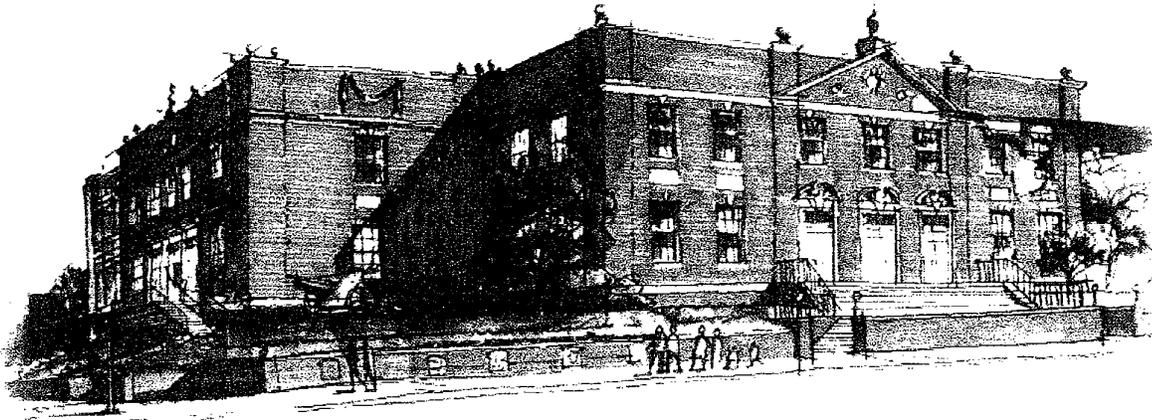




*City of*

*Independence, Missouri*

*Historic City of the Trails*



**Truman Memorial Building  
Dedicated 1926 - Rededication 2002**

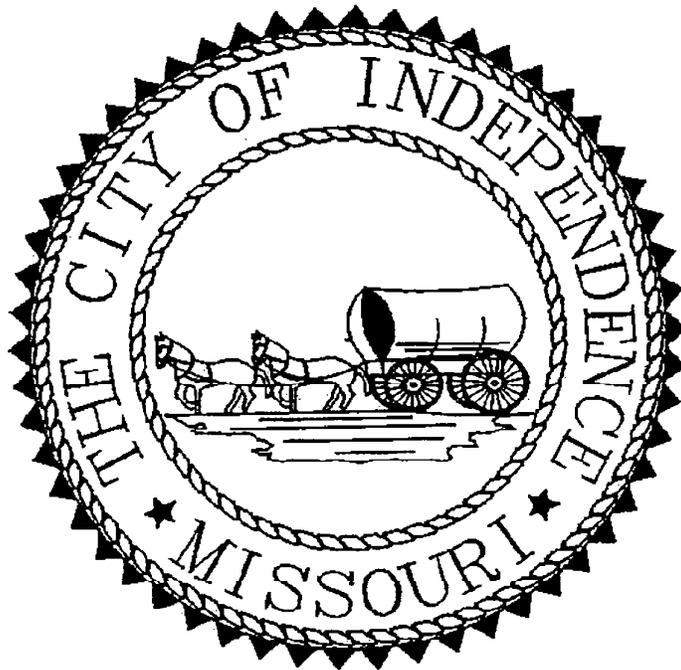
*June 30,*

**2002**

*Comprehensive Annual  
Financial Report*

**CITY OF INDEPENDENCE, MISSOURI**

Comprehensive Annual Financial Report



June 30, 2002

**CITY OF INDEPENDENCE, MISSOURI**

Comprehensive Annual Financial Report

Fiscal Year July 1, 2001  
through June 30, 2002

***Mayor***

Rondell F. Stewart

***City Council***

Don Reimal	District #1
John Perkins	District #2
Renee Paluka	District #3
Charlie Rich	District #4
Jason White	At-large
Jim Schultz	At-large

***City Manager***

Larry N. Blick

***Prepared by the Department of Finance***

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

**CITY OF INDEPENDENCE, MISSOURI**

**Table of Contents**

	<b>Page</b>		
<b>Introduction Section:</b>			
Organizational Chart	1		
Letter of Transmittal	2-6		
GFOA Certificate of Achievement	7		
<b>Financial Section:</b>			
Independent Auditors' Report	8		
Management's Discussion and Analysis	10-20		
		<b>Exhibit</b>	
<b>Basic Financial Statements:</b>			
<b>Government-Wide</b>			
Statement of Net Assets	1	21	
Statement of Activities	2	22	
<b>Fund Financial Statements</b>			
Governmental Funds:			
Balance Sheet	3	23	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	3.1	24	
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	25	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4.1	26	
Proprietary Funds:			
Balance Sheet	5	27	
Statement of Revenues, Expenses, and Changes in Fund Net Assets	6	28	
Statement of Cash Flows	7	29	
Fiduciary Funds:			
Statement of Fiduciary Net Assets	8	30	
Statement of Changes in Fiduciary Net Assets	9	31	
<b>Notes to the Financial Statements</b>			32-60
<b>Required Supplementary Information</b>			
Budgetary Comparison Schedule	10	61-63	
Schedule of Funding Progress – Retirement Plan	11	64	

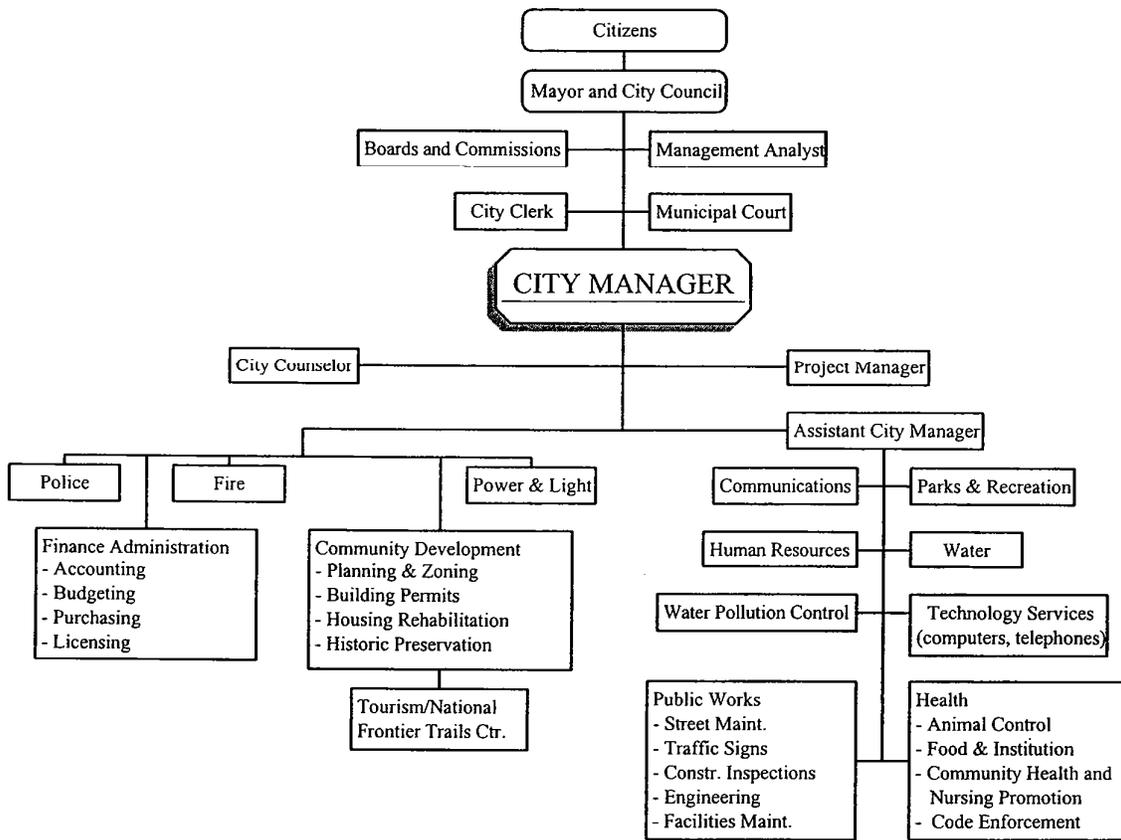
	<b>Exhibit</b>	<b>Page</b>
<b>Supplementary Information</b>		
Combining Balance Sheet – Nonmajor Governmental Funds	12	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	13	68
Combining Balance Sheet – Nonmajor Special Revenue Funds	14	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	15	70
Combining Balance Sheet – Nonmajor Capital Project Funds	16	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	17	72
Sub-combining Balance Sheet – Nonmajor TIF Funds	18	73
Sub-combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor TIF Funds	19	74
Internal Service Fund		75
Combining Statement of Net Assets – Internal Service Funds	20	76
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	21	77
Combining Statement of Fiduciary Net Assets	22	78
Combining Statement of Changes in Fiduciary Net Assets	23	79
Schedule of Operating Expenses – Power and Light Fund	24	80-81
Schedule of Operating Statistics – Power and Light Fund	25	82
Schedule of Operating Expenses – Water Fund	26	83-84
Schedule of Operating Statistics – Water Fund	27	85
Schedule of Operating Statistics – Sanitary Sewer Fund	28	86

	<b>Table</b>	
Statistical Section (Unaudited):		
General Governmental Expenditures by Function	1	87
General Governmental Revenue by Source	2	88
General Fund, Public Health and Recreation, Debt Service – Property Tax Levies and Collections	3	89
Assessed and Estimated Actual Values of Taxable Property	4	90
Property Tax Rates – All Direct and Overlapping Governments	5	91
Special Assessment Collections	6	92
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	7	93
Computation of Legal Debt Margin	8	94
Computation of Direct and Overlapping Debt	9	95
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	10	96
Revenue Bond Coverage:		
Power and Light Revenue Bonds	11	97
Water Revenue Bonds	12	98
Sanitary Sewer Revenue Bonds	13	99
Demographic Statistics	14	100
Construction Permits	15	101
Principal Property Taxpayers	16	102
Miscellaneous Statistical Data	17	103
Schedule of Insurance	18	104-106

## **INTRODUCTORY**

# City of Independence, Missouri

## Organizational Chart



# City of Independence

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

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



November 1, 2002

## HONORABLE MAYOR, MEMBERS OF THE COUNCIL AND CITY MANAGER:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2002. 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. I 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. I also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report was prepared by the City's Finance Department staff in accordance with accounting principles generally accepted in the United States of America (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 by KPMG LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2002, 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, 2002, 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.



This report reflects the changes required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The format and a description of these reports are addressed in the Management’s Discussion and Analysis (MD&A) on page 12 and in note (1b) to the financial statements.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The *introductory section* is designed to introduce the reader to the report and includes this transmittal letter, the City’s organizational chart, a list of principal officials, and the GFOA (Government Financial Officers Association) Certificate of Achievement for Excellence in Financial Reporting for the 2001 CAFR.

The *financial section* begins with the independent auditors’ report. The auditors’ report discloses the opinion of the independent auditors with regard to the presentation of the financial statements and internal controls. This section also includes Management’s Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City’s financial position and operating results, the Combining Statement for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.

The *statistical section* includes selected financial and demographic information, generally presented on a multi-year basis. This section is designed to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from only the financial statements and supporting schedules presented in the financial section.

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 the (MD&A). This letter of transmittal is designed to complement 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.

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 required by accounting principals generally accepted in the United States of America, the City has included the Tax Increment Financing (TIF) activities in its financial statements as a blended component unit.

### **Profile of the City**

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S. Truman, 33<sup>rd</sup> President of the United States. Independence is the fourth largest city in Missouri with a population of 113,288 based on the 2000 Census. The City of Independence was presented the All American City award for 2001 by the National Civic League. 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 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.

The City of Independence provides a comprehensive range of municipal services including public safety, streets, public improvements, community development, parks and recreation, planning and development, cultural and historic activities, as well as electric, water, and sanitary sewer utilities.

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.

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 appoints 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.

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 the special approval of the Council. Budget-to-actual comparisons for the General and Tourism 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 items, which would result in expenditures in excess of departmental budgets, are not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2002, are reported as reservations of fund balances since the City intends to honor the purchase orders and contracts.

**Local economy.** The City of Independence has felt the impact of the recent economic slow-down. However, the City is experiencing growth on the eastern side of town. A new highway interchange and arterial street have made the City of Independence I-70/Little Blue Parkway the Pro-Business Corridor of the 21<sup>st</sup> Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). The I-70/Little Blue Parkway is located in the heart of the fastest growing area in the Kansas City metropolitan area.

**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 Budget. The fiscal year 2003 budget projects spending an estimated \$31.7 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.

**Cash management policies and practices.** The Finance Department strives to keep abreast of current trends and procedures for cash management and forecasting to ensure the most efficient and profitable use of the City's cash resources. While efforts are made to maximize the return on the City's investment dollar, the primary concern is to always assure the return on principal. Idle cash during the year was invested in U.S. agencies. The maturities of the investments range from 90 days to one year. The average yield on investments was 2.07 percent.

**Risk management.** During the fiscal year, the City renewed all major insurance policies (property, boiler and machinery, general liability, automobile liability, public official's liability and law enforcement liability.) With the assistance of a risk management consultant, all major liability coverage insurance policies were put up for bid and subsequently awarded. Significant attention is being given to cost control in the area of health insurance.

#### **Awards and Acknowledgements**

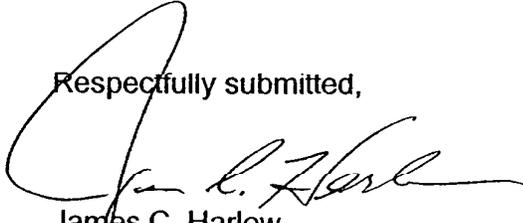
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. In order to be awarded a Certificate 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 accounting principles generally accepted in the United States of America 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, 2001. 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 would like to especially thank the Accountants for their efforts in implementing GASB 34. I would also like to thank the firm of KPMG LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James C. Harlow". The signature is fluid and cursive, with a large initial "J" and "C".

James C. Harlow  
Director of Finance and Administration

CITY OF INDEPENDENCE, MISSOURI

# 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, 2001

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.



*Imelda Aruete*  
President

*Jeffrey L. Ewell*  
Executive Director

**FINANCIAL**



1000 Walnut  
Suite 1600  
Kansas City, MO 64106

## Independent Auditors' Report

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, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri (the City), as of and for the year ended June 30, 2002, 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri as of June 30, 2002 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* during the year ended June 30, 2002.



The management's discussion and analysis, budgetary comparison information and schedules of funding progress and employer contributions on pages 10 through 20 and 61 through 64, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Independence's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report, dated September 12, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

September 12, 2002

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Independence's annual finance report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2002. Since this is the first year of reporting in conformance with the Governmental Accounting Standards Board's (GASB) Statement No. 34, comparative information for the previous fiscal year is not being provided. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

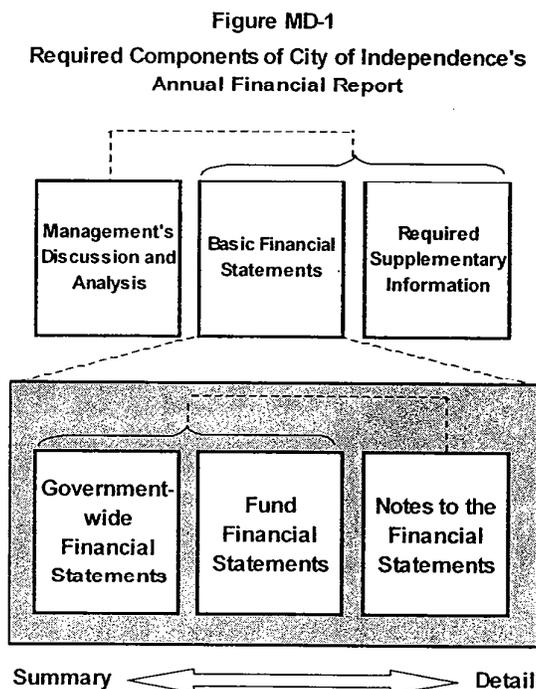
### FINANCIAL HIGHLIGHTS

- The City's total net assets increased over \$11 million. Of this amount \$10.7 million or 97% was from the City's "business-type activities" and the balance was from "governmental activities".
- The most significant single event during the fiscal year was the ice storm, which occurred on January 29, 2002. This event caused major damage to not only private property, but also public property with broken tree limbs and downed power lines. The Governor declared the area a disaster. Funding from both Federal and State sources have assisted in the cost of the clean up and physical plant repair.
- As with other entities, the recent economic slow-down has affected the City's revenues. As a result of the addition of new businesses, we have been able to achieve growth in sales tax of 3%, but it was less than the original projection of 7%.
- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- The City is directing incremental revenues (\$1.3 million) from closed-out tax increment financing projects to finance capital projects.
- The Streets and Parks sales taxes were extended in August 2002. The Parks sales tax was renewed for an additional 10 years and an additional 1/8-cent was approved without a sunset provision.
- Capital projects are beginning to occur using the Storm Water sales tax.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements.
  - 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- and long-term financial information about the activities the government operates like businesses, such as the electric, water and sanitary sewer systems.
  - Fiduciary fund statements provide information about the financial relationship for which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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' that further 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 they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

<b>Figure MD-2</b>				
<b>Major Features of the City of Independence's Government-wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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 * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## **Government-wide Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets refer 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, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

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, and 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, water, and sanitary sewer systems 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds – business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The City has two internal service funds and these are the self-funded health insurance fund and central garage 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 three funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

In accordance with GASB Statement No. 34, the City is not required to restate prior periods for the purposes of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

### Net assets

The following table (MD-3) reflects the condensed Statement of Net Assets:

**Table MD-3**  
**City of Independence's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>
Current and other assets	\$ -	37,378,783	-	94,350,544	-	131,729,327
Capital assets	-	67,814,799	-	259,863,487	-	327,678,286
<b>Total assets</b>	-	105,193,582	-	354,214,031	-	459,407,613
Long-term debt outstanding	-	52,070,593	-	57,851,614	-	109,922,207
Other liabilities	-	20,291,841	-	14,585,098	-	34,876,939
<b>Total liabilities</b>	-	72,362,434	-	72,436,712	-	144,799,146
Net assets						
Invested in capital assets, net of related debt	-	64,450,833	-	205,396,875	-	269,847,708
Restricted	-	5,523,788	-	500,000	-	6,023,788
Unrestricted	-	(37,143,473)	-	75,880,444	-	38,736,971
<b>Total net assets</b>	\$ -	32,831,148	-	281,777,319	-	314,608,467

The City's combined net assets increased to \$314.6 million from \$303.6 million as a result of the increase in net assets reflected in Table MD-4. Net assets of the City's governmental activities were \$32.8 million. The City's unrestricted net assets for governmental activities were (\$37.1) million. (Assets for roads, bridges and other governmental infrastructure assets acquired in prior fiscal years are not included at this time. The City will be including infrastructure assets acquired in prior fiscal years in future years in response to GASB Statement No. 34.) Total unrestricted net assets were \$38.7 million with the business-type activities being \$75.9 million.

**Changes in net assets**

The following table (MD-4) reflects the revenues and expenses from the City's activities:

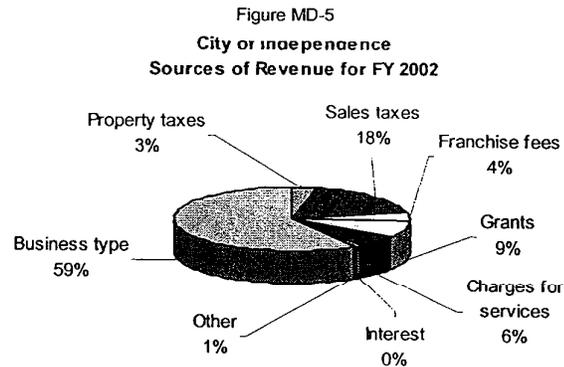
Table MD-4  
City of Independence's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2001	2002	2001	2002	2001	2002
<b>Revenues</b>						
Program revenues						
Charges for services	\$ -	11,310,461	-	100,156,039	-	111,466,500
Federal grants	-	8,184,732	-	12,204	-	8,196,936
State/Local grants & contributions	-	7,894,281	-	1,856,925	-	9,751,206
General revenues						
Property taxes	-	6,020,217	-	-	-	6,020,217
Sales taxes	-	33,144,312	-	-	-	33,144,312
Other taxes	-	6,576,685	-	-	-	6,576,685
Interest	-	782,241	-	2,539,975	-	3,322,216
Other	-	1,356,305	-	1,297,923	-	2,654,228
<b>Total revenues</b>	-	<b>75,269,234</b>	-	<b>105,863,066</b>	-	<b>181,132,300</b>
<b>Expenses</b>						
General government	-	6,840,135	-	-	-	6,840,135
Public works	-	6,842,096	-	-	-	6,842,096
Public safety	-	31,837,122	-	-	-	31,837,122
Recreation	-	3,279,161	-	-	-	3,279,161
Community development	-	3,554,250	-	-	-	3,554,250
Health	-	2,267,210	-	-	-	2,267,210
Electric	-	-	-	60,903,841	-	60,903,841
Water	-	-	-	14,581,301	-	14,581,301
Sanitary sewer	-	-	-	11,021,666	-	11,021,666
Storm water	-	846,628	-	-	-	846,628
Non Dept/Other	-	25,247,319	-	-	-	25,247,319
Interest	-	2,874,711	-	-	-	2,874,711
<b>Total expenses</b>	-	<b>83,588,632</b>	-	<b>86,506,808</b>	-	<b>170,095,440</b>
Excess (deficiency) before special item and transfers						
Transfers	-	8,661,735	-	(8,661,735)	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ -</b>	<b>342,337</b>	<b>-</b>	<b>10,694,523</b>	<b>-</b>	<b>11,036,860</b>

## Revenues

For the fiscal year ending June 30, 2002, revenues totaled \$181 million. Of this amount, charges for services (governmental and business type) were \$111.5 million or 61.6% of the total. Revenue from business-type activities represents 59% of the total City revenues (Figure MD-5).

