000 through 2023; interest at 5.41% to 6.096%	8,865,000
\$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%	775,000
\$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%	18,715,000
\$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,000 through 2017; interest at 4.30% to 5.70%	5,035,000
\$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,000 through 2025; interest at 4.00% to 5.125%	7,920,000
\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%	8,000,000
\$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00%	1,170,000
\$13,315,000 Series 2008 F (HCA - Centerpoint TIF) annual installments of \$195,000 to \$1,940,000 through 2027; interest at 4.000% to 6.000%	12,680,000
\$4,600,000 Series 2008 G (Eastland Center TIF) annual installments of \$120,000 to \$885,000 through 2022; interest at 4.00% to 5.25%	4,300,000
\$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of \$135,000 to \$480,000 through 2022; interest at 4.00% to 5.500%	3,085,000
\$3,630,000 Series 2009 J (Eastland Center TIF) annual installments of \$110,000 to \$835,000 through 2022; interest at 3.00% to 4.50%	3,520,000
\$4,130,000 Series 2009 H (Crackerneck Creek TIF) one installment of \$4,130,000 through 2026; interest at 7.250%	4,130,000
\$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of \$65,000 to \$525,000; interest at 3.00% to 5.00%	2,260,000
Total Discretely Presented Component Unit	<u>\$ 189,950,000</u>

Restricted assets held by the Commission of \$23,542,096 consist of funds available for costs related to the redevelopment of the Crackerneck Creek, Hartman Heritage, Sante Fe, Eastland Center, and HCA areas.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2010

### **(a) 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, 2010, \$12,460,000 of loans payable are considered defeased.

### **(2) 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. In August 2010, an 8,000 square foot Cheddar's Restaurant began construction. The City and the developer remain in discussions regarding securing additional retail and hotel development for the project. However, no agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

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

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

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

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

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

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

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

<b>Calendar</b>	
<b>Year</b>	<b>Amount</b>
2010	\$ 1,000,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
2014-2018	5,000,000
2019-2023	5,000,000
2024-2026	3,000,000
<b>Total</b>	<b>\$ 17,000,000</b>

**(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, 2010, were \$597,400.

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, 2010, were \$79,942.

**(9) Employee Retirement System**

***Plan Description***

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

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

***Funding Policy***

Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 8.3% (general), 9.5% (police), and 10.10% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

As of February 28, 2010, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$204,912,339. The actuarial value of assets was \$135,669,752, which results in an unfunded accrued liability (UAL) of \$69,242,587 and a funded ratio of 66%. The covered payroll (annual payroll of active employees covered by the plan) was \$65,625,583, which results in a ratio of the UAL to the covered payroll of 106%.

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

***Annual Pension Cost***

**Schedule of Employer Contributions:**

	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
Fiscal year ending:			
June 30, 2008	\$ 4,813,003	100	—
June 30, 2009	4,492,585	100	—
June 30, 2010	5,502,058	100	—

For 2010, the City's annual pension cost of \$5,502,058 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2008 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

- (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually;
- (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation;

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

- (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit;
- (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table, set back 0 years for men and women; and
- (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000, set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008 was 15 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2010, 2009, and 2008.

**(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. The City adopted the requirements of GASB Statement No. 45 during the fiscal year ended June 30, 2008. 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, 2009, which is the effective date of the current OPEB actuarial valuation, is listed below. There have been no significant changes in the number of covered participants or the type of coverage since that date.

Active Employees	1,089
Retirees & covered spouses of retirees	<u>955</u>
Total Participants	2,044

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

***Funding Policy***

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

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

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

Annual required contribution	\$ 14,971,790
Interest on net OPEB obligation	805,609
Adjustment to annual required contribution	<u>(829,425)</u>
Annual OPEB cost (expense)	14,947,974
Less: Expected net employer contributions	<u>(5,777,634)</u>
Increase in net OPEB obligation	9,170,340
Net OPEB obligation – July 1, 2009	<u>17,902,417</u>
Net OPEB obligation – June 30, 2010	\$ <u><u>27,072,757</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, 2010 is as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/10	\$ 14,947,974	38.65%	\$ 27,072,757

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2010

#### ***Funded Status and Funding Progress***

As of January 1, 2009, which is the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is \$198.8 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 \$61.4 million which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 324 percent.

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

#### ***Actuarial Methods and Assumptions***

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

The entry age normal (level percent of pay) cost method is used in the January 1, 2009 actuarial valuation. At this valuation date, the annual cost accruals (individual normal cost for each participant) are determined as a level percentage of pay for each year from entry age until expected retirement. The sum of these individual normal costs for all active participants whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial valuation date, accumulated with interest over the plan assets, represents the initial unfunded actuarial accrued liability.

The actuarial assumptions include a 4.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment return on the City's investments. Because the plan is unfunded, reference to the expected long-term investment returns, which tend to be short-term in nature (such as certificates of deposit and United State agencies securities), were considered in the selection of the 4.5 percent rate. The actuarial assumptions for healthcare cost trend is a growth factor of 10 percent for the first year and then declining by 1 percent per year until 5 percent is reached. The 5 percent growth is used on a go-forward basis. 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, 2010

### (11) Risk Management

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

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

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

Prior to January 1, 2010, the City offered its employees and retirees a contributory self-insurance healthcare plan (Staywell Open Access Plan). The City also provided participants of the Coventry fully insured health care plan with a contributory self-funded prescription plan which was accounted for in the Pharmacy Benefit Plan. The Pharmacy Benefit Fund was closed and consolidated into the Staywell Health Care Plan as of July 1, 2009. Effective January 1, 2010, the City converted Coventry's fully insured HMO program to a second self-insured group health insurance program (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 \$18,655,000 for the open access plan or \$8,133,000 for the in-network plan. The City's share of the premiums for this employee benefit was approximately \$14,175,570. 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. Estimated but not incurred medical, vision, and prescription claims are accrued as a liability in the Internal Service Fund.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

The City changed Third Party Administrations of the Staywell Health Care Plan from FMH to CIGNA as of May 1, 2010. Due to the transition, CIGNA did not process any claims for May and June, 2010. This caused the health care claims liability to be higher as of June 30, 2010.

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

		<b>Claims Payable</b>			
		<b>Workers' Compensation</b>		<b>Staywell</b>	
		<b>2009</b>	<b>2010</b>	<b>* 2009</b>	<b>2010</b>
Beginning of year	\$	3,998,387	3,045,422	1,769,910	1,850,425
Increases		1,435,858	1,794,230	15,122,118	18,445,032
Decreases		(2,388,823)	(1,931,060)	(15,041,603)	(17,039,381)
End of year	\$	<u>3,045,422</u>	<u>2,908,592</u>	<u>1,850,425</u>	<u>3,256,076</u>

\* Includes Pharmacy Benefit Plan

**(12) Commitments**

***Construction Commitments***

At June 30, 2010, the City had commitments of approximately \$24.4 million to complete construction contracts. Of this amount, \$15.9 million relates to the enterprise funds.

***Purchase/Sales of Capacity and Energy***

The City purchases a portion of its power capacity and energy needs under a capacity purchase agreement with Kansas City Power & Light Company (KCPL). Under the agreement, the City purchases 90 MW of capacity and energy for a term through May 31, 2011 at contract-specified pricing for the capacity and associated energy. The annual minimum payment obligations (capacity charges only including the cost of transmission) under the agreement are approximately \$8,600,000. The delivered cost of capacity and energy under the agreement, including all demand energy, environmental emission allowance, and SPP transmission charges, totaled approximately \$21,400,000 for 550,592 megawatt-hours of delivered energy during fiscal year 2010.

In January 2004, the City entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the City purchases an 8.33% share (approximately 57 megawatts) of a new 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 will be the owner/operator of the unit and OPPD will sell the City's share of the output on a cost-based approach. OPPD has issued tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its appropriate 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.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 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. During fiscal year 2010, the delivered cost of capacity and energy under the agreement, including all demand, energy, and transmission costs was approximately \$15,800,000 for 399,999 megawatt-hours of wholesale energy.

In June 2006, the City entered into a unit power purchase agreement with the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Under this agreement, the City will purchase a 50% share (approximately 50 megawatts) of MJMEUC's 100 MW ownership share of a new nominal 850 megawatt Iatan 2 coal-fired generating unit currently under construction at KCPL's existing power station site in Weston, Missouri. The agreement provides that KCPL will be the owner/operator of the unit. MJMEUC will sell the City's share of the output on a cost-based approach. The City will be responsible for payment of its share of 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 producing energy on July 20, 2010 and is expected to begin full commercial operations by the end of calendar year 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. Payment obligations on this project are not expected to begin until the unit begins commercial operation.

In August 2008, the City entered into a renewable energy purchase agreement with Smoky Hills Wind Project II, LLC (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 2010, the cost of the energy purchases including transmission costs was approximately \$2,400,000 for 51,865 megawatt-hours of wholesale energy.

#### ***Events Center Management Agreement and Subsequent Event***

The City entered into an agreement (the Agreement) with Global Entertainment Corporation (the Manager) in connection with the City's Events Center. Under the Agreement, the Manager's responsibilities include opening, managing, promoting and marketing, selling tickets and operating the Events Center on behalf of the City. Key elements of the Agreement included: compensation to the Manager in the amount of \$17,000 per month and that the Manager shall be responsible for all costs for the operations and maintenance of the Event Center in excess of revenues (Operation and Maintenance Subsidy or also known as the Operational Break-Even Protection as defined in the Agreement). Accordingly, the operating results of the Events Center, which opened in November 2009, are not reflected in the City's financial statements for the year ended June 30, 2010.

Subsequent to year-end, the City and Manager entered into a Management Transition Agreement as the City exercised their option to terminate the Agreement effective October 10, 2010 (the transition date). Under the Management Transition Agreement, the City will assume certain liabilities and be assigned certain assets of the Manager. At the transition date, certain operating losses of the Events Center since inception were assumed by the City as the liabilities assumed (\$1,211,000) were in excess of assets assigned (\$766,000) by approximately \$445,000, subject to final verification and approval of final amounts

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2010

by both the City and the Manager. The difference between these assets and liabilities is in part related to deferred revenue accounts which were from advance sales of advertising and suites in the Events Center. In addition, the City will provide Global Entertainment Corporation with a payment of \$405,000 to release any past or future claims against the City, including a claim related to the construction of the Events Center.

The City created the Independence Events Center, LLC to provide for the operations of the Events Center after the transition date. The City has yet to determine whether the Independence Events Center, LLC will be responsible for the ongoing operations of the Events Center or if another Manager will be selected to assume the Events Center management responsibilities. During the transition period a continuity of the existing management and concession staff operating the Events Center is expected.

#### *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 \$358,181 in the Street Improvements Fund, \$4,744,458 in the Parks Sales Tax Fund, \$16,155 in the Storm Drainage Fund, and \$1,370,929 in the Workers' Compensation Fund, will be eliminated by future revenues or transfers.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2010

**(14) Fund Equity**

Reserved and designated fund balances at year-end are as follows:

	<u>Governmental Funds</u>			<u>Total</u>
	<u>General</u>	<u>Street Improvements</u>	<u>Nonmajor</u>	
Fund balances:				
Reserved for:				
Encumbrances	\$ 696,102	4,825,050	8,129,257	13,650,409
Debt service	—	—	10,417	10,417
Protested revenues	42,030	—	1,632	43,662
Domestic violence	15,402	—	—	15,402
Total fund balances reserved	<u>753,534</u>	<u>4,825,050</u>	<u>8,141,306</u>	<u>13,719,890</u>
Unreserved:				
Designated for:				
Police equipment	180,545	—	—	180,545
Capital projects	111,852	—	3,069,984	3,181,836
Strategic goal	207,596	—	—	207,596
TIF distribution	620,198	—	—	620,198
Vandalism reward	3,000	—	—	3,000
Debt service	900,000	—	—	900,000
Leave pay-outs	—	—	—	—
Economic development	400,000	—	—	400,000
Total fund balances designated	<u>2,423,191</u>	<u>—</u>	<u>3,069,984</u>	<u>5,493,175</u>
Undesignated	<u>2,012,374</u>	<u>(5,183,231)</u>	<u>1,798,176</u>	<u>(1,372,681)</u>
Total fund equity	\$ <u>5,189,099</u>	<u>(358,181)</u>	<u>13,009,466</u>	<u>17,840,384</u>

**Required  
Supplementary  
Information**

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Budgetary Comparison Schedules

Year ended June 30, 2010

### **(1) Budgets and Budgetary Accounting**

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

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

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

## CITY OF INDEPENDENCE, MISSOURI

## Budgetary Comparison Schedule

## General Fund

Year ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 36,649,814	36,649,814	36,195,141	(454,673)
Licenses and permits	3,502,400	3,502,400	2,922,711	(579,689)
Grants – federal and state	25,393	643,611	803,079	159,468
State and county shared revenue	5,387,622	4,769,404	4,277,739	(491,665)
Charges for current services	1,747,459	1,768,124	2,012,664	244,540
Interfund charges for support services	3,265,200	3,265,200	3,580,384	315,184
Fines and forfeitures	3,989,374	3,989,374	4,510,754	521,380
Other revenue	532,246	587,966	444,838	(143,128)
Total revenues	55,099,508	55,175,893	54,747,310	(428,583)
Other financing sources:				
Payments in lieu of taxes	15,520,121	15,520,121	14,225,247	(1,294,874)
Total other financing sources	15,520,121	15,520,121	14,225,247	(1,294,874)
Total revenues and other financing sources	70,619,629	70,696,014	68,972,557	(1,723,457)
Expenditures:				
City Council	393,283	406,346	405,888	458
City Clerk	380,850	384,234	349,256	34,978
City Manager	1,016,828	1,042,912	1,042,907	5
National Frontier Trails Center	391,444	396,010	393,776	2,234
Technology services	1,716,963	1,738,893	1,720,323	18,570
Municipal court	792,117	798,863	763,593	35,270
Law	740,669	809,045	808,907	138
Finance	1,879,671	1,922,283	1,922,239	44
Human resources	480,767	488,999	488,202	797
Community development	2,671,488	2,725,519	2,648,968	76,551
Police	23,367,731	24,266,571	24,247,244	19,327
Fire	15,397,771	15,545,463	15,523,446	22,017
Health	2,775,159	2,805,252	2,758,315	46,937
Public works	6,928,498	7,125,584	6,654,072	471,512
Water pollution control	296,134	297,337	295,086	2,251
Parks and recreation	2,190,959	2,232,408	2,202,798	29,610
General government	8,434,083	7,893,574	7,795,984	97,590
City Council strategic goals	250,000	399,217	191,621	207,596
Debt service	—	810	—	810
Capital outlay	515,214	1,277,419	562,765	714,654
Total expenditures	70,619,629	72,556,739	70,775,390	1,781,349
Other financing uses— transfers out	—	27,500	144,000	(116,500)
Total expenditures and other financing uses	70,619,629	72,584,239	70,919,390	1,664,849
Excess of revenue and other financing sources over (under) expenditures and other financing uses	\$ —	(1,888,225)	(1,946,833)	(58,608)
Undesignated fund balance at beginning of year			2,073,982	
Cancellation of prior year encumbrances			200,166	
Change in other fund balance components during the year			1,685,059	
Undesignated fund balance at end of year			\$ 2,012,374	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2010

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	\$ 68,972,557
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>\$ 68,972,557</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 70,775,390
Basis differences – budget to GAAP:	
Capital lease	<u>                    —</u>
Outstanding encumbrances at year-end charged to the current year’s budget	(636,669)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>559,505</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	<u>\$ 70,698,226</u>

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

**Schedule of Funding Progress:****LAGERS Retirement Plan**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry-Age Actuarial Accrued Liability	(b) – (a) Unfunded (assets in excess of) Accrued Liability (UAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	(b) – (a)/(c) UAL as a Percentage of Covered Payroll
<b>Retirement Plan-</b>						
February 29, 2008	\$ 167,685,693	\$ 157,816,387	\$ (9,869,306)	106%	\$ 60,490,320	-16%
February 28, 2009	132,825,715	163,788,001	30,962,286	81%	63,652,470	49%
February 28, 2010	135,669,752	204,912,339	69,242,587	66%	65,625,583	106%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 29, 2006 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS's office in Jefferson City at P.O. Box 1665 Jefferson City, Missouri 65102 or telephone 1-800-447-4334.

