

City of Independence, Missouri
Historic City of the Trails



For the Fiscal Year Ended

June 30, 2011

*Comprehensive Annual
Financial Report*

CITY OF INDEPENDENCE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



Mayor
Don B. Reimal

City Council

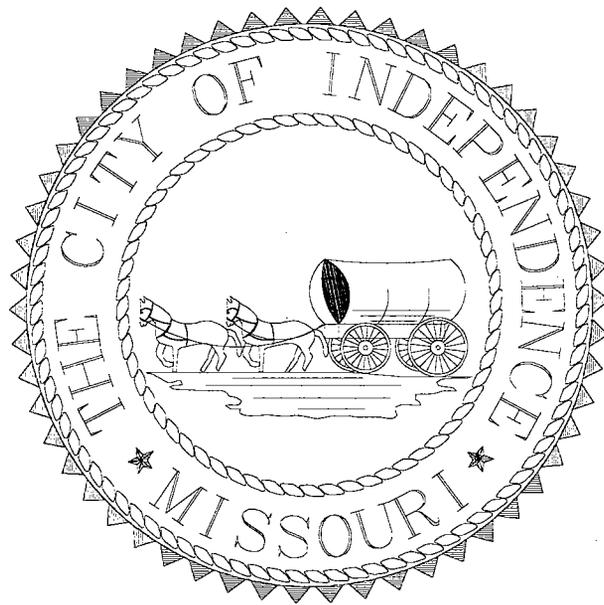
Marcie Gragg	District #1
Jim Engelman	District #2
Myron Paris	District #3
Jim Page	District #4
Lucy Young	At-large
Jim Schultz	At-large

City Manager

Robert Heacock

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration



CITY OF INDEPENDENCE, MISSOURI

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City of Independence

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November 10, 2011

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, 2011. 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. 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, 2011 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, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

Profile of the City

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S Truman, 33rd President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 116,830.

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

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

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

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

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

In evaluating the City as a reporting entity, management has considered all potential component units. Determination of whether an entity is controlled by, or dependent on, the City is made on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, or the City's obligation to fund any deficit that may occur. As allowed by accounting principles generally accepted in the United States of America, the City has included the Tax Increment Financing (TIF) Commission's activities in its financial statements as a discretely presented component unit and the Independence Events Center Management Corporation as a blended 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, 2011, are reported as committed and assigned fund balance since the City intends to honor the purchase orders and contracts.

Local economy

The City is continuing to experience growth on the eastern side of town. Non-residential building permits have increased by 21% in the last year. The I-70 interchange has made the Little Blue Parkway the professional business corridor of the 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of the fastest growing area in the Kansas City metropolitan area. This area is home to the Independence 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 Comets recently signed a five year lease with the Events Center. The Events Center opened in November 2009 providing approximately 120 new jobs.

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

Year	Area Unemployment Rate	Jackson County Unemployment Rate	Statewide Unemployment Rate
2011*	8.8%	10.3%	9.2%
2010	9.1%	11.0%	9.6%
2009	8.8%	10.2%	9.3%
2008	5.8%	6.9%	6.1%
2007	5.0%	5.8%	5.1%

Source: MERICO MO Economic Research and Information Center/MO Dept of Economic Development
 * Average Estimated through July 2011

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 2011-2012 includes projects totaling an estimated \$24.1 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales taxes.

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

Relevant financial policies

It is the City of Independence's policy to restore the unassigned fund balance through revenue allocations or expenditure reductions when it falls below the 5% of annual revenues. The City Manager has not funded vacant positions whenever possible in an effort to reduce salary and benefit costs. In addition, each department has been asked to reduce expenditures in an effort to reduce costs. The unassigned fund balance as of June 30, 2011 was 3.1% of the General Fund revenues. This is a slight increase from 2.9% 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 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, Hobby Lobby and Mardel opened in the fall of 2009 and Cheddar's Casual Café opened in February 2011.

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

Awards and Acknowledgements

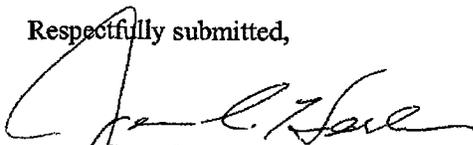
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate 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, 2010. 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,



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, 2010

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.



A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A second, more legible handwritten signature in black ink, clearly reading "Jeffrey R. Emer".

Executive Director



COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

Independent Auditors' Report

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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, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements, schedules and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

November 10, 2011

Cochran Head Vick & Co PC

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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 decreased \$2.9 million. The City's 'governmental-type activities' had a decrease of \$3.0 million and the 'business-type activities' had an increase of \$105,970.

Sales tax revenue increased by \$8,811. 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. The City's Code allowed for this possibility and the business license fee reverted to the pre-July 1st rate of 9.08%. Verizon, AT&T, T-Mobile, and Sprint have reached a settlement with the City.

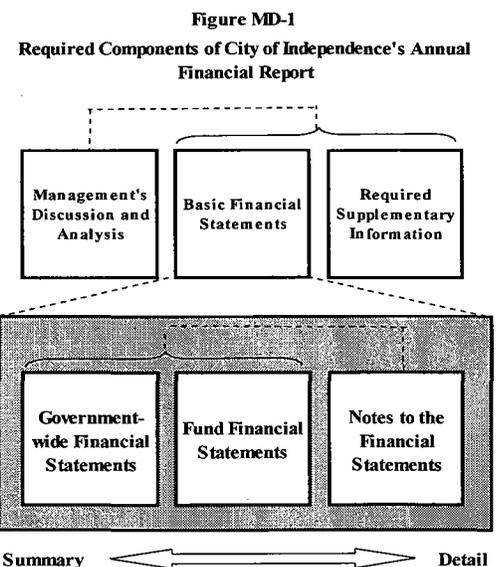
Development continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel. The Bass Pro store opened during February 2008 and Hobby Lobby and Mardels opened at the end of 2009. A Cheddars restaurant opened in early 2011. The developers and City are in discussions with another big box retailer interested in locating at this site.

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 (CHL). A second tenant with a multi-year lease is the Comets of the Major Indoor Soccer League (MISL). 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. The City established the Independence Events Center Management Corporation to operate the events center, and 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:



CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2011

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements:
 - The governmental funds statements tell how general government services, like public safety, were financed in the short-term, as well as, what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the 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

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Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City has three kinds of funds:

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

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- Proprietary funds – Business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds. These are the self-funded health insurance fund, central garage fund, and the workers' compensation fund.
- Fiduciary funds – Periodically, the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, Seniors' Travel Fund, and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net 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.

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FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

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

Table MD-1
City of Independence's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 33,674,833	40,986,218	99,906,007	97,269,780	133,580,840	138,255,998
Capital assets	333,612,682	321,102,754	443,898,901	424,486,261	777,511,583	745,589,015
Total assets	<u>367,287,515</u>	<u>362,088,972</u>	<u>543,804,908</u>	<u>521,756,041</u>	<u>911,092,423</u>	<u>883,845,013</u>
Long-term obligations	60,148,069	50,427,210	216,180,344	191,056,042	276,328,413	241,483,252
Other liabilities	11,496,818	12,987,480	11,658,012	14,839,417	23,154,830	27,826,897
Total liabilities	<u>71,644,887</u>	<u>63,414,690</u>	<u>227,838,356</u>	<u>205,895,459</u>	<u>299,483,243</u>	<u>269,310,149</u>
Net assets						
Invested in capital assets, net of related debt	321,072,648	305,569,028	272,062,890	279,970,114	593,135,538	585,539,142
Restricted	16,275,115	16,889,552	6,423,693	3,692,885	22,698,808	20,582,437
Unrestricted (deficit)	(41,705,135)	(23,784,298)	37,479,969	32,197,583	(4,225,166)	8,413,285
Total net assets	<u>\$ 295,642,628</u>	<u>298,674,282</u>	<u>315,966,552</u>	<u>315,860,582</u>	<u>611,609,180</u>	<u>614,534,864</u>

The City's combined net assets decreased 0.48% to \$611.6 million from \$614.5 million. Net assets of the City's governmental activities decreased 1.0% to \$295.6 million. Governmental assets increased \$5.2 million and liabilities increased \$8.2 million. Long-term obligations for Governmental activities increased \$9.7 million and Business-type activities increased \$25.1 million. The increase in long term obligations is due to the issuance of obligations for electric system improvements, an increase in other post employment benefits, and the net pension obligation for the LAGERS retirement program.

Total unrestricted net assets (deficit) were (\$4.2) million with the Business-type activities being \$37.5 million. The City's unrestricted net assets (deficit) for Governmental activities were (\$41.7) million.

Unrestricted net assets for Business-type activities were \$37.5 million and increased \$5.3 million from the previous year. Net assets invested in capital assets, net of related debt were \$272.1 million and decreased \$7.9 million from the previous year.

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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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 14,531,445	14,439,932	170,895,196	150,142,821	185,426,641	164,582,753
Operating grants and contributions	13,517,593	9,182,959	4,813,612	—	18,331,205	9,182,959
Capital grants and contributions	12,598,018	11,912,031	4,012,182	7,760,380	16,610,200	19,672,411
General revenues						
Property taxes	7,458,788	7,276,215	—	—	7,458,788	7,276,215
Sales taxes	36,030,316	36,021,505	—	—	36,030,316	36,021,505
Other taxes	10,724,624	11,838,782	—	—	10,724,624	11,838,782
Interest	138,471	197,476	171,413	69,869	309,884	267,345
Other	1,079,391	466,775	679,868	609,962	1,759,259	1,076,737
Total revenues	<u>96,078,646</u>	<u>91,335,675</u>	<u>180,572,271</u>	<u>158,583,032</u>	<u>276,650,917</u>	<u>249,918,707</u>
Expenses						
Administrative services	9,305,826	9,172,736	—	—	9,305,826	9,172,736
Public works	13,647,390	13,687,890	—	—	13,647,390	13,687,890
Public safety	53,067,764	49,861,503	—	—	53,067,764	49,861,503
Culture & recreation	7,947,692	7,604,501	—	—	7,947,692	7,604,501
Community development	7,032,272	4,386,689	—	—	7,032,272	4,386,689
Health & welfare	3,732,795	3,607,469	—	—	3,732,795	3,607,469
Electric	—	—	113,956,212	105,486,932	113,956,212	105,486,932
Water	—	—	20,239,748	20,324,005	20,239,748	20,324,005
Sanitary sewer	—	—	16,304,874	15,268,389	16,304,874	15,268,389
Events center	—	—	13,764,087	4,862,017	13,764,087	4,862,017
Storm water	2,876,073	2,569,381	—	—	2,876,073	2,569,381
General government	9,366,479	9,421,062	—	—	9,366,479	9,421,062
Debt service component unit	7,709,611	—	—	—	7,709,611	—
Interest	625,778	640,902	—	—	625,778	640,902
Total expenses	<u>115,311,680</u>	<u>100,952,133</u>	<u>164,264,921</u>	<u>145,941,343</u>	<u>279,576,601</u>	<u>246,893,476</u>
Excess (deficiency) of revenues or expenses before transfers	(19,233,034)	(9,616,458)	16,307,350	12,641,689	(2,925,684)	3,025,231
Transfers - In (Out)	16,201,380	14,274,247	(16,201,380)	(14,274,247)	—	—
Change in net assets	<u>(3,031,654)</u>	<u>4,657,789</u>	<u>105,970</u>	<u>(1,632,558)</u>	<u>(2,925,684)</u>	<u>3,025,231</u>
Net assets, beginning of year	298,674,282	294,016,493	315,860,582	317,493,140	614,534,864	611,509,633
Net assets, end of year	<u>\$ 295,642,628</u>	<u>298,674,282</u>	<u>315,966,552</u>	<u>315,860,582</u>	<u>611,609,180</u>	<u>614,534,864</u>

Total revenues increased 10.7% or \$26.7 million, Business-type activities increased 13.9% or \$22.0 million, and Governmental revenues increased 5.2% or \$4.7 million. The increase in operating and capital grants and contributions for Governmental activities is the result of receiving more donations of assets from developers, and an increase in the amount of grants. Of significance is the small increase from sales taxes. This is a reflection of the economy and retail competition. The increase in charges for services for Business-type activities is the result of rate increases and more favorable weather conditions, as well as the Events Center Management Corporation being included as a blended component unit in 2011, but not in 2010.

Total expenses increased 13.2% or \$32.7 million, Governmental expenses increased 14.2% or \$14.4 million and Business-type expenses increased 12.6% or \$18.3 million.

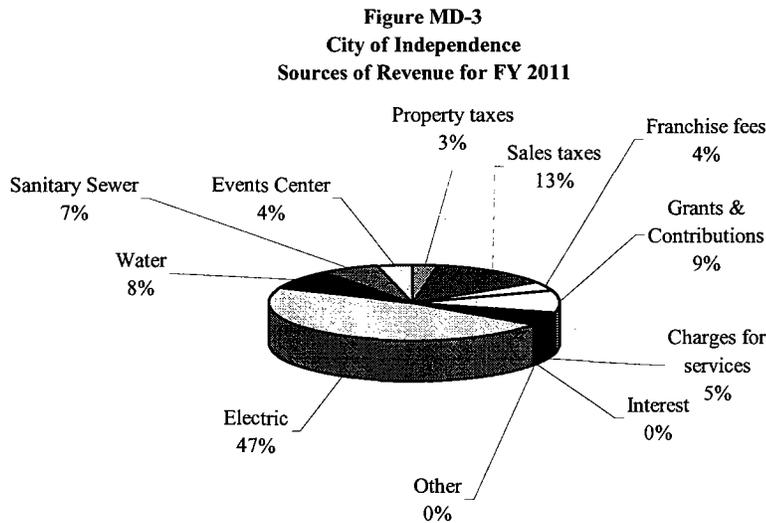
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The increase in Governmental expenses can be attributed, to a great extent, to costs associated with public safety and debt service payment of the component unit of \$7.7 million. Revenues in the Falls at Crackerneck TIF special allocation fund were insufficient to pay all the debt service on the outstanding obligations and the developer indicated they were not able to fund the deficit. The City chose not to issue additional capitalized interest obligations for the project. Instead funds from the recent cell phone settlements in the General Fund were appropriated (\$3.6 million) and transferred to the special allocation fund for the difference. The City has appropriated and set aside \$4.1 million during FY 2011-12 for debt service on the Falls at Crackerneck obligations. Letters requesting reimbursement for these debt service shortfalls have been sent to the developer

The change in the Business-type expenses is attributable to normal operations; some of the changes are related to the effect of weather on electric and water sales. A significant part of the Business-type activities increase is due to the Events Center Management Corporation being included as a blended component unit in 2011, but not in 2010.

Revenues

For the fiscal year ending June 30, 2011 revenues totaled \$276.7 million. Of this amount charges for services (Governmental and Business-type) was \$185.4 million or 67.0% of the total. Revenue from Business-type activities represents \$180.6 million or 65.3% of the total City revenues (Figure MD-3).

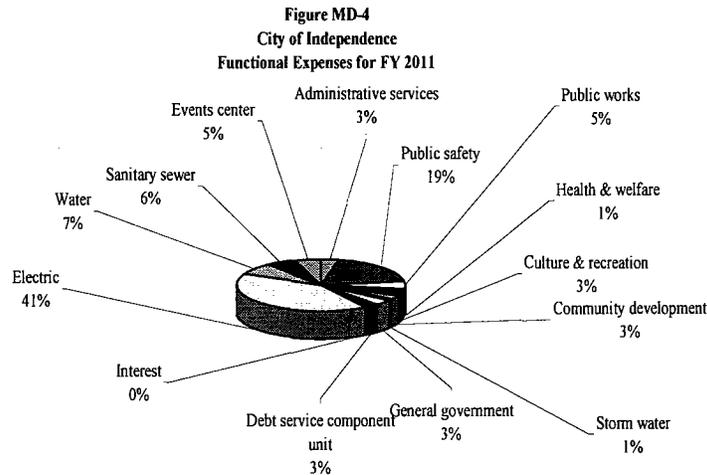


Revenues from Governmental activities were \$96.1 million. Sales taxes, the largest Governmental category, were \$36.0 million or 37.5%. All taxes represent \$54.2 million or 56.4% of Governmental revenue. Operating and capital grants were \$26.1 million or 27.2% of Governmental revenues. Charges for services at \$14.5 million were 15.1% of the total.

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Expenses

For the fiscal year ending June 30, 2011 expenses totaled \$279.6 million. Of this amount the electric utility was \$114.0 million or 40.8% of the total. Business-type expenses represent \$164.3 million or 58.8% of the total City expenses (Figure MD-4).



Expenses from Governmental activities were \$115.3 million. Public safety expenses, the largest Governmental category, were \$53.1 million or 46.0% of the total. Public Works is the next largest category at \$13.7 million, which is 11.8% of the total.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Administrative services	\$ 9,305,826	9,172,736	2,821,955	2,867,076
Public works	13,647,390	13,687,890	(2,007,348)	(2,143,765)
Public safety	53,067,764	49,861,503	44,006,023	42,874,932
Culture & Recreation	7,947,692	7,604,501	6,189,318	5,784,459
Community development	7,032,272	4,386,689	1,539,461	1,366,880
Health & Welfare	3,732,795	3,607,469	2,160,159	2,320,177
Storm water	2,876,073	2,569,381	2,791,661	2,511,069
General government and interest on long-term debt	9,992,257	10,061,964	9,453,784	9,836,383
Debt service component unit	7,709,611	—	7,709,611	—
Total	\$ 115,311,680	100,952,133	74,664,624	65,417,211

As noted in Table MD-3 expenses from Governmental activities for fiscal year 2011 were \$115.3 million. However, the net costs of these services were \$74.7 million. The difference represents direct revenues received from charges for services of \$14.5 million, operating grants and contributions of \$13.5 million, and capital grants and contributions of \$12.6 million. Taxes and other revenues of \$55.4 million were collected to cover these net costs.

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Business-type Activities

Revenues of the City's Business-type activities increased \$22.0 million or 13.9% and expenses increased \$18.3 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 addition of the Events Center Management Corporation as a blended component unit also has impacted both revenues and expenses, as discussed previously.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its Governmental funds reported a combined fund balance of \$16.6 million. The fund balance of the General Fund decreased \$364,147 during fiscal year 2011. The unassigned portion of the General Fund's fund balance increased \$289,664. 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 \$346,812. 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 \$2.0 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 \$125,685 from the original estimate. Actual revenues at the end of the year were more than projected by \$3.3 million. The largest variance was in the area of taxes and payments in lieu of taxes, accounting for \$3.2 million of the revenue variance. A large variance also occurred in the area of state and county shared revenues, accounting for \$0.4 million.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$4.9 million in the General Fund. These budget amendments generally fall into the following categories:

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

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

Actual expenditures, including encumbrances, were \$1.0 million less than the amount appropriated, representing operating savings of 1.2%. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the City had invested \$777.5 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets increased \$31.9 million or 4.3% during the period.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Land & land imp	\$ 36,682,736	27,627,890	11,244,437	11,244,437	47,927,173	38,872,327	23.29%
Buildings & Improvements	73,238,344	74,650,577	—	—	73,238,344	74,650,577	-1.89%
Office furniture & equipment	56,183	74,091	—	—	56,183	74,091	-24.17%
Computer equipment	533,235	340,338	—	—	533,235	340,338	56.68%
Mobile equipment	6,613,633	6,943,616	—	—	6,613,633	6,943,616	-4.75%
Other equipment	2,822,751	2,137,074	8,512,569	9,710,588	11,335,320	11,847,662	-4.32%
Infrastructure	127,796,921	118,419,651	382,284,379	371,586,211	510,081,300	490,005,862	4.10%
Construction in progress	85,868,879	90,909,517	41,857,516	31,945,025	127,726,395	122,854,542	3.97%
Total	<u>\$ 333,612,682</u>	<u>321,102,754</u>	<u>443,898,901</u>	<u>424,486,261</u>	<u>777,511,583</u>	<u>745,589,015</u>	4.28%

The budget for fiscal year 2012 projects the City will spend an additional \$24.1 million for capital projects.

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

CITY OF INDEPENDENCE, MISSOURI
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Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
	Loans and bonds payable	\$ 11,580,656	14,366,011	195,970,016	175,035,863	207,550,672	
Capital lease obligations	292,063	431,454	21,353	43,988	313,416	475,442	-34.08%
Neighborhood Improvemt District	667,315	736,261	—	—	667,315	736,261	-9.36%
Total	\$ 12,540,034	15,533,726	195,991,369	175,079,851	208,531,403	190,613,577	9.40%

The City at the end of fiscal year 2011 had a total of \$208.5 million of outstanding obligations. This was an increase of \$17.9 million or 9.4% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$196.0 million or 94.0% are obligations of the Business-type activities.