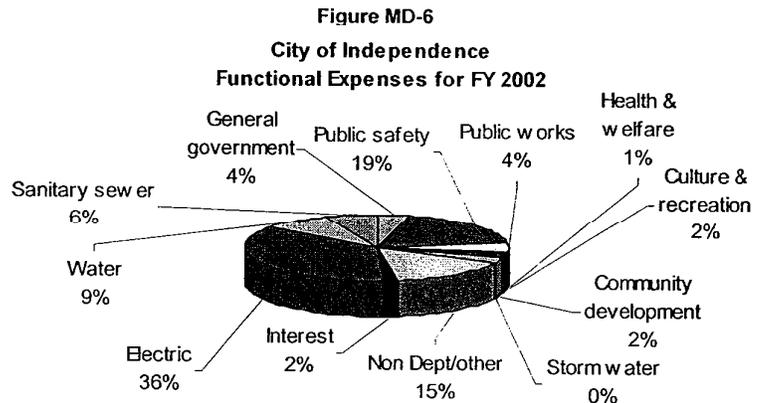
Revenues from governmental activities were \$75.1 million. Sales taxes, the largest governmental category, were \$33.1 million or 44%. All taxes represents \$45.7 million or 60.9% of the governmental revenue. Inter-governmental revenues from such sources as grants were \$16.1 million or 21.4% of the governmental revenues. Charges for services at \$11.3 million were 15.1% of the total.



## Expenses

For the fiscal year ending June 30, 2002, expenses totaled \$170.1 million. Of this amount, the electric utility was \$60.9 million or 35.8% of the total. Business-type expenses represents 50.9% of the total City expenses (Figure MD-6).

Expenses from governmental activities were \$83.6 million. Public safety expenses, the largest governmental category, were \$31.8 million or 38% of the total. Non-departmental, which includes costs associated with tax increment financing projects of \$14.8 million, is the next largest category at \$25.2 million. Excluding the tax increment financing costs, non-departmental is \$10.8 million or 12.9% of the total. General government and public works each represent \$6.2 million or 7.4% of the governmental activities.



## Governmental Activities

**Table MD-7**  
**Net Cost of City of Independence's Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>
General government	\$ -	6,840,135	-	(3,289,293)
Public works	-	6,842,096	-	1,233,027
Public safety	-	31,837,122	-	26,071,716
Recreation	-	3,279,161	-	1,188,817
Community development	-	3,554,250	-	179,242
Health	-	2,267,210	-	1,906,359
Storm water	-	846,628	-	807,261
Other	-	28,122,030	-	28,102,030
<b>Total</b>	<b>\$ -</b>	<b>83,588,632</b>	<b>-</b>	<b>56,199,159</b>

As previously noted, expenses from governmental activities for fiscal year 2002 were \$83.6 million. However, the net costs of these services were \$56.2 million. The difference represents direct revenues received from charges for services of \$11.3 million, operating grants of \$14.1 million, and capital grants of \$2 million. Taxes and other revenues of \$56.5 million were collected to cover these net costs.

### Business-type Activities

Revenues of the City's business-type activities decreased \$7.7 million or 6.8% and expenses decreased \$4.4 million or 4.9%. This change is primarily the result of reduced customer consumption caused by milder weather conditions and also lower interest rates on short-term investments. Fluctuation in weather for both the electric and water utilities impacts both the revenues and expenses of these utilities.

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

As the City completed the year, its governmental funds reported a combined fund balance of \$27.3 million. The fund balance of the General Fund decreased \$874,810 during fiscal year 2002. The undesignated portion of the General Fund's fund balance decreased \$1.5 million to \$2.0 million. This decrease was greater than expected when the budget was prepared and is the result of several of the financial highlights pointed out earlier. These are:

- The most significant single event during the fiscal year was the ice storm, which occurred on January 29, 2002. This event caused major damage to not only private property, but also public property with broken tree limbs and downed power lines. The Governor declared the area a disaster. Funding from both Federal and State sources have assisted in the cost of the clean up and physical plant repair.
- As with other entities, the recent economic slow-down has affected the City's revenues. As a result of the addition of new businesses, we have been able to achieve growth in sales tax of 3%, but it was less than the original projection of 7%.
- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$7.5 million. These budget amendments generally fall into the following three categories:

- Approval of new grants or the extension of current grants that were not previously included in the approved budget. These adjustments generally also include off-setting revenues.
- Transfer previously approved 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 that may arise throughout the fiscal year.

Actual expenditures were \$744,000 less than the amount appropriated. On a percentage basis, this positive variance was distributed evenly between departments.

Resources available for appropriation increased \$7.6 million from the original estimate. Revenues from grants accounted for \$5.3 million of this increase and revenue from debt issues increased \$1.8 million. However, actual revenues at the end of the fiscal year were \$877,000 less than projected. While there were variances in all the categories, the most significant were in sales taxes and utility fees.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2002, the City had invested \$327.7 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets for roads, bridges and other governmental infrastructure assets acquired in prior fiscal years are not included at this time. The City will be including infrastructure assets acquired in prior fiscal years in future years in response to GASB Statement No. 34. Assets increased \$20.9 million or 6.8% during the period.

Table MD-8  
City of Independence's Capital Assets  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2001	2002	2001	2002	2001	2002	2001-2002
Land	\$ 10,682,267	10,830,455	4,745,614	4,959,089	15,427,881	15,789,544	2.3%
Buildings & Improvements	7,524,474	7,872,503	-	-	7,524,474	7,872,503	4.6%
Office furniture & equipment	149,527	97,645	-	-	149,527	97,645	-34.7%
Computer equipment	377,593	406,300	-	-	377,593	406,300	7.6%
Mobile equipment	5,574,592	5,532,017	-	-	5,574,592	5,532,017	-0.8%
Other equipment	932,576	1,087,845	26,014	26,014	958,590	1,113,859	16.2%
Infrastructure	-	7,451,008	221,083,293	233,427,025	221,083,293	240,878,033	9.0%
Construction in progress	29,610,204	34,537,026	26,142,608	21,451,359	55,752,812	55,988,385	0.4%
<b>Total</b>	<b>\$ 54,851,233</b>	<b>67,814,799</b>	<b>251,997,529</b>	<b>259,863,487</b>	<b>306,848,762</b>	<b>327,678,286</b>	<b>6.8%</b>

The fiscal year 2003 budget projects spending an additional \$31.7 million for capital projects.

### Debt Administration

The City at the end of fiscal year 2002 had a total of \$110.0 million of outstanding obligations. This was an increase of \$8.3 million or 8.2% from the previous fiscal year.

Table MD-9  
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2001	2002	2001	2002	2001	2002	2001-2002
Loans & notes	36,845,000	47,322,682	1,120,000	575,000	37,965,000	47,897,682	26.16%
Revenue bonds	1,705,000	3,125,898	59,793,673	57,276,614	61,498,673	60,402,512	-1.78%
Capital lease obligations	2,130,125	1,622,013	-	-	2,130,125	1,622,013	-23.85%
<b>Total</b>	<b>40,680,125</b>	<b>52,070,593</b>	<b>60,913,673</b>	<b>57,851,614</b>	<b>101,593,798</b>	<b>109,922,207</b>	<b>8.20%</b>

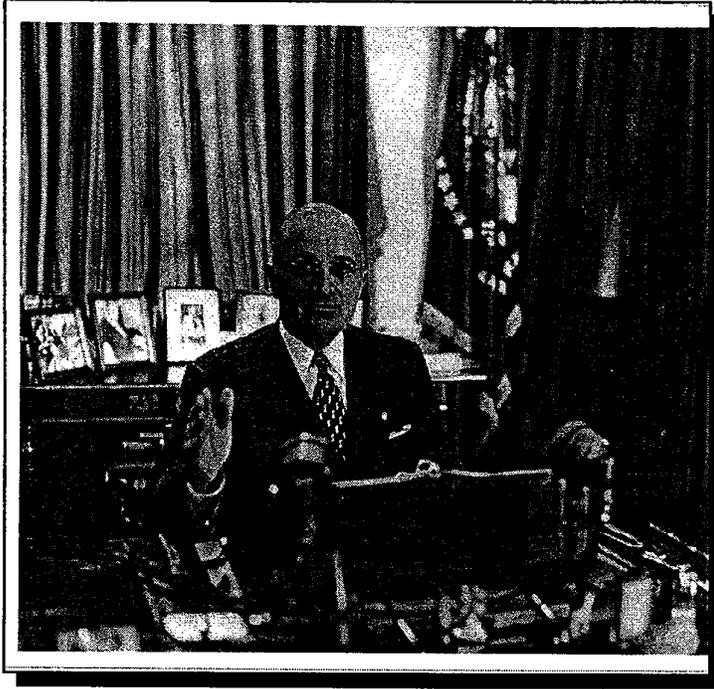
None of these amounts relate to general obligations of the City and \$57.9 million or 52.1% are obligations of the business-type activities. The increase in obligations for the governmental activity funds is for debt issued to finance projects for a tax increment financing redevelopment project, which includes significant commercial development for the City.

### **ECONOMIC FACTORS**

In the last five years, the City, as a community, added 3,608 jobs with employment increasing to over 67,500 jobs. Unemployment by mid-2002 had reached 4.7%, but this is lower than either Jackson County at 5.4% or the State at 5.1%. As with most of the rest of the country, the City's unemployment rate has increased 1.6% during the last two years. Median income for 2002 is estimated to be \$53,960, while the State is \$52,191.

### **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, City of Independence, P.O. Box 1019, Independence, MO 64051.



Harry S Truman, 33<sup>rd</sup> President  
Picture Courtesy Harry S Truman Library



Harry S Truman, 33 President  
Picture Courtesy Harry S Truman Library



## CITY OF INDEPENDENCE, MISSOURI

## Statement of Net Assets

June 30, 2002

Assets	Governmental Activities	Business-Type Activities	Total
<b>Current assets:</b>			
Pooled cash and investments	\$ 11,311,872	58,535,111	69,846,983
Receivables:			
Taxes	4,484,603	—	4,484,603
Accounts	1,494,695	6,952,521	8,447,216
Unbilled revenue	—	7,259,791	7,259,791
Special assessment principal and accrued interest	1,587,501	439,460	2,026,961
Accrued interest	1,730	333,736	335,466
Other	—	124,108	124,108
Internal balances	(378,094)	378,094	—
Due from other governments	6,435,051	4,698,031	11,133,082
Inventory	83,987	10,272,798	10,356,785
Prepaid items	—	69,279	69,279
Total current assets	<u>25,021,345</u>	<u>89,062,929</u>	<u>114,084,274</u>
<b>Noncurrent assets:</b>			
Restricted assets	12,221,329	1,917,416	14,138,745
Capital assets:			
Non depreciable	45,219,293	26,410,448	71,629,741
Depreciable, net	22,595,506	233,453,039	256,048,545
Deferred debt issue costs	136,109	2,316,736	2,452,845
Other deferred charges	—	1,053,463	1,053,463
Total noncurrent assets	<u>80,172,237</u>	<u>265,151,102</u>	<u>345,323,339</u>
Total assets	<u>\$ 105,193,582</u>	<u>354,214,031</u>	<u>459,407,613</u>
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Accounts and contracts payable	\$ 3,014,445	4,992,106	8,006,551
Accrued items	1,936,184	1,883,985	3,820,169
Other current liabilities	3,027,192	1,943,897	4,971,089
Deferred revenue	880,005	35,526	915,531
Current portion of long-term obligations	5,866,310	4,829,337	10,695,647
Medical self-insurance claims	745,108	—	745,108
Total current liabilities	<u>15,469,244</u>	<u>13,684,851</u>	<u>29,154,095</u>
<b>Noncurrent liabilities:</b>			
Noncurrent portion of long-term obligations	56,893,190	58,573,783	115,466,973
Advances for construction	—	178,078	178,078
Total noncurrent liabilities	<u>56,893,190</u>	<u>58,751,861</u>	<u>115,645,051</u>
Total liabilities	<u>72,362,434</u>	<u>72,436,712</u>	<u>144,799,146</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	64,450,833	205,396,875	269,847,708
Restricted for:			
Special revenue	5,510,822	—	5,510,822
Debt service	—	500,000	500,000
Other	12,966	—	12,966
Unrestricted	(37,143,473)	75,880,444	38,736,971
Total net assets	<u>32,831,148</u>	<u>281,777,319</u>	<u>314,608,467</u>
Total liabilities and net assets	<u>\$ 105,193,582</u>	<u>354,214,031</u>	<u>459,407,613</u>

See accompanying notes to basic financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Activities

Year ended June 30, 2002

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental activities:					
General government	\$ 6,840,135	5,146,121	583,180	—	(1,110,834)
Public safety	31,837,122	3,420,032	2,345,374	—	(26,071,716)
Public works	6,842,096	640,648	4,575,319	393,102	(1,233,027)
Health and welfare	2,267,210	99,427	261,424	—	(1,906,359)
Culture and recreation	3,279,161	325,980	136,908	1,627,457	(1,188,816)
Community development	3,554,250	1,625,139	1,749,869	—	(179,242)
Storm water	846,628	33,114	6,253	—	(807,261)
Nondepartmental/other	25,247,320	20,000	4,400,127	—	(20,827,193)
Interest on long-term debt	2,874,711	—	—	—	(2,874,711)
Total Governmental Activities	83,588,633	11,310,461	14,058,454	2,020,559	(56,199,159)
Business-type activities:					
Power and light	60,903,841	72,278,837	—	260,890	11,635,886
Water	14,581,301	15,224,354	1,210	1,186,261	1,830,524
Sewer	11,021,666	12,652,848	11,135	409,633	2,051,950
Total Business-Type Activities	86,506,808	100,156,039	12,345	1,856,784	15,518,360
Total Primary Government	\$ 170,095,441	111,466,500	14,070,799	3,877,343	(40,680,799)
			Governmental Activities	Business-type Activities	Total
Changes in net assets:					
Net (expense) revenue			\$ (56,199,159)	15,518,360	(40,680,799)
General revenues:					
Property taxes			6,020,217	—	6,020,217
Sales and use taxes			33,144,312	—	33,144,312
Franchise taxes			6,545,093	—	6,545,093
Financial institutions tax			31,592	—	31,592
Investment earnings			782,241	2,539,975	3,322,216
Miscellaneous			1,356,305	1,297,923	2,654,228
Transfers			8,661,735	(8,661,735)	—
Total general revenue, and transfers			56,541,495	(4,823,837)	51,717,658
Change in net assets			342,336	10,694,523	11,036,859
Net assets beginning			32,488,812	271,082,796	303,571,608
Net assets ending			\$ 32,831,148	281,777,319	314,608,467

See accompanying notes to basic financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Balance sheet

## Governmental Funds

June 30, 2002

<b>Assets</b>	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Pooled cash and investments	\$ 6,940	10,468,017	10,474,957
Receivables:			
Taxes	2,696,478	1,788,125	4,484,603
Accounts	197,597	1,297,098	1,494,695
Special assessment principal and accrued interest	570,265	1,017,236	1,587,501
Accrued interest	—	1,730	1,730
Due from other funds	2,242,767	399,940	2,642,707
Due from other governments	3,486,449	2,948,602	6,435,051
Restricted assets	812,963	11,408,366	12,221,329
Advance to other funds	76,502	—	76,502
<b>Total assets</b>	<b>\$ 10,089,961</b>	<b>29,329,114</b>	<b>39,419,075</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts and contracts payable	\$ 490,756	2,500,440	2,991,196
Due to other funds	—	3,070,841	3,070,841
Accrued items	1,259,318	26,637	1,285,955
Other current liabilities	370,182	2,460,000	2,830,182
Deferred revenue	678,489	954,343	1,632,832
Liabilities payable from restricted assets:			
Deposits and court bonds	197,010	—	197,010
Advances from other funds	—	122,569	122,569
<b>Total liabilities</b>	<b>2,995,755</b>	<b>9,134,830</b>	<b>12,130,585</b>
Fund balances:			
Reserved for:			
Encumbrances	2,543,500	6,773,873	9,317,373
Domestic violence	13,491	—	13,491
Other purposes	224,953	6,924,497	7,149,450
Unreserved, reported in:			
General fund	1,965,621	—	1,965,621
Special revenue funds	—	2,242,457	2,242,457
Capital project funds	—	(368,377)	(368,377)
Other	—	7,966	7,966
Designated general fund	2,346,641	—	2,346,641
Designated special revenue funds	—	135,211	135,211
Designated capital project funds	—	4,473,657	4,473,657
Designated other	—	5,000	5,000
<b>Total fund balance</b>	<b>7,094,206</b>	<b>20,194,284</b>	<b>27,288,490</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,089,961</b>	<b>29,329,114</b>	<b>39,419,075</b>

See accompanying notes to basic financial statements.

**CITY OF INDEPENDENCE, MISSOURI**

Reconciliation of the Balance Sheet  
to the Statement of Net Assets

Governmental Funds

June 30, 2002

Fund balances – total governmental funds		\$ 27,288,490
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 84,891,348	
Less accumulated depreciation	<u>(17,186,981)</u>	
		67,704,367
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditure when due.		(636,513)
Adjustment of deferred revenue		752,826
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.		254,388
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds, net of unamortized premiums/discounts:		
TIF loan payable	(47,322,682)	
Other loans payable	(3,125,898)	
Capital lease obligations	(1,622,013)	
Compensated absences	(10,457,334)	
Employee benefits payable	<u>(140,592)</u>	
		(62,668,519)
Unamortized issuance costs on bonds		<u>136,109</u>
Net assets of governmental activities		<u>\$ 32,831,148</u>

See accompanying notes to basic financial statements.