**Other Post Employment Benefits**

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

## 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.

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

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

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

## **CITY OF INDEPENDENCE, MISSOURI**

**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, 2010

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 14,802,450	19,729	—	14,822,179
Receivables:				
Taxes	3,276,329	—	—	3,276,329
Accounts	22,103	—	—	22,103
Special assessment principal and accrued interest	5,710	—	975,250	980,960
Accrued interest	3,788	—	—	3,788
Due from other funds	1,107,762	420,297	—	1,528,059
Due from other governments	742,609	12,358	—	754,967
Restricted assets	10,417	—	94,000	104,417
Total assets	<u>\$ 19,971,168</u>	<u>452,384</u>	<u>1,069,250</u>	<u>21,492,802</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts and contracts payable	\$ 1,546,942	—	—	1,546,942
Due to other funds	5,606,770	28,296	8,244	5,643,310
Accrued items	97,811	—	—	97,811
Other current liabilities	11,575	—	—	11,575
Deferred revenue	208,448	—	975,250	1,183,698
Total liabilities	<u>7,471,546</u>	<u>28,296</u>	<u>983,494</u>	<u>8,483,336</u>
Fund balances:				
Reserved for:				
Encumbrances	7,621,187	508,070	—	8,129,257
Other purposes	10,417	—	1,632	12,049
Unreserved, reported in:				
Special revenue funds	4,868,018	—	—	4,868,018
Debt service funds	—	—	84,124	84,124
Capital projects funds	—	(83,982)	—	(83,982)
Total fund balances	<u>12,499,622</u>	<u>424,088</u>	<u>85,756</u>	<u>13,009,466</u>
Total liabilities and fund balances	<u>\$ 19,971,168</u>	<u>452,384</u>	<u>1,069,250</u>	<u>21,492,802</u>

## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Governmental Funds

Year ended June 30, 2010

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 19,758,286	—	—	19,758,286
Licenses and permits	561,056	—	—	561,056
Intergovernmental	4,041,080	12,358	—	4,053,438
Charges for services	579,576	—	131,094	710,670
Investment income	60,442	474	243	61,159
Reimbursements from component unit	—	656,971	—	656,971
Other	189,787	157	—	189,944
Total revenues	<u>25,190,227</u>	<u>669,960</u>	<u>131,337</u>	<u>25,991,524</u>
<b>Expenditures:</b>				
Current:				
Administrative services	24,350	—	—	24,350
Public safety	5,509,206	—	—	5,509,206
Health and welfare	465,696	—	—	465,696
Culture and recreation	3,956,284	—	—	3,956,284
Community development	1,488,946	—	—	1,488,946
Storm water	1,373,062	—	—	1,373,062
General government	493,760	—	1,562	495,322
Capital outlay	11,026,279	781,462	—	11,807,741
Debt service:				
Principal	3,025,000	—	64,000	3,089,000
Interest and fiscal agent fees	740,638	—	41,301	781,939
Total expenditures	<u>28,103,221</u>	<u>781,462</u>	<u>106,863</u>	<u>28,991,546</u>
Excess (deficiency) of revenues over expenditures	<u>(2,912,994)</u>	<u>(111,502)</u>	<u>24,474</u>	<u>(3,000,022)</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital leases/bond issuance	4,020,000	—	—	4,020,000
Reoffering premium/original issue discount	18,402	—	—	18,402
Transfers in	—	112,133	—	112,133
Transfers out	(2,876,619)	—	—	(2,876,619)
Sale of capital assets	17,315	—	—	17,315
Total other financing sources (uses)	<u>1,179,098</u>	<u>112,133</u>	<u>—</u>	<u>1,291,231</u>
Net change in fund balances	<u>(1,733,896)</u>	<u>631</u>	<u>24,474</u>	<u>(1,708,791)</u>
Fund balances, beginning	<u>14,233,518</u>	<u>423,457</u>	<u>61,282</u>	<u>14,718,257</u>
Fund balances, ending	<u>\$ 12,499,622</u>	<u>424,088</u>	<u>85,756</u>	<u>13,009,466</u>

**CITY OF INDEPENDENCE, MISSOURI**  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2010

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 25)	License Surcharge	Grants	Total
Pooled cash and investments	\$ 275,000	657	—	—	11,644,880	2,881,913	—	14,802,450
Receivables:								
Taxes	100,000	3,165	—	—	3,173,164	—	—	3,276,329
Accounts	—	—	—	—	—	—	22,103	22,103
Special assessment principal & accrued interest	—	—	—	—	—	—	5,710	5,710
Accrued interest	—	—	—	—	2,273	1,515	—	3,788
Due from other funds	1,091,607	—	—	—	16,155	—	—	1,107,762
Due from other governments	153,087	—	56,006	24,233	—	—	509,283	742,609
Restricted assets	—	—	—	—	10,417	—	—	10,417
Total assets	<u>\$ 1,619,694</u>	<u>3,822</u>	<u>56,006</u>	<u>24,233</u>	<u>14,846,889</u>	<u>2,883,428</u>	<u>537,096</u>	<u>19,971,168</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts and contracts payable	\$ 60,051	—	1,250	—	1,408,089	—	77,552	1,546,942
Due to other funds	—	—	47,067	10,037	5,320,622	—	229,044	5,606,770
Accrued items	10,659	—	6,366	2,889	55,845	—	22,052	97,811
Other current liabilities	—	—	—	11,300	275	—	—	11,575
Deferred revenue	—	—	—	—	—	—	208,448	208,448
Total liabilities	<u>70,710</u>	<u>—</u>	<u>54,683</u>	<u>24,226</u>	<u>6,784,831</u>	<u>—</u>	<u>537,096</u>	<u>7,471,546</u>
Fund balances:								
Reserved for:								
Encumbrances	59,485	—	196,510	399,857	4,116,420	—	2,848,915	7,621,187
Other purposes	—	—	—	—	10,417	—	—	10,417
Unreserved, reported in:								
Special revenue funds	1,489,499	3,822	(195,187)	(399,850)	3,935,221	2,883,428	(2,848,915)	4,868,018
Total fund balances	<u>1,548,984</u>	<u>3,822</u>	<u>1,323</u>	<u>7</u>	<u>8,062,058</u>	<u>2,883,428</u>	<u>—</u>	<u>12,499,622</u>
Total liabilities and fund balances	<u>\$ 1,619,694</u>	<u>3,822</u>	<u>56,006</u>	<u>24,233</u>	<u>14,846,889</u>	<u>2,883,428</u>	<u>537,096</u>	<u>19,971,168</u>

**CITY OF INDEPENDENCE, MISSOURI**  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 Year ended June 30, 2010

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
<b>Revenues:</b>								
Taxes	\$ 988,984	23,999	—	—	18,745,303	—	—	19,758,286
Licenses and permits	—	—	—	—	—	561,056	—	561,056
Intergovernmental	219,772	—	852,207	442,281	—	—	2,526,820	4,041,080
Charges for services	650	—	—	—	484,968	—	93,958	579,576
Investment income	1,678	337	—	—	52,242	6,175	10	60,442
Other	34,156	—	6	3	142,124	—	13,498	189,787
<b>Total revenues</b>	<b>1,245,240</b>	<b>24,336</b>	<b>852,213</b>	<b>442,284</b>	<b>19,424,637</b>	<b>567,231</b>	<b>2,634,286</b>	<b>25,190,227</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Administrative services	—	—	—	—	—	—	24,350	24,350
Public safety	—	—	—	—	4,050,132	—	1,459,074	5,509,206
Health and welfare	—	—	—	—	—	—	465,696	465,696
Culture and recreation	1,299,597	—	—	—	2,656,687	—	—	3,956,284
Community development	—	—	717,209	442,281	—	—	329,456	1,488,946
Storm water	—	—	—	—	1,373,062	—	—	1,373,062
General government	—	—	—	—	138,050	—	355,710	493,760
Capital outlay	—	23,051	—	—	11,003,228	—	—	11,026,279
Debt service:								
Principal	—	—	—	—	3,025,000	—	—	3,025,000
Interest and fiscal agent fees	—	—	—	—	740,638	—	—	740,638
<b>Total expenditures</b>	<b>1,299,597</b>	<b>23,051</b>	<b>717,209</b>	<b>442,281</b>	<b>22,986,797</b>	<b>—</b>	<b>2,634,286</b>	<b>28,103,221</b>
Excess (deficiency) of revenues over expenditures	(54,357)	1,285	135,004	3	(3,562,160)	567,231	—	(2,912,994)
<b>Other financing sources (uses):</b>								
Proceeds from bond issuance	—	—	—	—	4,020,000	—	—	4,020,000
Reoffering premium/original issue discount	—	—	—	—	18,402	—	—	18,402
Transfers out	—	—	(134,998)	—	(2,200,422)	(541,199)	—	(2,876,619)
Sale of capital assets	—	—	634	—	16,681	—	—	17,315
<b>Total other financing sources (uses)</b>	<b>—</b>	<b>—</b>	<b>(134,364)</b>	<b>—</b>	<b>1,854,661</b>	<b>(541,199)</b>	<b>—</b>	<b>1,179,098</b>
<b>Net change in fund balances</b>	<b>(54,357)</b>	<b>1,285</b>	<b>640</b>	<b>3</b>	<b>(1,707,499)</b>	<b>26,032</b>	<b>—</b>	<b>(1,733,896)</b>
Fund balances, beginning	1,603,341	2,537	683	4	9,769,557	2,857,396	—	14,233,518
Fund balances, ending	\$ 1,548,984	3,822	1,323	7	8,062,058	2,883,428	—	12,499,622

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Transient guest taxes	\$ 1,006,000	1,006,000	988,984	(17,016)
Interest	—	12,900	1,678	(11,222)
Grants – federal, state, and local	—	221,372	219,772	(1,600)
Other revenue	33,900	46,000	34,806	(11,194)
Total revenues	<u>1,039,900</u>	<u>1,286,272</u>	<u>1,245,240</u>	<u>(41,032)</u>
Expenditures:				
Tourism	<u>958,808</u>	<u>1,208,380</u>	<u>1,208,327</u>	<u>53</u>
Total expenditures	<u>958,808</u>	<u>1,208,380</u>	<u>1,208,327</u>	<u>53</u>
Excess of revenues over (under) expenditures	\$ <u>81,092</u>	<u>77,892</u>	36,913	<u>(40,979)</u>
Undesignated fund balance at beginning of year			695,966	
Cancellation of prior year encumbrances			2,634	
Change in other fund balance components during the year (1)			—	
Undesignated fund balance at end of year			\$ <u>735,513</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2010

	<u>Tourism Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,245,240
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>\$ 1,245,240</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,208,327
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(55,937)
fiscal year (1)	<u>147,207</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,299,597</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, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budget Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Federal grant - CDBG	\$ 698,430	698,430	852,847	154,417
Total revenues	698,430	698,430	852,847	154,417
<b>Expenditures:</b>				
CDBG administration	140,226	173,083	160,799	12,284
CDBG expenditures	—	932,623	670,959	261,664
Public facilities and improvements	—	80,000	56,310	23,690
Commercial facade program	—	173,487	25,651	147,836
Total expenditures	140,226	1,359,193	913,719	445,474
<b>Other financing uses:</b>				
Transfers out	—	166,000	134,998	31,002
Total other financing uses	—	166,000	134,998	31,002
Total expenditures and other uses	140,226	1,525,193	1,048,717	476,476
Excess of revenues over (under) expenditures and other financing uses	\$ 558,204	(826,763)	(195,870)	630,893
Undesignated fund balance (deficit) at beginning of year			(300,360)	
Change in other fund balance components during the year (1)			301,043	
Undesignated fund balance (deficit) at end of year			\$ (195,187)	

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Basis Reconciliation Schedule  
 Community Development Block Grant Fund  
 Year ended June 30, 2010

	<b>Community Development Block Grant</b>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 852,847
Basis differences – budget to GAAP:	
None	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 852,847
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 913,719
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(196,510)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 717,209

(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, 2010

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
HOME program grant	\$ 40,000	400,000	442,284	42,284
Total revenues	40,000	400,000	442,284	42,284
<b>Expenditures:</b>				
HOME administration	40,273	30,281	53,443	(23,162)
Multi family housing	—	584,833	359,508	225,325
First Time Home Buyers	—	253,583	166,800	86,783
Community housing development	—	224,561	262,384	(37,823)
Total expenditures	40,273	1,093,258	842,135	251,123
Excess of revenues over (under) expenditures	\$ (273)	(693,258)	(399,851)	293,407
Undesignated fund balance (deficit) at beginning of year			(531,965)	
Change in other fund balance components during the year (1)			531,965	
Undesignated fund balance (deficit) at end of year			\$ (399,851)	

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2010

	<u><b>Rental Rehabilitation</b></u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 442,284
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>442,284</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 842,135
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	<u>(399,854)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>442,281</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Street Improvements Sales Tax Fund  
 Year ended June 30, 2010

	<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	\$ 8,100,479	8,100,479	7,452,606	(647,873)
Interest	—	—	5,638	5,638
Other revenue	—	—	92,253	92,253
Total revenues	<u>8,100,479</u>	<u>8,100,479</u>	<u>7,550,497</u>	<u>(549,982)</u>
Other Financing sources:				
Transfers in	—	—	—	—
Issuance of debt	—	—	4,038,402	4,038,402
Total other financing sources	<u>—</u>	<u>—</u>	<u>4,038,402</u>	<u>4,038,402</u>
Total revenues and other financing sources	<u>8,100,479</u>	<u>8,100,479</u>	<u>11,588,899</u>	<u>3,488,420</u>
Expenditures:				
General Government	7,000	7,000	6,691	309
Capital outlay	7,810,860	17,459,153	6,093,801	11,365,352
Debt service	866,820	866,820	664,392	202,428
Total expenditures	<u>8,684,680</u>	<u>18,332,973</u>	<u>6,764,884</u>	<u>11,568,089</u>
Other financing uses:				
- Transfers out	—	—	2,200,422	(2,200,422)
Total other financing uses	<u>—</u>	<u>—</u>	<u>2,200,422</u>	<u>(2,200,422)</u>
Total expenditures and other financing uses	<u>8,684,680</u>	<u>18,332,973</u>	<u>8,965,306</u>	<u>9,367,667</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ (584,201)</u>	<u>(10,232,494)</u>	<u>2,623,593</u>	<u>12,856,087</u>
Undesignated fund balance (deficit) at beginning of year			(5,778,696)	
Change in other fund balance components during the year (1)			2,545,038	
Undesignated fund balance (deficit) at end of year			<u>\$ (610,065)</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Basis Reconciliation Schedule  
 Street Improvements Sales Tax Fund  
 Year ended June 30, 2010

	<u>Streets Improvements Sales Tax</u>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 7,550,497
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 7,550,497</u>
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 6,764,884
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,764,884</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
			<u>(Budget Basis)</u>	<u>Budget</u>
<b>Revenues:</b>				
Sales taxes	\$ 4,050,239	4,050,239	3,726,577	(323,662)
Public health and recreation	203,000	203,000	59,553	(143,447)
Adventure Oasis Water Park	490,000	490,000	409,033	(80,967)
Other revenue	—	2,275	4,770	2,495
Total revenues	<u>4,743,239</u>	<u>4,745,514</u>	<u>4,199,933</u>	<u>(545,581)</u>
<b>Expenditures:</b>				
Culture and recreation	2,501,626	2,841,842	2,503,871	337,971
General government	—	6,000	3,345	2,655
Capital outlay	160,000	1,208,430	897,368	311,062
Debt service	2,168,014	2,449,677	2,167,724	281,953
Total expenditures	<u>4,829,640</u>	<u>6,505,949</u>	<u>5,572,308</u>	<u>933,641</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>(86,401)</u>	<u>(1,760,435)</u>	(1,372,375)	<u>388,060</u>
Undesignated fund balance (deficit) at beginning of year			(3,752,353)	
Cancellation of prior year encumbrances			36,044	
Change in other fund balance components during the year (1)			26,456	
Undesignated fund balance (deficit) at end of year			<u>\$ (5,062,228)</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Basis Reconciliation Schedule  
 Park Improvements Sales Tax Fund  
 Year ended June 30, 2010