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 5,902 jobs, with current total employment at 53,008 jobs. Unemployment by mid-2010 was 9.4%; this is lower than Jackson County at 10.26% and higher than the State at 9.2%. As with most of the rest of the country the City's unemployment rate has increased during the last two years. Median income for 2011 is estimated to be \$52,397, compared to \$58,795 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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
Assets:				
Current assets:				
Pooled cash and investments	\$ 23,513,977	14,904,978	38,418,955	5,984,354
Receivables:				
Taxes	7,584,919	—	7,584,919	708,246
Accounts	419,952	13,516,630	13,936,582	56,414
Unbilled revenue	—	11,667,559	11,667,559	—
Special assessment principal and accrued interest	2,065,609	205,021	2,270,630	—
Internal balances	(5,030,289)	5,030,289	—	—
Due from component unit	105,449	—	105,449	—
Due from other governments	4,340,652	293,329	4,633,981	478,031
Sales tax bond	—	1,570	1,570	—
Inventory	43,365	13,687,880	13,731,245	—
Prepaid items	159,172	212,574	371,746	—
Restricted cash and investments	200,378	2,557,236	2,757,614	—
Total current assets	<u>33,403,184</u>	<u>62,077,066</u>	<u>95,480,250</u>	<u>7,227,045</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	115,986,987	53,101,953	169,088,940	—
Depreciable, net	217,625,695	390,796,948	608,422,643	—
Deferred debt issue costs	177,649	6,479,335	6,656,984	1,593,447
Other deferred charges	—	652,886	652,886	—
Restricted cash and investments	94,000	30,696,720	30,790,720	22,343,886
Total noncurrent assets	<u>333,884,331</u>	<u>481,727,842</u>	<u>815,612,173</u>	<u>23,937,333</u>
Total assets	<u>\$ 367,287,515</u>	<u>543,804,908</u>	<u>911,092,423</u>	<u>31,164,378</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	\$ 2,274,727	4,234,683	6,509,410	238
Accrued items	3,003,848	2,008,710	5,012,558	2,786,414
Other current liabilities	454,581	388,301	842,882	6,000
Due to primary government	—	—	—	105,449
Unearned revenue	375,100	141,458	516,558	—
Current portion of long-term obligations	14,055,940	9,247,933	23,303,873	4,837,141
Self-insurance claims payable	3,272,085	—	3,272,085	—
Liabilities payable from restricted assets	200,378	4,293,487	4,493,865	—
Total current liabilities	<u>23,636,659</u>	<u>20,314,572</u>	<u>43,951,231</u>	<u>7,735,242</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	19,006,517	194,379,809	213,386,326	196,640,308
Self-insurance claims payable	1,916,099	—	1,916,099	—
Other post-employment benefits	24,954,484	11,388,100	36,342,584	—
Net pension obligation	2,131,128	1,164,502	3,295,630	—
Unearned revenue	—	439,431	439,431	—
Advances for construction	—	151,942	151,942	—
Total noncurrent liabilities	<u>48,008,228</u>	<u>207,523,784</u>	<u>255,532,012</u>	<u>196,640,308</u>
Total liabilities	<u>71,644,887</u>	<u>227,838,356</u>	<u>299,483,243</u>	<u>204,375,550</u>
Net assets:				
Invested in capital assets, net of related debt	321,072,648	272,062,890	593,135,538	—
Restricted for:				
Public safety	2,741,772	—	2,741,772	—
Public works	5,362,474	—	5,362,474	—
Storm water	7,185,110	—	7,185,110	—
General government	28,030	—	28,030	—
Debt service	957,729	6,423,693	7,381,422	—
Unrestricted (deficit)	(41,705,135)	37,479,969	(4,225,166)	(173,211,172)
Total net assets (deficit)	<u>295,642,628</u>	<u>315,966,552</u>	<u>611,609,180</u>	<u>(173,211,172)</u>
Total liabilities and net assets (deficit)	<u>\$ 367,287,515</u>	<u>543,804,908</u>	<u>911,092,423</u>	<u>31,164,378</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	\$ 9,305,826	6,453,890	29,981	—	(2,821,955)
Public safety	53,067,764	4,943,734	3,498,130	619,877	(44,006,023)
Public works	13,647,390	437,032	4,356,103	10,861,603	2,007,348
Health and welfare	3,732,795	732,116	728,670	111,850	(2,160,159)
Culture and recreation	7,947,692	796,820	207,198	754,356	(6,189,318)
Community development	7,032,272	1,167,853	4,324,958	—	(1,539,461)
Storm water	2,876,073	—	21,103	63,309	(2,791,661)
General government	9,366,479	—	351,450	187,023	(8,828,006)
Debt service component unit	7,709,611	—	—	—	(7,709,611)
Interest on long-term debt	625,778	—	—	—	(625,778)
Total governmental activities	115,311,680	14,531,445	13,517,593	12,598,018	(74,664,624)
Business-type activities:					
Power and light	113,956,212	126,755,826	—	1,905,706	14,705,320
Water	20,239,748	22,203,258	—	165,315	2,128,825
Sewer	16,304,874	17,061,489	—	1,941,161	2,697,776
Events center	13,764,087	4,874,623	4,813,612	—	(4,075,852)
Total business-type activities	164,264,921	170,895,196	4,813,612	4,012,182	15,456,069
Total primary government	\$ 279,576,601	185,426,641	18,331,205	16,610,200	(59,208,555)
Component unit:					
Tax increment financing	\$ 12,989,615	1,006,100	7,709,611	222,101	(4,051,803)
		Governmental Activities	Business-Type Activities	Total	Component Unit
Changes in net assets:					
Net (expense) revenue		\$ (74,664,624)	15,456,069	(59,208,555)	(4,051,803)
General revenues:					
Taxes					
Property taxes		7,458,788	—	7,458,788	848,549
Sales and use taxes		36,030,316	—	36,030,316	2,818,229
Intergovernmental activity taxes		—	—	—	9,902,207
Franchise taxes		10,696,214	—	10,696,214	—
Financial institutions tax		28,410	—	28,410	—
Investment earnings		138,471	171,413	309,884	98,123
Miscellaneous		1,079,391	679,868	1,759,259	—
Transfers in (out)		16,201,380	(16,201,380)	—	—
Total general revenues and transfers		71,632,970	(15,350,099)	56,282,871	13,667,108
Change in net assets		(3,031,654)	105,970	(2,925,684)	9,615,305
Net assets (deficit), beginning		298,674,282	315,860,582	614,534,864	(182,826,477)
Net assets (deficit), ending		\$ 295,642,628	315,966,552	611,609,180	(173,211,172)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2011

Assets	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 1,146,219	—	14,960,195	16,106,414
Receivables:				
Taxes	4,328,963	—	3,255,956	7,584,919
Accounts, net	177,208	—	6,516	183,724
Special assessment principal and accrued interest	705,119	489,424	871,066	2,065,609
Due from other funds	2,438,491	—	16,155	2,454,646
Due from component unit	—	105,449	—	105,449
Due from other governments	747,069	2,029,541	1,564,042	4,340,652
Restricted assets	200,378	—	94,000	294,378
Total assets	<u>\$ 9,743,447</u>	<u>2,624,414</u>	<u>20,767,930</u>	<u>33,135,791</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 119,947	1,194,482	925,078	2,239,507
Due to other funds	—	1,094,955	6,564,387	7,659,342
Accrued items	2,629,511	—	135,630	2,765,141
Other current liabilities	439,981	—	14,600	454,581
Deferred revenue	1,528,678	681,789	1,054,827	3,265,294
Liabilities payable from restricted assets:				
Deposits and court bonds	200,378	—	—	200,378
Total liabilities	<u>4,918,495</u>	<u>2,971,226</u>	<u>8,694,522</u>	<u>16,584,243</u>
Fund balances:				
Restricted	442,556	—	16,659,329	17,101,885
Committed	1,413,292	—	437,150	1,850,442
Assigned	667,065	—	—	667,065
Unassigned	2,302,039	(346,812)	(5,023,071)	(3,067,844)
Total fund balance (deficit)	<u>4,824,952</u>	<u>(346,812)</u>	<u>12,073,408</u>	<u>16,551,548</u>
Total liabilities and fund balance	<u>\$ 9,743,447</u>	<u>2,624,414</u>	<u>20,767,930</u>	<u>33,135,791</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, 2011

Fund balances – total governmental funds	\$ 16,551,548
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	506,991,393
Less accumulated depreciation	<u>(173,502,535)</u>
	333,488,858
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when paid	(207,014)
Adjustment of deferred revenue	2,890,194
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	2,419,099
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	(12,133,000)
Capital lease obligations	(292,063)
Compensated absences	(16,224,856)
Discounts (premiums)	(114,971)
Other post-employment benefits	(24,662,434)
Net pension obligation	(2,107,523)
Debt service component unit	<u>(4,142,859)</u>
	(59,677,706)
Deferred debt costs	177,649
Net assets of governmental activities (Exhibit 1)	<u>\$ 295,642,628</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, 2011

	<u>General</u>	<u>Street Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 39,304,568	—	19,749,318	59,053,886
Licenses and permits	3,191,249	—	235,610	3,426,859
Intergovernmental	5,192,910	10,490,908	9,101,264	24,785,082
Charges for services	2,266,545	11,268	737,481	3,015,294
Interfund charges for support services	3,743,875	—	—	3,743,875
Fines, forfeitures, and court costs	4,398,111	—	—	4,398,111
Investment income	104,001	111	20,111	124,223
Reimbursements from component unit	—	370,092	211,432	581,524
Other	569,447	32	765,062	1,334,541
Total revenues	<u>58,770,706</u>	<u>10,872,411</u>	<u>30,820,278</u>	<u>100,463,395</u>
Expenditures:				
Current:				
Administrative services	7,832,622	—	29,981	7,862,603
Public safety	41,724,509	—	6,312,603	48,037,112
Public works	6,159,868	—	—	6,159,868
Health and welfare	2,549,391	—	728,223	3,277,614
Culture and recreation	2,122,379	—	3,873,179	5,995,558
Community development	2,696,115	—	4,034,773	6,730,888
Storm water	296,347	—	1,476,040	1,772,387
General government	7,840,660	—	666,482	8,507,142
Capital outlay	430,232	13,219,695	8,877,700	22,527,627
Debt service:				
Principal	139,391	—	2,824,000	2,963,391
Debt service component unit	3,566,752	—	—	3,566,752
Interest and fiscal agent fees	16,162	—	584,702	600,864
Total expenditures	<u>75,374,428</u>	<u>13,219,695</u>	<u>29,407,683</u>	<u>118,001,806</u>
Excess (deficiency) of revenues over expenditures	<u>(16,603,722)</u>	<u>(2,347,284)</u>	<u>1,412,595</u>	<u>(17,538,411)</u>
Other financing sources (uses):				
Transfers in – utility payments in lieu of taxes	16,211,380	—	—	16,211,380
Transfers in	48,195	2,358,653	92,913	2,499,761
Transfers out	(20,000)	—	(2,441,566)	(2,461,566)
Payments to/from component unit	—	—	—	—
Total other financing sources	<u>16,239,575</u>	<u>2,358,653</u>	<u>(2,348,653)</u>	<u>16,249,575</u>
Net change in fund balances	<u>(364,147)</u>	<u>11,369</u>	<u>(936,058)</u>	<u>(1,288,836)</u>
Fund balances (deficit), beginning	<u>5,189,099</u>	<u>(358,181)</u>	<u>13,009,466</u>	<u>17,840,384</u>
Fund balances (deficit), ending	<u>\$ 4,824,952</u>	<u>(346,812)</u>	<u>12,073,408</u>	<u>16,551,548</u>

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, 2011

Net change in fund balances – total governmental funds	\$ (1,288,836)
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	24,985,275
Depreciation expense	(13,073,467)
Donated assets	754,354
	<u>12,666,162</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	(152,926)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(4,996,945)
 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:	
Principal payments	2,963,391
Debt issuance costs amortization	(44,037)
Debt premiums and discounts amortizations	30,301
	<u>2,949,655</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	(144,832)
Accrued interest	(24,914)
Other post-employment benefits	(6,212,779)
LAGERS net pension obligation	(2,107,523)
Debt service component unit	(4,142,859)
	<u>(12,632,907)</u>
 Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities:	<u>424,143</u>
 Change in net assets of governmental activities (Exhibit 2)	<u>\$ (3,031,654)</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Exhibit 5

Balance Sheet
Proprietary Funds
June 30, 2011

Assets	Enterprise funds				Total	Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center		
Current assets:						
Pooled cash and investments	\$ 6,082,156	1,763,234	6,616,050	443,538	14,904,978	7,407,563
Receivables:						
Accounts (net of allowance of \$1,075,959)	10,177,156	1,846,760	1,339,748	152,966	13,516,630	236,228
Unbilled revenue	9,449,007	1,230,326	988,226	—	11,667,559	—
Special assessment principal and accrued interest	198,297	—	6,724	—	205,021	—
Due from other funds	5,578,520	66,596	—	—	5,645,116	—
Due from other governments	149,159	—	—	144,170	293,329	—
Sales tax bond	—	—	—	1,570	1,570	—
Inventory	12,939,459	656,963	48,898	42,560	13,687,880	43,365
Prepaid items	140,101	—	—	72,473	212,574	159,172
Restricted cash and investments	1,701,531	467,994	387,711	—	2,557,236	—
Total current assets	46,415,386	6,031,873	9,387,357	857,277	62,691,893	7,846,328
Noncurrent assets:						
Capital assets:						
Nondepreciable	39,680,754	4,679,593	2,945,291	5,796,315	53,101,953	93,979
Depreciable, net	151,944,327	105,149,798	67,720,412	65,982,411	390,796,948	29,845
Deferred debt issue costs	1,917,168	1,196,507	—	3,365,660	6,479,335	—
Other deferred charges	—	652,886	—	—	652,886	—
Restricted cash and investments	16,471,677	6,034,070	—	8,190,973	30,696,720	—
Total noncurrent assets	210,013,926	117,712,854	70,665,703	83,335,359	481,727,842	123,824
Total assets	\$ 256,429,312	123,744,727	80,053,060	84,192,636	544,419,735	7,970,152
Liabilities and Net Assets						
Current liabilities:						
Accounts and contracts payable	\$ 3,335,244	453,680	368,027	77,732	4,234,683	35,220
Due to other funds	66,596	—	—	373,824	440,420	—
Accrued items	1,236,505	348,447	385,008	38,750	2,008,710	31,693
Other current liabilities	318,728	23,076	32,417	14,080	388,301	—
Unearned revenue	—	—	—	141,458	141,458	—
Current portion of long-term obligations	5,362,737	3,459,359	325,837	100,000	9,247,933	53,073
Self-insurance claims payable	—	—	—	—	—	3,272,085
Liabilities payable from restricted assets	1,819,587	794,559	358,944	1,320,397	4,293,487	—
Total current liabilities	12,139,397	5,079,121	1,470,233	2,066,241	20,754,992	3,392,071
Noncurrent liabilities:						
Revenue bonds payable	60,751,936	43,528,080	—	84,805,000	189,085,016	—
Compensated absences – long-term	3,391,704	1,191,532	711,557	—	5,294,793	101,635
Other post employment benefits	6,569,362	2,722,515	2,096,223	—	11,388,100	292,050
Net pension obligation	788,334	227,339	148,829	—	1,164,502	23,605
Deferred revenue	—	—	—	439,431	439,431	—
Self-insurance claims payable	—	—	—	—	—	1,916,099
Advances for construction	20,400	131,542	—	—	151,942	—
Total noncurrent liabilities	71,521,736	47,801,008	2,956,609	85,244,431	207,523,784	2,333,389
Total liabilities	83,661,133	52,880,129	4,426,842	87,310,672	228,278,776	5,725,460
Net assets:						
Invested in capital assets, net of related debt	137,587,784	68,864,509	70,663,568	(5,052,971)	272,062,890	123,824
Restricted for:						
Debt service/capital outlay	5,923,693	500,000	—	—	6,423,693	—
Unrestricted	29,256,702	1,500,089	4,962,650	1,934,935	37,654,376	2,120,868
Total net assets (deficit)	172,768,179	70,864,598	75,626,218	(3,118,036)	316,140,959	2,244,692
Total liabilities and net assets	\$ 256,429,312	123,744,727	80,053,060	84,192,636	544,419,735	7,970,152
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					(174,407)	
Net assets of business-type activities					\$ 315,966,552	

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, 2011

	Enterprise funds				Total	Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center		
Operating revenues:						
Charges for services	\$ 124,555,522	21,850,254	16,918,978	4,874,623	168,199,377	21,467,685
Miscellaneous	2,200,304	353,004	142,511	—	2,695,819	—
Total operating revenues	<u>126,755,826</u>	<u>22,203,258</u>	<u>17,061,489</u>	<u>4,874,623</u>	<u>170,895,196</u>	<u>21,467,685</u>
Operating expenses:						
Personal services	20,949,992	8,062,296	5,589,735	—	34,602,023	882,171
Other services	17,132,244	3,624,786	7,661,716	563,862	28,982,608	22,802,797
Supplies	56,285,960	1,641,150	675,694	—	58,602,804	1,178,505
Capital outlay	—	45,610	—	—	45,610	7,000
Other expenses	6,038,939	2,634,013	105,707	5,892,355	14,671,014	—
Depreciation and amortization	13,133,201	3,040,456	2,717,632	1,883,343	20,774,632	3,309
Total operating expenses	<u>113,540,336</u>	<u>19,048,311</u>	<u>16,750,484</u>	<u>8,339,560</u>	<u>157,678,691</u>	<u>24,873,782</u>
Operating income (loss)	<u>13,215,490</u>	<u>3,154,947</u>	<u>311,005</u>	<u>(3,464,937)</u>	<u>13,216,505</u>	<u>(3,406,097)</u>
Nonoperating revenues (expenses):						
Interest revenue	145,670	6,335	9,227	10,181	171,413	14,248
Miscellaneous revenue	585,229	1,923,548	18,333	680,572	3,207,682	4,188,247
Interest expense	(2,158,487)	(1,854,990)	(101)	(5,424,527)	(9,438,105)	—
Intergovernmental - Community Improvement District	—	—	—	4,813,612	4,813,612	—
Total nonoperating revenue (expenses)	<u>(1,427,588)</u>	<u>74,893</u>	<u>27,459</u>	<u>79,838</u>	<u>(1,245,398)</u>	<u>4,202,495</u>
Income (loss) before contributions and transfers	11,787,902	3,229,840	338,464	(3,385,099)	11,971,107	796,398
Capital contributions	1,905,706	165,315	1,941,161	—	4,012,182	—
Transfers out – utility payments in lieu of taxes	(12,404,416)	(2,135,230)	(1,671,734)	—	(16,211,380)	—
Transfers in	—	—	10,000	—	10,000	—
Transfers out	—	—	—	—	—	(48,195)
Change in net assets	<u>1,289,192</u>	<u>1,259,925</u>	<u>617,891</u>	<u>(3,385,099)</u>	<u>(218,091)</u>	<u>748,203</u>
Total net assets (deficit):						
Beginning of the year	171,478,987	69,604,673	75,008,327	267,063	—	1,496,489
End of the year	<u>\$ 172,768,179</u>	<u>70,864,598</u>	<u>75,626,218</u>	<u>(3,118,036)</u>	<u>—</u>	<u>2,244,692</u>
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds					324,061	
Change in net assets of business-type activities.					<u>\$ 105,970</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2011

	Enterprise funds					Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Events Center	Total	
Cash flows from operations:						
Receipts from customers and others	\$ 126,606,463	23,837,990	17,343,538	10,764,812	178,552,803	25,568,614
Payments to suppliers	(86,433,854)	(7,753,889)	(8,187,302)	(6,452,433)	(108,827,478)	(25,090,111)
Payments to employees	(17,832,937)	(7,171,632)	(4,953,858)	—	(29,958,427)	(769,989)
Net cash provided by (used in) operating activities	22,339,672	8,912,469	4,202,378	4,312,379	39,766,898	(291,486)
Cash flows from noncapital financing activities:						
Transfers in	—	—	10,000	—	10,000	—
Transfers (out)	—	—	—	—	—	(48,195)
Transfers out – payments in lieu of taxes	(12,404,416)	(2,135,230)	(1,671,734)	—	(16,211,380)	—
Advances to/from other funds	(5,492,623)	(54,982)	—	373,824	(5,173,781)	1,084,953
Net cash provided by (used in) noncapital financing activities	(17,897,039)	(2,190,212)	(1,661,734)	373,824	(21,375,161)	1,036,758
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(27,540,775)	(4,076,676)	(1,892,547)	(681,558)	(34,191,556)	—
Capital Lease Payable	(14,147)	(5,872)	(2,263)	—	(22,282)	—
Interest paid on revenue bonds and equipment contracts	(2,663,538)	(1,771,962)	—	(5,314,069)	(9,749,569)	—
Debt expense paid on revenue bonds	(732,340)	—	—	—	(732,340)	—
Disposal costs from disposition of equipment	(676,210)	563	—	—	(675,647)	—
Proceeds from bond issue	34,502,788	—	—	—	34,502,788	—
Redemption of revenue bonds	(10,590,000)	(2,790,000)	—	(200,000)	(13,580,000)	—
Interest received on special assessment	—	—	24	—	24	—
Net cash provided by (used in) capital and related financing activities	(7,714,222)	(8,643,947)	(1,894,786)	(6,195,627)	(24,448,582)	—
Cash flows from investing activities:						
Purchases of investments	—	—	(7,055,524)	—	(7,055,524)	(5,997,594)
Proceeds from sales and maturities of investments	5,994,467	—	9,053,680	—	15,048,147	7,995,750
Interest on investments	147,935	6,335	10,718	10,181	175,169	15,763
Net cash provided by (used in) investing activities	6,142,402	6,335	2,008,874	10,181	8,167,792	2,013,919
Net increase (decrease) in cash and cash equivalents	2,870,813	(1,915,355)	2,654,732	(1,499,243)	2,110,947	2,759,191
Cash and cash equivalents at beginning of year	21,384,551	10,180,653	4,349,029	10,133,754	46,047,987	4,648,372
Pooled cash and investments	\$ 24,255,364	8,265,298	7,003,761	8,634,511	48,158,934	7,407,563
Noncash capital and related financing activities:						
Contributed capital	\$ 1,905,706	165,315	1,941,161	—	4,012,182	—
Components of cash and short-term investments at end of fiscal year:						
Unrestricted assets	\$ 6,082,156	1,763,234	6,616,050	443,538	14,904,978	7,407,563
Restricted assets	18,173,208	6,502,064	387,711	8,190,973	33,253,956	—
Total pooled cash and investments	\$ 24,255,364	8,265,298	7,003,761	8,634,511	48,158,934	7,407,563
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 13,215,490	3,154,947	311,005	(3,464,937)	13,216,505	(3,406,097)
Adjustments not affecting cash:						
Depreciation and amortization	13,133,201	3,040,456	2,717,632	1,883,343	20,774,632	3,309
Nonoperating revenues	585,229	1,923,548	18,333	5,494,184	8,021,294	4,188,247
Change in assets and liabilities:						
Accounts receivable	(2,805,840)	(268,712)	145,538	(152,966)	(3,081,980)	(87,318)
Inventory	(2,633,403)	(22,633)	10,689	(42,560)	(2,687,907)	41,076
Prepaid items and other assets	(48,435)	—	—	(72,473)	(120,908)	(159,172)
Unbilled revenue	1,839,586	(23,301)	97,840	—	1,914,125	—
Due from other governments	427,359	—	—	(31,918)	395,441	—
Special assessments receivable	(195,697)	—	12,637	—	(183,060)	—
Other receivable	—	—	7,701	—	7,701	—
Accounts and contracts payable	(4,550,940)	194,978	164,345	65,987	(4,125,630)	(8,193)
Accrued and other liabilities	457,055	22,522	47,846	52,830	580,253	(963,813)
Other post-employment benefits	2,514,558	956,375	676,277	—	4,147,210	97,945
Self-insurance claims payable	—	—	—	—	—	(6,084)
Unearned revenue	—	—	—	580,889	580,889	—
Customer deposits	163,959	—	48,362	—	212,321	—
Compensated absences	237,550	(65,711)	(55,827)	—	116,012	8,614
Total adjustments	9,124,182	5,757,522	3,891,373	7,777,316	26,550,393	3,114,611
Net cash provided (used) by operating activities	\$ 22,339,672	8,912,469	4,202,378	4,312,379	39,766,898	(291,486)