## CITY OF INDEPENDENCE, MISSOURI

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

## Governmental Funds

Year ended June 30, 2002

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 29,662,768	16,046,854	45,709,622
Licenses and permits	3,645,327	312,206	3,957,533
Intergovernmental	12,318,909	3,693,710	16,012,619
Charges for services	1,416,694	77,495	1,494,189
Interfund charges for support services	2,791,637	—	2,791,637
Fines, forfeitures, and court costs	3,199,906	—	3,199,906
Investment income	188,980	568,892	757,872
Sale of property, plant, and equipment	168,381	—	168,381
Other	537,792	799,310	1,337,102
Total revenues	<u>53,930,394</u>	<u>21,498,467</u>	<u>75,428,861</u>
<b>Expenditures:</b>			
Current:			
General government	6,477,775	—	6,477,775
Public safety	31,290,454	—	31,290,454
Public works	6,214,221	12,950	6,227,171
Health and welfare	2,193,035	—	2,193,035
Culture and recreation	2,153,537	820,178	2,973,715
Community development	2,156,956	1,358,670	3,515,626
Storm water	320,173	495,481	815,654
Nondepartmental/other	10,794,758	—	10,794,758
Capital outlay	1,365,432	27,890,249	29,255,681
Debt service:			
Principal	733,947	1,006,584	1,740,531
Interest and fiscal agent fees	181,321	2,554,786	2,736,107
Total expenditures	<u>63,881,609</u>	<u>34,138,898</u>	<u>98,020,507</u>
Deficiency of revenues over expenditures	<u>(9,951,215)</u>	<u>(12,640,431)</u>	<u>(22,591,646)</u>
<b>Other financing sources (uses):</b>			
Proceeds from capital leases/bond issuance	1,782,830	11,655,000	13,437,830
Utility payments in lieu of taxes	8,811,819	—	8,811,819
Transfers in	—	1,686,134	1,686,134
Transfers out	(1,518,245)	(317,974)	(1,836,219)
Total other financing sources	<u>9,076,404</u>	<u>13,023,160</u>	<u>22,099,564</u>
Net change in fund balances	<u>(874,811)</u>	<u>382,729</u>	<u>(492,082)</u>
Fund balances, beginning	<u>7,969,017</u>	<u>19,811,555</u>	<u>27,780,572</u>
Fund balances, ending	<u>\$ 7,094,206</u>	<u>20,194,284</u>	<u>27,288,490</u>

See accompanying notes to basic financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 Year ended June 30, 2002

Net change in fund balances - total governmental funds	\$	(492,082)	
Amounts reported for governmental activities in the statement of activities is 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 depreciation expense. This is the amount by which capital outlays (\$14,680,224) exceeded depreciation (\$1,904,266) in the current period. (see note 6)			12,775,960
The proceeds from the sale of fixed 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 fixed assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities. The book value of the assets is			(41,977)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(132,804)
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.			
Bond proceeds	\$	(13,437,830)	
Principal payments		1,740,531	
Discounts		441,744	
Premiums		<u>(9,215)</u>	
			(11,264,770)
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		(273,866)	
Accrued interest		<u>(138,604)</u>	
			(412,470)
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>(89,521)</u>
Change in net assets of governmental activities (Exhibit 2)	\$		<u><u>342,336</u></u>

See accompanying notes to basic financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Balance Sheet

## Proprietary Funds

June 30, 2002

Assets	Enterprise Funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
<b>Current assets:</b>					
Pooled cash and investments	\$ 25,458,146	22,165,082	9,832,448	57,455,676	1,916,350
Receivables:					
Accounts (net of allowance of \$599,959)	4,731,549	1,208,223	1,012,749	6,952,521	—
Unbilled revenue	5,654,715	795,991	809,085	7,259,791	—
Special assessment principal and accrued interest	—	107,776	331,684	439,460	—
Accrued interest	213,117	106,136	11,467	330,720	3,016
Other	—	124,108	—	124,108	—
Due from other funds	102,300	—	325,834	428,134	—
Due from other governments	4,696,334	1,196	501	4,698,031	—
Inventory	9,571,604	646,135	55,059	10,272,798	83,987
Prepaid items	66,366	2,913	—	69,279	—
<b>Total current assets</b>	<b>50,494,131</b>	<b>25,157,560</b>	<b>12,378,827</b>	<b>88,030,518</b>	<b>2,003,353</b>
<b>Noncurrent assets:</b>					
Restricted assets	1,006,346	744,799	166,271	1,917,416	—
Capital assets:					
Nondepreciable	15,644,819	3,794,947	6,970,682	26,410,448	93,979
Depreciable, net	120,679,111	64,563,652	48,210,276	233,453,039	16,454
Advance to other funds	—	—	46,067	46,067	—
Deferred debt issue costs	1,371,398	932,194	13,144	2,316,736	—
Prepaid employee benefits	925,246	122,467	175,330	1,223,043	—
Other deferred charges	331,500	721,963	—	1,053,463	—
<b>Total noncurrent assets</b>	<b>139,958,420</b>	<b>70,880,022</b>	<b>55,581,770</b>	<b>266,420,212</b>	<b>110,433</b>
<b>Total assets</b>	<b>\$ 190,452,551</b>	<b>96,037,582</b>	<b>67,960,597</b>	<b>354,450,730</b>	<b>2,113,786</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts and contracts payable	\$ 4,242,926	614,564	134,616	4,992,106	23,249
Accrued items	587,173	348,917	947,895	1,883,985	13,716
Other current liabilities	1,028,746	743,861	171,290	1,943,897	—
Deferred revenue	—	33,326	—	33,326	—
Current portion of long-term obligations	2,652,041	1,406,593	770,703	4,829,337	33,707
Employee benefits payable	—	—	—	—	1,223,043
Medical self-insurance claims	—	—	—	—	745,108
<b>Total current liabilities</b>	<b>8,510,886</b>	<b>3,149,461</b>	<b>2,024,504</b>	<b>13,684,851</b>	<b>2,038,823</b>
<b>Noncurrent liabilities:</b>					
Revenue bonds payable	22,271,614	32,195,000	—	54,466,614	—
Compensated absences - long-term	2,700,875	926,901	479,393	4,107,169	57,274
Advances for construction	95,153	82,925	—	178,078	—
<b>Total noncurrent liabilities</b>	<b>25,067,642</b>	<b>33,204,826</b>	<b>479,393</b>	<b>58,751,861</b>	<b>57,274</b>
<b>Total liabilities</b>	<b>33,578,528</b>	<b>36,354,287</b>	<b>2,503,897</b>	<b>72,436,712</b>	<b>2,096,097</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	114,052,317	36,163,600	55,180,958	205,396,875	110,433
Restricted for:					
Debt service	—	500,000	—	500,000	—
Unrestricted	42,821,706	23,019,695	10,275,742	76,117,143	(92,744)
<b>Total net assets</b>	<b>156,874,023</b>	<b>59,683,295</b>	<b>65,456,700</b>	<b>282,014,018</b>	<b>17,689</b>
<b>Total liabilities and net assets</b>	<b>\$ 190,452,551</b>	<b>96,037,582</b>	<b>67,960,597</b>	<b>354,450,730</b>	<b>2,113,786</b>

Some of the amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business type activities.

Net assets of business-type activities

(236,699)  
\$ 281,777,319

See accompanying notes to basic financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2002**

	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Power and Light</b>	<b>Water</b>	<b>Sanitary Sewer</b>	<b>Totals</b>	
<b>Operating revenues:</b>					
Charges for services	\$ 71,449,363	14,995,979	12,549,819	98,995,161	1,236,922
Miscellaneous	829,474	228,375	103,029	1,160,878	8,763,557
<b>Total operating revenues</b>	<b>72,278,837</b>	<b>15,224,354</b>	<b>12,652,848</b>	<b>100,156,039</b>	<b>10,000,479</b>
<b>Operating expenses:</b>					
Personal services	11,934,038	5,069,702	3,506,209	20,509,949	518,405
Other services	6,914,947	2,617,857	5,013,371	14,546,175	9,264,465
Supplies	28,655,609	1,007,143	309,790	29,972,542	433,527
Other expenses	4,116,678	2,463,221	70,639	6,650,538	(9,152)
Depreciation and amortization	7,742,562	1,798,448	2,042,914	11,583,924	5,270
<b>Total operating expenses</b>	<b>59,363,834</b>	<b>12,956,371</b>	<b>10,942,923</b>	<b>83,263,128</b>	<b>10,212,515</b>
<b>Operating income (loss)</b>	<b>12,915,003</b>	<b>2,267,983</b>	<b>1,709,925</b>	<b>16,892,911</b>	<b>(212,036)</b>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	1,371,134	748,185	385,513	2,504,832	59,512
Miscellaneous revenue	280,517	967,486	62,263	1,310,266	2,039
Interest expense	(1,482,900)	(1,601,094)	(63,579)	(3,147,573)	—
<b>Total nonoperating revenue</b>	<b>168,751</b>	<b>114,577</b>	<b>384,197</b>	<b>667,525</b>	<b>61,551</b>
<b>Income (loss) before contributions and transfers</b>	<b>13,083,754</b>	<b>2,382,560</b>	<b>2,094,122</b>	<b>17,560,436</b>	<b>(150,485)</b>
Capital contributions	260,890	1,186,261	409,633	1,856,784	—
Payment in lieu of tax	(6,866,053)	(896,170)	(1,049,596)	(8,811,819)	—
Transfers in (out)	26,586	(4,481)	110,396	132,501	17,585
<b>Change in net assets</b>	<b>6,505,177</b>	<b>2,668,170</b>	<b>1,564,555</b>	<b>10,737,902</b>	<b>(132,900)</b>
<b>Total assets:</b>					
Beginning of the period	150,368,846	57,015,125	63,892,145	271,276,116	150,589
End of the period	\$ 156,874,023	59,683,295	65,456,700	282,014,018	17,689
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business type activities				(43,381)	
Change in net assets of business type activities.				\$ 10,694,521	

See accompanying notes to basic financial statements.

## CITY OF INDEPENDENCE, MISSOURI

## Statement of Cash Flows

## Proprietary Funds

Year ended June 30, 2002

	Enterprise Funds			Internal Service Funds	
	Power and Light	Water	Sanitary Sewer		Total
<b>Cash flows from operations:</b>					
Receipts from customers	\$ 71,579,138	15,166,239	12,140,348	98,885,725	10,852,722
Payments to suppliers	(41,035,002)	(5,808,145)	(4,852,598)	(51,695,745)	(9,875,202)
Payments to employees	(11,797,400)	(4,977,584)	(3,510,241)	(20,285,225)	(505,383)
Net cash provided by operating activities	18,746,736	4,380,510	3,777,509	26,904,755	472,137
<b>Cash flows from noncapital financing activities:</b>					
Operating transfers in	26,586	3,519	110,395	140,500	52,728
Operating transfers out	(6,866,053)	(904,170)	(1,049,596)	(8,819,819)	(35,143)
Advances to other funds	—	—	(46,067)	(46,067)	—
Unamortized LAGERS refund	163,284	21,624	30,948	215,856	—
Nonoperating revenues	280,517	967,488	62,263	1,310,268	2,038
Net cash provided by (used by) noncapital financing activities	(6,395,666)	88,461	(892,057)	(7,199,262)	19,623
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(13,313,512)	(3,844,932)	(2,686,563)	(19,845,007)	(9,152)
2002 ice storm capital repairs	(4,696,335)	(1,196)	(502)	(4,698,033)	—
Interest paid on revenue bonds and equipment contracts	(1,242,860)	(1,533,719)	(49,135)	(2,825,714)	—
Debt expense paid on revenue bonds	(1,056)	(8,248)	(1,300)	(10,604)	—
Proceeds from disposition of equipment	(445,302)	(14,071)	10,731	(448,642)	—
Redemption of revenue bonds	(1,675,000)	(985,000)	(545,000)	(3,205,000)	—
Capital contributed	356,043	1,085,636	409,634	1,851,313	—
Interest received on special assessment	—	—	6,044	6,044	—
Net cash used by capital and related financing activities	(21,018,022)	(5,301,530)	(2,856,091)	(29,175,643)	(9,152)
<b>Cash flows from investing activities:</b>					
Purchases of investments	(58,330,737)	(46,379,152)	(15,917,595)	(120,627,484)	(2,989,859)
Proceeds from sales and maturities of investments	61,638,881	39,619,979	15,998,957	117,257,817	3,815,315
Interest on investments	1,877,601	960,798	505,861	3,344,260	75,273
Net cash provided (used) by investing activities	5,185,745	(5,798,375)	587,223	(25,407)	900,729
Net increase (decrease) in cash and cash equivalents	(3,481,207)	(6,630,934)	616,584	(9,495,557)	1,383,337
Cash and cash equivalents at beginning of year	6,361,793	7,596,900	1,925,807	15,884,500	(460,806)
Cash and cash equivalents at end of year	2,880,586	965,966	2,542,391	6,388,943	922,531
Investments with original maturities greater than ninety days	23,583,906	21,943,915	7,456,328	52,984,149	993,819
Cash and investments	\$ 26,464,492	22,909,881	9,998,719	59,373,092	1,916,350
<b>Noncash capital and related financing activities:</b>					
Contributed capital	\$ 356,042	1,186,261	409,633	1,951,936	—
<b>Components of cash and short-term investments at end of fiscal year:</b>					
Unrestricted assets	25,458,146	22,165,082	9,832,448	57,455,676	1,916,350
Restricted assets	1,006,346	744,799	166,271	1,917,416	—
Total cash and investments	\$ 26,464,492	22,909,881	9,998,719	59,373,092	1,916,350
<b>Reconciliation of operating income (loss) to net cash</b>					
Provided by operating activities:					
Operating income (loss)	\$ 12,915,003	2,267,983	1,709,925	16,892,911	(212,036)
<b>Adjustments not affecting cash:</b>					
Depreciation and amortization	7,718,780	1,945,020	2,042,914	11,706,714	5,270
Change in assets and liabilities:					
Accounts receivable	(365,989)	(51,571)	25,808	(391,752)	852,015
Inventory	(1,444,526)	135,936	(1,274)	(1,309,864)	5,837
Prepaid items	434,772	4,717	—	439,489	—
Loans to other funds	—	—	(289,917)	(289,917)	228
Unbilled revenue	(333,710)	(33,040)	(15,251)	(382,001)	—
Special assessments receivable	—	26,497	(233,141)	(206,644)	—
Other deferred charges	—	1,539	—	1,539	—
Accounts and contracts payable	(477,879)	(4,413)	(117,910)	(600,202)	13,799
Accrued liabilities	6,490	(6,765)	700,604	700,329	1,021
Other current liabilities	167,400	36,149	(15,302)	188,247	(206,063)
Deferred revenue	—	1,144	—	1,144	—
Customer deposits	(3,753)	(2,250)	(4,206)	(10,209)	—
Compensated absences	130,148	59,564	(24,741)	164,971	12,066
Total adjustments	5,831,733	2,112,527	2,067,584	10,011,844	684,173
Net cash provided by operating activities	\$ 18,746,736	4,380,510	3,777,509	26,904,755	472,137

See accompanying notes to basic financial statements.

**CITY OF INDEPENDENCE, MISSOURI**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2002

<b>Assets</b>	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
Pooled cash and investments	\$ 51,998	46,140
Accrued interest receivable	—	496
Total assets	<u>\$ 51,998</u>	<u>46,636</u>
 <b>Liabilities</b>		
Accounts and contacts payable	\$ 176	—
Funds held in Escrow	—	22,338
Employee deferred credit	—	24,298
Total liabilities	<u>\$ 176</u>	<u>46,636</u>
 <b>Net Assets</b>		
Held in trust	<u>\$ 51,822</u>	

See accompanying notes to basic financial statements.

**CITY OF INDEPENDENCE, MISSOURI**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year ended June 30, 2002

<b>Additions</b>	<b>Private-Purpose Trust Funds</b>
Charges for services	\$ 21,967
Interest	1,555
Total additions	23,522
<b>Deductions</b>	
Community development	20,486
Other	10,192
Total deductions	30,678
Change in net assets	(7,156)
Net assets, beginning	58,978
Net assets, ending	\$ 51,822

See accompanying notes to basic financial statements.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2002

### (1) Summary of Significant Accounting Policies

The City of Independence, Missouri (the City) was incorporated in 1849 and covers an area of approximately seventy-nine 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. 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 the only, criteria 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.

The Tax Increment Financing Commission (TIF) is governed by an eleven-member board of which six members are appointed by the City Council. The remaining five members are appointed by the respective taxing districts' boards. The TIF is legally separate from the City, but has no budget or financial operations, and its sole function is to advise the City concerning the use of TIF as a method for the City to finance redevelopment projects. The TIF commission is presented as a blended component unit.

#### (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 have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

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 fund:

**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.

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.

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2002

The City reports the following fund types:

**Internal Service Funds** – These funds account for the costs of fleet maintenance, healthcare, and benefits provided to other departments on a cost-reimbursed basis.

**Trust Funds** – These funds account for monies held in trust by the City.

**Agency Funds** – This fund accounts for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City's cafeteria plan.

(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. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues 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, includes 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 donation is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental activities and business-type activities and all enterprise funds of the City follow 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 measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgment, 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.

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

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

**(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***

All investments (excluding short-term investments held in trust) are reported at fair value. The fair value of marketable securities is based on quotations which are generally obtained from National Securities Exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or National Pricing Services.

**(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 vehicle and equipment parts and materials and is valued at the lower of cost (first-in, first-out) or market.

**(g) *Interfund Transactions***

The City has the following types of interfund transactions:

***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 external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. 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. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

**(h) *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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

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 fixed assets received from federal, state, or local sources are recorded as assets and contributed capital at fair market value at the time of receipt. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. 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 and bridges	40
Drainage systems	25
Office equipment and furniture	7
Mobile equipment – vehicles	5
Mobile equipment – heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5
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
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
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

Fully depreciated fixed assets are included in the capital assets accounts until their disposal. 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 fixed assets financed by capital leases are reported as an expenditure and other financing source in the Governmental Funds.

As part of GASB Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure. This requirement permits an optional four-year further delay for implementation to the fiscal year ending 2006. The City elected to implement the basic model for fiscal year 2002 and will implement the infrastructure related portion by June 30, 2006.

**(i) *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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**(j) *Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

**(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 regular earnings at the employee's current rate of pay and compensation for vacation is paid up to a maximum of four hundred hours.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

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

**(l) Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative City plans that are subject to change.

**(m) Net Assets**

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

***Invested in Capital, 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) New Accounting Pronouncements**

Effective July 1, 2001, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments* and Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus*. These Statements establish new financial reporting requirements and significantly change the format and content of the City’s financial statements. They require new information and restructure much of the information that the City has presented in the past.

Effective July 1, 2001, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement note disclosures.

Effective July 1, 2001, the City adopted the provisions of Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This Interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in governmental funds. There was no significant impact on the City’s financial statements as a result of adopting this Interpretation.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(o) Statement of Cash Flows**

The Proprietary Fund's investments maintained in the City's pooled investments are readily convertible to known amounts of cash and are so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, these investments are considered cash equivalents.

**(p) Use of Estimates**

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

**(2) Deposits and Investments**

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 market 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 Enterprise Funds with overdrawn balances 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.

The carrying values of deposits and investments are summarized as follows:

Investments:		
Short-term investments held in trust	\$	11,392,524
U.S. treasury securities		<u>55,987,511</u>
Total investments		67,380,035
Deposits		16,694,041
Petty cash		<u>9,790</u>
Total	\$	<u><u>84,083,866</u></u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

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

	<b>Government-wide Statement of Net Assets</b>	<b>Fiduciary Funds Statement of Net Assets</b>	<b>Total</b>
Pooled cash and investments	\$ 51,673,975	98,138	51,772,113
Restricted assets	32,311,753	—	32,311,753
	<u>\$ 83,985,728</u>	<u>98,138</u>	<u>84,083,866</u>

*Deposits* – At June 30, 2002, the carrying amount of the City’s deposits was \$16,694,041 and the bank balance was \$19,589,854. Of the bank balance, \$100,000 was covered by federal depository insurance (FDIC) and \$19,489,854 was covered by a \$25,000,000 irrevocable letter of credit with the Federal Home Loan Bank of Des Moines, Iowa with the City as beneficiary. There was no amount outstanding on this letter of credit as of June 30, 2002.

*Investments* – The City’s investments are categorized as either (1) insured and registered for which the securities are held by the City or its agent in the City’s name, (2) uninsured and unregistered for which the securities are held by the bank’s trust department or agent in the City’s name, or (3) uninsured and unregistered for which the securities are held by the bank or by its trust department or agent, but not in the City’s name. At June 30, 2002, the City’s investments in U. S. treasury securities of \$55,987,511 were classified as category (2) above. Short-term investments held in trust represent money markets or mutual funds, which are not subject to categorization.

**(3) Tax Revenue**

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2002 is as follows:

	<b>General</b>	<b>Nonmajor Governmental Funds</b>
Real estate tax	\$ 5,956,417	1,295,427
Railroad utilities tax	45,912	—
Cigarette tax	594,665	—
Transient guest tax	—	471,450
Sales tax	16,520,681	14,279,977
Franchise tax	6,545,093	—
	<u>\$ 29,662,768</u>	<u>16,046,854</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.

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

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, 2001, on which the fiscal 2001 levy was based, was \$796,371,339. In the year ended June 30, 2002, the City collected 96% of real estate taxes which were levied in that period.

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, 2001 were \$0.51 for the General Fund, \$0.24 for Public Health and Recreation, and \$.43 for the Independence Square Benefit District Fund.