	<u><b>Park Improvements Sales Tax</b></u>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,199,933
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 4,199,933</u></u>
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,572,308
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(114,978)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	267,794
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 5,725,124</u></u>

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Storm Water Sales Tax Fund  
 Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
			<u>(Budget Basis)</u>	<u>Budget</u>
Revenues:				
Sales taxes	\$ 4,050,239	4,050,239	3,727,187	(323,052)
Interest	133,100	133,100	35,480	(97,620)
Other revenue	—	—	73,574	73,574
Total revenues	<u>4,183,339</u>	<u>4,183,339</u>	<u>3,836,241</u>	<u>(347,098)</u>
Expenditures:				
Storm water				
Administration	323,861	322,775	149,331	173,444
Maintenance	1,265,660	1,209,113	901,786	307,327
Permit completion	165,450	250,325	158,350	91,975
Capital outlay	4,030,000	11,729,580	3,661,737	8,067,843
Total expenditures	<u>5,784,971</u>	<u>13,511,793</u>	<u>4,871,204</u>	<u>8,640,589</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>5,784,971</u>	<u>13,511,793</u>	<u>4,871,204</u>	<u>8,640,589</u>
Excess of revenues over (under) expenditures	<u>\$ (1,601,632)</u>	<u>(9,328,454)</u>	<u>(1,034,963)</u>	<u>8,293,491</u>
Undesignated fund balance at beginning of year			8,621,288	
Cancellation of prior year encumbrances			5,987	
Change in other fund balance components during the year (1)			(577,337)	
Undesignated fund balance at end of year			<u>\$ 7,014,975</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2010

	<u>Storm Water Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 3,836,241
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>\$ 3,836,241</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 4,871,204
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(97,404)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	260,999
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 5,034,799</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budget Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes	\$ 2,160,325	2,160,325	1,975,909	(184,416)
Investment income	33,600	33,600	5,360	(28,240)
Other revenue	—	—	2,315	2,315
Total revenues	<u>2,193,925</u>	<u>2,193,925</u>	<u>1,983,584</u>	<u>(210,341)</u>
<b>Expenditures:</b>				
Public safety				
Communications	129,942	992,362	531,191	461,171
Facilities	295,881	113,910	98,627	15,283
Equipment	1,675,951	995,502	587,532	407,970
Debt service	514,113	514,113	512,043	2,070
Total expenditures	<u>2,615,887</u>	<u>2,615,887</u>	<u>1,729,393</u>	<u>886,494</u>
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (421,962)</u>	<u>(421,962)</u>	254,191	<u>676,153</u>
Undesignated fund balance at beginning of year			1,078,963	
Cancellation of prior year encumbrances			8,718	
Change in other fund balance components during the year (1)			—	
Undesignated Fund Balance at end of year			<u>\$ 1,341,872</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**  
**Budgetary Basis Reconciliation Schedule**  
**Police Public Safety Sales Tax Fund**  
 Year ended June 30, 2010

	<u>Police Public Safety Sales Tax</u>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,983,584
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>\$ 1,983,584</u>
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,729,393
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(321,302)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	1,101,586
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,509,677</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, 2010

	<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	\$ 2,025,120	2,025,120	1,863,024	(162,096)
Other revenue	77,500	77,500	8,039	(69,461)
Total revenues	<u>2,102,620</u>	<u>2,102,620</u>	<u>1,871,063</u>	<u>(231,557)</u>
Expenditures:				
Public safety	1,890,565	1,890,565	1,889,170	1,395
Capital outlay	—	632,672	350,322	282,350
Debt service	554,213	554,213	550,818	3,395
Total expenditures	<u>2,444,778</u>	<u>3,077,450</u>	<u>2,790,310</u>	<u>287,140</u>
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (342,158)</u>	<u>(974,830)</u>	<u>(919,247)</u>	<u>55,583</u>
Undesignated fund balance at beginning of year			1,869,449	
Cancellation of prior year encumbrances			20,823	
Change in other fund balance components during the year (1)			279,645	
Undesignated fund balance at end of year			<u>\$ 1,250,670</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Basis Reconciliation Schedule  
 Fire Public Safety Sales Tax Fund  
 Year ended June 30, 2010

	<u><b>Fire Public Safety Sales Tax</b></u>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,871,063
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 1,871,063</u></u>
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,790,310
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(104,823)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	266,826
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 2,952,313</u></u>

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

**CITY OF INDEPENDENCE, MISSOURI**  
 Budgetary Comparison Schedule  
 Grants Fund  
 Year Ended June 30, 2010

	<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>
<b>Revenues:</b>				
Grants and other shared revenue	\$ 876,176	10,590,854	2,526,820	(8,064,034)
Charges for current services	70,872	92,552	93,958	1,406
Interest income and other revenue	—	38,625	13,508	(25,117)
Total revenues	<u>947,048</u>	<u>10,722,031</u>	<u>2,634,286</u>	<u>(8,087,745)</u>
<b>Expenditures:</b>				
Law department	25,887	65,257	24,350	40,907
Police department	528,698	3,184,285	1,489,489	1,694,796
Fire department	45,711	227,418	108,967	118,451
Health department	346,752	880,570	508,854	371,716
Community development	—	166,344	165,326	1,018
	—	6,192,382	3,186,215	3,006,167
Total expenditures	<u>947,048</u>	<u>10,716,256</u>	<u>5,483,201</u>	<u>5,233,055</u>
Excess of revenues over (under) expenditures	\$ <u>—</u>	<u>5,775</u>	(2,848,915)	<u>(2,854,690)</u>
Undesignated fund balance (deficit) at beginning of year			(158,657)	
Change in other fund balance components during the year (1)			158,657	
Undesignated fund balance (deficit) at end of year			<u>\$ (2,848,915)</u>	

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

**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2010

	<u>Grants</u>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,634,286
Basis differences – budget to GAAP:	
None	—
	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>2,634,286</u></u>
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,483,201
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(2,848,915)
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	\$ <u><u>2,634,286</u></u>

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

## CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet  
Nonmajor Sales Tax Funds

June 30, 2010

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	\$ 174,267	—	8,600,862	1,695,753	1,173,998	11,644,880
Receivables:						
Taxes	1,258,963	633,021	633,044	324,548	323,588	3,173,164
Accrued interest	—	—	2,273	—	—	2,273
Due from other funds	—	—	16,155	—	—	16,155
Restricted assets	10,417	—	—	—	—	10,417
Total assets	<u>\$ 1,443,647</u>	<u>633,021</u>	<u>9,252,334</u>	<u>2,020,301</u>	<u>1,497,586</u>	<u>14,846,889</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts and contracts payable	\$ 908,331	14,228	299,852	120,215	65,463	1,408,089
Due to other funds	—	5,320,622	—	—	—	5,320,622
Accrued items	—	42,354	13,491	—	—	55,845
Other current liabilities	—	275	—	—	—	275
Total liabilities	<u>908,331</u>	<u>5,377,479</u>	<u>313,343</u>	<u>120,215</u>	<u>65,463</u>	<u>6,784,831</u>
Fund balances:						
Reserved for:						
Encumbrances	1,134,962	317,770	1,924,019	558,215	181,454	4,116,420
Other purposes	10,417	—	—	—	—	10,417
Unreserved, reported in:						
Special revenue funds	<u>(610,063)</u>	<u>(5,062,228)</u>	<u>7,014,972</u>	<u>1,341,871</u>	<u>1,250,669</u>	<u>3,935,221</u>
Total fund balances	<u>535,316</u>	<u>(4,744,458)</u>	<u>8,938,991</u>	<u>1,900,086</u>	<u>1,432,123</u>	<u>8,062,058</u>
Total liabilities and fund balances	<u>\$ 1,443,647</u>	<u>633,021</u>	<u>9,252,334</u>	<u>2,020,301</u>	<u>1,497,586</u>	<u>14,846,889</u>

## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Sales Tax Funds

Year ended June 30, 2010

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
<b>Revenues:</b>						
Taxes	\$ 7,452,606	3,726,577	3,727,187	1,975,909	1,863,024	18,745,303
Charges for services	16,382	468,586	—	—	—	484,968
Investment income	5,638	—	35,480	5,360	5,764	52,242
Other	75,871	4,770	59,146	62	2,275	142,124
<b>Total revenues</b>	<b>7,550,497</b>	<b>4,199,933</b>	<b>3,821,813</b>	<b>1,981,331</b>	<b>1,871,063</b>	<b>19,424,637</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	—	—	—	1,998,959	2,051,173	4,050,132
Culture and recreation	—	2,656,687	—	—	—	2,656,687
Storm water	—	—	1,373,062	—	—	1,373,062
General government	134,705	3,345	—	—	—	138,050
Capital outlay	6,093,801	897,368	3,661,737	—	350,322	11,003,228
<b>Debt service:</b>						
Principal	395,000	1,840,000	—	380,000	410,000	3,025,000
Interest and fiscal agent fees	141,378	327,724	—	130,718	140,818	740,638
<b>Total expenditures</b>	<b>6,764,884</b>	<b>5,725,124</b>	<b>5,034,799</b>	<b>2,509,677</b>	<b>2,952,313</b>	<b>22,986,797</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>785,613</b>	<b>(1,525,191)</b>	<b>(1,212,986)</b>	<b>(528,346)</b>	<b>(1,081,250)</b>	<b>(3,562,160)</b>
<b>Other financing sources (uses):</b>						
Proceeds from bond issuance	4,020,000	—	—	—	—	4,020,000
Reoffering premium/original issue discount	18,402	—	—	—	—	18,402
Transfers out	(2,200,422)	—	—	—	—	(2,200,422)
Sale of capital assets	—	—	14,428	2,253	—	16,681
<b>Total other financing sources (uses)</b>	<b>1,837,980</b>	<b>—</b>	<b>14,428</b>	<b>2,253</b>	<b>—</b>	<b>1,854,661</b>
<b>Net change in fund balances</b>	<b>2,623,593</b>	<b>(1,525,191)</b>	<b>(1,198,558)</b>	<b>(526,093)</b>	<b>(1,081,250)</b>	<b>(1,707,499)</b>
Fund balances, beginning	(2,088,277)	(3,219,267)	10,137,549	2,426,179	2,513,373	9,769,557
Fund balances, ending	<b>\$ 535,316</b>	<b>(4,744,458)</b>	<b>8,938,991</b>	<b>1,900,086</b>	<b>1,432,123</b>	<b>8,062,058</b>

**CITY OF INDEPENDENCE, MISSOURI**

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2010

Assets	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ 19,729	—	—	—	19,729
Due from other funds	—	—	—	420,297	420,297
Due from other governments	—	12,358	—	—	12,358
Total assets	<u>\$ 19,729</u>	<u>12,358</u>	<u>—</u>	<u>420,297</u>	<u>452,384</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ —	12,141	16,155	—	28,296
Total liabilities	<u>—</u>	<u>12,141</u>	<u>16,155</u>	<u>—</u>	<u>28,296</u>
Fund balances (deficit):					
Reserved for:					
Encumbrances	—	87,430	—	420,640	508,070
Unreserved, reported in:					
Capital projects funds	19,729	(87,213)	(16,155)	(343)	(83,982)
Total fund balances (deficit)	<u>19,729</u>	<u>217</u>	<u>(16,155)</u>	<u>420,297</u>	<u>424,088</u>
Total liabilities and fund balances	<u>\$ 19,729</u>	<u>12,358</u>	<u>—</u>	<u>420,297</u>	<u>452,384</u>

## CITY OF INDEPENDENCE, MISSOURI

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

## Nonmajor Capital Projects Funds

Year ended June 30, 2010

	<b>Revolving Public Improvements</b>	<b>Buildings and Other Improvements</b>	<b>Storm Drainage</b>	<b>Park Improvements</b>	<b>Total (Exhibit 13)</b>
<b>Revenues:</b>					
Intergovernmental	\$ —	12,358	—	—	12,358
Investment income	23	—	—	451	474
Reimbursements from component unit	—	929	—	656,042	656,971
Other	—	—	—	157	157
Total revenues	<u>23</u>	<u>13,287</u>	<u>—</u>	<u>656,650</u>	<u>669,960</u>
<b>Expenditures:</b>					
Capital outlay	—	100,421	—	681,041	781,462
Total expenditures	<u>—</u>	<u>100,421</u>	<u>—</u>	<u>681,041</u>	<u>781,462</u>
Excess (deficiency) of revenues over expenditures	<u>23</u>	<u>(87,134)</u>	<u>—</u>	<u>(24,391)</u>	<u>(111,502)</u>
<b>Other financing sources (uses):</b>					
Transfers in	—	87,134	—	24,999	112,133
Total other financing sources (uses)	<u>—</u>	<u>87,134</u>	<u>—</u>	<u>24,999</u>	<u>112,133</u>
Net change in fund balances	23	—	—	608	631
Fund balances (deficit), beginning	<u>19,706</u>	<u>217</u>	<u>(16,155)</u>	<u>419,689</u>	<u>423,457</u>
Fund balances (deficit), ending	<u>\$ 19,729</u>	<u>217</u>	<u>(16,155)</u>	<u>420,297</u>	<u>424,088</u>

## **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.

**Pharmacy Benefit Plan** – This fund is used to account for the costs of the City’s self-insured pharmacy/prescription 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 Assets

## Internal Service Funds

June 30, 2010

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
<b>Assets:</b>					
Current assets:					
Pooled cash and investments	\$ 339,012	—	6,006,202	301,314	6,646,528
Accounts receivable	5,344	—	83,566	60,000	148,910
Due from other funds	—	—	—	1,229,953	1,229,953
Accrued interest receivable	—	—	1,515	—	1,515
Inventory	84,441	—	—	—	84,441
Total current assets	428,797	—	6,091,283	1,591,267	8,111,347
Noncurrent assets:					
Capital assets:					
Land	93,979	—	—	—	93,979
Depreciable property, plant, and equipment	181,049	—	—	—	181,049
Less accumulated depreciation	(147,895)	—	—	—	(147,895)
Total noncurrent assets	127,133	—	—	—	127,133
Total assets	\$ 555,930	—	6,091,283	1,591,267	8,238,480
<b>Liabilities:</b>					
Current liabilities:					
Accounts and contracts payable	\$ 42,090	—	—	1,323	43,413
Due to other funds	—	—	145,000	—	145,000
Accrued liabilities	22,840	—	—	2,266	25,106
Compensated absences – current	39,753	—	—	13,180	52,933
Self-insurance claims payable	—	—	3,256,076	929,489	4,185,565
Total current liabilities	104,683	—	3,401,076	946,258	4,452,017
Noncurrent liabilities:					
Compensated absences – long-term	62,819	—	—	30,342	93,161
Other post employment benefits	211,217	—	—	6,493	217,710
Self-insurance claims payable	—	—	—	1,979,103	1,979,103
Total noncurrent liabilities	274,036	—	—	2,015,938	2,289,974
Total liabilities	378,719	—	3,401,076	2,962,196	6,741,991
<b>Net assets:</b>					
Invested in capital assets	127,133	—	—	—	127,133
Unrestricted	50,078	—	2,690,207	(1,370,929)	1,369,356
Total net assets (deficit)	177,211	—	2,690,207	(1,370,929)	1,496,489
Total liabilities and net assets	\$ 555,930	—	6,091,283	1,591,267	8,238,480