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Pooled cash and investments	\$ 30,021	147,419
Accrued interest receivable	—	491
Total assets	<u>30,021</u>	<u>147,910</u>
Liabilities:		
Accounts and contracts payable	380	6,094
Funds held in escrow	1,833	63,789
Flexible benefit payable	—	78,027
Total liabilities	<u>2,213</u>	<u>\$ 147,910</u>
Net assets:		
Held in trust	<u>\$ 27,808</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year ended June 30, 2011

	<u>Private- Purpose Trust Funds</u>
Additions:	
Charges for services	\$ 19,597
Interest	48
Total additions	<u>19,645</u>
Deductions:	
Capital outlay	<u>40,191</u>
Total deductions	<u>40,191</u>
Change in net assets	(20,546)
Net assets, beginning	<u>48,354</u>
Net assets, ending	<u><u>\$ 27,808</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

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

(a) The Financial Reporting Entity

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

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

The Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission) is included as a discretely presented component unit 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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or 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. This fund also includes the operational activities which are managed by the Corporation.

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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

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

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

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

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

(c) Basis of Accounting

Government-wide, Proprietary, and 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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.

(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. Inventory of the Events Center consists of merchandise available for sale, valued at cost.

(g) Prepaid Items

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

(h) Interfund Activity

The City has the following types of interfund activity:

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(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 \$12,204,859. Of this amount, \$2,766,754 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, 2011

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

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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 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

As of June 30, 2011 the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement changed the fund balance classifications for the governmental funds. In the fund financial statements, governmental funds now report the following fund balance classifications:

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

Restricted – This consists of amounts where constraints are placed on the use of those resources which are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned – This consists of amounts which are constrained by City management's intent for these to be used for a specific purpose but are neither formally restricted by external sources nor committed by City Council action. The City Manager has the authority to assign amounts for a specific purpose in this category. Likewise, the City Manager has the authority to take necessary actions to un-assign amounts in this category.

Unassigned – This consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. A positive unassigned fund balance is only possible in the general fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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

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

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

(m) Net Assets

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

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

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 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 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – and Amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. GASB Statements No. 14 and No. 34 have been amended to better meet user needs and address reporting entity issues that have arisen since the issuance of those Statements. The City is currently evaluating the impact of adopting Statement No. 61. The City will implement GASB No. 61 beginning with the year ended June 30, 2013.

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

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

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

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

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is currently evaluating the impact of adopting Statement No. 64. The City will implement GASB No. 64 beginning with the year ended June 30, 2012.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(2) Deposits and Investments

At June 30, 2011, the carrying values of deposits and investments are summarized as follows:

Investments:		
Short-term investments held in trust (bond reserves)	\$	52,051,068
Investment pool:		
U.S. government securities		<u>26,652</u>
Total investments		52,077,720
Deposits and repurchase obligations		48,379,937
Petty cash		<u>15,312</u>
Total	\$	<u><u>100,472,969</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	\$ 38,418,955	177,440	38,596,395	5,984,354	44,580,749
Restricted cash and investments	<u>33,548,334</u>	—	<u>33,548,334</u>	<u>22,343,886</u>	<u>55,892,220</u>
	\$ <u>71,967,289</u>	<u>177,440</u>	<u>72,144,729</u>	<u>28,328,240</u>	<u>100,472,969</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, 2011

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, 2011 the City had no investments subject to ratings by Moody's Investor Service.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating As of June 30, 2011</u>
U.S. Treasury Bond	\$ 26,652	Exempt from rating requirement
Total	\$ <u>26,652</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, 2011, 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, 2011.

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, 2011, 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.

Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of June 30, 2011, the City had a U.S. Treasury Bond investment of \$26,652.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2011 is as follows:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Real estate tax	\$ 7,434,769	24,305	7,459,074
Railroad utilities tax	31,864	—	31,864
Cigarette tax	468,859	—	468,859
Transient guest tax	—	1,077,506	1,077,506
Sales tax	15,836,443	18,647,507	34,483,950
Franchise tax	15,532,633	—	15,532,633
	<u>\$ 39,304,568</u>	<u>19,749,318</u>	<u>59,053,886</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, 2010, on which the fiscal 2011 levy was based, was \$1,298,840,974.

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, 2011 were \$0.4954 for the General Fund, \$0.2334 for Public Health and Recreation, and \$0.5011 for the Independence Square Benefit District Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2011 consisted of the following:

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Federal				
Department of Agriculture	\$ —	—	36,494	36,494
Department of Housing & Urban Development				
Community Development Block Grant	—	—	796,017	796,017
Neighborhood Stabilization Program	—	—	2,326,017	2,326,017
Emergency Shelter Grant	—	—	76,007	76,007
Home Investment Partnership	—	—	1,008,572	1,008,572
Department of the Interior	—	—	15,000	15,000
Department of Justice	—	—	944,878	944,878
Department of Transportation	25,393	10,483,161	729,205	11,237,759
Department of Energy	—	—	594,236	594,236
Department of Health & Human Services	25,000	—	350,010	375,010
Corporation for National & Community Service	—	—	45,470	45,470
Executive Office of the President	—	—	153,995	153,995
Department of Homeland Security	—	—	1,661,344	1,661,344
Total Federal	<u>50,393</u>	<u>10,483,161</u>	<u>8,737,245</u>	<u>19,270,799</u>
State & Local				
Department of Health & Human Services	—	—	86,437	86,437
Department of Revenue				
Motor Vehicle Fuel Tax	3,167,830	—	—	3,167,830
Motor Vehicle Sales Tax	680,671	—	—	680,671
Motor Vehicle Fees	507,602	—	—	507,602
Financial Institutions Tax	28,410	—	—	28,410
Division of Tourism	—	—	144,655	144,655
Department of Public Safety	—	—	20,982	20,982
Missouri Highway and Transportation Commission	—	—	1,611	1,611
Missouri State Safety Center	—	—	9,754	9,754
Jackson County Anti Drug Tax	579,213	—	—	579,213
Jackson County DARE	178,791	—	—	178,791
Jackson County Urban Road System	—	7,747	—	7,747
Jackson County Independence Square Hotel	—	—	95,317	95,317
Healthcare Foundation of Greater Kansas City	—	—	2,717	2,717
Community Gardens Project	—	—	979	979
Recreational Boating & Fishing Foundation	—	—	222	222
General Mills	—	—	1,345	1,345
Total State & Local	<u>5,142,517</u>	<u>7,747</u>	<u>364,019</u>	<u>5,514,283</u>
Grand Total	<u>\$ 5,192,910</u>	<u>10,490,908</u>	<u>9,101,264</u>	<u>24,785,082</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

Amounts due from other governments at June 30, 2011 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund:				
Department of Health & Human Services	\$ 2,084	—	—	2,084
Department of Transportation	25,393	—	—	25,393
Department of Revenue				
Motor Vehicle Fuel Tax	—	525,000	—	525,000
Motor Vehicle Sales Tax	—	55,000	—	55,000
Motor Vehicle License Fees	—	131,000	—	131,000
39th St Transportation Development District	—	—	1,072	1,072
Events Center Community Improvement District	7,520	—	—	7,520
	<u>34,997</u>	<u>711,000</u>	<u>1,072</u>	<u>747,069</u>
Street Improvements Fund:				
Department of Transportation	1,829,951	—	—	1,829,951
Jackson County Urban Road System	—	—	192,366	192,366
39th St Transportation Development District	—	—	7,224	7,224
	<u>1,829,951</u>	<u>—</u>	<u>199,590</u>	<u>2,029,541</u>
Nonmajor Governmental Funds:				
Department of Agriculture	2,642	—	—	2,642
Department of Interior	15,000	—	—	15,000
Department of Justice	250,736	—	—	250,736
Department of Transportation	50,709	—	—	50,709
Department of Energy	115,431	—	—	115,431
Department of Health & Human Services	76,502	—	—	76,502
Department of Homeland Security	259,785	—	—	259,785
Department of Housing & Urban Development	661,675	—	—	661,675
Executive Office of the President	18,434	—	—	18,434
Missouri State Safety Center	—	4,860	—	4,860
Missouri Department of Health	—	8,268	—	8,268
Missouri Division of Tourism	—	100,000	—	100,000
	<u>1,450,914</u>	<u>113,128</u>	<u>—</u>	<u>1,564,042</u>
Totals	\$ <u>3,315,862</u>	<u>824,128</u>	<u>200,662</u>	<u>4,340,652</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2011, consisted of the following:

	<u>Due from Street Improvements</u>	<u>Due from Nonmajor Governmental</u>	<u>Due from Power and Light</u>	<u>Due from Events Center</u>	<u>Total</u>
Due to:					
Governmental activities:					
General Fund	\$ 1,094,955	969,712	—	373,824	2,438,491
Nonmajor governmental	—	16,155	—	—	16,155
Total governmental activities	<u>1,094,955</u>	<u>985,867</u>	<u>—</u>	<u>373,824</u>	<u>2,454,646</u>
Business-type activities:					
Power and Light Fund	—	5,578,520	—	—	5,578,520
Water Fund	—	—	66,596	—	66,596
Total business-type activities	<u>—</u>	<u>5,578,520</u>	<u>66,596</u>	<u>—</u>	<u>5,645,116</u>
Total	\$ <u>1,094,955</u>	<u>6,564,387</u>	<u>66,596</u>	<u>373,824</u>	<u>8,099,762</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 2011 were as follows:

	<u>Interfund Charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 64,519	\$ 16,900
Power and Light Fund	1,918,433	48,000
Sanitary Sewer Fund	776,448	14,700
Water Fund	984,475	23,700
	<u>\$ 3,743,875</u>	<u>\$ 103,300</u>

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

Interfund charges for customer service support services and telephone operators were paid to the Water Fund during fiscal year 2011 as follows:

Sanitary Sewer Fund	\$ 295,583
Power and Light Fund	1,543,588
	<u>\$ 1,839,171</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2011 as follows:

Sanitary Sewer Fund	\$	104,375
Water Fund		<u>584,268</u>
	\$	<u><u>688,643</u></u>

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of \$12,404,416, \$2,135,230 and \$1,671,734 in fiscal year 2011 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, 2011, consisted of the following:

	Transfer Out			
	General	Nonmajor Governmental	Central Garage	Total
Transfers In:				
General	\$ —	—	48,195	48,195
Street Improvements	—	2,358,653	—	2,358,653
Sanitary Sewer Fund	10,000	—	—	10,000
Nonmajor governmental	<u>10,000</u>	<u>82,913</u>	—	<u>92,913</u>
Total Primary Government	<u>\$ 20,000</u>	<u>2,441,566</u>	<u>48,195</u>	<u>2,509,761</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(6) Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 21,189,508	8,928,600	—	30,118,108
Construction work in progress	<u>90,909,517</u>	<u>21,633,924</u>	<u>(26,674,562)</u>	<u>85,868,879</u>
Total nondepreciable capital assets	<u>112,099,025</u>	<u>30,562,524</u>	<u>(26,674,562)</u>	<u>115,986,987</u>
Depreciable capital assets:				
Land improvements	6,971,855	471,505	—	7,443,360
Buildings	49,649,381	—	—	49,649,381
Building improvements	13,405,705	1,863,031	—	15,268,736
Improvements other than buildings	31,827,856	201,816	—	32,029,672
Office furniture and equipment	852,653	—	(333,006)	519,647
Computer equipment	1,523,429	436,966	(39,098)	1,921,297
Mobile equipment	22,780,561	1,239,586	(2,118,395)	21,901,752
Other equipment	5,026,980	1,260,662	(148,114)	6,139,528
Infrastructure	<u>240,029,026</u>	<u>16,378,101</u>	<u>—</u>	<u>256,407,127</u>
Total depreciable capital assets	<u>372,067,446</u>	<u>21,851,667</u>	<u>(2,638,613)</u>	<u>391,280,500</u>
Less accumulated depreciation for:				
Land improvements	(533,473)	(345,259)	—	(878,732)
Buildings	(9,373,510)	(1,232,427)	—	(10,605,937)
Building improvements	(4,034,069)	(676,360)	—	(4,710,429)
Improvements other than buildings	(6,824,786)	(1,568,293)	—	(8,393,079)
Office furniture and equipment	(778,562)	(17,908)	333,006	(463,464)
Computer equipment	(1,183,091)	(244,069)	39,098	(1,388,062)
Mobile equipment	(15,836,945)	(1,434,261)	1,983,087	(15,288,119)
Other equipment	(2,889,906)	(557,368)	130,497	(3,316,777)
Infrastructure	<u>(121,609,375)</u>	<u>(7,000,831)</u>	<u>—</u>	<u>(128,610,206)</u>
Total accumulated depreciation	<u>(163,063,717)</u>	<u>(13,076,776)</u>	<u>2,485,688</u>	<u>(173,654,805)</u>
Total depreciable capital assets, net	<u>209,003,729</u>	<u>8,774,891</u>	<u>(152,925)</u>	<u>217,625,695</u>
Governmental activities capital assets, net	\$ <u>321,102,754</u>	<u>39,337,415</u>	<u>(26,827,487)</u>	<u>333,612,682</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to functions as follows:

Administrative services	\$	301,933
Public safety		2,565,802
Public works		6,412,798
Health and welfare		137,612
Culture and recreation		1,593,469
Community development		77,043
Storm water		1,051,828
General government		<u>932,982</u>
Total		13,073,467

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

		<u>3,309</u>
Total depreciation expense	\$	<u><u>13,076,776</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 2,953,206	—	—	2,953,206
Construction in progress	25,604,390	30,300,202	(19,177,044)	36,727,548
Total nondepreciable capital assets	28,557,596	30,300,202	(19,177,044)	39,680,754
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	161,032,578	13,572,746	(4,925,826)	169,679,498
Transmission plant	27,768,502	59,147	—	27,827,649
Distribution plant	132,490,962	4,855,153	(499,096)	136,847,019
General plant	6,036,223	48,112	—	6,084,335
Total infrastructure	330,083,833	18,535,158	(5,424,922)	343,194,069
Machinery and equipment	14,387,200	641,888	(264,618)	14,764,470
Total depreciable capital assets	344,471,033	19,177,046	(5,689,540)	357,958,539
Less accumulated depreciation:				
Infrastructure	(185,257,073)	(12,917,185)	6,123,369	(192,050,889)
Machinery and equipment	(13,451,576)	(776,365)	264,618	(13,963,323)
Total accumulated depreciation	(198,708,649)	(13,693,550)	6,387,987	(206,014,212)
Total depreciable capital assets, net	145,762,384	5,483,496	698,447	151,944,327
Total power and light capital assets	\$ 174,319,980	35,783,698	(18,478,597)	191,625,081

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

	Balance			Balance
	June 30, 2010	Additions	Retirements	June 30, 2011
Water Fund:				
Nondepreciable capital assets:	\$			
Land	2,164,725	—	—	2,164,725
Construction in progress	2,851,300	5,343,219	(5,679,651)	2,514,868
Total nondepreciable capital assets	5,016,025	5,343,219	(5,679,651)	4,679,593
Depreciable capital assets:				
Infrastructure:				
Acquisition adjustment	12,547,766	—	—	12,547,766
Nonutility property	40,014	—	—	40,014
Source of supply	7,504,206	12,818	—	7,517,024
Pumping plant	14,690,225	409,618	(11,258)	15,088,585
Treatment plant	22,816,366	272,553	(42,179)	23,046,740
Transmission plant	72,724,916	4,981,608	(331,321)	77,375,203
General plant	1,910,503	983	(6,036)	1,905,450
Total infrastructure	132,233,996	5,677,580	(390,794)	137,520,782
Machinery and equipment	6,485,928	2,071	(28,122)	6,459,877
Total depreciable capital assets	138,719,924	5,679,651	(418,916)	143,980,659
Less accumulated depreciation:				
Infrastructure	(33,253,643)	(2,770,781)	392,124	(35,632,300)
Machinery and equipment	(2,846,264)	(418,573)	66,276	(3,198,561)
Total accumulated depreciation	(36,099,907)	(3,189,354)	458,400	(38,830,861)
Total depreciable capital assets, net	102,620,017	2,490,297	39,484	105,149,798
Total water capital assets	\$ 107,636,042	7,833,516	(5,640,167)	109,829,391

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	3,489,335	1,791,608	(2,665,843)	2,615,100
Total nondepreciable capital assets	3,819,526	1,791,608	(2,665,843)	2,945,291
Depreciable capital assets:				
Infrastructure:				
Nonutility property	46,368	—	—	46,368
Collection plant	91,675,134	4,382,653	—	96,057,787
Pumping plant	5,081,306	243,845	—	5,325,151
Treatment plant	12,896,961	—	(4,600)	12,892,361
General plant	1,591,994	—	—	1,591,994
Total infrastructure	111,291,763	4,626,498	(4,600)	115,913,661
Machinery and equipment	6,228,407	81,031	(18,533)	6,290,905
Total depreciable capital assets	117,520,170	4,707,529	(23,133)	122,204,566
Less accumulated depreciation:				
Infrastructure	(47,317,739)	(2,201,479)	4,600	(49,514,618)
Machinery and equipment	(4,472,229)	(516,154)	18,847	(4,969,536)
Total accumulated depreciation	(51,789,968)	(2,717,633)	23,447	(54,484,154)
Total depreciable capital assets, net	65,730,202	1,989,896	314	67,720,412
Total sewer capital assets	69,549,728	3,781,504	(2,665,529)	70,665,703
Events Center:				
Nondepreciable capital assets:				
Land	5,796,315	—	—	5,796,315
Construction in progress	—	—	—	—
Total nondepreciable capital assets	5,796,315	—	—	5,796,315
Depreciable capital assets:				
Infrastructure	64,886,515	681,558	—	65,568,073
Machinery and equipment	3,546,046	—	—	3,546,046
Total depreciable capital assets	68,432,561	681,558	—	69,114,119
Less accumulated depreciation:				
Infrastructure	(1,081,441)	(1,632,958)	—	(2,714,399)
Machinery and equipment	(166,924)	(250,385)	—	(417,309)
Total accumulated depreciation	(1,248,365)	(1,883,343)	—	(3,131,708)
Total depreciable capital assets, net	67,184,196	(1,201,785)	—	65,982,411
Total events center capital assets	72,980,511	(1,201,785)	—	71,778,726
Total business-type activities capital assets	\$ 424,486,261	46,196,933	(26,784,293)	443,898,901

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	\$ 13,133,201
Water	3,040,456
Sanitary sewer	2,717,633
Events center	<u>1,883,343</u>
Total business-type activities depreciation expense	<u>\$ 20,774,633</u>

Depreciation charged to Power and Light and Water funds are different because certain depreciation related to utility vehicles and heavy equipment are charged to clearing accounts and redistributed to various operating, construction, and other capital accounts. As of June 30, 2011 the difference for Power and Light is \$560,349 and the difference for Water is \$148,898.