The City has passed ordinances to establish TIFs. The establishment of these districts allows the City to provide public improvements to encourage developers to construct and make new investments within blighted, conservation, or economic areas. Through the use of a TIF district, the City can utilize one-half of the incremental Jackson County and City sales taxes, plus the taxes generated by the incremental increase in property values from the date the TIFs were established, and the combined levies of all taxing jurisdictions for infrastructure improvements. Tax revenues (real estate and sales taxes) available to the TIFs for the year ended June 30, 2002 were \$3,382,288 and were included as tax revenue in the Tax Increment Financing (Capital Projects) Fund.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(4) Intergovernmental Revenue and Receivables**

Intergovernmental revenue during fiscal year 2002 consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Federal:		
Environmental Protection Agency:		
Indoor air quality tools for school	\$ 19,903	—
Federal Emergency Management Agency:		
Emergency Management Assistance	4,438,698	4,285,530
Disaster Relief	—	52,750
Department of Health and Human Services:		
Home Visitation Capacity Building	67,854	—
Administration on Aging	25,000	—
Homeless Challenge	30,458	—
Childcare and Development Block Grant	5,118	—
Performance Management Collaborative	3,823	—
Chronic Disease Health Educator	29,359	—
Childhood Lead Poisoning Prevention	1,200	—
West Nile Virus Surveillance	3,989	—
Department of Housing and Urban Development:		
Emergency Shelter Grant	86,926	—
Community Development Block Grant	—	1,212,996
Home Investment Partnership Grant	—	414,323
Department of Interior:		
Truman Memorial Building Restoration	—	250,000
Department of Transportation:		
Urban Mass Transportation Assistance	26,614	—
Highway Planning and Construction	7,500	274,987
State and Community Highway Safety	120,540	—
Department of Justice:		
Narcotics Control Assistance Program	54,079	—
Community Oriented Policing Services (COPS)	201,496	—
Office of National Drug Control Policy	346,424	—
Office of Justice Programs	434,456	—
Violence Against Women Grant	160,597	—
Department of Natural Resources:		
Historic Independence Courthouse	5,095	—
U.S. Secret Service:		
K.C. Metro Financial Crimes Task Force	12,662	—
Total federal	<u>\$ 6,081,791</u>	<u>6,490,586</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>
	<hr/>	<hr/>
State and local:		
Department of Health and Human Services	\$ 123,067	—
Department of Revenue:		
Motor vehicle fuel tax	3,128,765	—
Motor vehicle sales tax	902,656	—
Motor vehicle fees	543,897	—
Financial institution tax	31,592	—
Department of Public Safety:		
School Resource Truancy officers	4,996	—
Post Commission Fund	14,236	—
Missouri methamphetamine/ectasy initiative	66,417	—
Missouri Police Chiefs Association:		
Scat Belt Enforcement	15,107	—
Department of Natural Resources:		
North Fork of Crackerneck Deten.	—	107,568
27th and Scott	—	91,921
State Emergency Management Agency:		
Public assistance grant - January ice-storm	577,988	566,288
Office of Administration:		
Truman Memorial Building	—	1,377,457
Jackson County Anti-Drug Tax	333,276	—
Jackson County Funding of D.A.R.E. Program	486,019	—
Jackson County Urban Road System	—	(85,639)
Other	9,104	43,772
	<hr/>	<hr/>
Total state and local	6,237,120	2,101,367
Total	\$ <u>12,318,911</u>	<u>8,591,953</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

Amounts due from other governments at June 30, 2002 are as follows:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
General:			
Department of Justice:			
Office of National Drug Control – HIDTA	\$ 53,702	—	53,702
Office of COPS	29,209	—	29,209
Office of Justice Programs	90,807	—	90,807
Department of Revenue:			
Motor vehicle fuel tax	—	520,000	520,000
Motor vehicle sales tax	—	68,473	68,473
Motor vehicle license fees	—	135,000	135,000
Federal Emergency Management Agency:			
Emergency management assistance	8,811	—	8,811
Public assistance grant	5,909,840	1,144,276	7,054,116
Other	148,012	76,663	224,675
	<u>6,240,381</u>	<u>1,944,412</u>	<u>8,184,793</u>
Nonmajor:			
Department of Housing and Urban Department –			
Community Development Block Grant	137,030	—	137,030
Rental Rehabilitation	42,990	—	42,990
Missouri Division of Tourism	—	19,810	19,810
Department of Transportation – Highway			
Planning and Construction	736,823	—	736,823
Department of Natural Resources	76	291,910	291,986
Department of Interior:			
Truman Memorial Building Restoration	250,000	547,120	797,120
Jackson County – Urban Road System	—	750,759	750,759
Tax Increment Financing Projects	—	171,770	171,770
	<u>1,166,919</u>	<u>1,781,369</u>	<u>2,948,288</u>
Total	\$ <u>7,407,300</u>	<u>3,725,781</u>	<u>11,133,081</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(5) Interfund Transactions**

**(a) Interfund Balances**

Interfund balances at June 30, 2002 consisted of the following:

Due to:	Due from Nonmajor Governmental
General Fund	\$ 2,319,268
Power and Light Fund	102,300
Sanitary Sewer Fund	371,901
Nonmajor Governmental	399,940
Total	\$ 3,193,409

(a) Interfund payables and receivable represents loans.

(b) Nonmajor governmental funds have loans outstanding to the General and Sanitary Sewer funds in the amount of \$76,501 and \$46,067 respectively that will be paid back over the next five years.

**(b) Interfund Charges for Support Services**

Interfund charges for support services and rent paid to the General Fund during fiscal year 2002 were as follows:

	Interfund changes	Rent
Non-major governmental funds	\$ 10,000	—
Power and Light Fund	1,332,401	61,791
Sanitary Sewer Fund	639,263	26,320
Water Fund	809,973	40,365
	\$ 2,791,637	128,476

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

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

Interfund charges for customer service support services and telephone operators were paid (recorded as operating expenses) to the Water Fund (recorded as income) during fiscal year 2002 as follows:

Sanitary Sewer Fund	\$	144,880
Power and Light Fund		<u>695,470</u>
	\$	<u><u>840,350</u></u>

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

The payments of \$6,866,053, \$896,170, and \$1,049,596 in fiscal year 2002 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund in lieu of taxes 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, 2002, consisted of the following:

Transfers to:	Transfer from				Total
	General Fund	Water Fund	Nonmajor Governmental	Internal Service Funds	
Water Fund	\$ -	-	-	3,519	3,519
Power and Light Fund	-	-	-	26,586	26,586
Sanitary Sewer Fund	105,357	-	-	5,038	110,395
Nonmajor Governmental	1,360,160	8,000	317,974	-	1,686,134
Internal Service Funds	<u>52,728</u>	-	-	-	<u>52,728</u>
Total	\$ <u><u>1,518,245</u></u>	<u><u>8,000</u></u>	<u><u>317,974</u></u>	<u><u>35,143</u></u>	<u><u>1,879,362</u></u>

- (a) Transfers are the result of payment for capital project expenditures.
- (b) Transfers between the General fund, Power & Light fund, Sanitary Sewer fund, Water fund and Internal Service funds represent reimbursement for the prepayment on the LAGERS reimbursement (see note 10).

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(6) Capital Assets**

Capital asset activity for the year ended June 30, 2002 is as follows:

	<u>Beginning Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance June 30, 2002</u>
<b>Governmental activities:</b>				
<b>Nondepreciable capital assets:</b>				
Land	\$ 10,682,267	—	—	10,682,267
Construction work in progress	29,610,204	13,332,243	(8,405,421)	34,537,026
<b>Total nondepreciable capital assets</b>	<u>40,292,471</u>	<u>13,332,243</u>	<u>(8,405,421)</u>	<u>45,219,293</u>
<b>Depreciable capital assets:</b>				
Land improvements	—	155,965	—	155,965
Buildings	9,716,819	—	—	9,716,819
Building improvements	2,660,025	744,924	—	3,404,949
Improvements other than buildings	1,073,372	6,735	—	1,080,107
Office furniture and equipment	889,437	15,207	—	904,644
Computer equipment	853,333	145,079	—	998,412
Mobile equipment	13,288,127	1,023,343	(658,731)	13,652,739
Other equipment	2,229,962	312,078	(11,650)	2,530,390
Infrastructure	—	7,564,314	—	7,564,314
<b>Total depreciable capital assets</b>	<u>30,711,075</u>	<u>9,967,645</u>	<u>(670,381)</u>	<u>40,008,339</u>
Less accumulated depreciation for:				
Land improvements	—	(7,777)	—	(7,777)
Buildings	(4,931,242)	(237,851)	—	(5,169,093)
Building improvements	(416,648)	(118,303)	—	(534,951)
Improvements other than buildings	(577,852)	(47,476)	—	(625,328)
Office furniture and equipment	(739,908)	(67,091)	—	(806,999)
Computer equipment	(475,740)	(116,372)	—	(592,112)
Mobile equipment	(7,713,535)	(1,044,551)	637,364	(8,120,722)
Other equipment	(1,297,386)	(156,809)	11,650	(1,442,545)
Infrastructure	—	(113,306)	—	(113,306)
<b>Total accumulated depreciation</b>	<u>(16,152,311)</u>	<u>(1,909,536)</u>	<u>649,014</u>	<u>(17,412,833)</u>
<b>Total depreciable capital assets, net</b>	<u>14,558,764</u>	<u>8,058,109</u>	<u>(21,367)</u>	<u>22,595,506</u>
<b>Governmental activities capital assets, net</b>	\$ <u>54,851,235</u>	<u>21,390,352</u>	<u>(8,426,788)</u>	<u>67,814,799</u>

Depreciation expense was charged to functions as follows:

General government	\$ 230,589
Public safety	830,081
Public works	342,101
Health and welfare	61,264
Culture and recreation	263,810
Community development	59,741
Storm water	116,680
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>5,270</u>
	\$ <u>1,909,536</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

	<u>Beginning Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance June 30, 2002</u>
Business-type activities:				
Power and Light Fund:				
Non depreciable capital assets:				
Land	\$ 2,637,065	—	—	2,637,065
Construction in progress	17,731,094	—	(4,723,340)	13,007,754
Total non depreciable capital assets	20,368,159	—	(4,723,340)	15,644,819
Depreciable capital assets:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	120,455,470	6,705,129	—	127,160,599
Transmission plant	21,199,361	176,697	—	21,376,058
Distribution plant	76,758,967	10,367,632	(1,562,078)	85,564,521
General plant	16,488,662	787,391	(556,156)	16,719,897
Total depreciable capital assets	237,658,028	18,036,849	(2,118,234)	253,576,643
Less accumulated depreciation:				
Acquisition adjustment	(1,996,368)	(154,413)	—	(2,150,781)
Production plant	(78,577,487)	(3,359,129)	—	(81,936,616)
Transmission plant	(8,278,726)	(590,133)	—	(8,868,859)
Distribution plant	(27,759,020)	(2,633,666)	2,023,146	(28,369,540)
General plant	(11,130,687)	(1,028,626)	587,577	(11,571,736)
Total accumulated depreciation	(127,742,288)	(7,765,967)	2,610,723	(132,897,532)
Total depreciable capital assets, net	109,915,740	10,270,882	492,489	120,679,111
Total power and light capital assets	130,283,899	10,270,882	(4,230,851)	136,323,930
Water Fund:				
Non depreciable capital assets:				
Land	1,778,358	213,475	—	1,991,833
Construction in progress	2,369,491	—	(566,377)	1,803,114
Total non depreciable capital assets	4,147,849	213,475	(566,377)	3,794,947
Depreciable capital assets:				
Acquisition adjustment	12,547,766	—	—	12,547,766
Non utility property	40,014	—	—	40,014
Source of supply	5,212,903	180,606	—	5,393,509
Pumping plant	4,767,896	130,246	(16,950)	4,881,192
Treatment plant	11,851,295	770,353	(7,576)	12,614,072
Transmission plant	43,926,105	2,112,715	(125,561)	45,913,259
General plant	4,938,361	342,861	(90,934)	5,190,288
Total depreciable capital assets	83,284,340	3,536,781	(241,021)	86,580,100
Less accumulated depreciation:				
Acquisition adjustment	(7,064,436)	(371,751)	—	(7,436,187)
Non utility property	(14,000)	—	—	(14,000)
Source of supply	(2,194,227)	(299,505)	—	(2,493,732)
Pumping plant	(1,430,570)	(154,535)	16,950	(1,568,155)
Treatment plant	(3,106,747)	(306,697)	7,419	(3,406,025)
Transmission plant	(4,828,169)	(531,485)	156,386	(5,203,268)
General plant	(1,688,451)	(296,170)	89,541	(1,895,080)
Total accumulated depreciation	(20,326,600)	(1,960,143)	270,296	(22,016,447)
Total depreciable capital assets, net	62,957,740	1,576,638	29,275	64,563,653
Total water capital assets	67,105,589	1,790,113	(537,102)	68,358,600

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

	<b>Beginning Balance June 30, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2002</b>
<b>Sanitary Sewer Fund:</b>				
Non depreciable capital assets:				
Land	330,191	—	—	330,191
Construction in progress	6,042,023	2,582,638	(1,984,170)	6,640,491
Total non depreciable capital assets	<u>6,372,214</u>	<u>2,582,638</u>	<u>(1,984,170)</u>	<u>6,970,682</u>
Depreciable capital assets:				
Non utility property	46,368	—	—	46,368
Collection plant	59,290,668	1,726,237	—	61,016,905
Pumping plant	4,708,805	229,820	—	4,938,625
Treatment plant	14,297,828	29,397	(1,270)	14,325,955
General plant	3,844,946	159,085	(222,800)	3,781,231
Total depreciable capital assets	<u>82,188,615</u>	<u>2,144,539</u>	<u>(224,070)</u>	<u>84,109,084</u>
Less accumulated depreciation:				
Non utility property	(46,368)	—	—	(46,368)
Collection plant	(15,262,130)	(769,713)	—	(16,031,843)
Pumping plant	(4,141,928)	(209,766)	—	(4,351,694)
Treatment plant	(10,880,759)	(783,301)	1,270	(11,662,790)
General plant	(3,681,607)	(280,135)	155,628	(3,806,114)
Total accumulated depreciation	<u>(34,012,792)</u>	<u>(2,042,915)</u>	<u>156,898</u>	<u>(35,898,809)</u>
Total depreciable capital assets, net	<u>48,175,823</u>	<u>101,624</u>	<u>(67,172)</u>	<u>48,210,275</u>
Total sanitary sewer capital assets	<u>54,548,037</u>	<u>2,684,262</u>	<u>(2,051,342)</u>	<u>55,180,957</u>
Total business-type activities capital assets	<u>\$ 251,937,525</u>	<u>14,745,257</u>	<u>(6,819,295)</u>	<u>259,863,487</u>

Depreciation expense was charged to functions as follows:

<b>Business-type activities:</b>	
Power and light	\$ 7,765,967
Water	1,960,143
Water pollution control	2,042,915
Total business-type activities depreciation expense	<u>\$ 11,769,025</u>

Construction in progress at June 30, 2002 represents improvements to and expansion of the City's sanitary sewer system, water utility system, storm water utility system, and renovation of the electrical utility system.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(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, 2002:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities</b>					
Loans and notes payable:					
TIF loans	\$ 36,845,000	11,655,000	1,177,318	47,322,682	1,395,000
Loans payable	1,705,000	1,635,000	214,102	3,125,898	205,000
Capital lease obligations	2,130,125	137,549	645,661	1,622,013	538,406
Total loans and notes payable	<u>40,680,125</u>	<u>13,427,549</u>	<u>2,037,081</u>	<u>52,070,593</u>	<u>2,138,406</u>
Other liabilities:					
Employees benefits payable (Note 10)	193,320	—	52,728	140,592	52,728
Compensated absences	10,262,383	963,641	677,709	10,548,315	3,675,176
Total other liabilities	<u>10,455,703</u>	<u>963,641</u>	<u>730,437</u>	<u>10,688,907</u>	<u>3,727,904</u>
Total governmental activities					
Long-term liabilities	<u>51,135,828</u>	<u>14,391,190</u>	<u>2,767,518</u>	<u>62,759,500</u>	<u>5,866,310</u>
<b>Business-type activities</b>					
Power and Light Fund:					
Revenue bonds	27,390,000	—	1,675,000	25,715,000	1,740,000
Loss: deferred amount on refunding	1,846,327	—	142,941	1,703,386	—
Total revenue bonds	<u>25,543,673</u>	<u>—</u>	<u>1,532,059</u>	<u>24,011,614</u>	<u>1,740,000</u>
Compensated absences	3,482,768	365,484	235,336	3,612,916	912,041
Total power and light fund	<u>29,026,441</u>	<u>365,484</u>	<u>1,767,395</u>	<u>27,624,530</u>	<u>2,652,041</u>
Water Fund:					
Revenue bonds	34,250,000	—	985,000	33,265,000	1,070,000
Compensated absences	1,203,931	546,484	486,922	1,263,493	336,593
Total water fund	<u>35,453,931</u>	<u>546,484</u>	<u>1,471,922</u>	<u>34,528,493</u>	<u>1,406,593</u>
Sanitary Sewer Fund:					
Loan payable	1,120,000	—	545,000	575,000	575,000
Compensated absences	699,837	59,185	83,925	675,097	195,703
Total sanitary sewer fund	<u>1,819,837</u>	<u>59,185</u>	<u>628,925</u>	<u>1,250,097</u>	<u>770,703</u>
Total business-type activities					
Long-term liabilities	\$ <u>66,300,209</u>	<u>971,153</u>	<u>3,868,242</u>	<u>63,403,120</u>	<u>4,829,337</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

Debt service requirements on long-term debt at June 30, 2002 are as follows.

	Governmental Activities					
	TIF Loans		Loans payable			
	Principal	Interest	Principal	Interest		
2003 \$	1,395,000	2,640,633	205,000	138,806		
2004	1,540,000	2,569,703	1,430,000	129,711		
2005	1,730,000	2,488,576	225,000	68,460		
2006	1,925,000	2,394,387	230,000	58,398		
2007	2,110,000	2,293,665	245,000	47,963		
2008 - 2012	13,075,000	9,545,462	800,000	75,330		
2013 - 2017	10,570,000	6,260,074	—	—		
2018 - 2022	13,400,000	2,565,776	—	—		
2023	1,865,000	97,912	—	—		
\$	<u>47,610,000</u>	<u>30,856,188</u>	<u>3,135,000</u>	<u>518,668</u>		

	Enterprise Funds					
	Power & Light		Water		Sanitary Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2003 \$	1,740,000	1,173,070	1,070,000	1,476,135	575,000	21,625
2004	1,720,000	1,100,110	1,200,000	1,429,935	—	—
2005	1,800,000	1,026,515	1,285,000	1,379,178	—	—
2006	1,880,000	948,800	1,415,000	1,321,870	—	—
2007	1,965,000	865,450	1,540,000	1,257,960	—	—
2008 - 2012	11,285,000	2,901,406	10,015,000	5,064,466	—	—
2013 - 2017	5,325,000	384,890	16,740,000	1,926,310	—	—
\$	<u>25,715,000</u>	<u>8,400,241</u>	<u>33,265,000</u>	<u>13,855,854</u>	<u>575,000</u>	<u>21,625</u>

**(a) Revenue Bonds**

Revenue bonds payable at June 30, 2002 are comprised of the following individual issues:

**Power and Light Fund:**

\$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003 \$ 19,330,000  
 Less deferred loss on refunding (1,703,386)

\$8,590,000 1993 Electric Utility Refunding Revenue Bonds, due in annual installments of \$100,000 to \$1,950,000 through June 1, 2014, interest at 4.5% to 7.5%, callable 4.5% at par after June 1, 2002 6,385,000

**Water Fund:**

\$36,000,000 1986 Water Utility Remarketing Bonds, principal due in annual installments of \$850,000 to \$5,010,000 through June 30, 2017, interest at approximately 3.25% to 5.0% 33,265,000

\$ 57,276,614

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

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 required reserves are reported in the accompanying combined balance sheet as restricted assets and reservations of retained earnings as follows:

<u>Account</u>	<u>Enterprise Funds</u>	
	<u>Restricted Assets</u>	<u>Reserved Retained Earnings</u>
Principal and interest	\$ 242,756	—
Depreciation and emergency	—	500,000
Total revenue bond reserves	242,756	500,000
Customer deposits	1,111,660	—
Total	\$ 1,354,416	500,000

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 coverages. The City is in compliance with all such financial limitations and restrictions.

Restricted assets in the General Fund of \$812,963 at June 30, 2002 consist of cash on deposit for a workers' compensation bond (note 12), a debt service reserve (note 7), and municipal court bond deposits.

**(b) Tax Increment Financing**

On June 1, 1999, the City entered into a \$7,240,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$270,000 to \$835,000 through June 1, 2011 and bearing interest at 4.0% to 5.25%. The proceeds of the loan are to be used for costs related to redevelopment of Bolger Square.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

Governmental Funds (continued):

IBM Corporation, monthly installments through November 1, 2004:		
a) Interest at 4.84%; a lease to purchase AS/400 SWSUB	\$	12,421
b) Interest at 4.94%; a lease to purchase a Remarketed Service Unit		31,461
c) Interest at 4.64%; a lease to purchase a System Unit		61,964
d) Interest at 4.82%; a lease to purchase OEM UPS for AS/400		2,806
Catepillar Financial Services Corporation, interest at 6.25% annual installments through December 2003; a lease to purchase a back-end loader and a front-end loader		66,537
Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005; a lease to purchase a Vac-Con Sewer Cleaner		102,408
	\$	<u>1,622,013</u>

Assets acquired through capital leases amounted to \$5,326,307 as of June 30, 2002.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002 were as follows:

	<u>General long-term debt</u>	
Year ending June 30:		
2003	\$	650,915
2004		519,004
2005		451,319
2006		142,357
2007		22,909
Thereafter		22,909
		<u>1,809,413</u>
Less imputed interest		187,400
		<u>1,622,013</u>
Present value of minimum lease payments	\$	<u>1,622,013</u>

# CITY OF INDEPENDENCE, MISSOURI

## Notes to Financial Statements

June 30, 2002

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

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, 2002 were \$82,925.

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, 2002 were \$95,153.

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

#### *Plan Description*

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

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

#### *Funding Policy*

The City's full-time employees do not contribute to the pension plan. The City is required by Missouri State Statute to contribute at an actuarially determined rate; the current rate is 5.6% (general), 5.3% (police), and 12.3% (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.

#### *Annual Pension Cost*

For 2002, the City's annual pension cost of \$4,347,507 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2001 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

Governmental Funds (continued):

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a) Interest at 4.84%; a lease to purchase AS/400 SWSUB	\$	12,421
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	\$	<u><u>277,597</u></u>

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2007		22,909
Thereafter		<u>22,909</u>
		1,809,413
Less imputed interest		<u>187,400</u>
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## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

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##### *Annual Pension Cost*

For 2002, the City's annual pension cost of \$4,347,507 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2001 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary

## CITY OF INDEPENDENCE, MISSOURI

### Notes to Financial Statements

June 30, 2002

increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; (d) preretirement mortality based on the 1983 Group Annuity Mortality table; and (e) postretirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2001 was fifteen years.