## CITY OF INDEPENDENCE, MISSOURI

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

## Internal Service Funds

Year ended June 30, 2010

	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:					
Charges for services	\$ 2,103,089	—	16,643,041	2,037,826	20,783,956
Other reimbursements	—	—	—	418,496	418,496
Total operating revenues	<u>2,103,089</u>	<u>—</u>	<u>16,643,041</u>	<u>2,456,322</u>	<u>21,202,452</u>
Operating expenses:					
Personal services	677,309	—	—	114,340	791,649
Other services	434,133	—	18,445,031	2,123,746	21,002,910
Supplies	1,061,049	—	—	4,122	1,065,171
Capital outlay	340	—	—	1,019	1,359
Depreciation and amortization	2,514	—	—	—	2,514
Total operating expenses	<u>2,175,345</u>	<u>—</u>	<u>18,445,031</u>	<u>2,243,227</u>	<u>22,863,603</u>
Operating income (loss)	<u>(72,256)</u>	<u>—</u>	<u>(1,801,990)</u>	<u>213,095</u>	<u>(1,661,151)</u>
Nonoperating revenues:					
Interest revenue	343	—	28,828	2,366	31,537
Miscellaneous revenue	42,583	—	867,010	26	909,619
Total nonoperating revenue	<u>42,926</u>	<u>—</u>	<u>895,838</u>	<u>2,392</u>	<u>941,156</u>
Income (loss) before transfers	<u>(29,330)</u>	<u>—</u>	<u>(906,152)</u>	<u>215,487</u>	<u>(719,995)</u>
Transfers in	—	86,957	—	—	86,957
Transfers out	—	—	(86,957)	—	(86,957)
Change in net assets	<u>(29,330)</u>	<u>86,957</u>	<u>(993,109)</u>	<u>215,487</u>	<u>(719,995)</u>
Total net assets:					
Beginning of the year (deficit)	<u>206,541</u>	<u>(86,957)</u>	<u>3,683,316</u>	<u>(1,586,416)</u>	<u>2,216,484</u>
End of the year (deficit)	<u>\$ 177,211</u>	<u>—</u>	<u>2,690,207</u>	<u>(1,370,929)</u>	<u>1,496,489</u>

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Cash Flows

## Internal Service Funds

Year ended June 30, 2010

	Internal Service Funds				Total (Exhibit 7)
	Central Garage	Pharmacy Benefit Plan	Staywell Health Care	Workers' Compensation	
Cash flows from operations:					
Receipts from customers	\$ 2,146,460	1,048	17,515,091	2,705,124	22,367,723
Payments to suppliers	(1,420,049)	(10,451)	(17,028,930)	(2,265,228)	(20,724,658)
Payments to employees	(587,317)	—	—	(103,871)	(691,188)
Net cash provided (used) by operating activities	139,094	(9,403)	486,161	336,025	951,877
Cash flows from noncapital financing activities:					
Transfers in	—	86,957	(86,957)	—	—
Advances from other funds	—	(145,000)	145,000	(1,229,953)	(1,229,953)
Net cash provided (used) by noncapital financing activities	—	(58,043)	58,043	(1,229,953)	(1,229,953)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(34,568)	—	—	—	(34,568)
Net cash provided by (used in) capital and related financing activities	(34,568)	—	—	—	(34,568)
Cash flows from investing activities:					
Purchases of investments	—	—	(1,998,155)	—	(1,998,155)
Proceeds from sales and maturities of investments	—	—	3,000,000	—	3,000,000
Interest on investments	343	—	40,946	2,366	43,655
Net cash provided by investing activities	343	—	1,042,791	2,366	1,045,500
Net increase (decrease) in cash and cash equivalents	104,869	(67,446)	1,586,995	(891,562)	732,856
Cash and cash equivalents at beginning of year	234,143	67,446	2,421,051	1,192,876	3,915,516
Cash and cash equivalents at end of year	339,012	—	4,008,046	301,314	4,648,372
Investments with original maturities greater than 90 days	—	—	1,998,156	—	1,998,156
Pooled cash and investments	\$ 339,012	—	6,006,202	301,314	6,646,528
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (72,256)	—	(1,801,990)	213,095	(1,661,151)
Adjustments not affecting cash:					
Depreciation and amortization	2,514	—	—	—	2,514
Nonoperating Revenues	42,583	—	867,010	26	909,619
Change in assets and liabilities:					
Accounts receivable	788	1,048	5,040	248,776	255,652
Inventory	66,857	—	—	—	66,857
Prepaid items	—	—	—	15,308	15,308
Accounts and contracts payable	8,616	—	(3,116)	(15,592)	(10,092)
Accrued liabilities	12,431	(10,451)	1,419,217	773	1,421,970
Other post-employment benefits	63,726	—	—	6,493	70,219
Self-insurance claims payable	—	—	—	(136,830)	(136,830)
Compensated absences	13,835	—	—	3,976	17,811
Total adjustments	211,350	(9,403)	2,288,151	122,930	2,613,028
Net cash provided (used) by operating activities	\$ 139,094	(9,403)	486,161	336,025	951,877

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2010

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010 (Exhibit 8)</b>
<b>Flexible Benefit Plan:</b>				
Assets:				
Pooled cash and investments	\$ 53,861	92,366	89,277	56,950
Imprest bank accounts	5,372	—	—	5,372
	<u>\$ 59,233</u>	<u>92,366</u>	<u>89,277</u>	<u>62,322</u>
Liabilities:				
Flexible benefit payable	\$ 59,233	563,495	560,406	62,322
	<u>\$ 59,233</u>	<u>563,495</u>	<u>560,406</u>	<u>62,322</u>
<b>Susie Block Trust:</b>				
Assets:				
Pooled cash and investments	\$ 31,248	1,331	1,114	31,465
Accrued interest receivable	493	1,370	1,371	492
	<u>\$ 31,741</u>	<u>2,701</u>	<u>2,485</u>	<u>31,957</u>
Liabilities:				
Funds held in escrow	\$ 31,741	1,375	1,159	31,957
	<u>\$ 31,741</u>	<u>1,375</u>	<u>1,159</u>	<u>31,957</u>
<b>Seniors Travel Programs:</b>				
Assets:				
Pooled cash and investments	\$ 24,494	63,833	57,037	31,290
Liabilities:				
Accounts and contracts payable	\$ —	53,830	53,830	—
Funds held in escrow	24,494	66,964	60,168	31,290
	<u>\$ 24,494</u>	<u>120,794</u>	<u>113,998</u>	<u>31,290</u>
<b>All Agency Funds:</b>				
Assets:				
Pooled cash and investments	\$ 109,603	157,530	147,428	119,705
Imprest bank accounts	5,372	—	—	5,372
Accrued interest receivable	493	1,370	1,371	492
	<u>\$ 115,468</u>	<u>158,900</u>	<u>148,799</u>	<u>125,569</u>
Liabilities:				
Flexible benefit payable	\$ 59,233	563,495	560,406	62,322
Accounts and contracts payable	—	53,830	53,830	—
Funds held in escrow	56,235	68,339	61,327	63,247
	<u>\$ 115,468</u>	<u>685,664</u>	<u>675,563</u>	<u>125,569</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Balance Sheet**  
**Component Unit - Tax Increment Financing**  
**June 30, 2010**

<b>Assets</b>	<b>Midtown Truman</b>	<b>RSO</b>	<b>Sante Fe</b>	<b>Sterling Village</b>	<b>Hartman Heritage</b>	<b>Drumm Farm</b>	<b>Eastland Center</b>
Pooled cash and investments	\$ 84,501	72,706	—	62,331	1,097,060	713,972	1,898,554
Receivables:							
Taxes	35,468	17,000	2,212	2,733	25,010	42,879	142,769
Accounts	—	—	597,329	—	—	—	—
Due from other funds	—	—	—	—	—	—	616,086
Due from other governments	—	15,892	—	—	33,182	1,191	161,984
Restricted assets	—	—	953,606	—	1,906,142	—	6,361,572
<b>Total assets</b>	<b>\$ 119,969</b>	<b>105,598</b>	<b>1,553,147</b>	<b>65,064</b>	<b>3,061,394</b>	<b>758,042</b>	<b>9,180,965</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Due to other funds	\$ —	—	598,244	—	—	—	—
Due to primary government	—	—	—	—	—	—	—
Other current liabilities	—	—	—	—	—	—	29,996
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>598,244</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,996</b>
Fund balances:							
Reserved for:							
Other purposes	—	—	953,606	—	1,906,142	—	3,924,898
Unreserved, reported in:							
Capital projects funds	119,969	105,598	1,297	65,064	1,155,252	758,042	5,226,071
<b>Total fund balances</b>	<b>119,969</b>	<b>105,598</b>	<b>954,903</b>	<b>65,064</b>	<b>3,061,394</b>	<b>758,042</b>	<b>9,150,969</b>
<b>Total liabilities and fund balances</b>	<b>\$ 119,969</b>	<b>105,598</b>	<b>1,553,147</b>	<b>65,064</b>	<b>3,061,394</b>	<b>758,042</b>	<b>9,180,965</b>

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
—	21,421	257,196	—	1,788,646	27,406	—	46,146	708,146	7,091	6,785,176
1,901	6,660	46,000	—	42,000	138,106	—	6,500	2,000	—	511,238
—	—	—	—	55,975	—	—	—	—	—	653,304
—	—	—	—	—	—	—	—	—	—	616,086
1,390	—	30,971	—	57,374	4,115	—	4,804	1,932	—	312,835
—	—	—	—	10,234,085	—	—	—	4,086,691	—	23,542,096
<u>3,291</u>	<u>28,081</u>	<u>334,167</u>	<u>—</u>	<u>12,178,080</u>	<u>169,627</u>	<u>—</u>	<u>57,450</u>	<u>4,798,769</u>	<u>7,091</u>	<u>32,420,735</u>
10,114	—	—	589	—	—	7,139	—	—	—	616,086
—	—	—	—	—	—	—	—	21,453	—	21,453
—	—	—	—	—	—	—	—	—	—	29,996
<u>10,114</u>	<u>—</u>	<u>—</u>	<u>589</u>	<u>—</u>	<u>—</u>	<u>7,139</u>	<u>—</u>	<u>21,453</u>	<u>—</u>	<u>667,535</u>
—	—	—	—	9,998,437	—	—	—	3,739,041	—	20,522,124
<u>(6,823)</u>	<u>28,081</u>	<u>334,167</u>	<u>(589)</u>	<u>2,179,643</u>	<u>169,627</u>	<u>(7,139)</u>	<u>57,450</u>	<u>1,038,275</u>	<u>7,091</u>	<u>11,231,076</u>
<u>(6,823)</u>	<u>28,081</u>	<u>334,167</u>	<u>(589)</u>	<u>12,178,080</u>	<u>169,627</u>	<u>(7,139)</u>	<u>57,450</u>	<u>4,777,316</u>	<u>7,091</u>	<u>31,753,200</u>
<u>3,291</u>	<u>28,081</u>	<u>334,167</u>	<u>—</u>	<u>12,178,080</u>	<u>169,627</u>	<u>—</u>	<u>57,450</u>	<u>4,798,769</u>	<u>7,091</u>	

Amounts reported in the government-wide statements are different because:

Unreimbursed certified costs are reported as liabilities and expense at the government-wide level, but not at the fund statement level	(26,193,814)
Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due	(2,877,404)
Long term liabilities, including TIF loans payable are not due and payable in the current period and therefore are not reported in the funds, net of unamortized premiums/discounts	
TIF loans and obligations payable	(187,229,454)
Unamortized issuance costs on TIF loans payable	1,720,995
Net assets (deficit) of component unit	<u>\$ (182,826,477)</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)**  
**Component Unit - Tax Increment Financing**  
**Year ended June 30, 2010**

	Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastband Center	North Independence
<b>Revenues:</b>								
Taxes	\$ 41,521	203,350	78,686	30,403	1,490,232	498,583	4,424,022	59,930
Charges for services	—	—	—	—	5	—	—	—
Investment income	265	36	1,305	5,387	6,565	1,384	48,583	10
Developer contributions	—	—	859,640	—	—	—	—	—
Lease payments	—	—	—	—	—	—	—	—
<b>Total revenues</b>	<b>41,786</b>	<b>203,386</b>	<b>939,631</b>	<b>35,790</b>	<b>1,496,802</b>	<b>499,967</b>	<b>4,472,605</b>	<b>59,940</b>
<b>Expenditures:</b>								
Capital outlay	137	2,012	5,183	892	100,780	17,427	7,416,188	1,222
Debt service:								
Principal	182,601	—	405,000	—	960,388	250,000	1,750,000	36,901
Interest and fiscal agent fees	—	151,741	545,749	—	786,017	187,360	1,624,565	36,818
<b>Total expenditures</b>	<b>182,738</b>	<b>153,753</b>	<b>955,932</b>	<b>892</b>	<b>1,847,185</b>	<b>454,787</b>	<b>10,790,753</b>	<b>74,941</b>
Excess (deficiency) of revenues over expenditures	(140,952)	49,633	(16,301)	34,898	(350,383)	45,180	(6,318,148)	(15,001)
<b>Other financing sources:</b>								
Issuance of debt	—	—	—	—	—	—	3,630,000	—
Reoffering premium/original issue discount	—	—	—	—	—	—	(13,629)	—
<b>Total other financing sources</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,616,371</b>	<b>—</b>
<b>Net change in fund balances</b>	<b>(140,952)</b>	<b>49,633</b>	<b>(16,301)</b>	<b>34,898</b>	<b>(350,383)</b>	<b>45,180</b>	<b>(2,701,777)</b>	<b>(15,001)</b>
Fund balances, beginning	260,921	55,965	971,204	30,166	3,411,777	712,862	11,852,746	8,178
Fund balances, ending	\$ 119,969	105,598	954,903	65,064	3,061,394	758,042	9,150,969	(6,823)

Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
17,204	671,733	14,732	983,831	169,803	356,876	242,577	3,695,124	—	12,978,607
—	—	—	—	—	—	—	—	—	5
9	185	12	23,617	26	—	35	14,124	11	101,554
—	—	—	997,197	—	—	—	—	—	859,640
—	—	—	—	—	—	—	—	—	997,197
17,213	671,918	14,744	2,004,645	169,829	356,876	242,612	3,709,248	11	14,937,003
230	13,102	588	2,432,311	545	7,138	16,130	6,523,505	4,232	16,541,622
—	418,836	21,751	815,000	—	320,496	148,742	1,060,000	—	6,369,715
—	89,007	6,329	4,809,214	—	30,592	43,575	1,883,391	—	10,194,358
230	520,945	28,668	8,056,525	545	358,226	208,447	9,466,896	4,232	33,105,695
16,983	150,973	(13,924)	(6,051,880)	169,284	(1,350)	34,165	(5,757,648)	(4,221)	(18,168,692)
—	—	—	4,130,000	—	—	—	2,325,000	—	10,085,000
—	—	—	(82,600)	—	—	—	(27,178)	—	(123,407)
—	—	—	4,047,400	—	—	—	2,297,822	—	9,961,593
16,983	150,973	(13,924)	(2,004,480)	169,284	(1,350)	34,165	(3,459,826)	(4,221)	(8,207,099)
11,098	183,194	13,335	14,182,560	343	(5,789)	23,285	8,237,142	11,312	39,960,299
28,081	334,167	(589)	12,178,080	169,627	(7,139)	57,450	4,777,316	7,091	31,753,200

Amounts reported in the government-wide statements are different because:

Change in fund balances \$ (8,207,099)

Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level (501,167)

Bond proceeds provide current financial resources in Tax Increment Financing funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in Tax Increment Financing funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded net assets. Also, Tax Increment Financing funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.

Loan proceeds	(10,085,000)
Reoffering premium/original issue discount	123,407
Issuance costs	352,483
Principal payments and reductions	6,369,715
Amortizations of discounts & premiums	(137,542)
Amortizations of issuance costs	(123,394)
Amortizations of deferred refunding costs	(62,528)
	<u>(3,562,859)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the Tax Increment Financing funds.