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, 2011:

	<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	\$ 14,220,001	—	2,755,001	11,465,000	3,270,000
Capital lease obligations	431,454	—	139,391	292,063	116,693
Neighborhood Improvement					
District	737,000	—	69,000	668,000	69,000
Premium (discount), net	<u>145,272</u>	—	<u>30,301</u>	<u>114,971</u>	—
Total loans and notes payable	<u>15,533,727</u>	<u>—</u>	<u>2,993,693</u>	<u>12,540,034</u>	<u>3,455,693</u>
Other liabilities:					
Compensated absences	16,226,118	6,310,933	6,157,487	16,379,564	6,457,388
Other post-employment benefits	18,667,365	6,287,119	—	24,954,484	—
Net pension obligation	—	2,131,128	—	2,131,128	—
Component unit debt					
appropriated/paid by the City	—	7,709,611	3,566,752	4,142,859	4,142,859
Total Governmental Activities	\$ <u>50,427,210</u>	<u>22,438,791</u>	<u>12,717,932</u>	<u>60,148,069</u>	<u>14,055,940</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

	<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	\$ 41,475,000	33,645,000	10,590,000	64,530,000	3,820,000
Premium on bonds payable	—	857,788	17,566	840,222	—
Less deferred amount on refunding	(880,294)	(665,994)	(748,002)	(798,286)	—
Total revenue bonds	40,594,706	33,836,794	9,859,564	64,571,936	3,820,000
Capital lease obligations	27,492	—	14,146	13,346	13,346
Compensated absences	4,733,984	2,229,337	2,042,226	4,921,095	1,529,391
Other post-employment benefits	4,843,138	1,726,224	—	6,569,362	—
Net pension obligation	—	788,334	—	788,334	—
Total Power and Light Fund	50,199,320	38,580,689	11,915,936	76,864,073	5,362,737
Water Fund:					
Revenue bonds	49,000,000	—	2,790,000	46,210,000	2,965,000
Premium on bonds payable	748,056	—	118,113	629,943	—
Less deferred amount on refunding	(411,899)	—	(65,036)	(346,863)	—
Total revenue bonds	49,336,157	—	2,843,077	46,493,080	2,965,000
Capital lease obligations	12,097	—	6,225	5,872	5,872
Compensated absences	1,745,730	613,148	678,859	1,680,019	488,487
Other long-term obligations	—	—	—	—	—
Other post-employment benefits	1,993,479	729,036	—	2,722,515	—
Net pension obligation	—	227,339	—	227,339	—
Total Water Fund	53,087,463	1,569,523	3,528,161	51,128,825	3,459,359
Sanitary Sewer Fund:					
Capital lease obligations	4,399	—	2,264	2,135	2,135
Compensated absences	1,091,085	454,297	510,123	1,035,259	323,702
Other post-employment benefits	1,568,775	527,448	—	2,096,223	—
Net pension obligation	—	148,829	—	148,829	—
Total Sanitary Sewer Fund	2,664,259	1,130,574	512,387	3,282,446	325,837
Events Center Fund:					
Revenue bonds	85,105,000	—	200,000	84,905,000	100,000
Total Events Center Fund	85,105,000	—	200,000	84,905,000	100,000
Total business-type activities	\$ 191,056,042	41,280,786	16,156,484	216,180,344	9,247,933

	<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	\$ 189,950,000	—	6,980,000	182,970,000	7,780,000
Premium (discount), net	(1,983,849)	—	(138,608)	(1,845,241)	—
Deferred amount on refunding	(736,697)	—	(62,528)	(674,169)	—
	187,229,454	—	6,778,864	180,450,590	7,780,000
Component unit debt appropriated/paid by the City	—	(7,709,611)	(3,566,752)	(4,142,859)	(4,142,859)
Developer obligations	26,193,814	260,129	1,284,225	25,169,718	1,200,000
	\$ 213,423,268	(7,449,482)	4,496,337	201,477,449	4,837,141

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

Debt service requirements on long-term debt with schedules maturities at June 30, 2011 are as follows:

		Governmental Activities							
		Loans Payable		NID Payable		Total			
		Principal	Interest	Principal	Interest	Principal	Interest		
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		460,000	69,694	80,000	20,212	540,000	89,906		
2017 - 2021		1,485,000	96,159	272,000	39,340	1,757,000	135,499		
2022 - 2024		—	—	27,000	3,466	27,000	3,466		
	\$	<u>11,465,000</u>	<u>1,330,643</u>	<u>668,000</u>	<u>180,558</u>	<u>12,133,000</u>	<u>1,511,201</u>		

		Business-type Activities							
		Power and Light		Water		Events Center		Total	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$	3,820,000	3,320,400	2,965,000	2,987,283	200,000	5,279,588	6,985,000	11,587,271
2013		3,930,000	3,115,703	3,180,000	2,760,713	225,000	5,271,588	7,335,000	11,148,004
2014		4,690,000	2,901,823	3,395,000	2,508,448	250,000	5,262,088	8,335,000	10,672,359
2015		2,965,000	2,618,613	3,655,000	2,220,258	250,000	5,251,619	6,870,000	10,090,490
2016		3,080,000	2,503,675	3,955,000	1,904,623	250,000	5,240,759	7,285,000	9,649,057
2017 - 2021		15,610,000	10,345,113	9,610,000	6,317,864	2,925,000	25,922,831	28,145,000	42,585,808
2022 - 2026		11,055,000	6,969,750	8,745,000	4,247,763	6,775,000	24,739,194	26,575,000	35,956,707
2027 - 2031		8,680,000	4,408,231	10,705,000	1,415,631	17,320,000	21,784,741	36,705,000	27,608,603
2032 - 2036		10,700,000	1,583,825	—	—	32,810,000	14,082,284	43,510,000	15,666,109
2037 - 2038		—	—	—	—	23,900,000	2,377,244	23,900,000	2,377,244
	\$	<u>64,530,000</u>	<u>37,767,133</u>	<u>46,210,000</u>	<u>24,362,583</u>	<u>84,905,000</u>	<u>115,211,936</u>	<u>195,645,000</u>	<u>177,341,652</u>

		Discretely-Presented Component Unit		
		TIF Loans		Total Principal
		Principal	Interest	& Interest
2012	\$	7,780,000	9,506,928	17,286,928
2013		7,870,000	9,143,138	17,013,138
2014		8,420,000	8,778,919	17,198,919
2015		9,005,000	8,383,320	17,388,320
2016		9,635,000	7,953,005	17,588,005
2017 - 2021		60,415,000	31,877,978	92,292,978
2022 - 2026		63,010,000	15,572,543	78,582,543
2027 - 2028		16,835,000	1,263,569	18,098,569
	\$	<u>182,970,000</u>	<u>92,479,400</u>	<u>275,449,400</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(a) Governmental activities

(1) Loans Payable – Missouri Development Finance Board

Governmental activities loans payable at June 30, 2011 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%.	\$ 1,750,000
\$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%.	3,760,000
\$5,485,000 Series 2006 (Park Projects) annual installments of \$1,010,000 to \$1,190,000 through 2013; interest at 4.25%.	2,330,000
\$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>\$ 11,465,000</u>

Restricted assets in the General Fund of \$200,378 at June 30, 2011 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.

Neighborhood Improvement District bonds payable at June 30, 2011 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%	\$ 585,000
\$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%	83,000
Total Neighborhood Improvement District	<u>\$ 668,000</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(3) Capital Lease Obligations

Capital leases payable at June 30, 2011 are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of \$59,484 to \$64,437 through 2013; interest at 4.19%	\$ 257,802
IBM Corporation (computer equipment) monthly installments of \$1,969 to \$2,232 through 2011; interest at 3.199%	2,232
Missouri Development Finance Board (phone system) monthly installments of \$2,708 to \$2,948 through 2012; interest at 3.00%	32,029
Total Capital Lease Obligations	<u>\$ 292,063</u>

The cumulative amount of assets acquired under the capital leases described above amounted to \$517,459 as of June 30, 2011.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Year ending June 30:	
2012	\$ 127,983
2013	93,234
2014	93,233
	<u>314,450</u>
Less imputed interest	(22,387)
Present value of minimum lease payments	<u>\$ 292,063</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(b) Business-type Activities

(1) Revenue Bonds

Revenue bonds payable at June 30, 2011 are comprised of the following individual issues:

Power and Light Fund:

\$5,975,000 Series 2003 annual installments of \$435,000 to \$660,000 through 2014; interest at 2.00% to 3.65%	\$ 1,865,000
\$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
\$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250%	31,250,000
Less deferred amount on refunding	(798,286)
Total Power and Light fund	<u><u>63,731,714</u></u>

Water Fund:

\$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2025; interest at 3.054% to 5.00%	11,590,000
\$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%	17,100,000
Less deferred amount on refunding	(346,863)
Total Water Fund	<u><u>45,863,137</u></u>

Events Center Fund:

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75%	11,995,000
\$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
Total Events Center Fund	<u><u>84,905,000</u></u>

Total revenue bonds	\$ <u><u>194,499,851</u></u>
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CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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	\$ 5,923,693	—	—	117,670
Depreciation and emergency	—	500,000	—	—
Bond reserve and project accounts	10,547,984	5,534,070	—	8,073,303
Total revenue bond reserves	16,471,677	6,034,070	—	8,190,973
Customer deposits	1,566,051	432,241	358,944	—
Workers' compensation	135,480	35,753	28,767	—
Total	\$ 18,173,208	6,502,064	387,711	8,190,973

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, 2010, the City issued revenue bonds through the Missouri Development Finance Board of \$33,645,000 with interest rates ranging from 2.00% to 5.25%, to provide funding for capital projects and to advance refund \$7,625,000 of outstanding 1998 Power & Light revenue bonds with interest rates ranging from 4.60% to 4.80%. The acquisition of the new refunding bonds carried a premium of \$857,788 and resulted in a deferred amount on refunding of \$665,994. Both items will be amortized over the life of the bonds. This advance refunding was undertaken to reduce the total debt service payments by \$271,308 which resulted in an economic gain of \$248,845.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(2) Events Center Bonds

The Events Center Bonds (Bonds) are secured by a pledge of certain community improvement district sales taxes (CID sales taxes) and related Tax Increment Financing (TIF) revenues generated within the Independence Events Center Community Improvement District (District) boundaries. In addition, the Bonds include an annual appropriation covenant pursuant to which the City agrees to budget and appropriate sufficient funds to meet the scheduled debt service requirements of the Bonds should the CID sales taxes and TIF revenues not be sufficient to do so. For the year ended June 30, 2011, District revenues paid to the City for debt service totaled \$4,813,612. The remaining debt service amounts of \$145,018 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, and in certain instances an annual appropriation pledge from the City.

The City pledges and other taxing districts and governmental entities are required to provide certain incremental portions of future property tax and sales tax revenues to repay \$275.5 million in tax increment financing loans (TIF Loans) issued at various dates beginning in 1999 to finance redevelopment projects within each of the respective TIF plans. The loans are payable solely from the incremental increase in property taxes and sales taxes generated within the TIF plans. TIF revenues were projected to produce sufficient funds to meet debt service requirements over the life of the TIF loans. Should TIF revenues not be sufficient to meet the required debt service obligations, neither the City nor the Commission is obligated to make such loan payments from any other sources of its revenues. However, the City has appropriated funds sufficient to make all payments required by the bonds for the next fiscal year. During this fiscal year, the City's general fund paid \$3,566,752 in debt service payments for the Crackerneck Creek development. The City has appropriated \$4,142,859 from the General Fund for the Crackerneck Creek development debt service payments due in fiscal year 2011-12. Accordingly, this amount has been recorded as a governmental activities obligation and a reduction of the related component unit TIF obligation in the financial statements.

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

At June 30, 2011, total principal and interest remaining on the loans was \$275.5 million and the outstanding developer obligations was \$25.2 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 \$18.5 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, City and 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%	\$ 7,120,000
\$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%	690,000
\$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%	10,525,000
\$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%	46,255,000
\$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%	1,185,000
\$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%	4,595,000
\$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%	14,090,000
\$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00%	7,985,000
\$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of \$385,000 to \$1,795,000 through 2023; interest at 5.41% to 6.096%	8,440,000
\$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%	700,000
\$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%	18,265,000

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

\$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%	4,335,000
\$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%	1,140,000
\$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%	12,225,000
\$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%	4,175,000
\$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of \$135,000 to \$480,000 through 2022; interest at 4.00% to 5.500%	2,935,000
\$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%	3,275,000
\$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%	2,195,000
Total Discretely Presented Component Unit	<u>\$ 182,970,000</u>

Restricted assets held by the Commission of \$22,343,886 consist of funds available for costs related to the redevelopment of the Crackerneck Creek, Hartman Heritage, Sante Fe, Eastland Center, and HCA areas.

(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, 2011, \$11,895,000 of loans payable are considered defeased.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(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. During early 2011, an 8,000 square foot Cheddar's Restaurant opened. The City and the developer remain in discussions regarding securing additional retail and hotel development for the project. However, no additional agreements exist requiring any retailers to open for business in the Crackerneck Creek Redevelopment Area other than Bass Pro.

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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

Calendar		Amount
Year		
2011	\$	1,000,000
2012		1,000,000
2013		1,000,000
2014		1,000,000
2015		1,000,000
2016 - 2020		5,000,000
2021 - 2025		5,000,000
2026		1,000,000
Total	\$	16,000,000

(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, 2011, were \$20,400.

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, 2011, were \$131,542.

(9) Employee Retirement System

Plan Description

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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 9.3% (general), 10.5% (police), and 11.10% (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, 2011, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$220,918,979. The actuarial value of assets was \$137,468,939, which results in an unfunded accrued liability (UAL) of \$83,450,040 and a funded ratio of 62%. The covered payroll (annual payroll of active employees covered by the plan) was \$68,136,107, which results in a ratio of the UAL to the covered payroll of 122%.

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 & Net Pension Obligation

The City's annual pension cost and net pension obligation as of June 30, 2011 are as follows:

Annual required contribution	\$ 10,047,652
Interest on net pension obligation	—
Adjustment to annual required contribution	—
Annual pension cost	<u>10,047,652</u>
Actual contributions	<u>6,752,022</u>
Increase (decrease) in net pension obligation	<u>3,295,630</u>
Beginning net pension obligation	<u>—</u>
Ending net pension obligation	<u>\$ 3,295,630</u>

For 2011, the City's annual pension cost of \$10,047,652 was not equal to the required and actual contribution which resulted in a Net Pension Obligation of \$3,295,630. The required contribution was determined as part of the February 28, 2009 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

- (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually;
- (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation;
- (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit;
- (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table, set back 0 years for men and women; and

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June 30, 2011

- (e) post-retirement mortality based on the 1994 Group Annuity Mortality table, set back 0 years for men and women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009 was 30 years.

See Exhibit 11 for Schedule of Funding Progress for the years ended 2011, 2010, and 2009.

(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

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Funding Policy

The City pays for the employer portion of eligible retiree healthcare claims, administrative fees and retiree premiums of the participants in the plan on a pay-as-you-go basis from general operating assets of the City. As noted earlier, retirees are required to make contributions to the plan at the same level as required for active employees until the 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		1,218,274
Adjustment to annual required contribution		<u>(1,254,291)</u>
Annual OPEB cost (expense)		14,935,773
Less: Expected net employer contributions		<u>(5,665,946)</u>
Increase in net OPEB obligation		9,269,827
Net OPEB obligation – July 1, 2010		<u>27,072,757</u>
Net OPEB obligation – June 30, 2011	\$	<u><u>36,342,584</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, 2011 is as follows:

		<u>Annual OPEB Cost</u>		<u>Percentage of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>
Fiscal year ending:						
June 30, 2009	\$	13,264,139	%	33.63	\$	17,902,417
June 30, 2010		14,947,974		38.65		27,072,757
June 30, 2011		14,935,773		37.94		36,342,584

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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, 2011

(11) Risk Management

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

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

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

The City offers its employees and retirees a contributory self-insurance healthcare plans (Staywell Open Access Plan or Staywell In-Network Plan). An excess coverage insurance policy covers the portion of specific claims in excess of \$250,000 and aggregate claims in excess of \$24,597,000 for the open access plan and for the in-network plan. The City's share of the premiums for this employee benefit was approximately \$15,403,570. 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. Incurred but not reported medical, vision, and prescription claims are accrued as a liability in the Internal Service Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

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

		Claims Payable			
		Workers' Compensation		Staywell	
		2010	2011	2010	2011
Beginning of year	\$	3,045,422	2,908,592	1,850,425	3,256,076
Increases		1,794,230	1,544,048	18,445,032	20,518,089
Decreases		(1,931,060)	(1,550,132)	(17,039,381)	(21,488,489)
End of year	\$	<u>2,908,592</u>	<u>2,902,508</u>	<u>3,256,076</u>	<u>2,285,676</u>

(12) Commitments

Construction Commitments

At June 30, 2011, the City had commitments of approximately \$25.5 million to complete construction contracts. Of this amount, \$10.3 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 \$16,500,000 for 357,114 megawatt-hours of delivered energy during fiscal year 2011.

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. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are \$179,500,000 through the year 2049. During fiscal year 2011, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately \$16,300,000 for 372,027 megawatt-hours of wholesale energy. For fiscal year 2012, the projected costs under the agreement are estimated to be approximately \$17,500,000.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

As part of this participation power agreement, the City also entered into a Transmission Facilities Cost Agreement with OPPD. Under this agreement, the cost of new and upgraded transmission facilities needed for the interconnection of the Nebraska City Unit 2 and the delivery of power to the City are included in the amount of tax-exempt bonds issued by OPPD. The agreement provides that the allocated amount to the City \$4,339,061 for OPPD transmission system improvements would be credited to the City on the transmission service billings from OPPD for delivery of the energy from the Nebraska City Unit 2. As of June 30, 2011, the remaining credit amount was \$2,152,926.

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 began full commercial operations on December 31, 2010. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (City's portion of the debt service) are approximately \$264,600,000 through the year 2039. During fiscal year 2011, the delivered cost of capacity and energy under the agreement, including all demand, energy, transmission costs, and debt service was approximately \$9,600,000 for 278,791 megawatt-hours of wholesale energy. For fiscal year 2012, the projected costs under the agreement are estimated to be approximately \$20,100,000.

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 2011, the cost of the energy purchases including transmission costs was approximately \$2,900,000 for 58,687 megawatt-hours of wholesale energy.

Events Center Management Agreement

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).

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 assumed certain liabilities and was assigned certain assets of the Manager. At the transition date, certain operating losses of the Events Center since inception were assumed by the

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

City as the liabilities assumed (\$1,307,310) were in excess of assets assigned (\$713,107) by approximately \$594,203. 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 provided 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. Accordingly, these amounts totaling \$999,203 has been included with other expenses of the Events Center enterprise fund.

The City created the Independence Events Center, LLC to provide for the operations of the Events Center after the transition date. The Events Center, LLC was in effect from October 10, 2010 through June 9, 2011. Effective June 10, 2011 the LLC was merged into the Independence Events Center Management Corporation, a Missouri non-profit organization. The Independence Events Center Management Corporation is included in the financial statements as a blended component unit.

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 \$346,812 in the Street Improvements Fund, \$5,006,608 in the Parks Sales Tax Fund, \$308 in the Buildings and Other Improvements Fund, \$16,155 in the Storm Drainage Fund, \$1,236,791 in the Workers' Compensation Fund and \$3,118,036 in the Events Center Fund, will be eliminated by future revenues or transfers.

(14) Subsequent Events

The City evaluated subsequent events through November 10, 2011, the date the financial statements were available to be issued.

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

\$11,350,000 Series 2011 A advance refunding bonds for the Events Center Project.

\$6,1565,000 Series 2011 B refunding loan payable for the Hartman Heritage TIF Project.

\$430,000 Series 2011 C loan payable for the Centerpoint TIF Project.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2011

(15) Fund Equity

Fund balances at year-end are as follows:

	Governmental Funds			
	General	Street Improvements	Nonmajor	Total
Fund balances:				
Restricted for:	\$			
Protested revenues	24,351	—	—	24,351
Police equipment	418,205	—	—	418,205
Tourism	—	—	1,343,440	1,343,440
Independence square benefit district	—	—	28,030	28,030
Grants	—	—	1,330	1,330
License surcharge	—	—	2,677,728	2,677,728
Street sales tax	—	—	2,491,735	2,491,735
Storm water sales tax	—	—	7,257,027	7,257,027
Police sales tax	—	—	1,967,871	1,967,871
Fire sales tax	—	—	810,193	810,193
Debt service fund	—	—	81,975	81,975
Total fund balances restricted	<u>442,556</u>	<u>—</u>	<u>16,659,329</u>	<u>17,101,885</u>
Committed for:				
Domestic violence	15,795	—	—	15,795
Capital projects	120,851	—	437,150	558,001
Strategic goals	243,646	—	—	243,646
Vandalism reward	3,000	—	—	3,000
TIF obligations	900,000	—	—	900,000
Economic development	130,000	—	—	130,000
Total fund balances committed	<u>1,413,292</u>	<u>—</u>	<u>437,150</u>	<u>1,850,442</u>
Assigned for:				
General government	274,525	—	—	274,525
Public safety	161,096	—	—	161,096
Public works	231,444	—	—	231,444
Total fund balances assigned	<u>667,065</u>	<u>—</u>	<u>—</u>	<u>667,065</u>
Unassigned	<u>2,302,039</u>	<u>(346,812)</u>	<u>(5,023,071)</u>	<u>(3,067,844)</u>
Total fund equity	\$ <u>4,824,952</u>	<u>(346,812)</u>	<u>12,073,408</u>	<u>16,551,548</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Totals above include encumbrances as follows: General Fund \$749,414, Street Improvements Fund \$12,052,803 and Non-major Funds \$6,812,656.