#### **(10) Reimbursement of Employee Contributions to LAGERS**

As allowed by Missouri State Statutes, the City refunded the accumulated contributions of the City's employees and elected to reimburse LAGERS over a fifteen-year period ending 2008. The amount of the annual reimbursement to LAGERS from the City is approximately \$522,000; however, this figure will be adjusted annually based on changes in actuarial assumptions. Amounts reimbursed are reported as expenditures/expenses of each fund for the year in which they are paid to LAGERS. Reimbursement will be made from the general, power and light, water, sanitary sewer major funds, and two nonmajor funds: tourism and community development grant act.

A separate Internal Service Fund entitled "Employee Benefits" was established to account for the increased cost ensuing from the refund of contributions to employees. The City's Enterprise Funds (listed above) provided an actuarially determined initial contribution of \$3,237,699 to the fund which prepaid the entire portion of their obligation. The Employee Benefits Fund is remitting these monies to LAGERS over fifteen years and has a balance of \$1,223,043 at June 30, 2002. The Governmental Funds contribute actuarially determined amounts based on annual payroll contributions.

#### **(11) Postretirement Health Benefits**

In addition to the pension benefits described in note 9, the City provides postretirement health care benefits to all retiring employees meeting the service criteria. Expenditures for postretirement health care benefits are recognized as retirees report their claims. During 2002, expenditures of approximately \$2,590,095 were recognized for postretirement health care. The City has approximately 476 participants currently eligible to receive benefits.

#### **(12) 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.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). MOPERM is a body corporate and politic created by the Missouri General Assembly 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 omission liability, and automobile liability 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 is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$10,000,000 per accident, covers specific medical claims in excess of \$500,000 per occurrence. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain an escrow account in the amount of \$575,000. This amount is reflected as restricted assets in the General, Power and Light, Water, and Sanitary Sewer funds and the General fund amount is reflected as a designated fund balance. Workers' compensation liabilities were immaterial at June 30, 2002.

The City offers its employees a contributory self-insurance health care plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$125,000 and aggregate claims in excess of \$8,350,030. The portion of premiums paid by the City totaling \$7,292,866 are reflected as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Claims incurred but not reported are accrued as a liability in the Internal Service Fund.

The claims liability of \$745,108 reported in the Staywell Health Care Fund at June 30, 2002 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

	<b>Medical claims payable</b>	
	<u>2002</u>	<u>2001</u>
Beginning of year	\$ 735,315	597,882
Incurred	9,017,768	9,239,968
Paid	<u>(9,007,975)</u>	<u>(9,102,535)</u>
End of year	<u>\$ 745,108</u>	<u>735,315</u>

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(13) Commitments**

***Construction Commitments***

At June 30, 2002, the City had commitments of approximately \$12,462,698 to complete construction contracts. Of this amount, \$6,923,277 relates to the Enterprise Funds.

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

The City purchases a significant portion of its energy needs under a capacity purchase agreement with Kansas City Power & Light (KCPL). The delivered cost of capacity and energy under the agreement, including all demand, transmission, and energy charges, totaled approximately \$17,050,000 for fiscal year 2002. The projected annual cost of the KCPL agreement for fiscal year 2003 is estimated at approximately \$16,550,000. The City exercised its option with KCPL to purchase 90 Mw of capacity for the four-year period from June 1, 2001 through May 31, 2005. After May 31, 2005, the City has the option to purchase from 20 Mw to 90 Mw of capacity from KCPL for a six-year period ending May 31, 2011. This option must be exercised by the City no later than June 1, 2003.

**(14) Deficits**

The accumulated deficits in nonmajor funds in the amounts of \$3,820 in the Community Development Grant Act and \$44,990 in the Street Improvement Sales Tax (Special Revenue) Funds; \$1,020 in the Buildings and Other Improvements, and \$3,823 in the Park Improvements (Capital Projects) Funds; \$140,592 in the Employee Benefits (Internal Service) Fund; and \$60,795 in the Staywell Health Care Fund will be eliminated by future revenues or operating transfers.

**CITY OF INDEPENDENCE, MISSOURI**

Notes to Financial Statements

June 30, 2002

**(15) Fund Equity**

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

	<b>Governmental Fund Types</b>		<b>Permanent Fund</b>
	<u>General</u>	<u>Nonmajor</u>	
Fund balances:			
Reserved for:			
Encumbrances	\$ 2,543,500	6,773,873	—
Debt service	224,953	6,924,497	—
Domestic violence	13,491	—	—
Total fund balances reserved	<u>2,781,944</u>	<u>13,698,370</u>	<u>—</u>
Unreserved:			
Designated for:			
Police equipment	213,099	—	—
Worker's compensation (note 12)	391,000	—	—
Capital projects	1,463,538	4,240,491	5,000
Strategic goal	279,004	—	—
Total fund balances designated	<u>2,346,641</u>	<u>4,240,491</u>	<u>5,000</u>
Undesignated	<u>1,965,621</u>	<u>2,242,457</u>	<u>7,966</u>
Total fund equity	<u>\$ 7,094,206</u>	<u>20,181,318</u>	<u>12,966</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year ended June 30, 2002**

	Budgeted amounts		Actual	Variance
	Original	Final	amounts (budget basis)	with final budget favorable (unfavorable)
<b>Revenues:</b>				
Taxes	\$ 31,207,979	31,207,979	29,662,769	(1,545,210)
Payments in lieu of taxes	9,211,947	9,211,947	8,811,819	(400,128)
Licenses and permits	3,611,166	3,611,166	3,645,327	34,161
Grants - federal and state	542,829	5,710,301	6,218,561	508,260
State and county shared revenue	5,242,749	5,413,158	6,100,349	687,191
Charges for current services	1,256,210	1,587,673	1,416,694	(170,979)
Interfund charges for support services	2,696,800	2,696,800	2,791,637	94,837
Fines and forfeitures	3,433,330	3,437,285	3,199,906	(237,379)
Other revenue	602,485	742,884	895,153	152,269
Total revenues	<u>57,805,495</u>	<u>63,619,193</u>	<u>62,742,215</u>	<u>(876,978)</u>
<b>Other financing resources:</b>				
Proceeds from capital leases	—	137,550	137,548	(2)
Debt proceeds	—	925,967	1,645,282	719,315
Total other financing resources	<u>—</u>	<u>1,063,517</u>	<u>1,782,830</u>	<u>719,313</u>
Total revenues and other financing resources	<u>57,805,495</u>	<u>64,682,710</u>	<u>64,525,045</u>	<u>(157,665)</u>
<b>Expenditures:</b>				
City Council	342,824	355,253	350,658	4,595
City Clerk	412,530	434,966	430,017	4,949
City Manager	739,870	781,642	765,471	16,171
National Frontier Trails Center	305,027	319,863	308,718	11,145
Technology services	1,435,189	1,516,018	1,503,446	12,572
Municipal court	547,522	588,565	588,557	8
Law	659,813	738,231	738,217	14
Finance	1,397,239	1,487,094	1,487,023	71
Human resources	441,933	461,485	418,728	42,757
Community development	2,090,141	2,190,155	2,120,381	69,774
Police	16,410,950	18,747,399	18,746,798	601
Fire	12,406,284	12,800,467	12,634,782	165,685
Health	1,962,053	2,194,837	2,134,882	59,955
Public works	6,331,255	6,588,018	6,455,543	132,475
Water pollution control	307,686	324,956	318,542	6,414
Parks and recreation	2,000,678	2,187,007	2,169,170	17,837
Nondepartmental	6,445,138	5,195,065	4,849,665	345,402
Ice storm disaster response	—	4,900,000	5,573,985	(673,985)
City Council strategic goals	400,000	741,461	456,833	284,628
Debt service	103,504	241,054	241,053	1
Capital outlay	3,403,066	2,709,165	2,462,723	246,442
Total expenditures	<u>58,143,302</u>	<u>65,502,701</u>	<u>64,755,190</u>	<u>747,511</u>
Other financing uses - operating transfers out	<u>327,156</u>	<u>770,057</u>	<u>1,518,245</u>	<u>(748,188)</u>
Total expenditures and other financing uses	<u>58,470,458</u>	<u>66,272,758</u>	<u>66,273,435</u>	<u>(677)</u>
Excess of revenue and other financing resources over expenditures and other financing uses	<u>\$ (664,963)</u>	<u>(1,590,048)</u>	<u>(1,748,390)</u>	<u>(156,988)</u>
Undesignated fund balance at beginning of year			3,509,067	
Undesignated fund balance at end of year			<u>\$ 1,760,677</u>	

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**

## Notes to Budgetary Comparison Schedule

Year ended June 30, 2002

**(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 2001-2002 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 all 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 and Tourism Special Revenue Governmental Funds. Annual operating budgets are not prepared for Capital Projects Funds and the other Special Revenue funds although budgets on a project basis are prepared. Therefore, these funds have been omitted from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis).

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

Notes to Budgetary Comparison Schedule

Year ended June 30, 2002

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, Private Purpose Trust Funds, and Permanent 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 in resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 62,742,215
Basis difference – budget to GAAP – none	<u>—</u>
Total revenues as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>62,742,215</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 64,755,190
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget	(2,345,767)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>1,472,186</u>
Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	\$ <u>63,881,609</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedule of Funding Progress and Employer Contributions**  
**Retirement Plan**

**Schedule of Funding Progress:**

Actuarial valuation date	(a) Actuarial value of assets	(b) Entry age actuarial accrued liability	(b) - (a) Unfunded (overfunded) accrued liability (UAL)	(a)/(b) Funded ratio	(c) annual covered payroll	(b)-(a)/(c) UAL as a percentage of covered payroll
February 29, 2000	\$ 105,409,941	92,016,767	(13,393,174)	115 %	\$ 44,020,535	N/A
February 28, 2001	120,920,566	92,684,032	(28,236,534)	130	46,724,586	N/A
February 28, 2002	128,939,351	120,906,429	(8,032,922)	107	49,980,158	N/A

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS office in Jefferson City.

**Schedule of Employer Contributions:**

Fiscal year ending:	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2000	\$ 3,767,817	100 %	—
6/30/2001	4,024,181	100	—
6/30/2002	4,347,515	100	—

## 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  $\frac{3}{8}$  cent street improvement sales tax.

**Park Improvement Sales Tax** - This fund is used to account for all park projects that are funded by the  $\frac{1}{8}$  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  $\frac{1}{4}$  cent storm water sales tax.

**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.

### Capital Projects Funds

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

**Street Improvements** – This fund is used to account for construction projects financed the 1974 Street Bond issue, interest derived thereon, and state and federal grants.

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

**Tax Increment Financing** – These funds are used to account for activity in association with tax increment financing agreements entered into by the City. Revenues are the result of additional or incremental revenues generated by the development area, and disbursements are the return of these monies in fulfillment of the obligations established by the agreement.

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

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

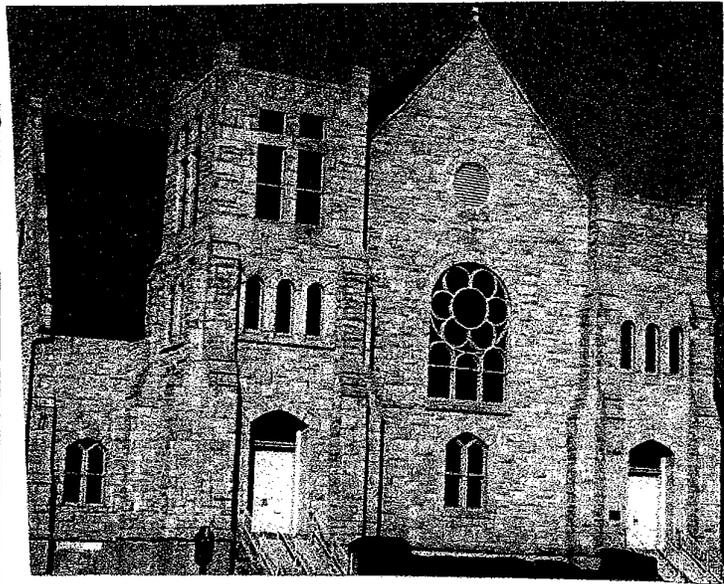
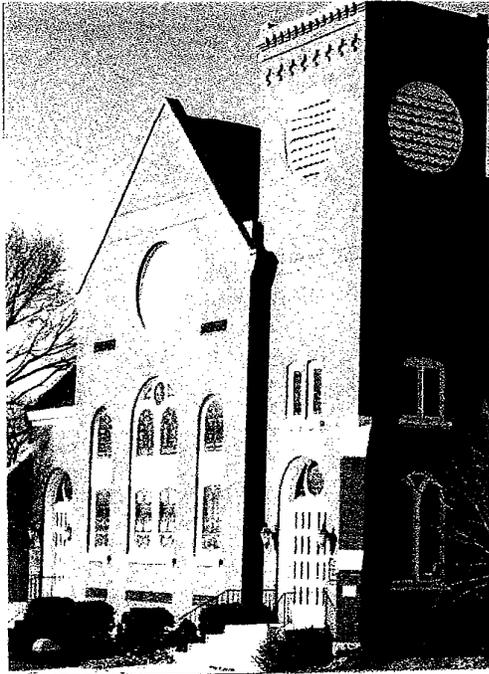
**Park Improvements** – This fund is used to account for the acquisition and construction of the City’s parkland.

**Permanent Fund**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government’s programs.

**Waggoner Memorial** – This fund is used to account for citizen donations, the interest on which is used for maintenance for the Memorial Building.

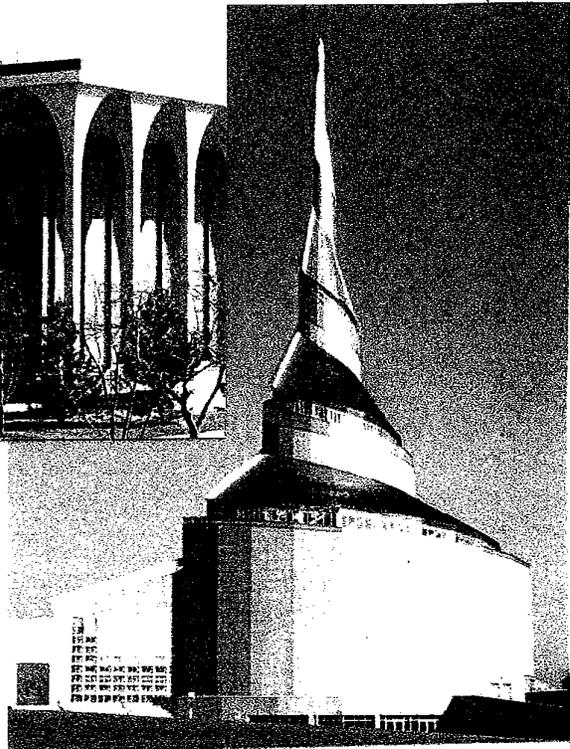
*Below: First Baptist Church  
500 W. Truman Road*



*Above: Stone Church, 1888  
1012 W. Lexington*



*Above: Mormon Visitor's Center  
931 W. Walnut*



*Right: RLDS Temple  
River and Walnut*

## CITY OF INDEPENDENCE, MISSOURI

## Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2002

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 16)	Permanent	Total Nonmajor Governmental Funds (Exhibit 3)
Pooled cash and investments	\$ 8,610,734	1,844,317	12,966	10,468,017
Receivables:				
Taxes	1,771,350	16,775	—	1,788,125
Accounts	18,028	1,279,070	—	1,297,098
Special assessment principal and accrued interest	—	1,017,236	—	1,017,236
Accrued interest	1,730	—	—	1,730
Due from other funds	164,527	235,413	—	399,940
Due from other governments	200,144	2,748,458	—	2,948,602
Restricted assets	15,842	11,392,524	—	11,408,366
Total assets	<u>\$ 10,782,355</u>	<u>18,533,793</u>	<u>12,966</u>	<u>29,329,114</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts and contracts payable	\$ 1,071,382	1,429,058	—	2,500,440
Due to other funds	185,884	2,884,957	—	3,070,841
Accrued items	26,637	—	—	26,637
Other current liabilities	2,460,000	—	—	2,460,000
Advances from other funds	46,067	76,502	—	122,569
Deferred revenue	81,362	872,981	—	954,343
Total liabilities	<u>3,871,332</u>	<u>5,263,498</u>	<u>—</u>	<u>9,134,830</u>
Fund Balances:				
Reserved for:				
Encumbrances	4,527,724	2,246,149	—	6,773,873
Other purposes	5,631	6,918,866	—	6,924,497
Unreserved, reported in:				
Special revenue funds	2,242,457	—	—	2,242,457
Capital project funds	—	(368,377)	—	(368,377)
Other	—	—	7,966	7,966
Designated special revenue funds	135,211	—	—	135,211
Designated capital project funds	—	4,473,657	—	4,473,657
Designated other	—	—	5,000	5,000
Total fund balance	<u>6,911,023</u>	<u>13,270,295</u>	<u>12,966</u>	<u>20,194,284</u>
Total liabilities and fund balance	<u>\$ 10,782,355</u>	<u>18,533,793</u>	<u>12,966</u>	<u>29,329,114</u>

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2002

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 17)	Permanent Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 12,664,567	3,382,287	—	16,046,854
Licenses and permits	312,206	—	—	312,206
Intergovernmental	1,677,415	2,016,295	—	3,693,710
Charges for services	24,450	53,045	—	77,495
Investment Income	172,154	396,378	360	568,892
Other	29,160	770,150	—	799,310
Total revenues	<u>14,879,952</u>	<u>6,618,155</u>	<u>360</u>	<u>21,498,467</u>
<b>Expenditures:</b>				
Current:				
Public works	12,950	—	—	12,950
Culture and recreation	820,178	—	—	820,178
Community development	1,358,670	—	—	1,358,670
Storm water	495,481	—	—	495,481
Capital outlay	9,211,841	18,678,408	—	27,890,249
Debt service:				
Principal	60,482	946,102	—	1,006,584
Interest and fiscal agent fees	68,354	2,486,432	—	2,554,786
Total expenditures	<u>12,027,956</u>	<u>22,110,942</u>	<u>—</u>	<u>34,138,898</u>
Excess (deficiency) of revenues over expenditures	<u>2,851,996</u>	<u>(15,492,787)</u>	<u>360</u>	<u>(12,640,431)</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital leases/bond issuance	—	11,655,000	—	11,655,000
Operating transfers in	99,130	1,587,004	—	1,686,134
Operating transfers out	(317,974)	—	—	(317,974)
Total other financing sources (uses)	<u>(218,844)</u>	<u>13,242,004</u>	<u>—</u>	<u>13,023,160</u>
Net change in fund balances	2,633,152	(2,250,783)	360	382,729
Fund balances, beginning	4,277,866	15,521,083	12,606	19,811,555
Fund balances, ending	<u>\$ 6,911,018</u>	<u>13,270,300</u>	<u>12,966</u>	<u>20,194,284</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2002

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Total (Exhibit 12)
Pooled cash and investments	\$ 1	5,138	—	—	2,127,043	2,122,546	3,954,628	401,378	8,610,734
Receivables:									
Taxes	120,362	7,560	—	—	828,328	276,443	538,657	—	1,771,350
Accounts	18,028	—	—	—	—	—	18,028	—	18,028
Accrued interest	—	—	—	—	—	—	1,730	—	1,730
Due from other funds	164,527	—	—	—	—	—	—	—	164,527
Due from other governments	19,810	—	137,101	42,990	—	—	243	—	200,144
Restricted assets	—	—	—	—	—	15,842	—	—	15,842
Total assets	\$ 322,728	12,698	137,101	42,990	2,955,371	2,414,831	4,495,258	401,378	10,782,355
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Accounts and contracts payable	\$ 20,361	—	6,735	1,739	540,361	427,555	74,631	—	1,071,382
Due to other funds	—	—	130,917	39,611	—	—	15,356	—	185,884
Accrued items	5,180	—	3,269	1,636	—	7,094	9,458	—	26,637
Other current liabilities	—	—	—	—	2,460,000	—	—	—	2,460,000
Deferred revenue	81,362	—	—	—	—	—	—	—	81,362
Advances from other funds	—	—	—	—	—	—	46,067	—	46,067
Total liabilities	106,903	—	140,921	42,986	3,000,361	434,649	145,512	—	3,871,332
<b>Fund Balances:</b>									
Reserved for:									
Encumbrances	43,400	—	452,642	347,534	2,161,653	380,132	1,142,363	—	4,527,724
Other purposes	—	—	—	—	—	5,631	—	—	5,631
Unreserved, reported in:									
Special revenue funds	172,425	12,698	(456,462)	(347,530)	(2,206,643)	1,584,208	3,082,383	401,378	2,242,457
Designated special revenue funds	—	—	—	—	—	10,211	125,000	—	135,211
Total fund balance	215,825	12,698	(3,820)	4	(44,990)	1,980,182	4,349,746	401,378	6,911,023
Total liabilities and fund balance	\$ 322,728	12,698	137,101	42,990	2,955,371	2,414,831	4,495,258	401,378	10,782,355

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Nonmajor Special Revenue Funds  
 Year ended June 30, 2002