Accrued interest (91,178)

Change in net assets of Tax Increment Financing funds \$ (12,362,303)

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedules of Operating Expenses- Power and Light Fund**  
**Years ended June 30, 2010 and 2009**

	2010			2009		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 6,159,965			11,803,281
Gas			312,371			731,661
Oil			322,821			331,923
Total production fuel			<u>6,795,157</u>			<u>12,866,865</u>
Purchased power:						
Purchased energy			25,427,930			25,182,239
Purchased capacity (net)			15,024,800			8,290,828
Border customers			62,424			49,364
Control and dispatching			1,291,254			1,072,334
Total purchased power			<u>41,806,408</u>			<u>34,594,765</u>
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 655,255	697,973	1,353,228	642,685	542,334	1,185,019
Steam	865,274	3,970,020	4,835,294	826,159	4,105,568	4,931,727
Electric	855,949	501,760	1,357,709	809,321	792,619	1,601,940
Structures and improvements	—	172,456	172,456	—	117,802	117,802
Allowance	2,909	—	2,909	64,010	—	64,010
Miscellaneous	1,673,639	559,705	2,233,344	1,427,074	459,987	1,887,061
	<u>4,053,026</u>	<u>5,901,915</u>	<u>9,954,941</u>	<u>3,769,249</u>	<u>6,018,310</u>	<u>9,787,559</u>
Missouri City Station:						
Supervision and engineering	121,704	1,314	123,018	83,220	5,231	88,451
Steam	344,637	1,301,980	1,646,617	340,117	2,135,391	2,475,508
Electric	347,106	243,399	590,505	351,503	64,485	415,988
Structures and improvements	—	122,941	122,941	—	73,456	73,456
Miscellaneous	462,125	344,554	806,679	465,984	389,945	855,929
	<u>1,275,571</u>	<u>2,014,188</u>	<u>3,289,759</u>	<u>1,240,824</u>	<u>2,668,508</u>	<u>3,909,332</u>
Combustion Turbine Station:						
Supervision and engineering	—	1,359	1,359	96	63,814	63,910
Generation expenses	92	274,160	274,252	—	299,234	299,234
Structures and improvements	—	45,567	45,567	—	18,715	18,715
Miscellaneous	44,001	46,061	90,062	6,975	153,502	160,477
	<u>44,093</u>	<u>367,148</u>	<u>411,240</u>	<u>7,071</u>	<u>535,265</u>	<u>542,336</u>
Total production (other)	<u>\$ 5,372,689</u>	<u>8,283,251</u>	<u>13,655,940</u>	<u>5,017,144</u>	<u>9,222,083</u>	<u>14,239,227</u>
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 326,665	19,585	346,250	262,927	21,726	284,653
Overhead expenses	54,726	16,137	70,863	65,093	54,196	119,289
Station expenses	18,595	299,050	317,644	17,570	262,270	279,840
Wheeling charges	3,013,716	—	3,013,716	1,909,782	—	1,909,782
Underground line expense	1,317	2,695	4,011	—	—	—
Total transmission	<u>3,415,019</u>	<u>337,466</u>	<u>3,752,485</u>	<u>2,255,372</u>	<u>338,192</u>	<u>2,593,564</u>

**CITY OF INDEPENDENCE, MISSOURI**  
Schedules of Operating Expenses – Power and Light Fund  
Years ended June 30, 2010 and 2009

	<b>2010</b>			<b>2009</b>		
	<b>Operations</b>	<b>Maintenance</b>	<b>Total</b>	<b>Operations</b>	<b>Maintenance</b>	<b>Total</b>
<b>Distribution:</b>						
Supervision and engineering	\$ 159,995	58,763	218,758	135,416	48,541	183,957
Overhead lines	912,076	3,146,740	4,058,816	824,033	3,346,517	4,170,550
Station expenses	23,947	595,243	619,190	13,453	642,734	656,187
Street lights and traffic signals	288,877	703,311	992,188	247,958	553,564	801,522
Meters	237,232	665,080	902,313	165,839	637,623	803,462
Customer installations	181	—	181	—	—	—
Underground lines	913,737	603,399	1,517,136	768,568	726,606	1,495,174
Dispatching communication	809,334	—	809,334	777,763	—	777,763
Line transformers	—	134,975	134,975	—	102,752	102,752
Miscellaneous	577,549	456,232	1,033,782	597,997	261,549	859,546
Total distribution	<u>3,922,929</u>	<u>6,363,743</u>	<u>10,286,672</u>	<u>3,531,027</u>	<u>6,319,886</u>	<u>9,850,913</u>
Total transmission and distribution	<u>\$ 7,337,948</u>	<u>6,701,209</u>	<u>14,039,157</u>	<u>5,786,399</u>	<u>6,658,078</u>	<u>12,444,477</u>
<b>Customer service:</b>						
Supervision	\$		216,808			174,240
Meter reading			612,699			576,251
Customer records and collections			1,765,972			1,652,154
Provisions for doubtful accounts			603,126			581,530
Miscellaneous			51,759			45,675
Total customer service			<u>3,250,364</u>			<u>3,029,850</u>
<b>General and administrative:</b>						
Salaries			1,026,933			917,146
Office supplies			576,183			600,969
Insurance			1,099,083			931,041
Injuries and damage			786,982			754,421
Employee benefits			6,088,342			5,190,722
Outside services			1,990,696			2,726,806
Miscellaneous			1,210,719			1,035,466
Administrative expenses – transfers			(64,485)			(62,958)
Total general and administrative			<u>12,714,454</u>			<u>12,093,613</u>
Depreciation and amortization			11,661,807			11,433,567
Payroll taxes			1,045,352			997,834
Total operating expenses			<u>\$ 104,968,638</u>			<u>101,700,198</u>

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics– Power and Light Fund  
 Year ended June 30, 2010

	<b>Number of customers</b>		<b>Revenue</b>	<b>KWH</b>
	<b>Beginning of year</b>	<b>End of year</b>		
<b>Sale of electric energy:</b>				
<b>Metered:</b>				
Residential	51,535	51,386	\$ 55,171,199	498,601,603
Small general services	3,000	3,007	3,413,739	24,377,668
General services – space heating	1	1	1,746	22,625
Large general services	1,652	1,658	32,760,908	335,132,242
Large general services – prime voltage	2	2	993,400	11,203,740
Large general services – space heating	6	7	10,340	107,947
Total electric general services	94	100	4,700,685	60,208,428
Schools, churches, and hospitals	283	279	3,714,933	36,522,085
Schools, churches, and hospitals, all electric	10	11	377,618	4,776,109
Large power services	3	3	1,538,860	20,088,900
Combined interruptible services	—	—	1,195,214	18,571,100
Sewer pumping	—	—	159,312	1,560,433
City traffic signals	1	1	66,427	127,220
Wholesale (border customers)	6	6	173,197	3,850,033
Wholesale (interchange)	63	64	3,866,045	124,494,000
	<u>56,656</u>	<u>56,525</u>	108,143,624	1,139,644,133
<b>Unmetered:</b>				
Private security lighting	1,620	1,660	339,762	1,489,506
City public street lighting	11,832	11,762	1,554,665	9,958,318
	<u>13,452</u>	<u>13,422</u>	1,894,427	11,447,824
Change in unbilled revenue			3,429,768	26,470,465
Other operating revenue			1,236,746	—
EVTC			40,249	—
<b>Total operating revenue and total energy sales</b>			<b>\$ 114,744,814</b>	<b>1,177,562,422</b>
Net generation				134,842,548
Wholesale power purchased				1,090,166,147
Unintentional interchange				69,000
<b>Net generation and power purchased</b>				<b>1,225,077,695</b>
Retail energy sales				1,173,712,389
Wholesale (border customers) sales				3,850,033
Power and light usage (building and substations)				1,442,299
<b>Net disposition</b>				<b>1,179,004,721</b>
<b>Transmission and distribution operating losses</b>				<b>\$ 46,072,974</b>

**CITY OF INDEPENDENCE, MISSOURI**  
Schedules of Operating Expenses – Water Fund  
Years ended June 30, 2010 and 2009

	2010			2009		
	Operations	Maintenance	Total	Operations	Maintenance	Total
<b>Production:</b>						
Source of supply:						
Supervision and engineering	\$ 24,383	49	24,432	15,404	—	15,404
Labor and expenses	299,770	—	299,770	245,373	—	245,373
Structures and improvements	—	32,350	32,350	—	432,311	432,311
Miscellaneous	—	186,408	186,408	—	225,842	225,842
Total source of supply	<u>324,153</u>	<u>218,807</u>	<u>542,960</u>	<u>260,777</u>	<u>658,153</u>	<u>918,930</u>
Power and pumping:						
Supervision and engineering	36,732	85,081	121,813	30,623	17,822	48,445
Fuel/power purchased	1,517,817	—	1,517,817	1,394,942	—	1,394,942
Labor and expenses	231,364	—	231,364	237,929	—	237,929
Structures and improvements	—	8,132	8,132	—	11,264	11,264
Miscellaneous	—	16,767	16,767	—	—	—
Total power and pumping	<u>1,785,913</u>	<u>109,980</u>	<u>1,895,893</u>	<u>1,663,494</u>	<u>29,086</u>	<u>1,692,580</u>
Water treatment:						
Supervision and engineering	42,281	18,472	60,753	33,136	17,959	51,095
Chemicals	1,276,435	—	1,276,435	1,052,892	—	1,052,892
Labor and expenses	652,367	—	652,367	757,760	—	757,760
Structures and improvements	—	54,505	54,505	—	250,095	250,095
Miscellaneous	—	305,317	305,317	—	461,375	461,375
Total water treatment	<u>1,971,083</u>	<u>378,294</u>	<u>2,349,377</u>	<u>1,843,788</u>	<u>729,429</u>	<u>2,573,217</u>
Total production	\$ <u>4,081,149</u>	<u>707,081</u>	<u>4,788,230</u>	<u>3,768,059</u>	<u>1,416,668</u>	<u>5,184,727</u>
Transmission and distribution:						
Supervision and engineering	\$ 95,042	69,842	164,884	88,164	64,324	152,488
Storage facilities	19,745	51,863	71,608	17,935	68,138	86,073
Transmission and distribution lines	687,546	734,999	1,422,545	649,034	785,784	1,434,818
Meters	429,990	158,408	588,398	419,695	131,117	550,812
Customer installations	84,279	—	84,279	90,857	—	90,857
Services	—	120,635	120,635	—	213,462	213,462
Hydrants	—	51,626	51,626	—	70,876	70,876
Miscellaneous	807,091	214,385	1,021,476	828,672	199,150	1,027,822
Total transmission and distribution	\$ <u>2,123,693</u>	<u>1,401,758</u>	<u>3,525,451</u>	<u>2,094,357</u>	<u>1,532,851</u>	<u>3,627,208</u>
Customer service:						
Customer accounting paid and collecting:						
Supervision			\$ 208,160			202,688
Meter reading			623,882			571,256
Customer records			137,121			94,276
Provision for uncollectible amounts			93,279			66,326
Total customer accounting paid and collecting			<u>1,062,442</u>			<u>934,546</u>
Sales promotion:						
Expenses			<u>30,058</u>			<u>39,461</u>
Total customer service			<u>1,092,500</u>			<u>974,007</u>
General and administrative:						
Salaries			557,608			553,921
Office supplies and expense			335,659			321,019
Injuries and damages			458,928			480,183
Employee benefits			1,764,026			1,519,240
Outside services			949,497			1,031,074
Miscellaneous			246,039			229,316
Total general and administrative			<u>4,311,757</u>			<u>4,134,753</u>
Depreciation and amortization						
Payroll taxes			3,050,251			2,823,435
Other			363,519			359,297
			<u>58,639</u>			<u>49,432</u>
Total operating expenses			<u>17,190,347</u>			<u>17,152,859</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 assets						
			<u>1,754,249</u>			<u>1,727,049</u>
			\$ <u>18,944,596</u>			<u>18,879,908</u>

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics – Water Fund  
 Year ended June 30, 2010

	<u>Number of customers</u>				
	<u>Beginning of year</u>	<u>End of year</u>			
Sale of water:					
Residential	44,732	44,619	\$	9,403,985	2,806,556
Commercial	3,111	3,102		2,404,953	780,631
Industrial	7	6		407,313	207,140
Public authority	73	72		297,218	95,685
Resale	13	13		6,302,494	5,106,877
Private fire protection	382	381		94,424	—
Public fire protection	—	—		791,226	—
	<u>48,318</u>	<u>48,193</u>		19,701,613	<u>8,996,889</u>
Change in unbilled revenue				100,551	
Other operating revenue				332,257	
Total operating revenue			\$	<u>20,134,421</u>	
Thousands of gallons pumped:					
Courtney Bend Plant					10,465,383
Less total sales					<u>8,996,889</u>
Unaccounted for water					<u>1,468,494</u>

\* Thousand gallons sold.

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics – Sanitary Sewer Fund  
 Year ended June 30, 2010

	<u>Number of customers</u>		<u>Revenue</u>	<u>CCF*</u>
	<u>Beginning of year</u>	<u>End of year</u>		
Sale of sanitary sewer services:				
Residential	40,775	40,676	\$ 9,733,214	2,859,193
Commercial:				
Base	3,493	3,494	3,875,660	1,484,809
Surcharge	—	—	694,061	—
Contract waste treatment	11	15	296,278	—
Intermunicipal agreements:				
Sugar Creek	—	—	386,167	—
Kansas City	—	—	70,392	—
	<u>44,279</u>	<u>44,185</u>	<u>15,055,772</u>	<u>4,344,002</u>
Other operating revenue			145,059	
Change in unbilled revenue			62,755	
Total operating revenue			<u>\$ 15,263,586</u>	

\* Hundred cubic feet.

# STATISTICAL SECTION

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

## Contents

## Tables

### **Financial Trends**

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

1 - 4

### **Revenue Capacity**

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

5 - 15

### **Debt Capacity**

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

16 - 20

### **Demographic and Economic Information**

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

21 - 22

### **Operating Information**

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

23 - 25

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

**City of Independence, Missouri**  
**Net Assets by Component**  
**Last Nine Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 64,450,833	75,199,757	86,613,728	102,014,271	165,333,646	195,251,671	233,350,380	289,028,019	305,569,028
Restricted	5,523,788	8,932,152	12,415,044	26,147,417	25,262,407	28,164,683	25,270,518	15,475,723	16,889,552
Unrestricted	(37,143,473)	(43,181,083)	(48,877,412)	(5,752,346)	(4,028,884)	(3,132,802)	(4,410,121)	(10,487,249)	(23,784,298)
<b>Total governmental activities net assets</b>	<b>\$ 32,831,148</b>	<b>40,950,826</b>	<b>50,151,360</b>	<b>122,409,342</b>	<b>186,567,169</b>	<b>220,283,552</b>	<b>254,210,777</b>	<b>294,016,493</b>	<b>298,674,282</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 205,396,875	210,181,962	212,840,200	233,908,193	246,080,008	267,330,916	285,931,913	281,280,070	279,970,114
Restricted	500,000	500,000	500,000	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885
Unrestricted	75,880,444	78,252,510	85,443,314	72,143,939	70,071,662	60,010,180	31,311,367	29,929,991	32,197,583
<b>Total business-type activities net assets</b>	<b>\$ 281,777,319</b>	<b>288,934,472</b>	<b>298,783,514</b>	<b>306,552,132</b>	<b>316,883,322</b>	<b>328,072,197</b>	<b>322,459,952</b>	<b>314,901,386</b>	<b>315,860,582</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 269,847,708	285,381,719	299,453,928	335,922,464	411,413,654	462,582,587	519,282,293	570,308,089	585,539,142
Restricted	6,023,788	9,432,152	12,915,044	26,647,417	25,994,059	28,895,784	30,487,190	19,167,048	20,582,437
Unrestricted	38,736,971	35,071,427	36,565,902	66,391,593	66,042,778	56,877,378	26,901,246	19,442,742	8,413,285
<b>Total primary government net assets</b>	<b>\$ 314,608,467</b>	<b>329,885,298</b>	<b>348,934,874</b>	<b>428,961,474</b>	<b>503,450,491</b>	<b>548,355,749</b>	<b>576,670,729</b>	<b>608,917,879</b>	<b>614,534,864</b>

Note: GASB 34 was implemented in the 2002 fiscal year, so only nine fiscal years are shown.