**Required
Supplementary
Information**

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2011

(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 2010-2011 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, 2011

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 35,804,987	35,804,987	39,304,568	3,499,581
Licenses and permits	3,349,340	3,349,340	3,191,249	(158,091)
Grants – federal and state	25,393	25,393	25,393	—
State and county shared revenue	5,614,820	5,614,820	5,167,517	(447,303)
Charges for current services	1,767,412	1,906,988	2,266,545	359,557
Interfund charges for support services	3,421,877	3,421,877	3,743,875	321,998
Fines and forfeitures	4,614,534	4,614,534	4,398,111	(216,423)
Other revenue	398,845	433,149	673,448	240,299
Total revenues	54,997,208	55,171,088	58,770,706	3,599,618
Other financing sources:				
Payments in lieu of taxes	16,545,408	16,545,408	16,211,380	(334,028)
Operating transfers in	48,195	—	48,195	48,195
Total other financing sources	16,593,603	16,545,408	16,259,575	(285,833)
Total revenues and other financing sources	71,590,811	71,716,496	75,030,281	3,313,785
Expenditures:				
City Council	410,135	430,734	429,242	1,492
City Clerk	384,342	384,342	357,035	27,307
City Manager	1,044,054	1,044,054	1,039,220	4,834
National Frontier Trails Center	385,541	385,541	382,528	3,013
Technology services	1,717,198	1,717,198	1,683,058	34,140
Municipal court	803,174	803,174	776,786	26,388
Law	769,021	817,121	781,876	35,245
Finance	1,979,745	1,979,745	1,963,393	16,352
Human resources	445,706	445,706	436,614	9,092
Community development	2,615,783	2,673,105	2,670,431	2,674
Police	24,321,451	25,326,792	25,239,490	87,302
Fire	15,994,813	16,625,578	16,620,726	4,852
Health	2,733,967	2,752,614	2,553,599	199,015
Public works	6,369,565	6,369,565	6,180,748	188,817
Water pollution control	296,347	296,347	296,347	—
Parks and recreation	2,160,477	2,166,949	2,128,174	38,775
General government	8,386,292	7,730,410	7,708,608	21,802
City Council strategic goals	250,000	447,596	249,569	198,027
Debt service component unit	—	3,566,752	3,566,752	—
Capital outlay	513,200	513,200	437,794	75,406
Total expenditures	71,580,811	76,476,523	75,501,990	974,533
Other financing uses— transfers out	10,000	20,000	20,000	—
Total expenditures and other financing uses	71,590,811	76,496,523	75,521,990	974,533
Excess of revenue and other financing sources over (under) expenditures and other financing uses	\$ —	(4,780,027)	(491,709)	4,288,318
Unassigned fund balance at beginning of year			2,012,374	
Cancellation of prior year encumbrances			74,250	
Change in other fund balance components during the year			707,124	
Unassigned fund balance at end of year			\$ 2,302,039	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2011

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	\$ 75,030,281
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>\$ 75,030,281</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 75,501,990
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget	(623,116)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>495,554</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	<u>\$ 75,374,428</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
Retirement Plan-						
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%
February 28, 2011	137,468,939	220,918,979	83,450,040	62%	68,136,107	122%

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, 2011

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 14,640,690	319,505	—	14,960,195
Receivables:				
Taxes	3,255,956	—	—	3,255,956
Accounts	6,516	—	—	6,516
Special assessment principal and accrued interest	—	—	871,066	871,066
Due from other funds	16,155	—	—	16,155
Due from other governments	1,441,118	122,924	—	1,564,042
Restricted assets	—	—	94,000	94,000
Total assets	<u>\$ 19,360,435</u>	<u>442,429</u>	<u>965,066</u>	<u>20,767,930</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 919,491	5,587	—	925,078
Due to other funds	6,536,207	16,155	12,025	6,564,387
Accrued items	135,630	—	—	135,630
Other current liabilities	14,600	—	—	14,600
Deferred revenue	183,761	—	871,066	1,054,827
Total liabilities	<u>7,789,689</u>	<u>21,742</u>	<u>883,091</u>	<u>8,694,522</u>
Fund balances:				
Restricted	16,577,354	—	81,975	16,659,329
Committed	—	437,150	—	437,150
Unassigned (deficit)	(5,006,608)	(16,463)	—	(5,023,071)
Total fund balances	<u>11,570,746</u>	<u>420,687</u>	<u>81,975</u>	<u>12,073,408</u>
Total liabilities and fund balances	<u>\$ 19,360,435</u>	<u>442,429</u>	<u>965,066</u>	<u>20,767,930</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 19,749,318	—	—	19,749,318
Licenses and permits	235,610	—	—	235,610
Intergovernmental	8,463,023	638,241	—	9,101,264
Charges for services	633,296	—	104,185	737,481
Investment income	19,571	409	131	20,111
Reimbursements from component unit	204,591	6,841	—	211,432
Other	765,062	—	—	765,062
Total revenues	30,070,471	645,491	104,316	30,820,278
Expenditures:				
Current:				
Administrative services	29,981	—	—	29,981
Public safety	6,312,603	—	—	6,312,603
Health and welfare	728,223	—	—	728,223
Culture and recreation	3,873,179	—	—	3,873,179
Community development	4,034,773	—	—	4,034,773
Storm water	1,476,040	—	—	1,476,040
General government	665,456	—	1,026	666,482
Capital outlay	8,145,895	731,805	—	8,877,700
Debt service:				
Principal	2,755,000	—	69,000	2,824,000
Interest and fiscal agent fees	546,631	—	38,071	584,702
Total expenditures	28,567,781	731,805	108,097	29,407,683
Excess (deficiency) of revenues over expenditures	1,502,690	(86,314)	(3,781)	1,412,595
Other financing sources (uses):				
Transfers in	10,000	82,913	—	92,913
Transfers out	(2,441,566)	—	—	(2,441,566)
Total other financing sources (uses)	(2,431,566)	82,913	—	(2,348,653)
Net change in fund balances	(928,876)	(3,401)	(3,781)	(936,058)
Fund balances, beginning	12,499,622	424,088	85,756	13,009,466
Fund balances, ending	\$ 11,570,746	420,687	81,975	12,073,408

CITY OF INDEPENDENCE, MISSOURI

 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2011

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	\$ 1,252,720	24,936	—	45	10,685,261	2,677,728	—	14,640,690
Receivables:								
Taxes	100,000	3,094	—	—	3,130,974	—	21,888	3,255,956
Accounts	—	—	850	—	4,419	—	1,247	6,516
Due from other funds	—	—	—	—	16,155	—	—	16,155
Due from other governments	100,000	—	25,726	409,606	—	—	905,786	1,441,118
Total assets	<u>\$ 1,452,720</u>	<u>28,030</u>	<u>26,576</u>	<u>409,651</u>	<u>13,836,809</u>	<u>2,677,728</u>	<u>928,921</u>	<u>19,360,435</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	\$ 94,586	—	2,989	—	661,484	—	160,432	919,491
Due to other funds	—	—	14,112	391,386	5,578,520	—	552,189	6,536,207
Accrued items	14,694	—	8,152	3,958	75,944	—	32,882	135,630
Other current liabilities	—	—	—	14,300	300	—	—	14,600
Deferred revenue	—	—	—	—	343	—	183,418	183,761
Total liabilities	<u>109,280</u>	<u>—</u>	<u>25,253</u>	<u>409,644</u>	<u>6,316,591</u>	<u>—</u>	<u>928,921</u>	<u>7,789,689</u>
Fund balances:								
Restricted	1,343,440	28,030	1,323	7	12,526,826	2,677,728	—	16,577,354
Unassigned (deficit)	—	—	—	—	(5,006,608)	—	—	(5,006,608)
Total fund balances	<u>1,343,440</u>	<u>28,030</u>	<u>1,323</u>	<u>7</u>	<u>7,520,218</u>	<u>2,677,728</u>	<u>—</u>	<u>11,570,746</u>
Total liabilities and fund balances	<u>\$ 1,452,720</u>	<u>28,030</u>	<u>26,576</u>	<u>409,651</u>	<u>13,836,809</u>	<u>2,677,728</u>	<u>928,921</u>	<u>19,360,435</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2011

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	\$ 1,077,506	24,305	—	—	18,647,507	—	—	19,749,318
Licenses and permits	—	—	—	—	—	235,610	—	235,610
Intergovernmental	144,655	—	796,017	1,008,572	—	—	6,513,779	8,463,023
Charges for services	—	—	—	—	524,635	—	108,661	633,296
Investment income	1,607	292	—	—	13,903	3,602	167	19,571
Reimbursements from component unit	—	—	—	—	204,591	—	—	204,591
Other	3,700	—	—	—	744,576	556	16,230	765,062
Total revenues	<u>1,227,468</u>	<u>24,597</u>	<u>796,017</u>	<u>1,008,572</u>	<u>20,135,212</u>	<u>239,768</u>	<u>6,638,837</u>	<u>30,070,471</u>
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	29,981	29,981
Public safety	—	—	—	—	3,467,427	—	2,845,176	6,312,603
Health and welfare	—	—	—	—	—	—	728,223	728,223
Culture and recreation	1,433,012	—	—	—	2,439,945	—	222	3,873,179
Community development	—	—	640,642	1,008,572	—	—	2,385,559	4,034,773
Storm water	—	—	—	—	1,476,040	—	—	1,476,040
General government	—	—	—	—	15,780	—	649,676	665,456
Capital outlay	—	389	—	—	8,145,506	—	—	8,145,895
Debt service:								
Principal	—	—	—	—	2,755,000	—	—	2,755,000
Interest and fiscal agent fees	—	—	—	—	546,631	—	—	546,631
Total expenditures	<u>1,433,012</u>	<u>389</u>	<u>640,642</u>	<u>1,008,572</u>	<u>18,846,329</u>	<u>—</u>	<u>6,638,837</u>	<u>28,567,781</u>
Excess (deficiency) of revenues over expenditures	<u>(205,544)</u>	<u>24,208</u>	<u>155,375</u>	<u>—</u>	<u>1,288,883</u>	<u>239,768</u>	<u>—</u>	<u>1,502,690</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	10,000	—	—	10,000
Transfers out	—	—	(155,375)	—	(1,840,723)	(445,468)	—	(2,441,566)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(155,375)</u>	<u>—</u>	<u>(1,830,723)</u>	<u>(445,468)</u>	<u>—</u>	<u>(2,431,566)</u>
Net change in fund balances	<u>(205,544)</u>	<u>24,208</u>	<u>—</u>	<u>—</u>	<u>(541,840)</u>	<u>(205,700)</u>	<u>—</u>	<u>(928,876)</u>
Fund balances, beginning	<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>
Fund balances, ending	<u>\$ 1,343,440</u>	<u>28,030</u>	<u>1,323</u>	<u>7</u>	<u>7,520,218</u>	<u>2,677,728</u>	<u>—</u>	<u>11,570,746</u>

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Transient guest taxes	\$ 988,000	988,000	1,077,506	89,506
Interest	—	2,100	1,607	(493)
Grants – federal, state, and local	—	158,426	144,655	(13,771)
Other revenue	18,400	16,300	3,700	(12,600)
Total revenues	<u>1,006,400</u>	<u>1,164,826</u>	<u>1,227,468</u>	<u>62,642</u>
Expenditures:				
Tourism	<u>1,028,661</u>	<u>1,413,605</u>	<u>1,413,604</u>	<u>1</u>
Total expenditures	<u>1,028,661</u>	<u>1,413,605</u>	<u>1,413,604</u>	<u>1</u>
Excess of revenues over (under) expenditures	\$ <u>(22,261)</u>	<u>(248,779)</u>	(186,136)	<u>62,643</u>
Restricted fund balance at beginning of year			1,548,984	
Cancellation of prior year encumbrances			1,542	
Increase (Decrease) in Prior Year Encumbrances			(20,950)	
Restricted fund balance at end of year			<u>\$ 1,343,440</u>	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2011

	Tourism Fund
	<hr/>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,227,468
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>1,227,468</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,413,604
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(38,535)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>57,943</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>1,433,012</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budget Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grant - CDBG	\$ 818,019	1,238,598	796,017	(442,581)
Total revenues	<u>818,019</u>	<u>1,238,598</u>	<u>796,017</u>	<u>(442,581)</u>
Expenditures:				
CDBG administration	151,579	176,663	164,164	12,499
CDBG expenditures	666,440	665,994	410,001	255,993
Commercial facade program	—	230,916	158,990	71,926
Total expenditures	<u>818,019</u>	<u>1,073,573</u>	<u>733,155</u>	<u>340,418</u>
Other financing uses:				
Transfers out	—	165,025	155,375	9,650
Total other financing uses	<u>—</u>	<u>165,025</u>	<u>155,375</u>	<u>9,650</u>
Total expenditures and other uses	<u>818,019</u>	<u>1,238,598</u>	<u>888,530</u>	<u>350,068</u>
Excess of revenues over (under) expenditures and other financing uses	\$ <u>—</u>	<u>—</u>	<u>(92,513)</u>	<u>(92,513)</u>
Restricted fund balance (deficit) at beginning of year			1,323	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			92,513	
Restricted fund balance (deficit) at end of year			<u>\$ 1,323</u>	

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

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Basis Reconciliation Schedule
 Community Development Block Grant Fund
 Year ended June 30, 2011

	<u>Community Development Block Grant</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 796,017
Basis differences – budget to GAAP:	
None	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 796,017
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 733,155
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(92,513)
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	\$ 640,642

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budget Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
HOME program grant	\$ 487,038	1,138,014	1,008,572	(129,442)
Total revenues	<u>487,038</u>	<u>1,138,014</u>	<u>1,008,572</u>	<u>(129,442)</u>
Expenditures:				
HOME administration	48,704	25,541	29,603	(4,062)
Multi family housing	154,927	672,858	691,579	(18,721)
First Time Home Buyers	186,000	169,428	192,930	(23,502)
Community housing development	97,407	270,187	270,187	—
Total expenditures	<u>487,038</u>	<u>1,138,014</u>	<u>1,184,299</u>	<u>(46,285)</u>
Excess of revenues over (under) expenditures	\$ <u>—</u>	<u>—</u>	(175,727)	<u>(175,727)</u>
Restricted fund balance (deficit) at beginning of year			7	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			175,727	
Restricted fund balance (deficit) at end of year			<u>\$ 7</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

Rental Rehabilitation

Year ended June 30, 2011

	<u>Rental Rehabilitation</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,008,572
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>\$ 1,008,572</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,184,299
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(175,727)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,008,572</u>

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

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Street Improvements Sales Tax Fund
 Year ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 7,655,564	7,655,564	7,406,892	(248,672)
Interest	1,400	1,400	1,172	(228)
Other revenue	—	—	107,857	107,857
Total revenues	<u>7,656,964</u>	<u>7,656,964</u>	<u>7,515,921</u>	<u>(141,043)</u>
Expenditures:				
General Government	7,000	10,520	10,520	—
Capital outlay	1,326,000	5,447,880	3,636,243	1,811,637
Debt service	546,444	546,444	72,016	474,428
Total expenditures	<u>1,879,444</u>	<u>6,004,844</u>	<u>3,718,779</u>	<u>2,286,065</u>
Other financing uses:				
- Transfers out	—	2,808,003	1,840,723	967,280
Total other financing uses	<u>—</u>	<u>2,808,003</u>	<u>1,840,723</u>	<u>967,280</u>
Total expenditures and other financing uses	<u>1,879,444</u>	<u>8,812,847</u>	<u>5,559,502</u>	<u>3,253,345</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ 5,777,520</u>	<u>(1,155,883)</u>	<u>1,956,419</u>	<u>3,112,302</u>
Restricted fund balance (deficit) at beginning of year			535,316	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			—	
Restricted fund balance (deficit) at end of year			<u>\$ 2,491,735</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, 2011

	Streets Improvements Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 7,515,921
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>\$ 7,515,921</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,718,779
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u> —</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 3,718,779</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budget Basis)</u>	<u>with Final</u> <u>Budget</u>
Revenues:				
Sales taxes	\$ 3,827,782	3,827,782	3,703,969	(123,813)
Public health and recreation	110,020	110,020	62,660	(47,360)
Adventure Oasis Water Park	497,000	507,070	442,987	(64,083)
Other revenue	—	750	634,654	633,904
Total revenues	<u>4,434,802</u>	<u>4,445,622</u>	<u>4,844,270</u>	<u>398,648</u>
Other financing sources:				
Transfers in	—	10,000	10,000	—
Total other financing sources	<u>—</u>	<u>10,000</u>	<u>10,000</u>	<u>—</u>
Total revenues and other financing sources	<u>4,434,802</u>	<u>4,455,622</u>	<u>4,854,270</u>	<u>398,648</u>
Expenditures:				
Culture and recreation	2,424,482	2,500,369	2,504,369	(4,000)
General government	4,000	4,000	5,260	(1,260)
Capital outlay	50,000	600,120	503,626	96,494
Debt service	2,168,389	2,168,389	2,167,589	800
Total expenditures	<u>4,646,871</u>	<u>5,272,878</u>	<u>5,180,844</u>	<u>92,034</u>
Other financing uses:				
Excess of revenues and other financing sources over (under) expenditures	\$ <u>(212,069)</u>	<u>(817,256)</u>	(326,574)	<u>490,682</u>
Restricted fund balance (deficit) at beginning of year			(4,744,458)	
Cancellation of prior year encumbrances			15,287	
Increase (Decrease) in Prior Year Encumbrances			49,137	
Restricted fund balance (deficit) at end of year			<u>\$ (5,006,608)</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, 2011

	Park Improvements Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,844,270
Basis differences – budget to GAAP:	
None	<u> </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,844,270</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,180,844
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(167,015)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>102,591</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 5,116,420</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, 2011

	<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	\$ 2,232,872	2,232,872	3,703,882	1,471,010
Interest	20,000	20,000	9,896	(10,104)
Other revenue	—	—	84,765	84,765
Total revenues	<u>2,252,872</u>	<u>2,252,872</u>	<u>3,798,543</u>	<u>1,545,671</u>
Expenditures:				
Storm water				
Administration	302,086	184,086	101,223	82,863
Maintenance	1,151,686	1,269,686	1,058,775	210,911
Permit completion	349,175	349,175	342,075	7,100
Capital outlay	505,000	8,589,027	4,004,467	4,584,560
Total expenditures	<u>2,307,947</u>	<u>10,391,974</u>	<u>5,506,540</u>	<u>4,885,434</u>
Excess of revenues over (under) expenditures	\$ <u>(55,075)</u>	<u>(8,139,102)</u>	<u>(1,707,997)</u>	<u>6,431,105</u>
Restricted fund balance at beginning of year			8,938,991	
Cancellation of prior year encumbrances			2,570	
Increase (Decrease) in Prior Year Encumbrances			23,463	
Restricted fund balance at end of year			<u>\$ 7,257,027</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, 2011

	Storm Water Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 3,798,543
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>3,798,543</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,506,540
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(134,095)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>108,062</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>5,480,507</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, 2011

	<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	\$ 2,039,686	2,039,686	1,979,695	(59,991)
Investment income	3,100	3,100	105,404	102,304
Other revenue	—	—	1,706	1,706
Total revenues	<u>2,042,786</u>	<u>2,042,786</u>	<u>2,086,805</u>	<u>44,019</u>
Expenditures:				
Public safety				
Communications	273,320	1,120,560	158,537	962,023
Facilities	965,904	88,964	77,841	11,123
Equipment	1,020,920	1,050,620	936,716	113,904
Debt service	515,113	515,113	513,039	2,074
Total expenditures	<u>2,775,257</u>	<u>2,775,257</u>	<u>1,686,133</u>	<u>1,089,124</u>
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (732,471)</u>	<u>(732,471)</u>	400,672	<u>1,133,143</u>
Restricted fund balance at beginning of year			1,900,086	
Cancellation of prior year encumbrances			64,144	
Increase (Decrease) in Prior Year Encumbrances			(397,031)	
Restricted Fund Balance at end of year			<u>\$ 1,967,871</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, 2011

	<u>Police Public Safety Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,086,805
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,086,805</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,686,133
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(77,731)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>410,618</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 2,019,020</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, 2011

	<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	\$ 1,913,891	1,913,891	1,853,069	(60,822)
Investment income	7,400	7,400	1,129	(6,271)
Other revenue	—	—	35,475	35,475
Total revenues	<u>1,921,291</u>	<u>1,921,291</u>	<u>1,889,673</u>	<u>(31,618)</u>
Expenditures:				
Public safety	1,557,800	2,257,800	1,910,872	346,928
Capital outlay	—	1,170	1,170	—
Debt service	553,713	553,713	550,313	3,400
Total expenditures	<u>2,111,513</u>	<u>2,812,683</u>	<u>2,462,355</u>	<u>350,328</u>
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (190,222)</u>	<u>(891,392)</u>	<u>(572,682)</u>	<u>318,710</u>
Restricted fund balance at beginning of year			1,432,123	
Cancellation of prior year encumbrances			43,477	
Increase (Decrease) in Prior Year Encumbrances			(92,725)	
Restricted fund balance at end of year			<u>\$ 810,193</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, 2011