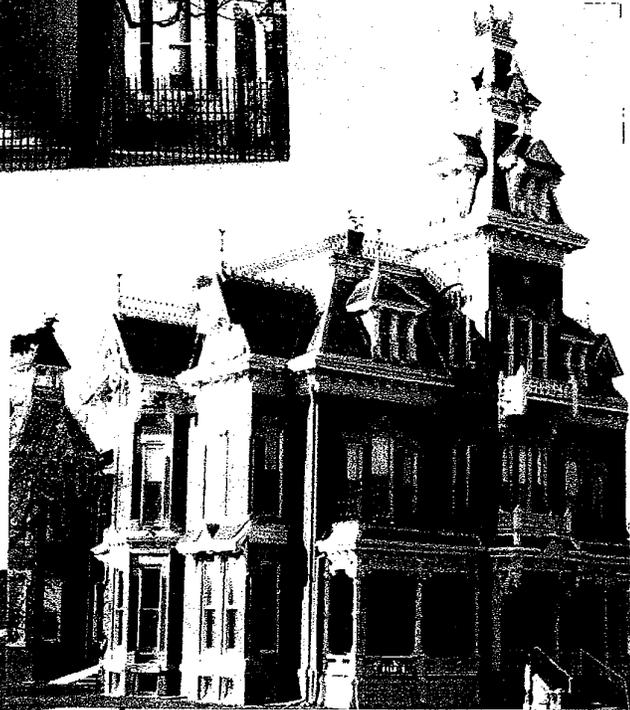
	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Total (Exhibit 13)
<b>Revenues:</b>									
Taxes	471,450	17,837	--	--	6,185,076	2,062,025	3,928,129	--	12,664,567
Licenses and permits	--	--	--	--	--	--	--	312,206	312,206
Intergovernmental	43,772	--	1,213,067	414,323	--	--	6,253	--	1,677,415
Charges for services	1,014	--	--	--	23,436	--	--	--	24,450
Investment income	4,363	339	--	--	29,208	65,956	65,322	6,996	172,154
Other	29,206	--	(52)	--	--	--	6	--	29,160
<b>Total revenues</b>	<b>549,805</b>	<b>18,196</b>	<b>1,213,015</b>	<b>414,323</b>	<b>6,237,720</b>	<b>2,127,981</b>	<b>3,999,710</b>	<b>319,202</b>	<b>14,879,952</b>
<b>Expenditures:</b>									
<b>Current:</b>									
Public works	--	--	--	--	2,950	--	--	--	12,950
Culture and recreation	494,146	--	--	--	--	326,032	--	--	820,178
Community development	--	--	944,347	414,323	--	--	--	--	1,358,670
Storm water	--	--	--	--	--	--	495,481	--	495,481
Capital outlay	--	11,864	--	--	5,998,694	2,689,298	511,985	--	9,211,841
Debt service:									
Principal	--	--	--	--	--	--	60,482	--	60,482
Interest and fiscal agent fees	--	--	--	--	2,191	51,638	14,525	--	68,354
<b>Total expenditures</b>	<b>494,146</b>	<b>11,864</b>	<b>944,347</b>	<b>414,323</b>	<b>6,013,835</b>	<b>3,066,968</b>	<b>1,082,473</b>	<b>--</b>	<b>12,027,956</b>
Excess (deficiency) of revenues over expenditures	55,659	6,332	268,668	--	223,885	(938,987)	2,917,237	319,202	2,851,996
<b>Other financing sources (uses):</b>									
Operating transfers in	--	--	--	--	--	--	99,130	--	99,130
Operating transfers out	--	--	(268,597)	--	(3,727)	(4,576)	(9,151)	(21,923)	(317,974)
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>--</b>	<b>(268,597)</b>	<b>--</b>	<b>(3,727)</b>	<b>(4,576)</b>	<b>89,979</b>	<b>(21,923)</b>	<b>(218,844)</b>
<b>Net change in fund balances</b>	<b>55,659</b>	<b>6,332</b>	<b>71</b>	<b>--</b>	<b>210,158</b>	<b>(943,563)</b>	<b>3,007,216</b>	<b>297,279</b>	<b>2,633,152</b>
<b>Fund balances, beginning</b>	<b>160,166</b>	<b>6,366</b>	<b>(3,891)</b>	<b>4</b>	<b>(235,149)</b>	<b>2,923,743</b>	<b>1,342,531</b>	<b>104,096</b>	<b>4,277,866</b>
<b>Fund balances, ending</b>	<b>215,825</b>	<b>12,698</b>	<b>(3,820)</b>	<b>4</b>	<b>(44,991)</b>	<b>1,980,180</b>	<b>4,349,747</b>	<b>401,375</b>	<b>6,911,018</b>

See accompanying independent auditors' report.



*Truman Home  
219 N. Delaware*

*Vail Mansion, 1881  
1500 N. Liberty  
30 rooms, Victorian style*



*World War I Memorial Building*

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2002

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing (Exhibit 18)	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ —	1	1,844,313	1	1	1	1,844,317
Receivables:							
Taxes	—	—	16,775	—	—	—	16,775
Accounts	—	—	573,030	20,575	—	685,465	1,279,070
Special assessment principal and accrued interest	1,017,236	—	—	—	—	—	1,017,236
Due from other funds	—	235,413	—	—	—	—	235,413
Due from other governments	990,233	—	171,770	497,349	291,986	797,120	2,748,458
Restricted assets	—	—	11,392,524	—	—	—	11,392,524
Total assets	\$ 2,007,469	235,414	13,998,412	517,925	291,987	1,482,586	18,533,793
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts and contracts payable	\$ 121,900	—	863,553	20,069	4,274	419,262	1,429,058
Due to other funds	932,121	—	102,300	498,876	284,513	1,067,147	2,884,957
Deferred revenue	872,981	—	—	—	—	—	872,981
Advances from other funds	—	—	76,502	—	—	—	76,502
Total liabilities	1,927,002	—	1,042,355	518,945	288,787	1,486,409	5,263,498
Fund Balances:							
Reserved for:							
Encumbrances	719,257	—	106,979	719,624	162,737	537,552	2,246,149
Other purposes	—	—	6,918,866	—	—	—	6,918,866
Unreserved, reported in:							
Capital project funds	(638,790)	235,414	1,456,555	(720,644)	(159,537)	(541,375)	(368,377)
Designated capital project funds	—	—	4,473,657	—	—	—	4,473,657
Total fund balance	80,467	235,414	12,956,057	(1,020)	3,200	(3,823)	13,270,295
Total liabilities and fund balance	\$ 2,007,469	235,414	13,998,412	517,925	291,987	1,482,586	18,533,793

See accompanying independent auditors' report.

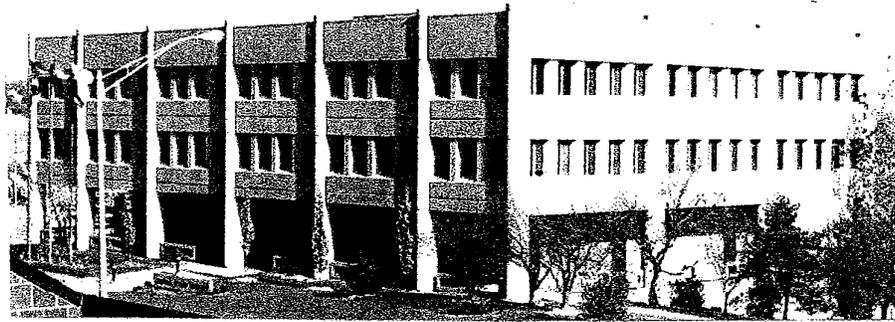
CITY OF INDEPENDENCE, MISSOURI

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

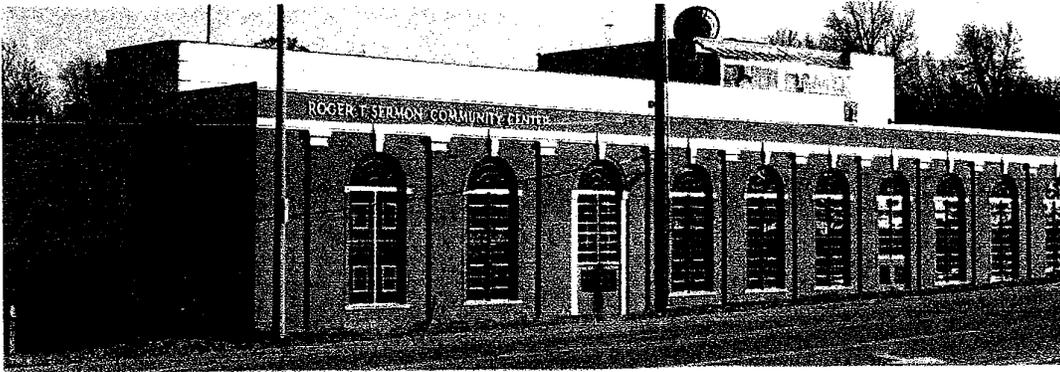
Nonmajor Capital Project Funds

Year ended June 30, 2002

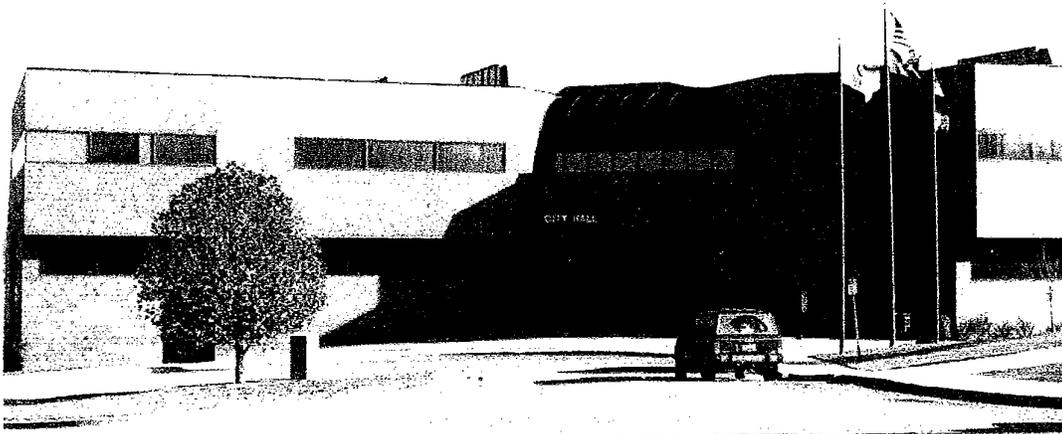
	Street Improvements	Revolving Public Improvements	Consolidated Tax Incremental Financing (Exhibit 19)	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
<b>Revenues:</b>							
Taxes	—	—	3,382,287	—	—	—	3,382,287
Intergovernmental	67,275	—	—	122,073	199,490	1,627,457	2,016,295
Charges for services	33,045	—	20,000	—	—	—	53,045
Investment income	(62,356)	6,543	452,191	—	—	—	396,378
Other	—	—	84,685	—	—	635,465	770,150
Total revenues	37,964	6,543	3,939,163	122,073	199,490	2,312,922	6,618,155
<b>Expenditures:</b>							
Current:							
Capital outlay	695,145	—	15,101,984	200,854	334,538	2,345,887	18,678,408
Debt service:							
Principal	—	—	946,102	—	—	—	946,102
Interest and fiscal agent fees	—	—	2,486,432	—	—	—	2,486,432
Total expenditures	695,145	—	18,534,518	200,854	334,538	2,345,887	22,110,942
Excess (deficiency) of revenues over expenditures	(657,181)	6,543	(14,595,355)	(78,781)	(135,048)	(32,965)	(15,492,787)
<b>Other financing sources (uses):</b>							
Proceeds from capital leases/bond issuance	—	—	11,655,000	—	—	—	11,655,000
Operating transfers in	776,149	—	564,059	78,782	135,048	32,966	1,587,004
Total other financing sources (uses)	776,149	—	12,219,059	78,782	135,048	32,966	13,242,004
Net change in fund balances	118,968	6,543	(2,376,296)	1	—	1	(2,250,783)
Fund balances, beginning	(38,500)	228,871	15,332,355	(1,020)	3,200	(3,823)	15,521,083
Fund balances, ending	80,468	235,414	12,956,059	(1,019)	3,200	(3,822)	13,270,300



**Police Building, 223 N. Memorial Dr.**



**Roger T. Sermon Community Center, 201 N. Dodgion**



**City Hall, 111 E. Maple St.**

CITY OF INDEPENDENCE, MISSOURI  
 Subcommitting Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor TIF Funds  
 Year ended June 30, 2002

	Midtown Truman	Crossings	RSO	Boiger Square	Sante Fe	Hartman Heritage	Eastland Center	Mount Washington	TIF App Fees	Total (Exhibit 17)
<b>Revenues:</b>										
Taxes	\$ 384,137	720,358	55,905	941,233	10,645	421,352	823,155	25,502	—	3,382,287
Charges for services	—	—	—	—	—	—	—	—	20,000	20,000
Investment income	8,596	9,630	7,706	72,343	114,435	52,854	185,229	868	530	452,191
Other	—	—	—	—	84,685	—	—	—	—	84,685
<b>Total revenues</b>	<b>392,733</b>	<b>729,988</b>	<b>63,611</b>	<b>1,013,576</b>	<b>209,765</b>	<b>474,206</b>	<b>1,008,384</b>	<b>26,370</b>	<b>20,530</b>	<b>3,939,163</b>
<b>Expenditures:</b>										
Capital outlay	397,234	478,007	2,844	2,000,316	6,700,013	86,530	4,891,831	41,763	3,446	15,101,984
Debt service:										
Principal	—	—	—	480,000	—	176,102	290,000	—	—	946,102
Interest and fiscal agent fees	—	—	—	324,045	351,394	697,955	1,113,038	—	—	2,486,432
<b>Total expenditures</b>	<b>397,234</b>	<b>478,007</b>	<b>2,844</b>	<b>3,104,361</b>	<b>7,051,407</b>	<b>960,587</b>	<b>6,294,869</b>	<b>41,763</b>	<b>3,446</b>	<b>18,534,518</b>
Excess (deficiency) of revenues over expenditures	(4,501)	251,981	60,767	(2,290,785)	(6,841,642)	(486,381)	(5,286,485)	(15,393)	17,084	(14,595,555)
<b>Other financing sources (uses):</b>										
Proceeds from capital leases/bond issuance	—	—	—	—	10,230,000	—	1,425,000	—	—	11,655,000
Operating transfers in	—	—	—	—	64,059	500,000	—	—	—	564,059
<b>Total other financing sources (uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,294,059</b>	<b>500,000</b>	<b>1,425,000</b>	<b>—</b>	<b>—</b>	<b>12,219,059</b>
<b>Net change in fund balances</b>	<b>(4,501)</b>	<b>251,981</b>	<b>60,767</b>	<b>(2,290,785)</b>	<b>3,452,417</b>	<b>13,619</b>	<b>(3,361,485)</b>	<b>(15,393)</b>	<b>17,084</b>	<b>(2,376,296)</b>
Fund balances, beginning	894	(260,197)	75,382	3,989,508	4,172	1,767,638	971,323	25,668	15,467	15,332,355
Fund balances, ending	<b>(3,607)</b>	<b>(8,216)</b>	<b>136,149</b>	<b>1,698,723</b>	<b>3,456,589</b>	<b>1,781,257</b>	<b>5,851,838</b>	<b>10,275</b>	<b>33,051</b>	<b>12,956,059</b>

## CITY OF INDEPENDENCE, MISSOURI

## Combining Statement of Net Assets

## Internal Service Funds

June 30, 2002

Assets	Central Garage	Employee Benefits	Staywell Health Care	Total Internal Service Funds (Exhibit 5)
<b>Current assets:</b>				
Pooled cash and investments	\$ 152,602	1,079,435	684,313	1,916,350
Accrued interest receivable	—	3,016	—	3,016
Inventory	83,987	—	—	83,987
Total current assets	<u>236,589</u>	<u>1,082,451</u>	<u>684,313</u>	<u>2,003,353</u>
<b>Noncurrent assets:</b>				
Property, plant, and equipment:				
Land	93,979	—	—	93,979
Depreciable property, plant, and equipment	242,304	—	—	242,304
Less accumulated depreciation	(225,850)	—	—	(225,850)
Total noncurrent assets	<u>110,433</u>	<u>—</u>	<u>—</u>	<u>110,433</u>
Total assets	<u>\$ 347,022</u>	<u>1,082,451</u>	<u>684,313</u>	<u>2,113,786</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts and contracts payable	\$ 23,249	—	—	23,249
Accrued liabilities	13,716	—	—	13,716
Compensated absences - current	33,707	—	—	33,707
Employee benefits payable	—	1,223,043	—	1,223,043
Medical self-insurance claims	—	—	745,108	745,108
Total current liabilities	<u>70,672</u>	<u>1,223,043</u>	<u>745,108</u>	<u>2,038,823</u>
<b>Noncurrent liabilities:</b>				
Compensated absences - long-term	57,274	—	—	57,274
Total liabilities	<u>127,946</u>	<u>1,223,043</u>	<u>745,108</u>	<u>2,096,097</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	110,433	—	—	110,433
Unrestricted	108,643	(140,592)	(60,795)	(92,744)
Total net assets	<u>219,076</u>	<u>(140,592)</u>	<u>(60,795)</u>	<u>17,689</u>
Total liabilities and net assets	<u>\$ 347,022</u>	<u>1,082,451</u>	<u>684,313</u>	<u>2,113,786</u>

See accompanying independent auditors' report.

## CITY OF INDEPENDENCE, MISSOURI

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

## Internal Service Funds

Year ended June 30, 2002

	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 6)
Operating revenues:				
Charges for services	\$ 1,236,922	—	—	1,236,922
Miscellaneous	—	—	8,763,557	8,763,557
Total operating revenues	1,236,922	—	8,763,557	10,000,479
Operating expenses:				
Personal services	518,405	—	—	518,405
Other services	246,697	—	9,017,768	9,264,465
Supplies	433,527	—	—	433,527
Capital outlay	(9,152)	—	—	(9,152)
Depreciation and amortization	5,270	—	—	5,270
Total operating expenses	1,194,747	—	9,017,768	10,212,515
Operating Income (loss)	42,175	—	(254,211)	(212,036)
Nonoperating revenues (expenses):				
Interest revenue	3,680	35,143	20,689	59,512
Miscellaneous revenue	2,039	—	—	2,039
Total nonoperating revenue	5,719	35,143	20,689	61,551
Income (loss) before contributions and transfers	47,894	35,143	(233,522)	(150,485)
Transfers in (out)	—	17,585	—	17,585
Change in net assets	47,894	52,728	(233,522)	(132,900)
Total assets:				
Beginning of the period	171,182	(193,320)	172,727	150,589
End of the period	\$ 219,076	(140,592)	(60,795)	17,689

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2002

	Private-Purpose Trust Funds				Agency Funds		
	Miscellaneous Expendable Trust	Truman Memorial Building Restoration	Mayor's Benefit Fund	Total (Exhibit 8)	Flexible Benefit Plan	Sustle Block Trust	Total (Exhibit 8)
<b>Assets</b>							
Pooled cash and investments	\$ 51,998	—	—	51,998	24,299	21,842	46,141
Accrued interest receivable	—	—	—	—	—	496	496
Total assets	\$ 51,998	—	—	51,998	24,299	22,338	46,637
<b>Liabilities</b>							
Accounts and contacts payable	\$ 176	—	—	176	—	—	—
Liabilities payable from restricted assets:							
Funds held in Escrow	—	—	—	—	—	22,338	22,338
Employee deferred credit	—	—	—	—	24,299	—	24,299
Total liabilities	176	—	—	176	24,299	22,338	46,637
<b>Net Assets</b>							
Held in trust	\$ 51,822	—	—	51,822	—	—	—

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**  
Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2002

	<b>Private-Purpose Trust Funds</b>			<b>Total (Exhibit 9)</b>
	<b>Miscellaneous Expendable Trust</b>	<b>Truman Memorial Building Restoration</b>	<b>Mayor's Benefit Fund</b>	
<b>Additions</b>				
Charges for services	\$ 21,967	—	—	21,967
Interest	1,555	—	—	1,555
Total additions	\$ 23,522	—	—	23,522
<b>Deductions</b>				
Community development	\$ 20,486	—	—	20,486
Other	4,400	5,727	65	10,192
Total deductions	24,886	5,727	65	30,678
Change in net assets	(1,364)	(5,727)	(65)	(7,156)
Net assets, beginning	53,186	5,727	65	58,978
Net assets, ending	\$ 51,822	—	—	51,822

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Expenses - Power and Light Fund  
 Years ended June 30, 2002 and 2001