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

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

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

Table 2

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>									
<b>Governmental activities:</b>									
Administrative services	\$ 6,840,135	6,846,123	6,808,416	7,148,065	7,363,102	7,749,779	8,487,120	8,216,824	9,172,736
Public safety	31,837,122	33,028,116	32,987,626	35,069,866	36,796,996	38,253,819	44,390,164	47,972,502	49,861,503
Public works	6,842,096	6,686,542	6,196,849	6,889,773	12,817,343	13,231,006	13,013,430	13,197,612	13,687,890
Health and welfare	2,267,210	2,376,921	2,524,823	2,421,255	2,638,369	2,898,542	3,287,200	3,599,725	3,607,469
Culture and recreation	3,279,161	3,861,827	4,069,244	4,247,735	5,161,139	6,965,260	7,813,486	8,135,903	7,604,501
Community development	3,554,250	3,319,609	3,471,030	3,372,610	3,809,726	4,096,835	4,381,932	4,003,876	4,386,689
Storm water	846,628	1,081,513	1,043,573	1,493,534	1,641,992	2,193,290	2,270,858	2,445,470	2,569,381
General government	25,247,320	11,149,913	15,012,715	6,266,060	6,678,208	8,225,760	7,921,217	8,374,983	9,421,062
Interest on long-term debt	2,874,711	2,955,628	3,237,213	536,124	991,856	1,050,153	1,073,318	891,473	640,902
<b>Total governmental activities expenses</b>	<b>83,588,633</b>	<b>71,306,192</b>	<b>75,351,489</b>	<b>67,445,022</b>	<b>77,898,731</b>	<b>84,664,444</b>	<b>92,638,725</b>	<b>96,838,368</b>	<b>100,952,133</b>
<b>Business-type activities:</b>									
Power and light	60,903,841	65,841,126	71,641,843	73,531,757	84,564,657	89,265,988	101,665,442	101,097,606	105,486,932
Water	14,581,301	15,297,405	15,352,095	16,394,488	17,097,507	17,723,114	19,131,054	20,250,295	20,324,005
Sewer	11,021,666	11,535,324	11,381,487	11,995,774	12,236,654	12,721,171	14,451,363	15,233,127	15,268,389
Events center	—	—	—	—	—	—	179,032	1,888,027	4,862,017
<b>Total business-type activities expenses</b>	<b>86,506,808</b>	<b>92,673,855</b>	<b>98,375,425</b>	<b>101,922,019</b>	<b>115,898,818</b>	<b>119,710,273</b>	<b>135,426,891</b>	<b>138,469,055</b>	<b>145,941,343</b>
<b>Total primary government expenses</b>	<b>\$ 170,095,441</b>	<b>163,980,047</b>	<b>173,726,914</b>	<b>169,367,041</b>	<b>191,797,549</b>	<b>204,374,717</b>	<b>228,065,616</b>	<b>235,307,423</b>	<b>246,893,476</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
Charges for services:									
Administrative services	\$ 5,146,121	5,063,353	5,117,112	5,067,474	5,512,413	5,696,158	5,905,973	6,247,933	6,276,153
Public safety	3,420,032	3,758,528	3,618,327	3,841,471	4,588,766	4,202,328	4,202,059	4,432,454	4,867,364
Public works	640,648	649,768	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172	462,490
Health and welfare	99,427	321,312	487,956	482,601	435,775	723,574	791,825	776,194	819,659
Culture and recreation	325,980	153,669	252,814	619,630	975,889	845,560	925,880	842,523	771,890
Community development	1,625,139	2,019,153	2,068,279	2,050,172	2,203,367	2,292,638	1,949,275	1,172,512	1,242,376
Storm water	33,114	(16,212)	—	—	—	—	645	—	—
General government	20,000	20,000	15,000	—	—	—	—	—	—
Operating grants and contributions	14,058,454	8,818,594	9,181,339	9,336,061	9,199,332	9,957,178	8,902,787	8,223,227	9,182,959
Capital grants and contributions	2,020,559	1,221,356	957,411	7,242,924	26,417,977	23,963,312	27,772,386	41,557,506	11,912,031
<b>Total governmental activities program revenues</b>	<b>27,389,474</b>	<b>22,009,521</b>	<b>23,614,318</b>	<b>29,442,539</b>	<b>50,337,280</b>	<b>49,019,227</b>	<b>51,190,473</b>	<b>63,701,521</b>	<b>35,534,922</b>
<b>Business-type activities:</b>									
Charges for services:									
Power and light	72,278,837	77,276,647	81,333,414	82,592,294	98,278,354	103,133,249	107,619,947	105,064,847	114,744,814
Water	15,224,354	15,937,835	16,610,572	17,080,050	18,312,720	17,744,404	18,114,183	18,607,799	20,134,421
Sewer	12,652,848	12,753,946	13,320,317	13,975,780	14,364,165	15,058,695	15,283,055	15,347,894	15,263,586
Operating grants and contributions	12,345	256	—	—	—	—	—	—	—
Capital grants and contributions	1,856,784	847,188	4,031,475	3,491,383	2,964,925	5,562,049	4,363,127	3,396,999	7,760,380
<b>Total business-type activities program revenues</b>	<b>102,025,168</b>	<b>106,815,872</b>	<b>115,295,778</b>	<b>117,139,507</b>	<b>133,920,164</b>	<b>141,498,397</b>	<b>145,380,312</b>	<b>142,417,539</b>	<b>157,903,201</b>
<b>Total primary government program revenues</b>	<b>\$ 129,414,642</b>	<b>128,825,393</b>	<b>138,910,096</b>	<b>146,582,046</b>	<b>184,257,444</b>	<b>190,517,624</b>	<b>196,570,785</b>	<b>206,119,060</b>	<b>193,438,123</b>

Table 2

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue									
Governmental activities	\$ (56,199,159)	(49,296,671)	(51,737,171)	(38,002,483)	(27,561,451)	(35,645,217)	(41,448,252)	(33,136,847)	(65,417,211)
Business-type activities	15,518,360	14,142,017	16,920,353	15,217,488	20,021,346	21,788,124	9,953,421	3,948,484	11,961,858
Total primary government net expense	\$ (40,680,799)	(35,154,654)	(34,816,818)	(22,784,995)	(7,540,105)	(13,857,093)	(31,494,831)	(29,188,363)	(53,455,353)
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes									
Property taxes	\$ 6,020,217	6,104,668	6,458,742	6,564,690	6,895,323	6,952,380	7,067,966	7,963,698	7,276,215
Sales and use taxes	33,144,312	34,286,925	35,423,599	33,295,203	37,754,853	37,728,799	38,086,941	37,353,520	36,021,505
Franchise taxes	6,545,093	6,718,262	7,241,437	7,500,356	7,645,601	8,209,734	16,519,852	13,138,965	11,823,113
Financial institutions tax	31,592	32,412	29,000	37,149	22,181	34,802	31,960	44,195	15,669
Investment earnings	782,241	404,173	583,364	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149	589,469	348,143	438,354	466,775
Payments to component unit	—	—	—	(24,722)	—	—	—	—	—
Transfers	8,661,735	9,333,977	9,554,727	10,038,823	13,167,930	13,180,055	14,181,015	13,398,378	14,274,247
Total governmental activities	56,541,495	57,416,349	60,937,705	59,477,407	67,585,163	68,480,350	77,712,325	72,942,563	70,075,000
Business-type activities:									
Investment earnings	2,539,975	822,222	709,029	1,567,536	2,449,623	2,532,853	1,850,519	485,895	69,869
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132	47,953	37,982	1,405,433	609,962
Transfers	(8,661,735)	(9,333,977)	(9,554,727)	(10,038,823)	(13,167,930)	(13,180,055)	(14,181,015)	(13,398,378)	(14,274,247)
Total business-type activities	(4,823,837)	(6,984,864)	(7,071,311)	(7,448,870)	(10,282,175)	(10,599,249)	(12,292,514)	(11,507,050)	(13,594,416)
Total primary government	\$ 51,717,658	50,431,485	53,866,394	52,028,537	57,302,988	57,881,101	65,419,811	61,435,513	56,480,584
<b>Changes in Net Assets</b>									
Governmental activities	\$ 342,336	8,119,678	9,200,534	21,474,924	40,023,712	32,835,133	36,264,073	39,805,716	4,657,789
Business-type activities	10,694,523	7,157,153	9,849,042	7,768,618	9,739,171	11,188,875	(2,339,093)	(7,558,566)	(1,632,558)
Total primary government	\$ 11,036,859	15,276,831	19,049,576	29,243,542	49,762,883	44,024,008	33,924,980	32,247,150	3,025,231

Note: GASB 34 was implemented in the 2002 fiscal year, so only nine fiscal years are shown.

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

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

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 1,920,726	2,781,944	2,035,038	1,651,092	1,650,890	1,756,039	2,200,693	1,265,717	1,319,086	753,534
Unreserved	6,048,286	4,312,262	2,924,267	3,515,412	3,196,765	6,029,006	4,534,005	8,052,100	5,739,682	4,435,565
Total General Fund	\$ 7,969,012	7,094,206	4,959,305	5,166,504	4,847,655	7,785,045	6,734,698	9,327,817	7,058,768	5,189,099
All other governmental funds										
Reserved	\$ 8,128,170	13,698,370	11,092,566	15,656,867	18,110,669	20,786,620	10,928,435	41,091,787	19,583,280	12,966,356
Unreserved, reported in:										
Special revenue funds	615,397	2,377,668	6,324,381	8,619,880	17,461,153	14,250,375	17,620,241	12,648,957	5,357,555	4,868,018
Capital project funds	11,055,378	4,105,280	4,508,288	2,476,752	(3,837,893)	(10,687,320)	(1,859,546)	(29,245,744)	(10,675,562)	(5,267,213)
Debt service funds	—	—	—	92,704	92,278	86,300	82,229	71,068	56,553	84,124
Permanent funds	12,606	12,966	13,160	13,274	13,616	14,220	9,670	—	—	—
Total all other governmental funds	\$ 19,811,551	20,194,284	21,938,395	26,859,477	31,839,823	24,450,195	26,781,029	24,566,068	14,321,826	12,651,285

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

Table 4

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 43,719,249	45,709,622	47,109,855	49,123,780	47,360,251	52,295,777	52,890,913	58,474,761	55,131,682	55,953,427
Licenses, fees and permits	3,532,316	3,957,533	4,315,628	4,951,856	4,670,617	5,073,944	5,472,192	4,642,719	3,695,971	3,483,767
Intergovernmental	10,643,440	16,012,619	9,902,274	10,091,764	13,013,181	21,762,714	16,534,433	10,862,317	19,131,915	16,921,164
Charges for services	1,682,455	1,494,189	1,519,823	1,569,283	2,023,297	2,926,800	2,587,783	2,784,144	2,774,284	2,759,317
Interfund charges for support services	2,757,884	2,791,637	2,704,534	2,767,631	2,700,215	2,949,682	3,105,514	3,222,406	3,389,629	3,580,384
Fines, forfeitures, and court costs	3,010,798	3,199,906	3,502,074	3,219,276	3,521,377	4,023,981	3,900,967	3,724,608	4,009,673	4,510,754
Investment earnings	1,570,953	757,872	381,436	571,402	901,209	1,309,569	1,588,358	1,197,790	495,337	165,939
Reimbursements from component unit	—	—	—	—	—	—	3,502,961	11,413,444	12,274,171	3,792,466
Other	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580	740,435	924,092	816,818
<b>Total revenues</b>	<b>67,478,379</b>	<b>75,260,480</b>	<b>70,085,237</b>	<b>73,914,987</b>	<b>75,450,260</b>	<b>90,835,594</b>	<b>90,382,701</b>	<b>97,062,624</b>	<b>101,826,754</b>	<b>91,984,036</b>
<b>Expenditures</b>										
Administrative services	6,343,908	6,477,775	6,542,594	6,593,368	6,618,488	6,897,346	7,592,963	7,460,421	7,728,128	7,867,425
Public safety	29,136,004	31,290,454	32,088,292	32,271,567	35,462,979	38,976,460	39,693,647	40,950,718	40,956,235	45,150,437
Public works	6,867,407	6,227,171	6,251,537	6,035,389	5,930,041	6,386,771	7,173,004	7,173,709	6,719,666	6,513,379
Health and welfare	1,292,388	2,193,035	2,300,201	2,395,294	2,419,833	2,614,557	2,835,949	2,875,392	3,150,172	3,226,705
Culture and recreation	4,017,361	2,973,715	3,552,903	3,752,185	4,048,187	4,628,228	5,098,826	5,800,784	5,942,029	6,160,686
Community development	4,022,061	3,515,626	3,242,153	3,446,574	3,278,951	3,712,454	4,182,354	4,090,318	3,657,531	4,119,818
Storm water	—	815,654	990,671	820,703	1,180,789	1,141,595	1,538,857	1,388,856	1,542,289	1,668,148
General government	4,750,611	10,794,758	6,147,462	6,964,846	7,148,583	6,678,208	7,582,224	7,612,540	7,486,977	8,541,586
Capital outlay	28,716,658	29,255,681	17,123,501	20,481,873	21,040,394	33,296,700	31,736,638	28,561,029	42,442,528	26,346,981
Debt Service										
Principal	3,001,233	1,740,531	2,164,932	3,554,106	1,019,196	3,230,099	3,256,394	3,378,132	7,277,755	3,465,682
Interest	1,917,662	2,736,107	2,933,752	3,153,530	246,458	996,600	1,001,306	1,114,072	977,116	814,620
<b>Total expenditures</b>	<b>90,065,293</b>	<b>98,020,507</b>	<b>83,337,998</b>	<b>89,469,435</b>	<b>88,393,899</b>	<b>108,759,018</b>	<b>111,692,162</b>	<b>110,405,971</b>	<b>127,880,426</b>	<b>113,875,467</b>
Excess of revenues over (under) expenditures	(22,586,914)	(22,760,027)	(13,252,761)	(15,554,448)	(12,943,639)	(17,923,424)	(21,309,461)	(13,343,347)	(26,053,672)	(21,891,431)
<b>Other Financing Sources (Uses)</b>										
Transfers in	809,418	1,686,134	1,817,327	651,553	222,429	1,724,648	2,102,299	1,266,294	3,897,938	3,069,619
Transfers out	(876,333)	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)	(1,961,707)	(1,371,651)	(4,003,295)	(3,020,619)
Issuance of debt	14,940,720	13,437,830	3,516,885	11,096,464	20,748,448	—	8,477,809	100,695	101,734	4,020,000
Premiums/Discounts on debt issued	—	—	—	—	—	—	—	—	—	18,402
Transfers in - utility payments in lieu of taxes	9,507,367	8,811,819	9,386,705	9,712,812	10,179,317	12,624,861	13,039,463	13,702,586	13,503,735	14,225,247
Sale of capital assets	44,659	168,381	11,109	31,537	56,379	303,255	50,834	23,581	40,269	38,572
<b>Total other financing sources (uses)</b>	<b>24,425,831</b>	<b>22,267,945</b>	<b>12,861,971</b>	<b>20,682,729</b>	<b>30,843,652</b>	<b>13,471,185</b>	<b>21,708,698</b>	<b>13,721,505</b>	<b>13,540,381</b>	<b>18,351,221</b>
<b>Net change in fund balances</b>	<b>\$ 1,838,917</b>	<b>(492,082)</b>	<b>(390,790)</b>	<b>5,128,281</b>	<b>17,900,013</b>	<b>(4,452,239)</b>	<b>399,237</b>	<b>378,158</b>	<b>(12,513,291)</b>	<b>(3,540,210)</b>
Debt service as a percentage of non capital expenditures	5.77%	5.37%	7.18%	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%

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

Note: The years 2000 - 2001 include the expendable trust funds. The years 2002 - 2009 do not include expendable trust funds, but do include the permanent fund (per GASB 34 requirements).