	Fire Public Safety Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,889,673
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>1,889,673</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,462,355
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(42,323)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>91,571</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>2,511,603</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budget Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and other shared revenue	\$ 900,087	13,270,812	6,513,779	(6,757,033)
Charges for current services	—	105,049	108,661	3,612
Interest income and other revenue	—	—	16,397	16,397
Total revenues	<u>900,087</u>	<u>13,375,861</u>	<u>6,638,837</u>	<u>(6,737,024)</u>
Expenditures:				
Law department	26,407	40,907	29,981	10,926
Police department	512,317	3,375,188	2,035,541	1,339,647
Fire department	47,921	978,945	908,630	70,315
Health department	313,442	1,245,935	763,692	482,243
Community development	—	7,572,345	5,548,412	2,023,933
Culture and recreation	—	17,500	222	(17,278)
General Government	—	145,041	145,041	—
Total expenditures	<u>900,087</u>	<u>13,375,861</u>	<u>9,431,519</u>	<u>3,909,786</u>
 Excess of revenues over (under) expenditures	 <u>\$ —</u>	 <u>—</u>	 (2,792,682)	 <u>(2,792,682)</u>
 Restricted fund balance (deficit) at beginning of year			 —	
Cancellation of prior year encumbrances			—	
Increase (Decrease) in Prior Year Encumbrances			2,792,682	
 Restricted fund balance (deficit) at end of year			 <u>\$ —</u>	

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2011

	<u>Grants</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 6,638,837
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>\$ 6,638,837</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 9,431,519
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(2,792,682)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,638,837</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, 2011

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	\$ 1,586,301	—	6,844,731	1,644,691	609,538	10,685,261
Receivables:						
Taxes	1,247,645	623,862	623,880	323,577	312,010	3,130,974
Accounts	—	4,419	—	—	—	4,419
Due from other funds	—	—	16,155	—	—	16,155
Total assets	<u>\$ 2,833,946</u>	<u>628,281</u>	<u>7,484,766</u>	<u>1,968,268</u>	<u>921,548</u>	<u>13,836,809</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	\$ 342,211	2,261	205,260	397	111,355	661,484
Due to other funds	—	5,578,520	—	—	—	5,578,520
Accrued items	—	53,465	22,479	—	—	75,944
Other current liabilities	—	300	—	—	—	300
Deferred revenue	—	343	—	—	—	343
Total liabilities	<u>342,211</u>	<u>5,634,889</u>	<u>227,739</u>	<u>397</u>	<u>111,355</u>	<u>6,316,591</u>
Fund balances:						
Restricted	2,491,735	—	7,257,027	1,967,871	810,193	12,526,826
Unassigned (deficit)	—	(5,006,608)	—	—	—	(5,006,608)
Total fund balances	<u>2,491,735</u>	<u>(5,006,608)</u>	<u>7,257,027</u>	<u>1,967,871</u>	<u>810,193</u>	<u>7,520,218</u>
Total liabilities and fund balances	<u>\$ 2,833,946</u>	<u>628,281</u>	<u>7,484,766</u>	<u>1,968,268</u>	<u>921,548</u>	<u>13,836,809</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2011

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:						
Taxes	\$ 7,406,892	3,703,969	3,703,882	1,979,695	1,853,069	18,647,507
Charges for services	18,987	505,648	—	—	—	524,635
Investment income	1,172	—	9,896	1,706	1,129	13,903
Reimbursements from component unit	—	204,591	—	—	—	204,591
Other	88,870	430,062	84,765	105,404	35,475	744,576
Total revenues	7,515,921	4,844,270	3,798,543	2,086,805	1,889,673	20,135,212
Expenditures:						
Current:						
Public safety	—	—	—	1,507,307	1,960,120	3,467,427
Culture and recreation	—	2,439,945	—	—	—	2,439,945
Storm water	—	—	1,476,040	—	—	1,476,040
General government	10,520	5,260	—	—	—	15,780
Capital outlay	3,636,243	503,626	4,004,467	—	1,170	8,145,506
Debt service:						
Principal	—	1,925,000	—	400,000	430,000	2,755,000
Interest and fiscal agent fees	72,016	242,589	—	111,713	120,313	546,631
Total expenditures	3,718,779	5,116,420	5,480,507	2,019,020	2,511,603	18,846,329
Excess (deficiency) of revenues over expenditures	3,797,142	(272,150)	(1,681,964)	67,785	(621,930)	1,288,883
Other financing sources (uses):						
Transfers in	—	10,000	—	—	—	10,000
Transfers out	(1,840,723)	—	—	—	—	(1,840,723)
Total other financing sources (uses)	(1,840,723)	10,000	—	—	—	(1,830,723)
Net change in fund balances	1,956,419	(262,150)	(1,681,964)	67,785	(621,930)	(541,840)
Fund balances (deficit), beginning	535,316	(4,744,458)	8,938,991	1,900,086	1,432,123	8,062,058
Fund balances (deficit), ending	\$ 2,491,735	(5,006,608)	7,257,027	1,967,871	810,193	7,520,218

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2011

Assets	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ 19,750	5,279	—	294,476	319,505
Receivables:					
Due from other governments	—	—	—	122,924	122,924
Total assets	<u>\$ 19,750</u>	<u>5,279</u>	<u>—</u>	<u>417,400</u>	<u>442,429</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	\$ —	5,587	—	—	5,587
Due to other funds	—	—	16,155	—	16,155
Total liabilities	—	5,587	16,155	—	21,742
Fund balances (deficit):					
Committed	19,750	—	—	417,400	437,150
Unassigned (deficit)	—	(308)	(16,155)	—	(16,463)
Total fund balances (deficit)	19,750	(308)	(16,155)	417,400	420,687
Total liabilities and fund balances	<u>\$ 19,750</u>	<u>5,279</u>	<u>—</u>	<u>417,400</u>	<u>442,429</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

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:					
Intergovernmental	\$ —	95,317	—	542,924	638,241
Investment income	21	—	—	388	409
Reimbursements from component unit	—	—	—	6,841	6,841
Total revenues	21	95,317	—	550,153	645,491
Expenditures:					
Capital outlay	—	178,755	—	553,050	731,805
Total expenditures	—	178,755	—	553,050	731,805
Excess (deficiency) of revenues over expenditures	21	(83,438)	—	(2,897)	(86,314)
Other financing sources (uses):					
Transfers in	—	82,913	—	—	82,913
Total other financing sources (uses)	—	82,913	—	—	82,913
Net change in fund balances	21	(525)	—	(2,897)	(3,401)
Fund balances (deficit), beginning	19,729	217	(16,155)	420,297	424,088
Fund balances (deficit), ending	\$ 19,750	(308)	(16,155)	417,400	420,687

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2011

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 5)
Assets:				
Current assets:				
Pooled cash and investments	\$ 384,013	5,522,759	1,500,791	7,407,563
Accounts receivable	9,004	156,524	70,700	236,228
Inventory	43,365	—	—	43,365
Prepaid items	—	—	159,172	159,172
Total current assets	436,382	5,679,283	1,730,663	7,846,328
Noncurrent assets:				
Capital assets:				
Land	93,979	—	—	93,979
Depreciable property, plant, and equipment	181,049	—	—	181,049
Less accumulated depreciation	(151,204)	—	—	(151,204)
Total noncurrent assets	123,824	—	—	123,824
Total assets	\$ 560,206	5,679,283	1,730,663	7,970,152
Liabilities:				
Current liabilities:				
Accounts and contracts payable	\$ 35,220	—	—	35,220
Accrued liabilities	28,463	—	3,230	31,693
Compensated absences – current	39,655	—	13,418	53,073
Self-insurance claims payable	—	2,285,676	986,409	3,272,085
Total current liabilities	103,338	2,285,676	1,003,057	3,392,071
Noncurrent liabilities:				
Compensated absences – long-term	71,140	—	30,495	101,635
Other post employment benefits	279,065	—	12,985	292,050
Net pension obligation	18,787	—	4,818	23,605
Self-insurance claims payable	—	—	1,916,099	1,916,099
Total noncurrent liabilities	368,992	—	1,964,397	2,333,389
Total liabilities	472,330	2,285,676	2,967,454	5,725,460
Net assets:				
Invested in capital assets	123,824	—	—	123,824
Unrestricted (deficit)	(35,948)	3,393,607	(1,236,791)	2,120,868
Total net assets (deficit)	87,876	3,393,607	(1,236,791)	2,244,692
Total liabilities and net assets	\$ 560,206	5,679,283	1,730,663	7,970,152

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2011

	Central Garage	Staywell Health Care	Workers' Compensation	Total (Exhibit 6)
Operating revenues:				
Charges for services	\$ 2,214,207	19,253,478	—	21,467,685
Total operating revenues	<u>2,214,207</u>	<u>19,253,478</u>	<u>—</u>	<u>21,467,685</u>
Operating expenses:				
Personal services	731,663	—	150,508	882,171
Other services	398,742	20,518,089	1,885,966	22,802,797
Supplies	1,173,013	—	5,492	1,178,505
Capital outlay	—	—	7,000	7,000
Depreciation and amortization	3,309	—	—	3,309
Total operating expenses	<u>2,306,727</u>	<u>20,518,089</u>	<u>2,048,966</u>	<u>24,873,782</u>
Operating income (loss)	<u>(92,520)</u>	<u>(1,264,611)</u>	<u>(2,048,966)</u>	<u>(3,406,097)</u>
Nonoperating revenues:				
Interest revenue	421	11,123	2,704	14,248
Miscellaneous revenue	50,959	1,956,888	2,180,400	4,188,247
Total nonoperating revenue	<u>51,380</u>	<u>1,968,011</u>	<u>2,183,104</u>	<u>4,202,495</u>
Income (loss) before transfers	(41,140)	703,400	134,138	796,398
Transfers out	(48,195)	—	—	(48,195)
Change in net assets	<u>(89,335)</u>	<u>703,400</u>	<u>134,138</u>	<u>748,203</u>
Total net assets:				
Beginning of the year (deficit)	177,211	2,690,207	(1,370,929)	1,496,489
End of the year (deficit)	<u>\$ 87,876</u>	<u>3,393,607</u>	<u>(1,236,791)</u>	<u>2,244,692</u>

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2011

	Internal Service Funds			Total (Exhibit 7)
	Central Garage	Staywell Health Care	Workers' Compensation	
Cash flows from operations:				
Receipts from customers	\$ 2,261,506	21,137,408	2,169,700	25,568,614
Payments to suppliers	(1,537,549)	(21,488,489)	(2,064,073)	(25,090,111)
Payments to employees	(631,182)	—	(138,807)	(769,989)
Net cash provided (used) by operating activities	92,775	(351,081)	(33,180)	(291,486)
Cash flows from noncapital financing activities:				
Transfers (out)	(48,195)	—	—	(48,195)
Advances to/from other funds	—	(145,000)	1,229,953	1,084,953
Net cash provided (used) by noncapital financing activities	(48,195)	(145,000)	1,229,953	1,036,758
Cash flows from capital and related financing activities				
Purchases of investments	—	(5,997,594)	—	(5,997,594)
Proceeds from sales and maturities of investments	—	7,995,750	—	7,995,750
Interest on investments	421	12,638	2,704	15,763
Net cash provided by investing activities	421	2,010,794	2,704	2,013,919
Net increase (decrease) in cash and cash equivalents	45,001	1,514,713	1,199,477	2,759,191
Cash and cash equivalents at beginning of year	339,012	4,008,046	301,314	4,648,372
Cash and cash equivalents at end of year	384,013	5,522,759	1,500,791	7,407,563
Pooled cash and investments	\$ 384,013	5,522,759	1,500,791	7,407,563
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (92,520)	(1,264,611)	(2,048,966)	(3,406,097)
Adjustments not affecting cash:				
Depreciation and amortization	3,309	—	—	3,309
Nonoperating Revenues	50,959	1,956,888	2,180,400	4,188,247
Change in assets and liabilities:				
Accounts receivable	(3,660)	(72,958)	(10,700)	(87,318)
Inventory	41,076	—	—	41,076
Prepaid items	—	—	(159,172)	(159,172)
Accounts and contracts payable	(6,870)	—	(1,323)	(8,193)
Accrued liabilities	5,623	(970,400)	964	(963,813)
Other post-employment benefits	86,635	—	11,310	97,945
Self-insurance claims payable	—	—	(6,084)	(6,084)
Compensated absences	8,223	—	391	8,614
Total adjustments	185,295	913,530	2,015,786	3,114,611
Net cash provided (used) by operating activities	\$ 92,775	(351,081)	(33,180)	(291,486)

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011 (Exhibit 8)
Flexible Benefit Plan:				
Assets:				
Pooled cash and investments	\$ 56,950	105,802	90,097	72,655
Imprest bank accounts	5,372	—	—	5,372
	<u>\$ 62,322</u>	<u>105,802</u>	<u>90,097</u>	<u>78,027</u>
Liabilities:				
Flexible benefit payable	\$ 62,322	623,993	608,288	78,027
Susie Block Trust:				
Assets:				
Pooled cash and investments	\$ 31,465	1,331	1,001	31,795
Accrued interest receivable	492	1,324	1,325	491
	<u>\$ 31,957</u>	<u>2,655</u>	<u>2,326</u>	<u>32,286</u>
Liabilities:				
Funds held in escrow	\$ 31,957	1,330	1,001	32,286
Seniors Travel Programs:				
Assets:				
Pooled cash and investments	\$ 24,494	46,903	40,596	30,801
Liabilities:				
Accounts and contracts payable	\$ —	43,561	37,467	6,094
Funds held in escrow	31,290	47,554	47,341	31,503
	<u>\$ 31,290</u>	<u>91,115</u>	<u>84,808</u>	<u>37,597</u>
All Agency Funds:				
Assets:				
Pooled cash and investments	\$ 119,705	154,036	131,694	142,047
Imprest bank accounts	5,372	—	—	5,372
Accrued interest receivable	492	1,324	1,325	491
	<u>\$ 125,569</u>	<u>155,360</u>	<u>133,019</u>	<u>147,910</u>
Liabilities:				
Flexible benefit payable	\$ 62,322	623,993	608,288	78,027
Accounts and contracts payable	—	43,561	37,467	6,094
Funds held in escrow	63,247	48,884	48,342	63,789
	<u>\$ 125,569</u>	<u>716,438</u>	<u>694,097</u>	<u>147,910</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Balance Sheet
Component Unit - Tax Increment Financing
June 30, 2011

Assets	Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center
Pooled cash and investments	\$ 76,489	37,495	—	93,422	632,832	787,957	2,394,453
Receivables:							
Taxes	72,078	—	836	3,717	222,433	43,772	146,887
Accounts	—	—	—	—	—	—	3,682
Due from other funds	—	—	—	—	—	—	626,501
Due from other governments	—	10,152	4,560	—	34,117	1,216	244,877
Restricted assets	—	—	953,835	—	1,905,180	—	5,655,875
Total assets	\$ 148,567	47,647	959,231	97,139	2,794,562	832,945	9,072,275
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	\$ —	—	—	—	—	—	—
Due to other funds	—	—	626,501	—	—	—	—
Due to primary government	—	—	—	—	—	—	66,066
Other current liabilities	—	—	—	—	—	—	—
Total liabilities	—	—	626,501	—	—	—	66,066
Fund balances:							
Restricted	148,567	47,647	332,730	97,139	2,794,562	832,945	9,006,209
Total fund balances	148,567	47,647	332,730	97,139	2,794,562	832,945	9,006,209
Total liabilities and fund balances	\$ 148,567	47,647	959,231	97,139	2,794,562	832,945	9,072,275

North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
4,649	30,309	118,599	89	754,827	4,813	122,874	14,402	907,396	3,748	5,984,354
4,373	5,871	20,000	—	32,300	147,579	—	6,000	2,400	—	708,246
—	—	—	—	52,732	—	—	—	—	—	56,414
—	—	—	—	—	—	—	—	—	—	626,501
1,407	57	31,013	—	141,950	1,838	—	4,756	2,088	—	478,031
—	—	—	—	9,812,787	—	—	—	4,016,209	—	22,343,886
<u>10,429</u>	<u>36,237</u>	<u>169,612</u>	<u>89</u>	<u>10,794,596</u>	<u>154,230</u>	<u>122,874</u>	<u>25,158</u>	<u>4,928,093</u>	<u>3,748</u>	<u>30,197,432</u>
—	—	—	—	—	—	—	—	—	238	238
—	—	—	—	—	—	—	—	—	—	626,501
—	—	—	—	—	—	—	—	39,383	—	105,449
—	—	—	—	6,000	—	—	—	—	—	6,000
—	—	—	—	6,000	—	—	—	39,383	238	738,188
<u>10,429</u>	<u>36,237</u>	<u>169,612</u>	<u>89</u>	<u>10,788,596</u>	<u>154,230</u>	<u>122,874</u>	<u>25,158</u>	<u>4,888,710</u>	<u>3,510</u>	<u>29,459,244</u>
<u>10,429</u>	<u>36,237</u>	<u>169,612</u>	<u>89</u>	<u>10,788,596</u>	<u>154,230</u>	<u>122,874</u>	<u>25,158</u>	<u>4,888,710</u>	<u>3,510</u>	<u>29,459,244</u>
<u>10,429</u>	<u>36,237</u>	<u>169,612</u>	<u>89</u>	<u>10,794,596</u>	<u>154,230</u>	<u>122,874</u>	<u>25,158</u>	<u>4,928,093</u>	<u>3,748</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	(25,169,718)
Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due	(2,786,414)
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	(180,450,590)
Debt service provided by primary government	4,142,859
Unamortized issuance costs on TIF loans payable	1,593,447
Net assets (deficit) of component unit	<u>\$ (173,211,172)</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, 2011

	Midtown Truman	RSO	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Independence
Revenues:								
Taxes	\$ 44,539	106,881	109,666	31,615	1,516,281	528,865	4,675,945	64,485
Intergovernmental	—	—	—	—	—	—	—	—
Investment income	95	372	1,253	1,017	3,582	2,498	59,207	7
Developer contributions	—	—	222,101	—	—	—	—	—
Lease payments	—	—	—	—	—	—	—	—
Contributions from primary government	—	—	—	—	—	—	—	—
Total revenues	<u>44,634</u>	<u>107,253</u>	<u>333,020</u>	<u>32,632</u>	<u>1,519,863</u>	<u>531,363</u>	<u>4,735,152</u>	<u>64,492</u>
Expenditures:								
Capital outlay	161	1,604	6,355	557	97,295	18,725	1,304,674	1,240
Debt service:								
Principal	15,875	—	425,000	—	940,000	260,000	1,975,000	—
Interest and fiscal agent fees	—	163,600	523,838	—	749,400	177,735	1,600,238	46,000
Total expenditures	<u>16,036</u>	<u>165,204</u>	<u>955,193</u>	<u>557</u>	<u>1,786,695</u>	<u>456,460</u>	<u>4,879,912</u>	<u>47,240</u>
Excess (deficiency) of revenues over expenditures	<u>28,598</u>	<u>(57,951)</u>	<u>(622,173)</u>	<u>32,075</u>	<u>(266,832)</u>	<u>74,903</u>	<u>(144,760)</u>	<u>17,252</u>
Other financing sources:								
Net change in fund balances	28,598	(57,951)	(622,173)	32,075	(266,832)	74,903	(144,760)	17,252
Fund balances, beginning	119,969	105,598	954,903	65,064	3,061,394	758,042	9,150,969	(6,823)
Fund balances, ending	<u>\$ 148,567</u>	<u>47,647</u>	<u>332,730</u>	<u>97,139</u>	<u>2,794,562</u>	<u>832,945</u>	<u>9,006,209</u>	<u>10,429</u>

Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Old Landfill	Cornerstone Apartments	Trinity	HCA	TIF App Fees	Total
7,306	580,448	15,484	1,018,966	188,499	367,801	241,097	3,812,844	—	13,310,722
—	—	—	258,263	—	—	—	—	—	258,263
1,006	122	2	10,202	12,518	88	37	6,111	6	98,123
—	—	—	—	—	—	—	—	—	222,101
—	—	—	1,006,100	—	—	—	—	—	1,006,100
—	—	—	3,566,752	—	—	—	—	—	3,566,752
<u>8,312</u>	<u>580,570</u>	<u>15,486</u>	<u>5,860,283</u>	<u>201,017</u>	<u>367,889</u>	<u>241,134</u>	<u>3,818,955</u>	<u>6</u>	<u>18,462,061</u>
156	12,110	308	83,355	3,414	7,356	16,556	714,280	3,587	2,271,733
—	644,516	4,811	2,275,000	—	217,435	206,857	1,105,000	—	8,069,494
—	88,499	9,689	4,891,412	213,000	13,085	50,013	1,888,281	—	10,414,790
<u>156</u>	<u>745,125</u>	<u>14,808</u>	<u>7,249,767</u>	<u>216,414</u>	<u>237,876</u>	<u>273,426</u>	<u>3,707,561</u>	<u>3,587</u>	<u>20,756,017</u>
<u>8,156</u>	<u>(164,555)</u>	<u>678</u>	<u>(1,389,484)</u>	<u>(15,397)</u>	<u>130,013</u>	<u>(32,292)</u>	<u>111,394</u>	<u>(3,581)</u>	<u>(2,293,956)</u>
8,156	(164,555)	678	(1,389,484)	(15,397)	130,013	(32,292)	111,394	(3,581)	(2,293,956)
<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>36,237</u>	<u>169,612</u>	<u>89</u>	<u>10,788,596</u>	<u>154,230</u>	<u>122,874</u>	<u>25,158</u>	<u>4,888,710</u>	<u>3,510</u>	<u>29,459,244</u>

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

Change in fund balances \$ (2,293,956)

Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level (65,398)

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.