	2002			2001		
	Operations	Maintenance	Total	Operations	Maintenance	Total
<b>Production fuel:</b>						
Coal			\$ 4,641,210			6,857,159
Gas			981,916			1,943,160
Oil			116,399			730,354
<b>Total production fuel</b>			<u>5,739,525</u>			<u>9,530,673</u>
<b>Purchased power:</b>						
Purchased energy			14,389,443			16,110,018
Purchased capacity (net)			7,560,000			7,895,296
Border customers			25,930			28,386
Control and dispatching			678,182			561,356
<b>Total purchased power</b>			<u>22,653,555</u>			<u>24,595,056</u>
<b>Production (other):</b>						
<b>Blue Valley Station:</b>						
Supervision and engineering	\$ 403,790	458,358	862,148	411,141	447,062	858,203
Steam	530,101	1,474,641	2,004,742	564,025	1,448,663	2,012,688
Electric	539,343	188,357	727,700	614,902	231,619	846,521
Structures and improvements	—	40,540	40,540	—	178,642	178,642
Miscellaneous	1,000,412	712,019	1,712,431	899,888	690,067	1,589,955
	<u>2,473,646</u>	<u>2,873,915</u>	<u>5,347,561</u>	<u>2,489,956</u>	<u>2,996,053</u>	<u>5,486,009</u>
<b>Missouri City Station:</b>						
Supervision and engineering	24,490	7,546	32,036	24,959	5,196	30,155
Steam	235,058	351,824	586,882	248,757	213,111	461,868
Electric	240,256	118,588	358,844	256,763	77,265	334,028
Structures and improvements	—	22,831	22,831	—	39,690	39,690
Miscellaneous	225,108	250,133	475,241	168,204	292,571	460,775
	<u>724,912</u>	<u>750,922</u>	<u>1,475,834</u>	<u>698,683</u>	<u>627,833</u>	<u>1,326,516</u>
<b>Combustion Turbine Station:</b>						
Supervision and engineering	—	64	64	—	564	564
Generation expenses	—	196,385	196,385	485	278,899	279,384
Structures and improvements	—	27,113	27,113	—	54,322	54,322
Miscellaneous	13,384	20,071	33,455	10,963	22,355	33,318
	<u>13,384</u>	<u>243,633</u>	<u>257,017</u>	<u>11,448</u>	<u>356,140</u>	<u>367,588</u>
<b>Total production (other)</b>	<u>\$ 3,211,942</u>	<u>3,868,470</u>	<u>7,080,412</u>	<u>3,200,087</u>	<u>3,980,026</u>	<u>7,180,113</u>
<b>Transmission and distribution:</b>						
<b>Transmission:</b>						
Supervision and engineering	\$ 138,972	13,626	152,598	125,187	12,487	137,674
Overhead expenses	3,925	2,650	6,575	7,498	2,794	10,292
Station expenses	20,211	249,463	269,674	31,566	201,937	233,503
Wheeling charges	6,613	—	6,613	7,506	—	7,506
Underground line expense	—	138	138	—	750	750
Structures and improvements	—	480	480	—	—	—
Miscellaneous	—	—	—	—	260	260
<b>Total transmission</b>	<u>\$ 169,721</u>	<u>266,357</u>	<u>436,078</u>	<u>171,757</u>	<u>218,228</u>	<u>389,985</u>

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Expenses – Power and Light Fund  
 Years ended June 30, 2001 and 2000

	2002			2001		
	Operations	Maintenance	Total	Operations	Maintenance	Total
<b>Distribution:</b>						
Supervision and engineering	\$ 89,838	40,888	130,726	80,862	37,473	118,337
Overhead lines	656,185	2,217,647	2,873,832	631,167	2,326,024	2,957,191
Station expenses	205,991	45,562	251,553	199,858	69,907	269,765
Street lights and traffic signals	128,432	397,259	525,691	207,671	435,120	642,791
Meters	144,401	342,103	486,504	141,149	428,113	569,262
Customer installations	262	—	262	4,141	—	4,141
Underground lines	397,572	233,547	631,119	498,491	416,450	914,941
Dispatching communication	574,386	—	574,386	569,954	—	569,954
Line transformers	—	84,957	84,957	—	112,873	112,873
Miscellaneous	475,788	100,450	576,238	411,448	120,214	531,662
<b>Total distribution</b>	<b>2,672,855</b>	<b>3,462,413</b>	<b>6,135,268</b>	<b>2,744,741</b>	<b>3,946,176</b>	<b>6,690,917</b>
<b>Total transmission and distribution</b>	<b>\$ 2,842,576</b>	<b>3,728,770</b>	<b>6,571,346</b>	<b>2,916,498</b>	<b>4,164,404</b>	<b>7,080,902</b>
<b>Customer service:</b>						
Supervision			\$ 181,808			177,541
Meter reading			667,983			576,885
Customer records and collections			1,149,524			1,160,215
Provisions for doubtful accounts			553,477			413,495
Miscellaneous			131,096			139,331
<b>Total customer service</b>			<b>2,683,888</b>			<b>2,467,467</b>
<b>General and administrative:</b>						
Salaries			661,780			587,820
Office supplies			216,041			192,264
Insurance			520,481			431,447
Injuries and damage			498,359			407,974
Employee benefits			2,780,556			2,539,342
Outside services			1,204,436			1,148,968
Miscellaneous			794,199			717,220
Administrative expenses – transfers			(46,771)			(44,845)
<b>Total general and administrative</b>			<b>6,629,081</b>			<b>5,980,190</b>
Depreciation and amortization			7,222,573			6,888,195
Payroll taxes			784,511			784,080
Payments to General Fund in lieu of taxes			6,866,053			7,543,970
<b>Total operating expenses</b>			<b>\$ 66,230,944</b>			<b>\$ 72,050,646</b>

See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedule of Operating Statistics – Power and Light Fund**  
**Year ended June 30, 2002**

	<u>Beginning of year</u>	<u>End of year</u>	<u>Revenue</u>	<u>KWH</u>
<b>Sale of electric energy:</b>				
<b>Metered:</b>				
Residential	48,956	49,279	\$ 37,370,046	479,158,901
Small general services	2,821	2,925	2,624,352	26,949,595
General services–space heating	2	2	1,017	17,579
Large general services	1,608	1,564	21,363,044	333,615,434
Large general services–prime voltage	11	11	1,260,999	23,188,066
Large general services–space heating	2	2	7,875	117,921
Total electric general services	51	54	2,413,252	42,930,370
Schools, churches, and hospitals	282	282	2,557,545	37,578,148
Schools, churches, and hospitals, all electric	5	6	134,555	2,464,191
Large power services	7	6	1,929,654	40,578,960
Interruptible services	1	1	164,433	2,236,200
Sewer pumping	6	6	133,595	1,142,290
City traffic signals	61	59	61,198	434,557
Wholesale (border customers)	—	—	100,020	4,827,923
Wholesale (interchange)	—	—	30,792	1,337,000
	<u>53,813</u>	<u>54,197</u>	<u>70,152,377</u>	<u>996,577,135</u>
<b>Unmetered:</b>				
Private security lighting	1,464	1,478	240,552	1,236,154
City public street lighting	10,921	11,081	763,567	8,742,478
	<u>12,385</u>	<u>12,559</u>	<u>1,004,119</u>	<u>9,978,632</u>
Increase in unbilled revenue			333,710	6,592,810
Other operating revenue			1,069,149	—
Transmission and distribution operating losses			\$ <u>72,559,355</u>	<u>1,013,148,577</u>
Net generation				196,967,096
Wholesale power purchased				882,376,909
Unintentional interchange				37,000
Net generation and power purchased				<u>1,079,381,005</u>
Retail energy sales				1,006,983,654
Wholesale (border customers) sales				6,164,923
Power and light usage (building and substations)				<u>1,422,111</u>
Net disposition				<u>1,014,570,688</u>
Transmission and distribution operating losses				<u>64,810,317</u>

See accompanying independent auditors' report.

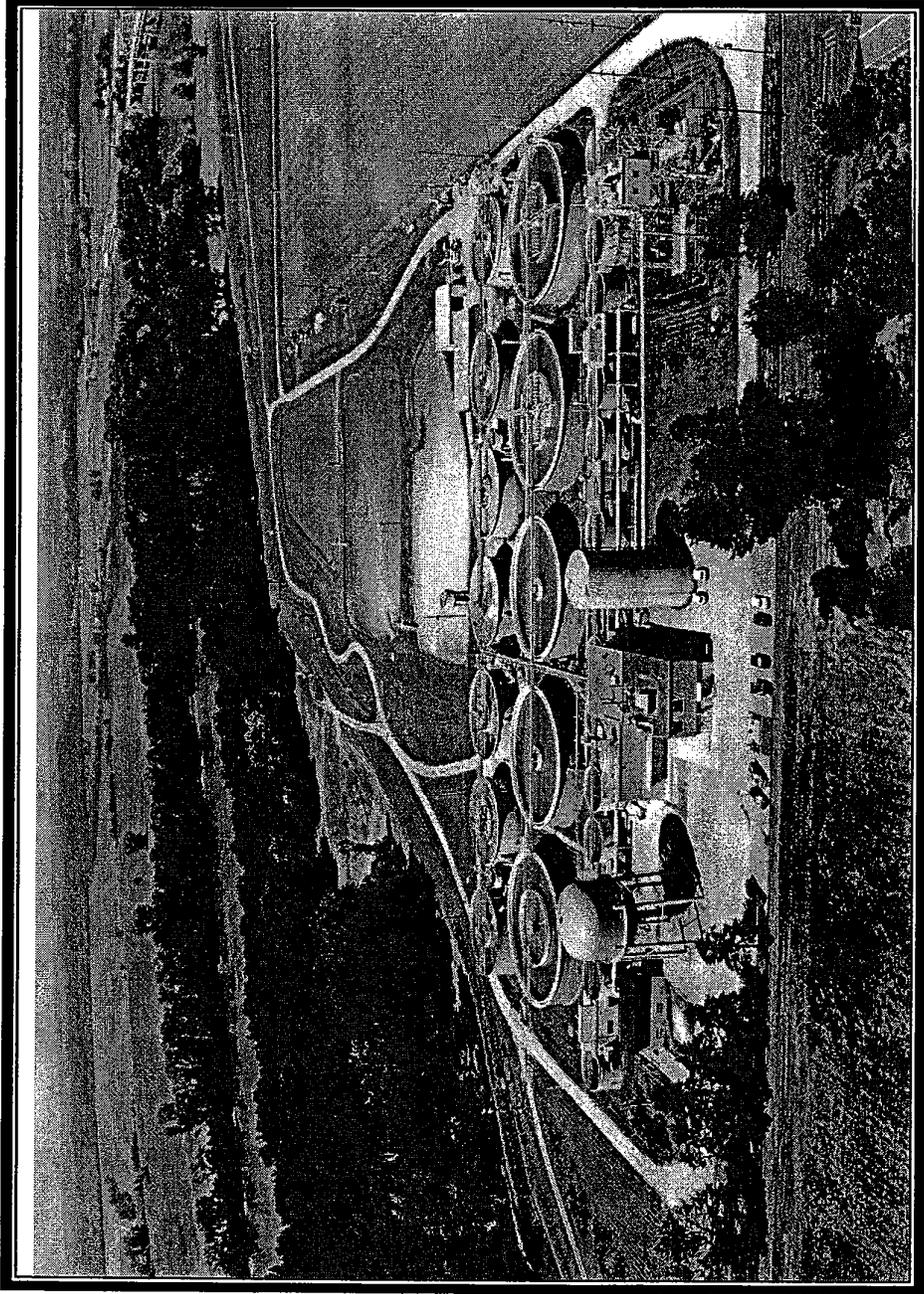
**CITY OF INDEPENDENCE, MISSOURI**  
**Schedule of Operating Expenses – Water Fund**  
**Years ended June 30, 2002 and 2001**

	2002			2001		
	Operations	Maintenance	Total	Operations	Maintenance	Total
<b>Production:</b>						
Source of supply:						
Supervision and engineering	\$ 19,269	—	19,269	17,784	—	17,784
Labor and expenses	215,899	—	215,899	184,326	—	184,326
Structures and improvements	—	29,374	29,374	—	54,264	54,264
Miscellaneous	—	283,980	283,980	—	259,096	259,096
Total source of supply	<u>235,168</u>	<u>313,354</u>	<u>548,522</u>	<u>202,110</u>	<u>313,360</u>	<u>515,470</u>
Power and pumping:						
Supervision and engineering	29,649	12,412	42,061	27,641	20,092	47,733
Fuel/power purchased	1,030,094	—	1,030,094	1,059,654	—	1,059,654
Labor and expenses	158,802	—	158,802	163,743	—	163,743
Structures and improvements	—	10,802	10,802	—	7,788	7,788
Miscellaneous	—	23,609	23,609	—	14,527	14,527
Total power and pumping	<u>1,218,545</u>	<u>46,823</u>	<u>1,265,368</u>	<u>1,251,038</u>	<u>42,407</u>	<u>1,293,445</u>
Water treatment:						
Supervision and engineering	34,200	15,118	49,318	32,174	14,490	46,664
Chemicals	685,597	—	685,597	579,129	—	579,129
Labor and expenses	537,955	—	537,955	559,952	—	559,952
Structures and improvements	—	16,879	16,879	—	18,120	18,120
Miscellaneous	—	373,576	373,576	—	272,429	272,429
Total water treatment	<u>1,257,752</u>	<u>405,573</u>	<u>1,663,325</u>	<u>1,171,255</u>	<u>305,039</u>	<u>1,476,294</u>
Total production	<u>\$ 2,711,465</u>	<u>765,750</u>	<u>3,477,215</u>	<u>2,624,403</u>	<u>660,806</u>	<u>3,285,209</u>
Transmission and distribution:						
Supervision and engineering	\$ 49,207	101,272	150,479	48,662	102,365	151,027
Storage facilities	13,917	85,545	99,462	13,959	178,280	192,239
Transmission and distribution lines	404,676	581,882	986,558	442,513	717,720	1,160,233
Meters	164,694	168,161	332,855	171,232	145,216	316,448
Customer installations	54,541	—	54,541	62,060	—	62,060
Services	—	294,166	294,166	—	282,308	282,308
Hydrants	—	67,262	67,262	—	47,747	47,747
Miscellaneous	365,768	117,895	483,663	364,132	136,204	500,336
Total transmission and distribution	<u>\$ 1,052,803</u>	<u>1,416,183</u>	<u>2,468,986</u>	<u>1,102,558</u>	<u>1,609,840</u>	<u>2,712,398</u>

**CITY OF INDEPENDENCE, MISSOURI**  
**Schedule of Operating Expenses – Water Fund**  
**Years ended June 30, 2002 and 2001**

	2002			2001		
	Operations	Maintenance	Total	Operations	Maintenance	Total
<b>Customer service:</b>						
Customer accounting paid and collecting:						
Supervision		\$ 134,037				131,066
Meter reading		642,957				700,146
Customer records		99,927				847
Provision for uncollectible amounts		53,592				30,290
Total customer accounting paid and collecting		930,513				862,349
Sales promotion:						
Expenses		81,262				76,809
Total customer service		1,011,775				939,158
<b>General and administrative:</b>						
Salaries		462,976				454,976
Office supplies and expense		276,347				289,535
Injuries and damages		190,794				219,340
Employee benefits		1,050,834				939,551
Outside services		867,455				825,543
Miscellaneous		112,102				79,051
Total general and administrative		2,960,508				2,807,996
Depreciation and amortization		1,798,448				1,751,716
Payroll taxes		281,138				273,367
Payments to General Fund in lieu of taxes		896,170				898,924
Other		89,706				60,840
Total operating expenses		\$ 12,983,946				12,729,608

See accompanying independent auditors' report.



Courtney Bend Water Treatment Plant, July 2001

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics – Water Fund  
 Year ended June 30, 2002

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
Sale of water:				
Residential	42,832	43,194	\$ 7,543,113	3,184,556
Commercial	2,763	2,831	2,025,449	934,386
Industrial	7	7	256,478	234,901
Public authority	56	57	131,219	66,757
Resale	13	13	4,378,138	4,662,076
Private fire protection	274	292	45,153	—
Public fire protection	—	—	583,390	—
	<u>45,945</u>	<u>46,394</u>	14,962,940	<u>9,082,676</u>
Increase in unbilled revenue			33,040	
Other operating revenue			228,375	
Total operating revenue			<u>\$ 15,224,355</u>	
Thousands of gallons pumped:				
Courtney Bend Plant			\$ 10,195,580	
Less total sales			<u>9,082,676</u>	
Unaccounted for water			<u>\$ 1,112,904</u>	

\* Thousand gallons sold

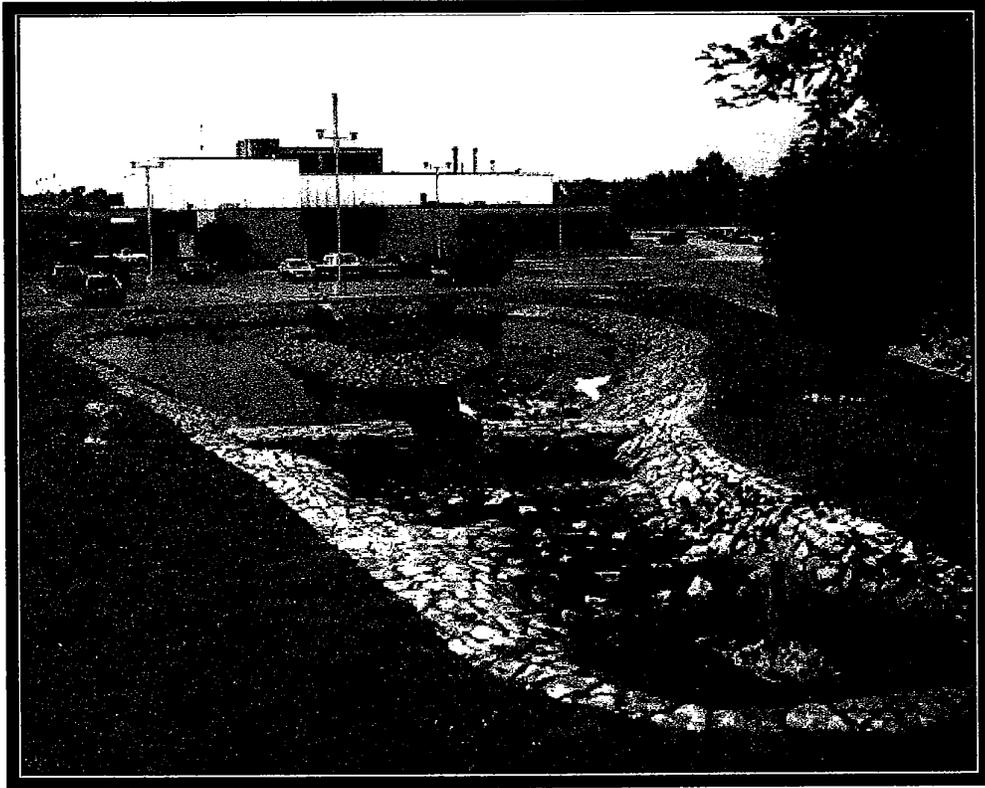
See accompanying independent auditors' report.

**CITY OF INDEPENDENCE, MISSOURI**  
 Schedule of Operating Statistics – Sanitary Sewer Fund  
 Year ended June 30, 2002

	<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	39,034	39,381	\$ 8,037,051	2,924,414
Commercial:				
Base	3,453	3,475	3,174,857	—
Surcharge	—	—	697,355	—
Contract waste treatment	21	22	220,675	—
Intermunicipal agreements:				
Sugar Creek	—	—	332,258	—
Kansas City	—	—	66,116	—
Lee's Summit	—	—	7,879	—
	<u>42,508</u>	<u>42,878</u>	12,536,191	<u>2,924,414</u>
Other operating revenue			101,406	
Increase in unbilled revenue			15,251	
Total operating revenue			<u>\$ 12,652,848</u>	

\* Hundred cubic feet.

See accompanying independent auditors' report.



**Rock Creek Treatment Plant - 2001**

## **STATISTICAL**

## **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.”

Table 1

General Governmental Expenditures by Function										
Total (a)	General Government	Public Safety	Public Works/ Storm Water	Health & Welfare	Culture & Recreation	Community Development	Capital Outlay	Non-Departmental/ Other	Debt Service	
1993	\$4,276,566	\$22,208,616	\$4,318,668	\$1,043,937	\$1,497,064	\$660,145	\$1,535,870	\$3,569,279	\$1,795,443	
1994	4,715,130	22,505,090	4,140,247	1,068,079	1,517,978	1,110,984	1,113,131	3,196,325	1,806,762	
1995	6,202,999	24,274,529	4,750,098	883,014	1,642,344	960,911	2,895,795	4,379,293	601,189	
1996	5,135,501	24,002,906	5,532,316	991,262	1,683,247	1,379,783	4,862,856	3,559,991	815,779	
1997	5,119,322	23,312,495	5,346,312	948,268	1,762,330	2,847,386	4,553,924	3,821,673	1,460,330	
1998	5,354,047	24,506,016	5,374,067	1,089,234	2,008,489	3,667,406	5,983,773	4,106,742	1,432,983	
1999	5,628,079	28,603,191	6,847,093	1,214,950	2,480,903	1,500,797	13,257,853	5,094,621	1,753,156	
2000	6,021,065	30,360,187	5,976,941	1,175,739	3,465,943	1,365,055	22,365,404	4,201,337	4,434,979	
2001	6,343,908	29,136,004	6,867,407	1,292,388	4,017,361	3,998,820	28,716,658	4,750,611	4,918,893	
2002	\$6,477,775	\$31,290,454	\$7,042,825	\$2,193,035	\$2,973,715	\$3,515,626	\$29,255,681	\$10,794,758	\$4,476,638	

a) Represents General Fund, Special Revenue Funds and Capital Project Funds. Excludes operating transfers.