Note: For 2005 certain amounts have been reclassified.

Table 5

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

Sales by Retail Category:	Calendar Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Apparel stores	\$ 95,578	107,694	108,155	104,131	115,283	122,165	126,307	132,957	125,832	124,168
General merchandise	243,769	287,122	384,132	396,792	411,327	420,186	436,832	430,331	434,782	408,200
Food stores	151,948	152,713	152,718	151,936	166,671	171,641	173,595	170,099	178,747	179,031
Eating and drinking establishments	102,512	114,590	140,552	149,307	170,143	179,418	190,478	194,970	201,085	211,739
Home furnishings and appliances	89,730	83,947	84,984	79,079	85,821	87,789	84,366	80,420	72,902	67,124
Building materials and farm tools	15,733	16,910	20,127	19,595	20,842	23,345	25,578	22,720	19,998	17,213
Construction/Remodeling	3,948	4,524	5,837	5,131	5,432	5,869	2,040	4,724	3,415	3,596
Auto dealers and supplies	27,359	30,253	31,686	31,085	32,284	32,593	33,865	35,314	38,260	36,967
Service stations	31,809	34,599	40,667	43,001	55,475	60,533	61,586	62,430	65,741	68,633
Other retail stores	162,796	200,209	208,466	212,256	186,594	229,869	227,864	222,237	245,406	233,860
All other outlets	86,830	85,430	96,634	105,946	109,023	116,068	121,081	119,236	113,711	119,813
Total	\$ <u>1,012,012</u>	<u>1,117,991</u>	<u>1,273,958</u>	<u>1,298,259</u>	<u>1,358,895</u>	<u>1,449,476</u>	<u>1,483,592</u>	<u>1,475,438</u>	<u>1,499,879</u>	<u>1,470,344</u>

Note: Amounts for 2010 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	Calendar Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.500	0.500
Park Improvements	0.125	0.125	0.125	0.125	0.250	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.000	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.000	0.250	0.250	0.250	0.125	0.125
<b>Direct Sales Tax Rate City of Independence</b>	<b>1.500</b>	<b>1.750</b>	<b>1.750</b>	<b>1.750</b>	<b>1.875</b>	<b>2.250</b>	<b>2.250</b>	<b>2.250</b>	<b>2.250</b>	<b>2.250</b>
Transportation Development District	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
<b>Total Direct Sales Tax Rate</b>	<b>1.500</b>	<b>1.750</b>	<b>1.875</b>	<b>1.875</b>	<b>2.000</b>	<b>2.375</b>	<b>2.375</b>	<b>2.375</b>	<b>2.375</b>	<b>2.375</b>
<b>Total Local Option Sales Tax Rate</b>	<b>Calendar Year</b>									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Jackson County	0.875	0.875	0.750	0.750	0.750	0.750	1.125	1.125	1.125	1.125
City of Independence	1.500	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
<b>Total Direct and Overlapping Sales Tax Rate</b>	<b>6.600</b>	<b>6.850</b>	<b>6.850</b>	<b>6.850</b>	<b>6.975</b>	<b>7.350</b>	<b>7.725</b>	<b>7.725</b>	<b>7.725</b>	<b>7.725</b>

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				
2001	\$ 586,564,394	1,074,288	208,300,830	5,668,715	801,608,227	239,514,105	1,664,135	1,042,786,467	0.7500	4,489,250,248	23.23%
2002	599,989,193	1,076,138	214,841,925	5,473,911	821,381,167	254,740,232	1,976,733	1,078,098,132	0.7500	4,626,455,634	23.30%
2003	680,890,499	1,042,495	236,512,469	4,947,308	923,392,771	246,919,958	489,879	1,170,802,608	0.7500	5,089,915,714	23.00%
2004	692,984,990	1,058,124	240,816,129	5,477,070	940,336,313	257,027,857	378,363	1,197,742,533	0.6930	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	5,525,949	1,037,312,716	256,782,138	251,053	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	5,244,739	1,052,143,415	266,654,033	1,105,062	1,319,902,510	0.6630	5,787,206,471	22.81%
2007	826,183,410	1,077,386	289,266,376	4,991,962	1,121,519,134	278,254,929	836,952	1,400,611,015	0.6510	6,115,085,122	22.90%
2008	835,415,560	1,092,071	280,076,363	4,385,286	1,120,969,280	289,243,271	1,720,003	1,411,932,554	0.6560	6,168,940,666	22.89%
2009	774,152,986	1,020,696	255,474,757	3,793,786	1,034,442,225	268,317,482	1,114,259	1,303,873,966	0.7030	5,702,449,660	22.87%
2010	770,979,192	1,083,868	257,788,756	4,145,717	1,033,997,533	263,606,423	1,237,018	1,298,840,974	0.7280	5,680,839,244	22.86%

Note: The Jackson County Assessor's Office did not start breaking out the Real Property into Residential, Agricultural, and Commercial until 2001.

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	City Direct Rates (1)				Overlapping Rates (2 & 3)			
	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
2001	\$ 0.510	0.240	—	0.750	0.230	4.460	1.103	0.030
2002	0.510	0.240	—	0.750	0.230	4.990	1.113	0.030
2003	0.510	0.240	—	0.750	0.230	5.190	1.113	0.030
2004	0.471	0.222	—	0.693	0.230	5.190	1.107	0.030
2005	0.471	0.222	—	0.693	0.230	5.190	1.107	0.030
2006	0.451	0.212	—	0.663	0.217	5.084	1.060	0.030
2007	0.442	0.209	—	0.651	0.217	5.084	1.063	0.030
2008	0.446	0.210	—	0.656	0.213	5.084	1.053	0.030
2009	0.478	0.225	—	0.703	0.214	5.084	1.061	0.030
2010	0.495	0.233	—	0.728	0.227	5.280	1.060	0.030

Notes: (1) The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$0.40 per \$100.00 assessed valuation. There is no limit on the levy rates for General Debt and Interest.

(2) County Tax Breakdown for Current Year:

Health & Welfare Fund	0.156
General Fund	0.154
Road & Bridge Fund	0.141
Park Fund	0.092
Mid-Continent Public Library	0.320
Handicap	0.075
Mental Health	0.122
Total County	<u>1.060</u>

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

Fort Osage Reorganized #1	5.381
Blue Springs Reorganized #4	5.531
Kansas City School District	4.950

Note: 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.

Table 9

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

Taxpayer	2010			2001		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	\$ 22,131,786	1	1.70%	\$ 16,468,551	1	1.58%
Sprint	12,946,218	2	1.00%			
Cole EDD Mt Independence LLC	8,963,343	3	0.69%			
Space Center of Kansas City	8,529,787	4	0.66%	7,986,435	3	0.77%
Centerpoint Medical Center	7,646,876	5	0.59%			0.00%
Unilever Bestfoods NA	5,733,275	6	0.44%			
AT&T	5,731,632	7	0.44%			
Southern Union Company	5,335,323	8	0.41%	4,856,878	4	0.47%
Bradley Operating LTD PTP	4,640,000	9	0.36%			
Comcast Cablevision	4,377,971	10	0.34%			
Community Center Two, LLC				8,821,175	2	0.85%
POB Apollo Independence				3,840,000	5	0.37%
Independence Apartments Association				3,675,082	6	0.35%
Independence Regional Hospital				2,464,000	7	0.24%
Butler Real Estate				2,293,891	8	0.22%
Wal Mart				2,240,000	9	0.21%
Noland Fashion Square Partners				2,156,820	10	0.21%
<b>Total</b>	<b>\$ 86,036,211</b>		<b>6.62%</b>	<b>\$ 54,802,832</b>		<b>5.26%</b>

Source: Jackson County Collection Department

Table 10

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

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 5,568,934	\$ 5,135,996	92.23%	\$ 432,974	\$ 5,568,934	100.00%
2002	5,973,560	5,253,285	87.94%	717,626	5,970,911	99.96%
2003	6,048,256	5,684,526	93.99%	361,404	6,045,930	99.96%
2004	6,330,247	5,729,077	90.50%	598,211	6,327,288	99.95%
2005	6,444,741	6,084,821	94.42%	357,217	6,442,038	99.96%
2006	6,818,619	6,164,479	90.41%	648,937	6,813,416	99.92%
2007	6,905,547	6,557,341	94.96%	333,130	6,890,471	99.78%
2008	7,103,810	6,645,387	93.55%	424,626	7,070,014	99.52%
2009	7,287,258	6,807,203	93.41%	339,491	7,146,694	98.07%
2010	7,232,424	6,883,318	95.17%	—	6,883,318	95.17%

Table 11

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

Sales by Category:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Power and Light:</b>										
Residential	\$ 41,167,000	37,562,000	40,254,000	42,431,000	41,375,000	50,668,000	53,326,000	55,218,000	52,555,000	56,500,000
Commercial	32,622,000	30,760,000	32,429,000	34,242,000	36,011,000	40,881,000	43,673,000	44,708,000	45,171,000	48,273,000
Industrial	2,490,000	2,214,000	2,019,000	2,139,000	2,504,000	2,649,000	2,891,000	2,999,000	2,904,000	3,085,000
Sold to Other Utilities	1,406,000	131,000	809,000	689,000	779,000	1,839,000	796,000	2,081,000	1,765,000	4,039,000
Other	827,000	824,000	881,000	941,000	1,008,000	1,128,000	1,214,000	1,328,000	1,434,000	1,621,000
<b>Water:</b>										
Residential	7,552,382	7,543,113	8,046,353	8,141,479	7,789,773	8,488,894	8,657,593	8,994,600	9,037,744	9,403,985
Commercial	2,032,338	2,025,449	2,185,099	2,152,295	2,053,011	2,245,526	2,347,234	2,458,013	2,450,246	2,404,953
Industrial	215,619	256,478	324,228	336,707	331,251	362,537	367,863	308,642	300,577	407,313
Public Authority	124,919	131,219	169,383	174,092	189,489	231,257	228,957	267,428	281,615	297,218
Sold to Other Utilities	4,165,235	4,378,138	4,302,002	4,950,287	5,670,010	5,838,904	5,232,779	5,023,444	4,930,608	6,302,495
Other	846,602	856,918	856,811	934,326	960,563	968,733	1,060,453	1,081,606	1,344,666	1,217,907
<b>Sanitary Sewer:</b>										
Residential	8,015,061	8,037,051	8,144,267	8,570,232	8,834,127	9,196,013	9,584,113	9,854,124	9,841,314	9,733,214
Commercial	4,024,645	3,872,212	3,941,123	3,964,736	4,322,804	4,364,268	4,585,890	4,559,524	4,560,728	4,569,721
Other	844,729	728,334	643,687	707,755	797,791	774,222	854,930	881,836	906,142	897,895
<b>Total</b>	<b>\$ 106,333,530</b>	<b>99,319,912</b>	<b>105,004,953</b>	<b>110,373,909</b>	<b>112,625,819</b>	<b>129,655,354</b>	<b>134,819,812</b>	<b>139,763,217</b>	<b>137,482,640</b>	<b>148,752,701</b>

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

Rates by Category:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Power and Light (per Kwh):	\$									
Residential	0.08	0.08	0.08	0.08	0.08	0.09	0.10	0.10	0.10	0.11
Commercial	0.07	0.07	0.07	0.07	0.07	0.08	0.09	0.09	0.09	0.10
Industrial	0.05	0.05	0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.07
Sold to Other Utilities	0.05	0.02	0.03	0.03	0.03	0.04	0.04	0.05	0.03	0.03
Other	0.09	0.09	0.10	0.10	0.11	0.12	0.13	0.14	0.15	0.16
Water (per 1,000 gallons):										
Residential	2.37	2.37	2.35	2.37	2.49	2.54	2.63	2.80	3.06	3.35
Commercial	2.15	2.17	2.16	2.18	2.27	2.34	2.41	2.52	2.78	3.08
Industrial	1.15	1.09	1.10	1.12	1.14	1.31	1.34	1.44	1.73	1.97
Public Authority	1.94	1.97	1.94	2.02	2.28	2.34	2.42	2.58	2.86	3.11
Sold to Other Utilities	0.94	0.94	1.01	1.02	1.17	1.21	1.10	1.03	1.10	1.23
Sanitary Sewer (per 100 cubic feet):										
Residential	2.71	2.75	2.75	2.77	2.97	3.13	3.18	3.35	3.50	3.40
Commercial	2.08	2.15	2.26	2.34	2.32	2.46	2.64	2.68	2.69	3.08
Total	\$ <u>13.69</u>	<u>13.74</u>	<u>13.89</u>	<u>14.17</u>	<u>14.98</u>	<u>15.72</u>	<u>16.13</u>	<u>16.84</u>	<u>18.16</u>	<u>19.70</u>

Table 13

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

Utility Customer - Power and Light	2010			2001		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 1,381,684	1	1.22%	\$ 982,635	2	1.25%
Centerpoint Medical Center	1,315,375	2	1.16%			
Burd and Fletcher (Combined Accounts)	1,183,124	3	1.04%	666,248	4	0.85%
Commercial Distributions Center	1,066,922	4	0.94%	858,642	3	1.09%
Simon Property Group LP	1,006,142	5	0.89%	1,117,140	1	1.42%
Price Chopper (23rd Street)	500,527	6	0.44%	362,438	8	0.46%
Price Chopper (Noland Road)	462,839	7	0.41%	411,205	5	0.52%
City's Rock Creek Sanitary Sewer Plant	454,499	8	0.40%	385,708	7	0.49%
Costco Wholesales Inc.	440,479	9	0.39%			
The Boyer Company	435,014	10	0.38%			
Independence Regional Health Center				392,885	6	0.50%
Medical Center of Independence				290,110	9	0.37%
Community of Christ Auditorium				285,702	10	
<b>Total</b>	<b>\$ 8,246,605</b>		<b>7.26%</b>	<b>\$ 5,752,713</b>		<b>6.96%</b>

Table 14

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

Utility Customer - Water	2010			2001		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	\$ 3,538,824	1	17.66%	\$ 2,112,764	1	14.14%
Blue Springs	1,182,929	2	5.90%	839,113	2	5.62%
District #2, Jackson County	375,637	3	1.88%	182,315	5	1.22%
District #1, Lafayette County	295,686	4	1.48%	234,363	3	1.57%
Oak Grove	287,778	5	1.44%	227,133	4	1.52%
Grain Valley	209,755	6	1.05%	182,131	6	1.22%
Lafarge Corporation	183,499	7	0.92%			
District #15, Jackson County	146,268	8	0.73%	124,974	7	
Unilever (Thomas J. Lipton Co)	133,694	9	0.67%	102,531	8	
Buckner	120,627	10	0.60%	97,613	9	0.65%
Sugar Creek				74,172	10	0.50%
<b>Total</b>	<b>\$ 6,474,697</b>		<b>32.32%</b>	<b>\$ 4,177,109</b>		<b>26.44%</b>

Table 15

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

Utility Customer - Sewer	2010			2001		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 488,343	1	3.21%	\$ 567,604	1	4.41%
AMOCO	301,750	2	1.99%	285,200	2	2.21%
City of Independence, Power & Light	232,239	3	1.53%	162,798	3	1.26%
Centerpoint Medical Center	49,562	4	0.33%			
Simon Property Group LP	35,200	5	0.23%	48,701	5	0.38%
Commercial Distributions Center	20,395	6	0.13%	22,962	6	0.18%
Price Chopper (23rd Street)	15,222	7	0.10%			
The Boyer Company	9,633	8	0.06%			
Bass Pro	9,303	9	0.06%			
Wal-Mart (Bolger Drive)	8,426	10	0.06%			
Independence Regional Health Center				56,712	4	0.44%
Total	\$ <u>1,170,073</u>		<u>7.70%</u>	\$ <u>1,143,977</u>		<u>8.88%</u>

Note: Amounts for customers 7 through 10 are not available for 2001.