Principal payments and reductions	8,069,494
Amortizations of discounts & premiums	(138,608)
Amortizations of issuance costs	(127,547)
Amortizations of deferred refunding costs	(62,528)
Debt service to be provided by primary government	4,142,859
	<u>11,883,670</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 90,989

Change in net assets of Tax Increment Financing funds \$ 9,615,305

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses- Power and Light Fund
Years ended June 30, 2011 and 2010

	2011			2010		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 4,864,787			6,159,965
Gas			1,316,695			312,371
Oil			234,959			322,821
Total production fuel			<u>6,416,441</u>			<u>6,795,157</u>
Purchased power:						
Purchased energy			23,125,594			25,427,930
Purchased capacity (net)			19,791,592			15,024,800
Border customers			73,370			62,424
Control and dispatching			1,549,486			1,291,254
Total purchased power			<u>44,540,042</u>			<u>41,806,408</u>
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 660,148	646,916	1,307,064	655,255	697,973	1,353,228
Steam	821,069	5,247,658	6,068,727	865,274	3,970,020	4,835,294
Electric	781,655	794,320	1,575,975	855,949	501,760	1,357,709
Structures and improvements	—	382,399	382,399	—	172,456	172,456
Allowance	5,835	—	5,835	2,909	—	2,909
Miscellaneous	1,376,992	534,365	1,911,357	1,673,639	559,705	2,233,344
	<u>3,645,699</u>	<u>7,605,659</u>	<u>11,251,358</u>	<u>4,053,026</u>	<u>5,901,915</u>	<u>9,954,941</u>
Missouri City Station:						
Supervision and engineering	136,893	32,076	168,969	121,704	1,314	123,018
Steam	386,238	883,164	1,269,402	344,637	1,301,980	1,646,617
Electric	398,284	247,837	646,121	347,106	243,399	590,505
Structures and improvements	—	334,938	334,938	—	122,941	122,941
Miscellaneous	438,170	262,192	700,361	462,125	344,554	806,679
	<u>1,359,584</u>	<u>1,760,206</u>	<u>3,119,791</u>	<u>1,275,571</u>	<u>2,014,188</u>	<u>3,289,759</u>
Combustion Turbine Station:						
Supervision and engineering	—	3,983	3,983	—	1,359	1,359
Generation expenses	48	199,677	199,725	92	274,160	274,252
Structures and improvements	—	35,938	35,938	—	45,567	45,567
Miscellaneous	55,758	31,986	87,744	44,001	46,061	90,062
	<u>55,805</u>	<u>271,585</u>	<u>327,390</u>	<u>44,093</u>	<u>367,148</u>	<u>411,240</u>
Total production (other)	<u>\$ 5,061,089</u>	<u>9,637,450</u>	<u>14,698,538</u>	<u>5,372,689</u>	<u>8,283,251</u>	<u>13,655,940</u>
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 292,489	18,346	310,836	326,665	19,585	346,250
Overhead expenses	104,440	4,879	109,319	54,726	16,137	70,863
Station expenses	18,149	352,370	370,519	18,595	299,050	317,644
Wheeling charges	3,442,488	—	3,442,488	3,013,716	—	3,013,716
Underground line expense	480	6,657	7,137	1,317	2,695	4,011
Total transmission	<u>3,858,047</u>	<u>382,254</u>	<u>4,240,300</u>	<u>3,415,019</u>	<u>337,466</u>	<u>3,752,485</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2011 and 2010

	2011			2010		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	\$ 146,946	55,040	201,986	159,995	58,763	218,758
Overhead lines	1,243,898	3,518,578	4,762,477	912,076	3,146,740	4,058,816
Station expenses	5,882	646,693	652,575	23,947	595,243	619,190
Street lights and traffic signals	248,447	672,653	921,100	288,877	703,311	992,188
Meters	226,070	590,547	816,616	237,232	665,080	902,313
Customer installations	97	—	97	181	—	181
Underground lines	1,396,348	531,309	1,927,656	913,737	603,399	1,517,136
Dispatching communication	820,839	—	820,839	809,334	—	809,334
Line transformers	—	115,738	115,738	—	134,975	134,975
Miscellaneous	548,117	494,000	1,042,117	577,549	456,232	1,033,782
Total distribution	<u>4,636,644</u>	<u>6,624,558</u>	<u>11,261,202</u>	<u>3,922,929</u>	<u>6,363,743</u>	<u>10,286,672</u>
Total transmission and distribution	\$ <u>8,494,690</u>	<u>7,006,812</u>	<u>15,501,502</u>	<u>7,337,948</u>	<u>6,701,209</u>	<u>14,039,157</u>
Customer service:						
Supervision			\$ 250,969			216,808
Meter reading			677,256			612,699
Customer records and collections			1,755,383			1,765,972
Provisions for doubtful accounts			808,186			603,126
Miscellaneous			226,564			51,759
Total customer service			<u>3,718,358</u>			<u>3,250,364</u>
General and administrative:						
Salaries			1,297,678			1,026,933
Office supplies			717,451			576,183
Insurance			1,052,201			1,099,083
Injuries and damage			792,144			786,982
Employee benefits			7,093,147			6,088,342
Outside services			2,198,081			1,990,696
Miscellaneous			1,367,339			1,210,719
Administrative expenses – transfers			(66,465)			(64,485)
Total general and administrative			<u>14,451,574</u>			<u>12,714,454</u>
Depreciation and amortization			13,133,201			11,661,807
Payroll taxes			1,080,679			1,045,352
Total operating expenses			\$ <u>113,540,336</u>			<u>104,968,638</u>

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics— Power and Light Fund
Year ended June 30, 2011

	Number of customers		Revenue	KWH
	Beginning of year	End of year		
Sale of electric energy:				
Metered:				
Residential	51,386	51,204	\$ 66,390,448	558,116,693
Small general services	3,007	2,995	3,702,263	25,014,397
General services – space heating	1	3	1,640	25,211
Large general services	1,658	1,698	36,730,522	353,196,871
Large general services – prime voltage	2	6	1,079,112	11,620,248
Large general services – space heating	7	2	11,923	112,984
Total electric general services	100	103	5,247,453	64,067,419
Schools, churches, and hospitals	279	285	4,493,940	41,278,147
Schools, churches, and hospitals, all electric	11	11	435,902	5,098,160
Large power services	3	3	1,797,771	21,982,800
Combined interruptible services	1	1	1,353,880	19,409,700
Sewer pumping	6	6	190,778	1,509,651
City traffic signals	64	64	69,787	112,929
Wholesale (border customers)	2	2	192,326	4,256,959
Wholesale (interchange)	—	—	2,884,311	99,210,000
	<u>56,527</u>	<u>56,383</u>	124,582,057	1,205,012,169
Unmetered:				
Private security lighting	1,660	1,661	352,546	1,504,494
City public street lighting	11,762	11,962	1,486,317	10,185,301
	<u>13,422</u>	<u>13,623</u>	1,838,863	11,689,795
Change in unbilled revenue			(1,839,586)	(22,686,118)
Other operating revenue			2,134,243	—
EVTC			40,249	—
Total operating revenue and total energy sales			<u>\$ 126,755,826</u>	<u>1,194,015,846</u>
Net generation				120,588,136
Wholesale power purchased				1,131,195,282
Unintentional interchange				(14,000)
Net generation and power purchased				<u>1,251,769,418</u>
Wholesale (border customers) sales				4,256,959
Power and light usage (building and substations)				<u>1,343,826</u>
Net disposition				5,600,785
Transmission and distribution operating losses				<u>\$ 1,246,168,633</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2011 and 2010

	2011			2010		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 24,845	—	24,845	24,383	49	24,432
Labor and expenses	324,149	—	324,149	299,770	—	299,770
Structures and improvements	—	40,582	40,582	—	32,350	32,350
Miscellaneous	—	240,034	240,034	—	186,408	186,408
Total source of supply	348,994	280,616	629,610	324,153	218,807	542,960
Power and pumping:						
Supervision and engineering	37,177	24,773	61,950	36,732	85,081	121,813
Fuel/power purchased	1,607,254	—	1,607,254	1,517,817	—	1,517,817
Labor and expenses	219,634	—	219,634	231,364	—	231,364
Structures and improvements	—	12,176	12,176	—	8,132	8,132
Miscellaneous	—	4,739	4,739	—	16,767	16,767
Total power and pumping	1,864,065	41,688	1,905,753	1,785,913	109,980	1,895,893
Water treatment:						
Supervision and engineering	43,626	18,987	62,613	42,281	18,472	60,753
Chemicals	1,236,913	—	1,236,913	1,276,435	—	1,276,435
Labor and expenses	563,774	—	563,774	652,367	—	652,367
Structures and improvements	—	58,069	58,069	—	54,505	54,505
Miscellaneous	—	286,216	286,216	—	305,317	305,317
Total water treatment	1,844,313	363,272	2,207,585	1,971,083	378,294	2,349,377
Total production	\$ 4,057,372	685,576	4,742,948	4,081,149	707,081	4,788,230
Transmission and distribution:						
Supervision and engineering	\$ 90,251	71,114	161,365	95,042	69,842	164,884
Storage facilities	19,290	46,914	66,204	19,745	51,863	71,608
Transmission and distribution lines	638,458	850,609	1,489,067	687,546	734,999	1,422,545
Meters	423,514	106,823	530,337	429,990	158,408	588,398
Customer installations	79,867	—	79,867	84,279	—	84,279
Services	—	109,234	109,234	—	120,635	120,635
Hydrants	—	86,550	86,550	—	51,626	51,626
Miscellaneous	756,326	196,628	952,954	807,091	214,385	1,021,476
Total transmission and distribution	\$ 2,007,706	1,467,872	3,475,578	2,123,693	1,401,758	3,525,451
Customer service:						
Customer accounting paid and collecting:						
Supervision			\$ 171,732			208,160
Meter reading			610,289			623,882
Customer records			(61,995)			137,121
Provision for uncollectible amounts			110,710			93,279
Total customer accounting paid and collecting			830,736			1,062,442
Sales promotion:						
Expenses			27,025			30,058
Total customer service			857,761			1,092,500
General and administrative:						
Salaries			568,415			557,608
Office supplies and expense			290,076			335,659
Injuries and damages			498,834			458,928
Employee benefits			2,021,288			1,764,026
Outside services			1,048,522			949,497
Miscellaneous			232,243			246,039
Total general and administrative			4,659,378			4,311,757
Depreciation and amortization			3,040,456			3,050,251
Payroll taxes			354,530			363,519
Other			77,211			58,639
Total operating expenses			17,207,862			17,190,347
Certain amounts are presented as a reduction of operating expenses, whereas they are included as miscellaneous revenue in the statement of revenues, expenses, and changes in fund net assets						
			1,840,449			1,754,249
			\$ 19,048,311			18,944,596

CITY OF INDEPENDENCE, MISSOURI
 Schedule of Operating Statistics – Water Fund
 Year ended June 30, 2011

	<u>Number of customers</u>			
	<u>Beginning of year</u>	<u>End of year</u>		
Sale of water:				
Residential	44,619	44,518	\$ 10,726,567	2,974,215
Commercial	3,102	3,098	2,835,271	850,343
Industrial	6	6	450,156	202,310
Public authority	72	72	263,137	78,734
Resale	13	13	6,659,302	4,935,360
Private fire protection	381	382	103,321	—
Public fire protection	—	—	789,199	—
	<u>48,193</u>	<u>48,089</u>	<u>21,826,953</u>	<u>9,040,962</u>
Change in unbilled revenue			23,301	
Other operating revenue			353,004	
Total operating revenue			<u>\$ 22,203,258</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				10,442,543
Less total sales				<u>9,040,962</u>
Unaccounted for water				<u>1,401,581</u>

* Thousand gallons sold.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2011

	<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	40,676	40,579	\$ 9,873,906	2,729,472
Commercial:				
Base	3,494	3,483	3,906,065	1,567,310
Surcharge	—	—	935,481	—
Contract waste treatment	15	16	289,644	—
Regulatory Compliance			1,452,555	
Intermunicipal agreements:				
Sugar Creek	—	—	498,711	—
Kansas City	—	—	68,106	—
	<u>44,185</u>	<u>44,078</u>	<u>17,024,468</u>	<u>4,296,782</u>
Other operating revenue			134,859	
Change in unbilled revenue			(97,838)	
Total operating revenue			<u>\$ 17,061,489</u>	

* Hundred cubic feet.

STATISTICAL DATA

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

STATISTICAL SECTION

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

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

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Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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

Table 1

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
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	321,072,648
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	16,275,115
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)	(41,705,135)
Total governmental activities net assets	<u>\$ 32,831,148</u>	<u>40,950,826</u>	<u>50,151,360</u>	<u>122,409,342</u>	<u>186,567,169</u>	<u>220,283,552</u>	<u>254,210,777</u>	<u>294,016,493</u>	<u>298,674,282</u>	<u>295,642,628</u>
Business-type activities	\$									
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	272,062,890
Restricted	500,000	500,000	500,000	500,000	731,652	731,101	5,216,672	3,691,325	3,692,885	6,423,693
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	37,479,969
Total business-type activities net assets	<u>\$ 281,777,319</u>	<u>288,934,472</u>	<u>298,783,514</u>	<u>306,552,132</u>	<u>316,883,322</u>	<u>328,072,197</u>	<u>322,459,952</u>	<u>314,901,386</u>	<u>315,860,582</u>	<u>315,966,552</u>
Primary government										
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	593,135,538
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	22,698,808
Unrestricted	38,736,971	35,071,427	36,565,902	66,391,393	66,042,778	56,877,378	26,901,246	19,442,742	8,413,285	(4,225,166)
Total primary government net assets	<u>\$ 314,608,467</u>	<u>329,885,298</u>	<u>348,934,874</u>	<u>428,961,474</u>	<u>503,450,491</u>	<u>548,355,749</u>	<u>576,670,729</u>	<u>608,917,879</u>	<u>614,534,864</u>	<u>611,609,180</u>

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	2011
Expenses										
Governmental activities:										
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	9,305,826
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	53,067,764
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	13,647,390
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	3,732,795
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	7,947,692
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	7,032,272
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	2,876,073
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	9,366,479
Debt service component unit	—	—	—	—	—	—	—	—	—	7,709,611
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	625,778
Total governmental activities expenses	83,588,633	71,306,192	75,351,489	67,445,022	77,898,731	84,664,444	92,638,725	96,838,368	100,952,133	115,311,680
Business-type activities:										
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	113,956,212
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	20,239,748
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	16,304,874
Events center	—	—	—	—	—	—	179,032	1,888,027	4,862,017	13,764,087
Total business-type activities expenses	86,506,808	92,673,855	98,375,425	101,922,019	113,898,818	119,710,273	135,426,891	138,469,055	145,941,343	164,264,921
Total primary government expenses	\$ 170,095,441	163,980,047	173,726,914	169,367,041	191,797,549	204,374,717	228,065,616	235,307,423	246,893,476	279,576,601
Program Revenues										
Governmental activities:										
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	6,453,890
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	4,943,734
Public works	640,648	649,768	1,916,080	802,206	1,003,761	1,338,479	739,643	449,172	462,490	437,032
Health and welfare	99,427	321,312	487,956	482,601	435,775	723,574	791,825	776,194	819,659	732,116
Culture and recreation	325,980	153,669	252,814	619,630	975,889	845,560	925,880	842,523	771,890	796,820
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	1,167,853
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	13,517,593
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	12,598,018
Total governmental activities program revenues	27,389,474	22,009,521	23,614,318	29,442,539	50,337,280	49,019,227	51,190,473	63,701,521	35,534,922	40,647,056
Business-type activities:										
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	126,755,826
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	22,203,258
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	17,061,489
Events center	—	—	—	—	—	—	—	—	—	4,874,623
Operating grants and contributions	12,345	256	—	—	—	—	—	—	—	4,813,612
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	4,012,182
Total business-type activities program revenues	102,025,168	106,815,872	115,295,778	117,139,507	133,920,164	141,498,397	145,380,312	142,417,539	157,903,201	179,720,990
Total primary government program revenues	\$ 129,414,642	128,825,393	138,910,096	146,582,046	184,257,444	190,517,624	196,570,785	206,119,060	193,438,123	220,368,046

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	2011
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)	(74,664,624)
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	15,456,069
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)	(59,208,555)
General Revenues and Other Changes in Net Assets										
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	7,458,788
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	36,030,316
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	10,696,214
Financial institutions tax	31,592	32,412	29,000	37,149	22,181	34,802	31,960	44,195	15,669	28,410
Investment earnings	782,241	404,173	583,364	922,701	1,385,126	1,785,111	1,476,448	605,453	197,476	138,471
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149	589,469	348,143	438,354	466,775	1,079,391
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	16,201,380
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	71,632,970
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	171,413
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132	47,953	37,982	1,405,433	609,962	679,868
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)	(16,201,380)
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)	(15,350,099)
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	56,282,871
Changes in Net Assets										
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	(3,031,654)
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)	105,970
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	(2,925,684)

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 3

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Fund								
Reserved	\$ 2,781,944	2,035,038	1,651,092	1,650,890	1,756,039	2,200,693	1,265,717	1,319,086
Unreserved	4,312,262	2,924,267	3,515,412	3,196,765	6,029,006	4,534,005	8,062,100	5,739,682
Total General Fund	<u>\$ 7,094,206</u>	<u>4,959,305</u>	<u>5,166,504</u>	<u>4,847,655</u>	<u>7,785,045</u>	<u>6,734,698</u>	<u>9,327,817</u>	<u>7,058,768</u>
All other governmental funds								
Reserved	\$ 13,698,370	11,092,566	15,656,867	18,110,669	20,786,620	10,928,435	41,091,787	19,583,280
Unreserved, reported in:								
Special revenue funds	2,377,668	6,324,381	8,619,880	17,461,153	14,250,375	17,620,241	12,648,957	5,357,555
Capital project funds	4,105,280	4,508,288	2,476,752	(3,837,893)	(10,687,320)	(1,859,546)	(29,245,744)	(10,675,562)
Debt service funds	—	—	92,704	92,278	86,300	82,229	71,068	56,553
Permanent funds	12,966	13,160	13,274	13,616	14,220	9,670	—	—
Total all other governmental funds	<u>\$ 20,194,284</u>	<u>21,938,395</u>	<u>26,859,477</u>	<u>31,839,823</u>	<u>24,450,195</u>	<u>26,781,029</u>	<u>24,566,068</u>	<u>14,321,826</u>
	2010	2011						
General Fund								
Nonspendable	\$ —	—						
Restricted	236,365	442,556						
Committed	2,277,479	1,413,292						
Assigned	662,881	667,065						
Unassigned	2,012,374	2,302,039						
	<u>\$ 5,189,099</u>	<u>4,824,952</u>						
All other governmental funds								
Nonspendable	\$ —	—						
Restricted	17,329,836	16,659,329						
Committed	440,243	437,150						
Assigned	—	—						
Unassigned	(5,118,794)	(5,369,883)						
	<u>\$ 12,651,285</u>	<u>11,726,596</u>						

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

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

Table 4

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 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	59,053,886
Licenses, fees and permits	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	3,426,859
Intergovernmental	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	24,785,082
Charges for services	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	3,015,294
Interfund charges for support services	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	3,743,875
Fines, forfeitures, and court costs	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	4,398,111
Investment earnings	757,872	381,436	571,402	901,209	1,309,569	1,588,358	1,197,790	495,337	165,939	124,223
Reimbursements from component unit	—	—	—	—	—	3,502,961	11,413,444	12,274,171	3,792,466	581,524
Other	1,337,102	649,613	1,619,995	1,260,113	493,127	799,580	740,435	924,092	816,818	1,115,938
Total revenues	75,260,480	70,085,237	73,914,987	75,450,260	90,835,594	90,382,701	97,062,624	101,826,754	91,984,036	100,244,792
Expenditures										
Administrative services	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	7,862,603
Public safety	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	48,037,112
Public works	6,227,171	6,251,537	6,035,389	5,930,041	6,586,771	7,173,004	7,173,709	6,719,666	6,513,379	6,159,868
Health and welfare	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	3,277,614
Culture and recreation	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	5,995,558
Community development	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	6,730,888
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	1,772,387
General government	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	8,507,142
Capital outlay	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	22,527,627
Debt Service										
Principal	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	2,963,391
Debt service component unit	—	—	—	—	—	—	—	—	—	3,566,752
Interest	2,736,107	2,933,752	3,153,530	246,458	996,600	1,001,306	1,114,072	977,116	814,620	600,864
Total expenditures	98,020,507	83,337,998	89,469,435	88,393,899	108,759,018	111,692,162	110,405,971	127,880,426	113,875,467	118,001,806
Excess of revenues over (under) expenditures	(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)	(17,757,014)
Other Financing Sources (Uses)										
Transfers in	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	2,499,761
Transfers out	(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)	(2,461,566)
Issuance of debt	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	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	16,211,380
Sale of capital assets	168,381	11,109	31,537	56,379	303,255	50,834	23,581	40,269	38,572	218,603
Total other financing sources (uses)	22,267,945	12,861,971	20,682,729	30,843,652	13,471,185	21,708,698	13,721,505	13,540,381	18,351,221	16,468,178
Net change in fund balances	\$ (492,082)	(390,790)	5,128,281	17,900,013	(4,452,239)	399,237	378,158	(12,513,291)	(3,540,210)	(1,288,836)
Debt service as a percentage of non capital expenditures	5.37%	7.18%	8.80%	1.95%	5.76%	5.42%	5.63%	9.75%	5.04%	7.67%