Table 16

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation			
2001	\$ 38,550,000	\$ —	\$ 2,130,126	\$ —			
2002	50,448,580	—	1,622,013	—			
2003	52,301,676	—	1,086,597	—			
2004	59,317,916	995,000	718,955	—			
2005	(2) 21,498,153	1,039,990	1,015,831	—			
2006	(2) 18,590,023	982,044	737,370	—			
2007	23,870,529	923,099	712,483	—			
2008	20,681,754	864,153	650,673	—			
2009	13,586,351	800,207	603,524	—			
2010	14,366,011	736,261	431,454	—			

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation			
2001	\$ 59,793,673	\$ 1,120,000	\$ —	\$ —	\$ 101,593,799	4.58%	\$ 880.31
2002	57,276,614	575,000	—	—	109,922,207	4.34%	964.68
2003	53,826,179	—	—	—	107,214,452	4.27%	937.64
2004	65,887,893	—	—	—	126,919,764	5.15%	1,106.10
2005	62,969,608	—	—	—	86,523,582	3.39%	751.42
2006	59,361,323	—	—	—	79,670,760	3.03%	687.10
2007	55,548,038	—	—	—	81,054,149	3.06%	696.59
2008	63,829,753	—	—	—	86,026,333	3.48%	788.08
2009	178,411,467	—	65,954	—	193,467,503	7.48%	1,695.18
2010	175,035,863	—	43,988	—	190,613,577	6.77%	1,572.56

Notes: (1) See Table 21 for personal income and population data. The 2010 ratios are calculated using personal income and population data from table 21 which is an estimate.

(2) In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a 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		
2001	\$ —	\$ —	\$ —	0.00%	\$ —
2002	—	—	—	0.00%	—
2003	—	—	—	0.00%	—
2004	—	—	—	0.00%	—
2005	—	—	—	0.00%	—
2006	—	—	—	0.00%	—
2007	—	—	—	0.00%	—
2008	—	—	—	0.00%	—
2009	—	—	—	0.00%	—
2010	—	—	—	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, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Blue Springs Reorganized #4 School District	\$ 149,945,000	20.00%	\$ 29,989,000
Independence School District	162,953,511	100.00%	162,953,511
Raytown School District	94,279,999	6.00%	5,656,800
Fort Osage Reorganized #1 School District	35,760,000	12.50%	4,470,000
Subtotal, overlapping debt			<u>203,069,311</u>
City direct debt			<u>15,533,726</u>
Total direct and overlapping debt			<u>\$ 218,603,037</u>

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

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

Source: The debt outstanding data and applicable percentages provided by each governmental entity.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit (1)	\$ 208,557,293	215,035,648	234,498,374	239,548,507	258,869,181	263,980,502	280,122,203	282,386,511	282,386,511	259,768,195
Total net debt applicable to limit	—	—	—	—	948,722	896,700	840,870	790,240	790,240	650,505
Legal Debt Margin	\$ 208,557,293	215,035,648	234,498,374	239,548,507	257,920,459	263,083,802	279,281,333	281,596,271	281,596,271	259,117,690
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed Value	\$ 1,298,840,974
Debt Limit (20% of assessed value)	259,768,195
<b>General obligation:</b>	
City-Wide	—
Neighborhood Improvement Districts	736,261
Revenue Bonds	175,035,863
Total Bonded Debt	175,772,124
Less:	
Water Utility Bonds	49,336,157
Electric Utility Bonds	40,594,706
Events Center Bonds	85,105,000
Debt Service Fund Balance	85,756
Total net debt applicable to limit	650,505
Legal debt margin	\$ 259,117,690

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 for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.

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

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

Table 20

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

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (2)	
<b>Power &amp; Light (2)</b>						
2001	\$ 81,965,004	\$ 57,618,481	\$ 24,346,523	\$ 1,595,000	\$ 1,308,835	\$ 8.38
2002	73,930,488	52,142,313	21,788,175	1,675,000	1,243,860	7.46
2003	77,932,974	56,701,449	21,231,525	1,740,000	1,164,512	7.31
2004	82,265,717	61,851,943	20,413,774	1,745,000	983,448	7.48
2005	84,020,908	64,452,736	19,568,172	1,855,000	921,038	7.05
2006	100,254,630	75,369,477	24,885,153	1,925,000	855,273	8.95
2007	105,313,797	80,423,304	24,890,493	1,995,000	784,823	8.95
2008	109,358,222	90,141,975	19,216,247	2,065,000	708,218	6.93
2009	106,810,460	88,778,796	18,031,664	2,155,000	1,157,423	5.44
2010	115,265,625	91,580,614	23,685,011	2,245,000	2,149,388	5.39
<b>Water (2)</b>						
2001	\$ 16,267,295	\$ 10,018,126	\$ 6,249,169	\$ 900,000	\$ 1,561,920	\$ 2.54
2002	16,068,944	10,199,624	5,869,320	985,000	1,527,809	2.34
2003	16,348,365	10,788,334	5,560,031	1,070,000	1,489,510	2.17
2004	16,907,411	10,718,853	6,188,558	1,200,000	1,449,060	2.34
2005	17,928,618	11,096,626	6,831,992	1,285,000	2,014,517	2.07
2006	19,285,620	12,300,943	6,984,677	1,905,000	2,053,730	1.76
2007	18,473,889	12,850,111	5,623,778	2,040,000	1,923,627	1.42
2008	18,422,122	13,268,938	5,153,184	2,200,000	1,838,014	1.28
2009	18,709,946	13,618,857	5,091,089	2,380,000	2,032,591	1.15
2010	20,224,820	13,386,180	6,838,640	2,525,000	2,413,924	1.38
<b>Sanitary Sewer</b>						
2001	\$ 13,852,358	\$ 8,893,489	\$ 4,958,869	\$ —	\$ —	\$ —
2002	13,100,624	8,900,009	4,200,615	—	—	—
2003	12,946,774	9,453,484	3,493,290	—	—	—
2004	13,549,180	9,243,252	4,305,928	—	—	—
2005	14,272,438	10,017,560	4,254,878	—	—	—
2006	14,850,445	10,400,801	4,449,644	—	—	—
2007	15,519,278	10,884,567	4,634,711	—	—	—
2008	15,860,966	11,852,963	4,008,003	—	—	—
2009	15,585,793	13,005,365	2,580,428	—	—	—
2010	15,310,352	13,001,081	2,309,271	—	—	—

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, 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>
2001	115,407	\$ 2,217,545,505	\$ 19,215	37.37	15,302	4.40%
2002	113,947	2,535,092,856	22,248	37.68	15,987	5.50%
2003	114,345	2,509,987,095	21,951	38.34	16,334	6.00%
2004	114,745	2,465,640,560	21,488	38.55	18,215	6.50%
2005	115,146	2,552,786,820	22,170	38.57	16,278	6.00%
2006	115,953	2,632,249,053	22,701	38.91	14,829	5.30%
2007	116,359	2,651,123,456	22,784	39.22	14,113	5.40%
2008	109,159	2,471,141,442	22,638	39.28	13,550	6.40%
2009	114,128	2,585,569,840	22,655	39.56	16,065	9.80%
2010	121,212	2,817,572,940	23,245	39.81	20,755	10.35%

Note: The information for 2010 is an estimate.

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

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

Table 22

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems	2,500	1	5.10%	850	2	1.46%
Independence School District	2,043	2	4.17%			
Centerpoint Medical Center	1,600	3	3.26%			
City of Independence	1,123	4	2.29%			
Government Employee Hospital	650	5	1.33%	842	3	1.45%
Rosewood Health Center at the Groves	400	6	0.82%	292	5	0.50%
Burd & Fletcher	350	7	0.71%	275	8	0.47%
Jackson County Circuit Court	274	8	0.56%			
Mid-Continent Library	248	9	0.51%			
Unilever	220	10	0.45%			
Health Midwest				1,503	1	2.58%
Southwestern Bell Telephone				600	4	1.03%
Thomas J. Lipton				288	6	0.49%
Comprehensive Mental Health				285	7	0.49%
IBS Industries				230	9	0.40%
Community of Christ				200	10	0.34%
<b>Total</b>	<b>9,408</b>		<b>19.19%</b>	<b>5,365</b>		<b>9.22%</b>

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

Table 23

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government</b>										
City council office	11.00	11.00	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	7.00	7.00	7.00	6.50	6.50	6.00	6.00	6.00	6.00	6.00
City manager	11.00	10.00	10.00	8.50	7.00	7.50	10.50	10.50	10.50	9.50
National Frontiers Trails Museum	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology services	21.00	20.00	20.00	20.00	20.00	20.00	21.00	21.00	21.00	21.00
Municipal court	13.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00
Law - General fund	6.00	6.00	6.00	5.50	5.50	5.75	6.75	6.51	6.50	6.50
Law - Grant fund	—	—	—	—	0.50	0.50	0.50	0.37	0.25	0.25
Finance	25.00	25.00	25.00	24.00	24.00	25.00	26.00	25.00	24.15	24.15
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
<b>Public Safety</b>										
Police - General fund	275.00	274.00	275.00	275.00	277.00	281.50	281.50	283.00	290.40	290.40
Police - Grant fund	—	—	—	—	15.00	12.00	10.00	14.00	15.00	15.00
Fire - General fund	174.00	174.00	174.00	174.00	173.25	173.25	173.25	173.25	173.25	173.25
Fire - Grant fund	—	—	—	—	0.75	0.75	0.75	0.75	0.75	0.75
<b>Public Works</b>	89.90	88.90	87.90	82.00	81.00	82.00	83.00	82.00	82.00	82.00
<b>Health and Welfare</b>										
General fund	27.24	38.13	39.69	39.47	33.50	34.25	34.25	35.25	35.25	35.25
Grant fund	—	—	—	—	5.50	6.00	7.70	6.25	7.10	5.35
<b>Culture and Recreation</b>										
General fund	41.70	41.70	43.79	42.14	41.70	36.70	35.53	32.65	32.65	33.46
Tourism fund	3.40	3.41	3.41	3.41	4.41	4.41	4.41	4.41	4.41	4.41
Park Improvement Sales Tax fund	7.00	5.00	5.00	8.61	11.59	12.59	17.12	25.29	25.29	23.98
<b>Community Development</b>										
General fund	35.00	23.00	23.00	22.00	22.00	26.00	25.75	26.64	26.05	27.55
Community Dev Block Grant fund	3.50	3.00	3.00	3.00	3.00	3.00	2.50	2.11	2.70	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
<b>Storm Water</b>										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Storm Water Sales Tax fund	—	9.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00
<b>Power and Light</b>										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	217.00	218.00
<b>Water</b>										
City Manager - General fund	1.50	1.50	1.50	1.50	—	—	—	—	—	—
Finance - General fund	—	—	—	—	1.00	1.00	0.17	0.15	0.85	0.85
Water	98.48	97.48	97.48	97.48	97.48	98.48	97.48	98.50	101.65	101.65
<b>Sewer</b>										
Public Works - General fund	—	—	—	—	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	73.50	72.00	72.00	69.00	70.00	70.00	70.00	70.00	70.00	70.00
<b>Central Garage fund</b>	10.00	10.00	10.00	9.00	9.00	9.00	9.00	10.00	10.00	9.75
<b>Worker' Compensation Fund</b>	—	—	—	—	—	—	—	1.75	1.75	1.75
<b>Total</b>	<u>1,174.72</u>	<u>1,173.62</u>	<u>1,175.27</u>	<u>1,162.61</u>	<u>1,182.18</u>	<u>1,188.18</u>	<u>1,195.66</u>	<u>1,208.88</u>	<u>1,218.00</u>	<u>1,216.30</u>

Source: City of Independence Budget

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

**Table 24**

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government</b>										
National Frontiers Trails Museum										
Number of visitors to museum	20,105	16,199	14,963	19,763	17,183	15,986	14,621	15,095	14,900	16,691
<b>Public Safety</b>										
<b>Police</b>										
Police Incident Calls	123,234	125,219	120,668	123,329	128,891	130,242	126,301	122,667	125,899	126,087
Traffic Unit Citations Issued	22,062	23,227	17,796	30,840	31,323	20,257	30,984	31,241	31,969	38,465
<b>Fire</b>										
Total Alarms	12,557	13,141	12,294	13,424	12,895	13,166	13,354	13,130	15,374	16,081
Public Education Audience	22,293	13,828	12,619	14,747	18,363	18,818	18,502	18,830	10,291	38,133
<b>Public Works</b>										
Street Overlay (lane miles)	144	122	110	104	88	66	26	—	53	63
Street Patching Jobs	1,133	1,524	744	575	542	474	3,897	6,822	3,168	6,163
<b>Health and Welfare</b>										
Food Handlers Trained	4,963	4,741	5,186	11,638	9,680	7,696	8,663	10,112	8,850	
Flu Shots Given	450	450	539	600	431	680	1,118	764	789	7,369
Animal Control Service Calls	8,318	9,336	9,230	7,354	6,446	7,294	8,415	6,641	9,314	9,489
<b>Culture and Recreation</b>										
Park Shelter Reservations	283	671	675	210	214	462	457	646	872	715
Number of Sermon Center Memberships	900	1,275	1,032	1,056	948	930	1,095	1,500	1,323	1,574
<b>Community Development</b>										
Permits Issued	4,822	3,984	4,693	5,809	5,281	4,792	4,048	4,100	3,782	3,246
<b>Tourism</b>										
Site Attendance	357,747	432,268	334,853	306,407	290,499	295,381	260,342	244,524	230,483	222,104
Leisure Visitor Inquiries	21,446	42,608	44,659	23,172	34,512	44,943	34,116	35,446	33,392	39,925
<b>Power and Light</b>										
Average number of monthly customers	53,658	53,982	54,356	55,195	55,921	56,402	56,562	56,790	56,656	56,585
<b>Water</b>										
Number of customers	45,945	46,394	46,873	47,324	47,461	47,769	48,358	48,350	48,318	47,822
Water main breaks	294	180	292	239	182	241	271	179	171	202
<b>Sewer</b>										
Number of customers	42,487	42,856	42,394	43,434	43,909	44,290	44,351	44,210	44,279	44,232
Wastewater Treated (Million Gallons)	4,218	3,830	2,939	3,032	3,207	2,935	2,348	2,701	3,080	3,249

Table 25

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Public Safety</b>										
Police										
Police stations	2	3	3	3	3	3	4	4	4	5
Vehicles	109	151	124	162	90	177	203	206	201	215
K - 9 Facility	—	—	—	—	1	1	1	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Fire Training Facilities	—	—	—	—	—	—	—	—	1	1
Vehicles	42	40	40	42	41	44	45	42	45	48
<b>Public Works</b>										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	580	532	535	535	535	580	550	564	547	557
<b>Culture and Recreation</b>										
Park acreage	724	721	721	724	724	757	826	728	728	781
Parks	41	40	40	40	42	43	44	42	42	45
Community Centers	1	1	2	3	3	3	3	3	3	3
Fitness Centers	1	1	1	2	2	2	2	2	2	2
Ball Fields	54	53	53	53	53	53	53	54	54	57
<b>Power and Light</b>										
Power stations	5	5	5	5	5	5	5	5	5	5
Transmission/Distribution Circuits (miles)	776	789	794	802	809	817	829	835	840	844
Maximum daily use (Mwh)	5,432	5,395	5,401	5,838	5,320	5,464	5,865	5,579	5,472	4,909
<b>Water</b>										
Water mains (miles)	688	694	697	711	711	729	736	741	742	746
Fire hydrants	3,908	3,996	4,061	4,186	4,186	4,401	4,520	4,635	4,679	4,728
Maximum daily pumpage (millions of gallons)	39	39	42	42	41	44	44	39	38	35
<b>Sewer</b>										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	515	565	565	582	576	578	590	578	596	597
Maximum daily capacity of treatment (MGD)	18	18	18	18	19	19	18	16	18	18