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

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

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel stores	\$ 107,694	108,155	104,131	115,283	122,165	126,307	132,957	125,832	124,168	103,406
General merchandise	287,122	384,132	396,792	411,327	420,186	436,832	430,331	434,782	408,200	388,061
Food stores	152,713	152,718	151,936	166,671	171,641	173,595	170,099	178,747	179,031	166,018
Eating and drinking establishments	114,590	140,552	149,307	170,143	179,418	190,478	194,970	201,085	211,739	207,363
Home furnishings and appliances	83,947	84,984	79,079	85,821	87,789	84,366	80,420	72,902	67,124	54,274
Building materials and farm tools	16,910	20,127	19,595	20,842	23,345	25,578	22,720	19,998	17,213	16,937
Construction/Remodeling	4,524	5,837	5,131	5,432	5,869	2,040	4,724	3,415	3,596	3,317
Auto dealers and supplies	30,253	31,686	31,085	32,284	32,593	33,865	35,314	38,260	36,967	41,703
Service stations	34,599	40,667	43,001	55,475	60,533	61,586	62,430	65,741	68,633	70,891
Other retail stores	200,209	208,466	212,256	186,594	229,869	227,864	222,237	245,406	233,860	219,787
All other outlets	85,430	96,634	105,946	109,023	116,068	121,081	119,236	113,711	119,813	118,046
Total	\$ 1,117,991	1,273,958	1,298,259	1,358,895	1,449,476	1,483,592	1,475,438	1,499,879	1,470,344	1,389,803

Note: Amounts for 2011 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)

	Calendar Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Direct Sales Tax Rate City of Independence	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
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	0.500	0.500	0.500
Park Improvements	0.125	0.125	0.125	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Storm Water Improvements	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125	0.125	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.250	0.250	0.250	0.125	0.125	0.125
Direct Sales Tax Rate City of Independence	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.750	1.875	1.875	2.000	2.375	2.375	2.375	2.375	2.375	2.375
	Calendar Year									
Total Local Option Sales Tax Rate	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	0.750	0.750	0.750	0.750	1.125	1.125	1.125	1.125	1.125
City of Independence	1.750	1.750	1.750	1.875	2.250	2.250	2.250	2.250	2.250	2.250
Transportation Development District	0.000	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	6.850	6.850	6.850	6.975	7.350	7.725	7.725	7.725	7.725	7.725

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				
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%
2011	781,239,728	1,126,981	235,721,480	4,951,250	1,023,039,439	262,875,610	1,242,492	1,287,157,541	0.7240	5,666,580,865	22.71%

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	
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	
2011	0.493	0.231	—	0.724	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 \$.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	1.060

(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	2011			2002		
	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	1.72%	\$ 16,468,551	1	1.53%
Sprint	11,203,388	2	0.87%			
AT&T	9,076,885	3	0.71%			
Cole EDD Mt Independence LLC	8,963,343	4	0.70%			
Space Center of Kansas City	8,529,447	5	0.66%	8,290,435	3	0.77%
Comcast Cablevision	6,767,792	6	0.53%			
Southern Union Company	5,335,323	7	0.41%	4,856,878	4	0.45%
Unilever Bestfoods NA	5,253,260	8	0.41%			
Centerpoint Medical Center	4,215,065	9	0.33%			0.00%
Mansion Apartment	4,032,764	10	0.31%			
Community Center Two, LLC				8,821,175	2	0.82%
Bradley Operating LTD PTP				3,840,000	5	0.36%
Independence Apartments Association				3,675,082	6	0.34%
Independence Regional Hospital				2,464,000	7	0.23%
Butler Real Estate				2,293,891	8	0.21%
Wal Mart				2,240,000	9	0.21%
Noland Fashion Square Partners				1,683,230	10	0.16%
Total	\$ 85,509,053		6.64%	\$ 54,633,242		5.07%

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
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%	357,637	6,442,458	99.96%
2006	6,818,619	6,164,479	90.41%	650,942	6,815,421	99.95%
2007	6,905,547	6,557,341	94.96%	341,969	6,899,310	99.91%
2008	7,103,810	6,645,387	93.55%	452,474	7,097,862	99.92%
2009	7,287,258	6,807,203	93.41%	472,202	7,279,405	99.89%
2010	7,232,424	6,883,318	95.17%	185,945	7,069,263	97.74%
2011	7,493,616	7,145,073	95.35%	—	7,145,073	95.35%

Source: City of Independence

Table 11

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

Sales by Category:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Power and Light:										
Residential	\$ 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	64,723,000
Commercial	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	52,003,000
Industrial	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	3,292,000
Sold to Other Utilities	131,000	809,000	689,000	779,000	1,839,000	796,000	2,081,000	1,765,000	4,039,000	3,077,000
Other	824,000	881,000	941,000	1,008,000	1,128,000	1,214,000	1,328,000	1,434,000	1,621,000	1,551,000
Water:										
Residential	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	10,726,567
Commercial	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	2,835,271
Industrial	256,478	324,228	336,707	331,251	362,537	367,863	308,642	300,577	407,313	450,156
Public Authority	131,219	169,383	174,092	189,489	231,257	228,957	267,428	281,615	297,218	263,137
Sold to Other Utilities	4,378,138	4,302,002	4,950,287	5,670,010	5,858,904	5,232,779	5,023,444	4,930,608	6,302,495	6,659,302
Other	856,918	856,811	934,326	960,563	968,733	1,060,453	1,081,606	1,344,666	1,217,907	1,245,524
Sanitary Sewer:										
Residential	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	9,873,906
Commercial	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	4,841,546
Industrial	—	—	—	—	—	—	—	—	—	—
Other	728,334	643,687	707,755	797,791	774,222	854,930	881,836	906,142	897,895	2,443,875
Total	\$ 99,319,912	105,004,953	110,373,909	112,625,819	129,655,354	134,819,812	139,763,217	137,482,640	148,752,701	163,985,284

Source: City of Independence

Table 12

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

Rates by Category:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Power and Light (per Kwh):	\$									
Residential	0.08	0.08	0.08	0.08	0.09	0.10	0.10	0.10	0.11	0.12
Commercial	0.07	0.07	0.07	0.07	0.08	0.09	0.09	0.09	0.10	0.10
Industrial	0.05	0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.07	0.08
Sold to Other Utilities	0.02	0.03	0.03	0.03	0.04	0.04	0.05	0.03	0.03	0.03
Other	0.09	0.10	0.10	0.11	0.12	0.13	0.14	0.15	0.16	0.15
Water (per 1,000 gallons):										
Residential	2.37	2.35	2.37	2.49	2.54	2.63	2.80	3.06	3.35	3.61
Commercial	2.17	2.16	2.18	2.27	2.34	2.41	2.52	2.78	3.08	3.33
Industrial	1.09	1.10	1.12	1.14	1.31	1.34	1.44	1.73	1.97	2.23
Public Authority	1.97	1.94	2.02	2.28	2.34	2.42	2.58	2.86	3.11	3.34
Sold to Other Utilities	0.94	1.01	1.02	1.17	1.21	1.10	1.03	1.10	1.23	1.35
Sanitary Sewer (per 100 cubic feet):										
Residential	2.75	2.75	2.77	2.97	3.13	3.18	3.35	3.50	3.40	3.62
Commercial	2.15	2.26	2.34	2.32	2.46	2.64	2.68	2.69	3.08	3.09
Total	\$ 13.74	13.89	14.17	14.98	15.72	16.13	16.84	18.16	19.70	21.05

Source: City of Independence

Table 13

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

Utility Customer - Power and Light	2011			2002		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 1,632,785	1	1.31%	\$ 900,817	2	1.26%
Centerpoint Medical Center	1,582,892	2	1.27%			
Burd and Fletcher (Combined Accounts)	1,539,652	3	1.24%	591,535	4	0.83%
Simon Property Group LP	1,169,366	4	0.94%	946,861	1	1.32%
Commercial Distributions Center	1,034,879	5	0.83%	810,446	3	1.13%
The Boyer Company	533,497	6	0.43%			
Costco Wholesales Inc.	520,355	7	0.42%			
Price Chopper (23rd Street)	513,749	8	0.41%	333,125	7	0.47%
City's Rock Creek Sanitary Sewer Plant	481,934	9	0.39%	328,094	8	0.46%
Price Chopper (Noland Road)	431,077	10	0.35%	368,908	5	0.52%
Independence Regional Health Center				364,208	6	0.51%
Medical Center of Independence				273,072	10	0.38%
Community of Christ Auditorium				276,022	9	
Total	\$ 9,440,186		7.57%	\$ 5,193,088		6.88%

Source: City of Independence

Table 14

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

Utility Customer - Water	2011			2002		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Lee's Summit	\$ 3,841,421	1	17.32%	\$ 2,105,438	1	13.86%
Blue Springs	1,033,424	2	4.66%	995,604	2	6.55%
District #2, Jackson County	465,369	3	2.10%	258,870	3	1.70%
District #1, Lafayette County	320,110	4	1.44%	244,836	4	1.61%
Oak Grove	318,359	5	1.44%	235,840	5	1.55%
Grain Valley	221,005	6	1.00%	182,379	6	1.20%
Lafarge Corporation	188,134	7	0.85%	74,923	10	0.49%
District #15, Jackson County	170,277	8	0.77%	117,056	7	0.77%
Unilever (Thomas J. Lipton Co)	151,640	9	0.68%	113,666	8	0.75%
Buckner	133,158	10	0.60%	95,812	9	0.63%
Total	\$ 6,842,897		30.85%	\$ 4,424,424		29.12%

Source: City of Independence

Table 15

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

Utility Customer - Sewer	2011			2002		
	Total Sales	Rank	Percentage of Total Sales	Total Sales	Rank	Percentage of Total Sales
Unilever (Thomas J. Lipton Co)	\$ 687,932	1	4.01%	\$ 542,744	1	4.29%
AMOCO	262,272	2	1.53%	221,343	2	1.75%
City of Independence, Power & Light	124,251	3	0.72%	135,675	3	1.07%
Centerpoint Medical Center	54,472	4	0.32%			
Simon Property Group LP	41,144	5	0.24%	47,669	5	0.38%
Price Chopper (23rd Street)	18,203	6	0.11%			
Commercial Distributions Center	18,024	7	0.11%	12,828	6	0.10%
The Boyer Company	11,288	8	0.07%			
Bass Pro	10,245	9	0.06%			
Independence Events Center	7,136	10	0.04%			
Independence Regional Health Center				49,275	4	0.39%
Total	\$ 1,234,967		7.20%	\$ 1,009,534		7.99%

Note: Amounts for customers 7 through 10 are not available for 2002.

Source: City of Independence

Table 16

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

Governmental Activities									
Fiscal Year	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation					
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	—					
2011	11,580,656	667,315	292,063	—					

Business-Type Activities										
Fiscal Year	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation	Total Primary Government	Percentage of Personal Income (1)				
							Per Capita (1)			
2002	\$ 57,276,614	\$ 575,000	\$ —	\$ —	\$ 57,851,614	2.28%	\$	507.71		
2003	53,826,179	—	—	—	105,896,772	4.22%		926.12		
2004	65,887,893	—	—	—	119,276,166	4.84%		1,039.49		
2005	62,969,608	—	—	—	124,001,479	4.86%		1,076.91		
2006	59,361,323	—	—	—	82,915,297	3.15%		715.08		
2007	55,548,038	—	—	—	75,857,475	2.86%		651.93		
2008	63,829,753	—	—	—	89,335,864	3.62%		818.40		
2009	178,411,467	—	65,954	—	200,674,001	7.76%		1,758.32		
2010	175,035,863	—	43,988	—	190,069,933	6.75%		1,568.08		
2011	195,970,016	—	21,353	—	211,525,095	8.02%		1,810.54		

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		
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%	—
2011	—	—	—	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, 2011

<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	\$ 137,945,000	2.00%	\$ 2,758,900
Independence School District	148,775,000	93.76%	139,491,440
Raytown School District	110,774,999	6.00%	6,646,500
Fort Osage Reorganized #1 School District	48,945,000	12.50%	6,118,125
Subtotal, overlapping debt			<u>155,014,965</u>
City direct debt			<u>12,540,034</u>
Total direct and overlapping debt			<u><u>\$ 167,554,999</u></u>

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

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

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit (1)	\$ 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	257,431,508
Total net debt applicable to limit	—	—	—	948,722	896,700	840,870	790,240	790,240	650,505	585,340
Legal Debt Margin	\$ 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	256,846,168
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.366%	0.340%	0.300%	0.280%	0.280%	0.250%	0.227%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	\$ 1,287,157,541
Debt Limit (20% of assessed value)	257,431,508
General obligation:	
City-Wide	—
Neighborhood Improvement Districts	667,315
Revenue Bonds	195,970,016
Total Bonded Debt	196,637,331
Less:	
Water Utility Bonds	46,493,080
Electric Utility Bonds	64,571,936
Events Center Bonds	84,905,000
Debt Service Fund Balance	81,975
Total net debt applicable to limit	585,340
Legal debt margin	\$ 256,846,168

Notes:

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

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

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

Table 20

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

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (2)	
Power & Light (2)						
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
2011	127,486,725	98,684,455	28,802,270	2,965,000	2,645,010	5.13
Water (2)						
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
2011	22,292,691	13,133,820	9,158,871	2,790,000	2,210,141	1.83
Sanitary Sewer						
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	—	—	—
2011	17,099,048	13,451,850	3,647,198	—	—	—

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>
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%
2011	116,830	2,636,035,290	22,563	38.79	19,505	10.20%

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	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems	2,600	1	4.82%	1,286	2	2.22%
Independence School District	2,043	2	3.79%			
Centerpoint Medical Center	1,600	3	2.97%			
City of Independence	1,300	4	2.41%			
Government Employee Hospital	650	5	1.21%	650	3	1.12%
Rosewood Health Center at the Groves	400	6	0.74%	400	5	0.69%
Burd & Fletcher	350	7	0.65%	350	6	0.61%
Jackson County Circuit Court	274	8	0.51%			
Mid-Continent Library	248	9	0.46%			
Unilever	220	10	0.41%			
Health Midwest				1,503	1	2.60%
Southwestern Bell Telephone				600	4	1.04%
Thomas J. Lipton				290	7	0.50%
Comprehensive Mental Health				100	10	0.17%
IBS Industries				180	9	0.31%
Community of Christ				250	8	0.43%
Total	<u>9,685</u>		<u>17.96%</u>	<u>5,609</u>		<u>9.70%</u>

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

Table 23

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City council office	11.00	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
City clerk	7.00	7.00	6.50	6.50	6.00	6.00	6.00	6.00	6.00	6.00
City manager	10.00	10.00	8.50	7.00	7.50	10.50	10.50	10.50	9.50	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	20.00	20.00	20.00	20.00	20.00	21.00	21.00	21.00	21.00	21.00
Municipal court	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00
Law - General fund	6.00	6.00	5.50	5.50	5.75	6.75	6.51	6.50	6.50	6.00
Law - Grant fund	—	—	—	0.50	0.50	0.50	0.37	0.25	0.25	0.25
Finance	25.00	25.00	24.00	24.00	25.00	26.00	25.00	24.15	24.15	24.15
Human resources	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	6.50
Public Safety										
Police - General fund	274.00	275.00	275.00	277.00	281.50	281.50	283.00	290.40	290.40	292.90
Police - Grant fund	—	—	—	15.00	12.00	10.00	14.00	15.00	15.00	13.00
Fire - General fund	174.00	174.00	174.00	173.25	173.25	173.25	173.25	173.25	173.25	173.25
Fire - Grant fund	—	—	—	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Public Works	88.90	87.90	82.00	81.00	82.00	83.00	82.00	82.00	82.00	83.00
Health and Welfare										
General fund	38.13	39.69	39.47	33.50	34.25	34.25	35.25	35.25	35.25	36.00
Grant fund	—	—	—	5.50	6.00	7.70	6.25	7.10	5.35	4.95
Culture and Recreation										
General fund	41.70	43.79	42.14	41.70	36.70	35.53	32.65	32.65	33.46	31.71
Tourism fund	3.41	3.41	3.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41
Park Improvement Sales Tax fund	5.00	5.00	8.61	11.59	12.59	17.12	25.29	25.29	23.98	22.48
Community Development										
General fund	23.00	23.00	22.00	22.00	26.00	25.75	26.64	26.05	27.55	27.05
Community Dev Block Grant fund	3.00	3.00	3.00	3.00	3.00	2.50	2.11	2.70	2.00	2.00
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	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	8.00
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	220.00	217.00	218.00	222.00
Water										
City Manager - General fund	1.50	1.50	1.50	—	—	—	—	—	—	—
Finance - General fund	—	—	—	1.00	1.00	0.17	0.15	0.85	0.85	0.85
Water	97.48	97.48	97.48	97.48	98.48	97.48	98.50	101.65	101.65	101.65
Sewer										
Public Works - General fund	—	—	—	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Pollution Control	72.00	72.00	69.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
Central Garage fund	10.00	10.00	9.00	9.00	9.00	9.00	10.00	10.00	9.75	9.75
Worker' Compensation Fund	—	—	—	—	—	—	1.75	1.75	1.75	1.75
Total	<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>	<u>1,216.90</u>

Source: City of Independence Budget

Table 24

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
National Frontiers Trails Museum										
Number of visitors to museum	16,199	14,963	19,763	17,183	15,986	14,621	15,095	14,900	16,691	15,126
Public Safety										
Police										
Police Incident Calls	125,219	120,668	123,329	128,891	130,242	126,301	122,667	125,899	126,087	100,096
Traffic Unit Citations Issued	23,227	17,796	30,840	31,323	20,257	30,984	31,241	31,969	38,465	19,082
Fire										
Total Alarms	13,141	12,294	13,424	12,895	13,166	13,354	13,130	15,374	16,081	16,931
Public Education Audience	13,828	12,619	14,747	18,363	18,818	18,502	18,830	10,291	38,133	35,243
Public Works										
Street Overlay (lane miles)	122	110	104	88	66	26	—	53	63	16
Street Patching Jobs	1,524	744	575	542	474	3,897	6,822	3,168	6,163	7,181
Health and Welfare										
Food Handlers Trained	4,741	5,186	11,638	9,680	7,696	8,663	10,112	8,850		7,036
Flu Shots Given	450	539	600	431	680	1,118	764	789	7,369	661
Animal Control Service Calls	9,336	9,230	7,354	6,446	7,294	8,415	6,641	9,314	9,489	6,957
Culture and Recreation										
Park Shelter Reservations	671	675	210	214	462	457	646	872	715	730
Number of Sermon Center Memberships	1,275	1,032	1,056	948	930	1,095	1,500	1,323	1,574	1,577
Community Development										
Permits Issued	3,984	4,693	5,809	5,281	4,792	4,048	4,100	3,782	3,246	4,538
Tourism										
Site Attendance	432,268	334,853	306,407	290,499	295,381	260,342	244,524	230,483	222,104	287,466
Leisure Visitor Inquiries	42,608	44,659	23,172	34,512	44,943	34,116	35,446	33,392	39,925	38,828
Power and Light										
Average number of monthly customers	53,982	54,356	55,195	55,921	56,402	56,562	56,790	56,656	56,585	56,458
Water										
Number of customers	46,394	46,873	47,324	47,461	47,769	48,358	48,350	48,318	47,822	48,089
Water main breaks	180	292	239	182	241	271	179	171	202	267
Sewer										
Number of customers	42,856	42,394	43,434	43,909	44,290	44,351	44,210	44,279	44,232	44,078
Wastewater Treated (Million Gallons)	3,830	2,939	3,032	3,207	2,935	2,348	2,701	3,080	3,249	2,515

Table 25

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Police stations	3	3	3	3	3	4	4	4	5	4
Vehicles	151	124	162	90	177	203	206	201	215	166
K - 9 Facility	—	—	—	1	1	1	1	1	1	1
Fire										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Fire Training Facilities	—	—	—	—	—	—	—	1	1	1
Vehicles	40	40	42	41	44	45	42	45	48	47
Public Works										
Total area (square miles)	78	78	78	78	78	78	78	78	78	78
Paved miles	532	535	535	535	580	550	564	547	557	565
Culture and Recreation										
Park acreage	721	721	724	724	757	826	728	728	781	730
Parks	40	40	40	42	43	44	42	42	45	43
Community Centers	1	2	3	3	3	3	3	3	3	3
Fitness Centers	1	1	2	2	2	2	2	2	2	2
Ball Fields	53	53	53	53	53	53	54	54	57	54
Power and Light										
Power stations	5	5	5	5	5	5	5	5	5	5
Transmission/Distribution Circuits (miles)	789	794	802	809	817	829	835	840	844	847
Maximum daily use (Mwh)	5,395	5,401	5,838	5,320	5,464	5,865	5,579	5,472	4,909	5,456
Water										
Water mains (miles)	694	697	711	711	729	736	741	742	746	750
Fire hydrants	3,996	4,061	4,186	4,186	4,401	4,520	4,635	4,679	4,728	4,787
Maximum daily pumpage (millions of gallons)	39	42	42	41	44	44	39	38	35	42
Sewer										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (miles)	565	565	582	576	578	590	578	596	597	596
Maximum daily capacity of treatment (MGD)	18	18	18	19	19	18	16	18	18	18

City of Independence



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