Table 2

**City of Independence, Missouri**  
**General Governmental Revenue by Source**

Total (a)	Taxes & In Lieu of Taxes (b)	License & Permits	Intergovernmental	Charges for Services	Intragovernmental (c)	Fines & Forfeitures	Interest	Other (d)
1993	\$40,228,255	\$26,459,470	\$1,550,092	\$6,323,372	\$374,293	\$2,589,027	\$2,088,736	\$84,873
1994	42,609,228	28,313,660	1,757,212	6,229,787	478,138	2,622,480	2,193,204	112,576
1995	43,095,895	28,731,356	1,728,067	6,659,204	610,041	2,686,712	1,682,239	339,946
1996	46,918,647	31,417,798	1,891,026	7,700,165	494,402	2,828,007	1,602,145	543,743
1997	48,977,851	33,392,131	2,299,681	6,937,808	569,820	2,895,953	1,503,081	499,416
1998	55,171,738	36,672,503	2,325,055	9,260,166	638,955	2,749,077	2,409,688	603,952
1999	60,902,834	40,251,255	2,476,897	10,913,472	796,030	3,070,849	2,666,064	425,256
2000	72,149,590	46,629,545	2,928,678	13,815,850	1,359,698	2,889,644	2,997,092	844,469
2001	77,030,405	53,226,616	3,532,316	10,643,440	1,682,455	2,757,884	3,010,798	1,570,953
2002	\$84,240,680	\$54,521,441	\$3,957,533	\$16,012,619	\$1,494,189	\$2,791,637	\$3,199,906	\$757,872
								\$1,505,483

- a) Represents General Fund, Special Revenue Funds and Capital Project Funds. Excludes other financing sources (uses.)
- b) General Property Taxes, Sales Tax and Other Local Taxes.
- c) Interfund Charges for Support Services.
- d) Includes revenue from Sale of Property, and revenue not included in other categories.

Table 3

**City of Independence, Missouri**  
**General Fund, Public Health & Recreation, Debt Service**  
**Property Tax Levies and Collections**

<i>Year Ended June 30</i>	<i>Net Current Tax Levy</i>	<i>Current Tax Collections</i>	<i>Percent of Levy Collected</i>	<i>Delinquent Tax Collections</i>	<i>Total Tax Collections</i>	<i>Total Tax Collections as Percent of Net Current Tax Levy</i>	<i>Outstanding Delinquent Taxes</i>	<i>Outstanding Delinquent Taxes as Percent of Net Current Tax Levy</i>
1993	\$4,302,151	\$4,083,837	94.93%	\$262,809	\$4,346,646	101.03%	\$487,022	11.32%
1994	4,389,816	4,137,260	94.25%	226,048	4,363,308	99.40%	419,170	9.55%
1995	4,388,141	4,233,148	96.47%	303,406	4,536,554	103.38%	270,757	6.17%
1996	4,539,910	4,203,803	92.60%	169,654	4,373,457	96.33%	437,210	9.63%
1997	4,724,273	4,460,502	94.42%	334,135	4,794,637	101.49%	366,846	7.77%
1998	4,984,727	4,644,002	93.16%	262,947	4,906,949	98.44%	444,624	8.92%
1999	5,034,573	4,856,639	96.47%	324,883	5,181,522	102.92%	297,675	5.91%
2000	5,385,674	5,135,996	95.36%	137,639	5,273,635	97.92%	409,714	7.61%
2001	5,599,902	5,253,285	93.81%	210,090	5,463,375	97.56%	546,241	9.75%
2002	\$5,849,190	\$5,591,015	95.59%	\$255,980	\$5,846,995	99.94%	\$548,436	9.38%

Table 4

City of Independence, Missouri						
Assessed and Estimated Actual Values of Taxable Property						
As of January 1,	Real Property	Personal Property	Railroad & Utilities	Total Assessed Value	Total Fair Market Value	Percentage of Fair Market Value
1993	571,503,140	148,486,975	11,576,125	731,566,240	3,053,283,900	28.06%
1994	577,338,830	167,228,728	12,043,452	756,611,010	3,140,795,489	28.67%
1995	607,752,380	189,899,506	12,836,118	810,488,004	3,356,232,605	29.09%
1996	613,435,010	203,408,373	13,270,911	830,114,294	3,421,971,510	29.53%
1997	656,083,710	217,040,179	12,224,657	885,348,546	3,668,020,926	29.35%
1998	663,252,770	220,203,155	9,949,439	893,405,364	3,689,437,915	29.50%
1999	729,733,570	230,747,110	4,617,427	965,098,107	4,096,490,672	23.56%
2000	742,563,735	230,747,110	4,617,427	977,928,272	4,240,368,802	23.06%
2001	796,406,449	240,711,303	5,668,715	1,042,786,467	4,489,104,191	23.23%
<b>2002</b>	<b>\$816,800,367</b>	<b>\$252,906,062</b>	<b>\$5,471,811</b>	<b>\$1,075,178,240</b>	<b>\$4,614,774,987</b>	<b>23.30%</b>

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

Table 5

<b>City of Independence, Missouri</b>																				
<b>Property Tax Rates - All Direct and Overlapping Governments</b>																				
<i>For Assessed Valuations As of January 1</i>	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002										
<b>CITY TAX RATES: (1)</b>																				
General	\$0.510	\$0.520	\$0.520	\$0.530	\$0.520	\$0.520	\$0.510	\$0.510	\$0.510	\$0.510										
Public Health & Recreation	0.220	0.230	0.230	0.240	0.240	0.240	0.240	0.240	0.240	0.240										
Debt Service	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000										
<b>Total City Tax Rate</b>	<b>0.770</b>	<b>0.750</b>	<b>0.750</b>	<b>0.770</b>	<b>0.760</b>	<b>0.760</b>	<b>0.750</b>	<b>0.750</b>	<b>0.750</b>	<b>0.750</b>										
<b>METROPOLITAN JUNIOR COLLEGE</b>																				
<b>INDEPENDENCE SCHOOL DISTRICT (3)</b>	<b>3.300</b>	<b>3.300</b>	<b>3.350</b>	<b>3.990</b>	<b>4.040</b>	<b>4.290</b>	<b>4.290</b>	<b>4.460</b>	<b>4.460</b>	<b>4.990</b>										
<b>COUNTY TAX RATES: (2)</b>																				
County	0.540	0.500	0.510	0.500	0.530	0.530	0.550	0.560	0.560	0.570										
Mid-Continent Public Library	0.310	0.310	0.330	0.330	0.330	0.330	0.330	0.330	0.330	0.330										
Handicap	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080										
Mental Health	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133										
<b>Total County Tax Rate</b>	<b>1.063</b>	<b>1.023</b>	<b>1.053</b>	<b>1.043</b>	<b>1.073</b>	<b>1.073</b>	<b>1.093</b>	<b>1.103</b>	<b>1.103</b>	<b>1.113</b>										
<b>STATE:</b>	<b>0.030</b>																			
<b>Total Tax Rate For All Overlapping Governments</b>	<b>\$5.163</b>	<b>\$5.103</b>	<b>\$5.403</b>	<b>\$6.053</b>	<b>\$6.123</b>	<b>\$6.373</b>	<b>\$6.493</b>	<b>\$6.573</b>	<b>\$6.573</b>	<b>\$7.113</b>										
<p>(1) The General Fund and Public Health &amp; Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$ .40 per \$100 assessed valuation. There is no limit on the levy rates for General Debt and Interest.</p> <p>(2) County Tax Breakdown for current year.</p> <table style="margin-left: 40px;"> <tr> <td>Health &amp; Welfare Fund</td> <td>\$0.16</td> </tr> <tr> <td>General Fund</td> <td>0.18</td> </tr> <tr> <td>Road &amp; Bridge Fund</td> <td>0.14</td> </tr> <tr> <td>Park Fund</td> <td><u>0.09</u></td> </tr> <tr> <td></td> <td><u>\$0.57</u></td> </tr> </table> <p>(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 \$4.466  Blue Springs Reorganized #4 \$4.60  Kansas City School District \$4.95</p> <p>NOTE 1): Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property.</p> <p>NOTE 2): Commercial real property is also assessed an additional "replacement tax" of 1.437 per \$100 assessed value.</p>											Health & Welfare Fund	\$0.16	General Fund	0.18	Road & Bridge Fund	0.14	Park Fund	<u>0.09</u>		<u>\$0.57</u>
Health & Welfare Fund	\$0.16																			
General Fund	0.18																			
Road & Bridge Fund	0.14																			
Park Fund	<u>0.09</u>																			
	<u>\$0.57</u>																			

Table 6

<b>City of Independence, Missouri</b>			
<b>Special Assessment Collections</b>			
<b>Year Ended June 30,</b>	<b>Special Assessment Billings</b>	<b>Assessments Collected (1)</b>	<b>Total Outstanding Assessments</b>
1993	170,334	247,853	835,766
1994	45,734	101,058	780,442
1995	74,248	133,882	720,808
1996	139,575	120,018	740,365
1997	66,214	33,101	773,478
1998	145,958	278,298	641,138
1999	349,400	179,739	810,799
2000	550,231	134,440	1,226,590
2001	740,996	140,314	1,827,272
<b>2002</b>	<b>\$349,750</b>	<b>\$284,832</b>	<b>(2) \$1,892,190</b>

(1) Includes collection of current, delinquent and deferred special assessments.

(2) Includes \$134,769 held in escrow.

Table 7

City of Independence, Missouri Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita									
Year Ended June 30,	Estimatea Population	Assessed Value	General		Less Debt Service Funds	Net Bonded Debt	Ratio of		Net Bonded Debt Per Capita
			Obligation Bonded Debt	Obligation			Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita	
1993	113,561	743,446,460	(1,050,000)	56,452	(1,106,452)	-0.1	(9.74)		
1994	113,802	756,611,010	-	-	-	-	-		
1995	113,761	810,488,004	-	-	-	-	-		
1996	114,931	830,079,209	-	-	-	-	-		
1997	115,531	885,348,546	-	-	-	-	-		
1998	115,851	893,405,364	-	-	-	-	-		
1999	116,155	965,098,107	-	-	-	-	-		
2000	116,867	977,928,272	-	-	-	-	-		
2001	113,288	1,042,786,467	-	-	-	-	-		
2002	113,288	\$1,075,178,240	-	-	-	-	-		

Table 8

City of Independence, Missouri		
Computation of Legal Debt Margin		
June 30, 2002		
<b>Assessed Value at January 1, 2001: *</b>		
Jackson County		\$1,075,143,130
Clay County		<u>35,110</u>
		<b>\$1,075,178,240</b>
Constitutional Debt Limit ** (20% of Assessed Value)		\$215,035,648
Total Bonded Debt		\$57,276,614
Less:		
Water Utility Bonds	\$33,265,000	
Electric Utility Bonds	<u>24,011,614</u>	
		<u>57,276,614</u>
Total General Obligation Debt		0
Less: Debt Service Fund Balance		<u>0</u>
Applicable Debt Limit		<u>0</u>
<b>Legal Debt Margin</b>		<b>\$215,035,648</b>
<p>* All Tangible Property.</p> <p>** Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.</p> <p>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.</p> <p>Article 6, Section 26(d) &amp; (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 system 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.</p>		

Table 9

<p style="text-align: center;"><b>City of Independence, Missouri</b>  <b>Computation of Direct and Overlapping Debt</b>  <b>June 30, 2002</b></p>						
<i>Jurisdiction</i>	<i>General Obligation Bond Issues Outstanding</i>	<i>Amount Available Debt Service Funds</i>	<i>Net Debt Outstanding</i>	<i>Percentage Applicable to City of Independence</i>	<i>Amount Applicable to City of Independence</i>	
City of Independence	---	---	---	---	---	---
Jackson County	-	-	-	0.0%	-	-
Jackson County School Districts:						
Metropolitan Junior College	\$ -	-	-	0.00%	-	-
Independence	59,505,000	-	59,505,000	100.00%	59,505,000	
Kansas City	-	-	-	0.00%	-	-
Blue Springs Reorganized #4	78,887,149	6,819,415	72,067,734	21.78%	15,696,352	
Fort Osage Reorganized #1	26,170,777	0	26,170,777	12.50%	3,271,347	
	<u>\$164,562,926</u>	<u>\$6,819,415</u>	<u>\$157,743,511</u>		<u>\$78,472,700</u>	

Table 10

<b>City of Independence, Missouri</b>		<b>Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total General Governmental Expenditures</b>									
		<i>Year Ended June 30</i>									
		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Bond Retirements:</b>											
23 Street Right-of-Way											
1968 Street											
1969 Street											
1974 Street	\$1,015,000	\$1,055,000	0	0	0	0	0	0	0	0	0
1968 Fire											
1969 Fire	35,000	35,000									
1974 Fire											
1968 Sewer											
1969 Sewer											
1972 Police Bldg.	0	0	0	0	0	0	0	0	0	0	0
<b>Total Bond Requirement:</b>	<b>\$1,050,000</b>	<b>\$1,090,000</b>	<b>\$0</b>	<b>\$0</b>							
<b>Interest and Agent Fees</b>	<b>\$107,945</b>	<b>\$55,445</b>	<b>\$0</b>	<b>\$0</b>							
<b>Total Debt Service</b>	<b>\$1,157,945</b>	<b>\$1,145,445</b>	<b>\$0</b>	<b>\$0</b>							
<b>Total General Governmental Expenditures (a)</b>											
	\$40,905,588	\$41,173,726	\$46,590,172	\$47,963,641	\$49,172,040	\$53,522,757	\$66,380,643	\$79,366,650	\$90,042,052	\$98,020,507	
<b>Ratio of Debt Service to General Governmental Expenditures</b>	<b>2.83%</b>	<b>2.78%</b>	<b>0.00%</b>								

(a) Represents General Fund, Special Revenue Funds, and Capital Project Funds

Table 11

City of Independence, Missouri							
Revenue Bond Coverage - Power & Light Revenue Bonds							
Year Ended June 30,	Gross Revenue	Current Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	
						Coverage	
1993	55,155,224	39,522,251	15,632,973	725,000	2,538,275	3,263,275	4.79
1994	58,624,361	40,787,834	17,836,527	895,000	2,364,893	3,259,893	5.47
1995	58,748,836	41,427,298	17,321,538	920,000	2,341,335	3,261,335	5.31
1996	62,980,774	43,122,409	19,858,365	980,000	2,271,559	3,251,559	6.11
1997	61,774,504	41,624,569	20,149,935	1,045,000	2,208,240	3,253,240	6.19
1998	67,552,096	44,766,098	22,785,998	1,115,000	2,134,615	3,249,615	7.01
1999	69,173,245	46,068,740	23,104,505	1,090,000	2,005,463	3,095,463	7.46
2000	70,349,124	50,390,860	19,958,264	1,535,000	1,384,760	2,919,760	6.84
2001	81,965,004	57,618,481	24,346,523	1,595,000	1,308,835	2,903,835	8.38
2002	\$73,930,488	\$52,142,313	\$21,788,175	\$1,675,000	\$1,243,860	\$2,918,860	7.46

(1) Excludes Depreciation, Interest Expense, Amortization, Non-Operating Expense and Payments in Lieu of Taxes.

Table 12

**City of Independence, Missouri**  
**Revenue Bond Coverage - Water Revenue Bonds**

Year Ended June 30,	Gross Revenue	Current Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			
				Principal	Interest (2)	Total	
1993	13,951,496	6,676,822	7,274,674	550,000	1,303,142	1,853,142	3.93
1994	13,615,001	7,213,855	6,401,146	600,000	1,145,287	1,745,287	3.67
1995	14,678,604	7,693,996	6,984,608	650,000	1,656,007	2,306,007	3.03
1996	15,798,683	9,629,563	6,169,120	700,000	1,590,965	2,290,965	2.69
1997	15,342,158	8,547,276	6,794,882	750,000	1,557,884	2,307,884	2.94
1998	15,814,097	8,162,749	7,651,348	800,000	1,555,705	2,355,705	3.25
1999	15,400,654	9,664,783	5,735,871	900,000	1,510,313	2,410,313	2.38
2000	16,656,302	9,656,336	6,999,966	850,000	1,596,133	2,446,133	2.86
2001	16,267,295	10,018,126	6,249,169	900,000	1,561,920	2,461,920	2.54
<b>2002</b>	<b>\$16,066,944</b>	<b>\$10,199,624</b>	<b>\$5,869,320</b>	<b>\$985,000</b>	<b>\$1,527,809</b>	<b>\$2,512,809</b>	<b>2.34</b>

(1) Excludes Depreciation, Interest Expense, Amortization, Non-Operating Expense and Payments in Lieu of Taxes  
(2) Excludes \$6,050,000 reduction of debt due to remarketing.

Table 13

City of Independence, Missouri							
Revenue Bond Coverage - Sanitary Sewer Revenue Bonds							
Year Ended June 30,	Gross Revenue	Current Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993	8,120,465	7,350,947	769,518	--	--	--	--
1994	7,634,369	7,987,449	(353,080)	--	--	--	--
1995	8,318,756	6,814,676	1,504,080	--	--	--	--
1996	10,030,225	7,406,757	2,623,468	--	--	--	--
1997	11,949,809	7,924,753	4,025,056	--	--	--	--
1998	12,397,234	7,699,724	4,697,510	--	--	--	--
1999	13,208,379	8,504,860	4,703,519	--	--	--	--
2000	13,463,695	8,477,466	4,986,229	--	--	--	--
2001	13,852,358	8,893,489	4,958,869	--	--	--	--
<b>2002</b>	<b>\$13,100,624</b>	<b>\$8,900,009</b>	<b>\$4,200,615</b>	--	--	--	--

(1) Excludes Depreciation, Interest Expense, Amortization, Non-Operating Expense and Payments in Lieu of Taxes.

Table 14

**City of Independence, Missouri**  
**Demographic Statistics**

<i>Year Ended June 30,</i>	<i>Population (1)</i>	<i>Median Household Income (2)</i>	<i>Median Age (2)</i>	<i>School Enrollment</i>	<i>Unem- ployment Rate (3)</i>
1993	113,561	28,320	34.4	15,357	5.80%
1994	113,802	28,306	35.6	15,464	4.50%
1995	113,761	30,369	34.5	16,286	4.20%
1996	114,931	31,395	34.9	15,821	4.20%
1997	115,531	32,970	35.2	15,667	3.30%
1998	115,851	34,544	35	16,746	3.70%
1999	116,115	32,776	35	16,361	2.90%
2000	116,867	32,776	35	16,361	2.90%
2001	113,288	40,462	36	15,302	2.90%
<b>2002</b>	<b>113,288</b>	<b>\$53,960</b>	<b>36</b>	<b>15,987</b>	<b>2.90%</b>

*Sources:*

*(1) Statistics provided by City of Independence Community Development Department.*

*(2) Mid-America Regional Council & Claritas, Inc.*

*(3) Unofficial statistics provided by the State of Missouri Division of Employment Security.*

Table 15

<b>City of Independence</b>				
<b>Construction Permits</b>				
Year Ended Dec 31,	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>	
	Number of Permits	Value	Number of Permits	Value
1992	301	18,158,880	307	22,299,100
1993	344	20,983,812	347	32,023,555
1994	335	36,501,212	322	30,979,437
1995	263	21,953,940	324	34,898,729
1996	368	41,951,212	780	32,781,341
1997	290	46,214,864	732	41,552,561
1998	370	36,386,117	751	\$47,477,592
1999	282	72,399,536	616	\$40,362,632
2000	219	61,394,644	647	\$43,799,753
<b>2001</b>	<b>158</b>	<b>\$47,467,165</b>	<b>596</b>	<b>\$39,941,328</b>

1) Source: City of Independence Community Development Department - Calendar year basis.

Table 16

<b>City of Independence Missouri</b>			
<b>Principal Property Taxpayers</b>			
<b>June 30, 2002</b>			
<i>Taxpayer</i>	<i>Type of Business</i>	<i>2002 Assessed Valuation (1)</i>	<i>Percent of Total Assessed Valuation</i>
Simon Property Group LP	Retail	\$16,468,551	1.53 %
Community Center Two, LLC	Retail	8,821,175	0.82
Space Center of Kansas City	Warehouse	8,290,435	0.77
Southern Union Railroad	Utility	4,856,878	0.45
Bradley Operating LTD PTP	Retail	3,840,000	0.36
Independence Apartments	Housing	3,675,082	0.34
Independence Regional	Hospital	2,464,000	0.23
Butler Real Estate	Real Estate	2,293,891	0.21
Wal Mart	Retail	2,240,000	0.21
Noland Fashion Square	Retail	1,683,230	0.16
Subtotal		<u>\$54,633,242</u>	<u>5.08</u>
Taxpayers not listed		1,020,544,998	94.92
TOTAL		<u>\$1,075,178,240</u>	<u>100.00 %</u>

1) Listed values are real estate assessed values which provide the basis for property tax revenue.

Table 17

**City of Independence, Missouri**  
**Miscellaneous Statistical Data**  
**June 30, 2002**

**Governmental Structure**

Date of Organization:	1827	Current Statistics:	
Date of Incorporation:	1849	Population	113,288
Charter Adopted:	December 5, 1961	Households	47,600
Form of Government:	Council/Manager	Registered Voters	66,461
Current Number of Employees	1,170		

**City Facilities and Services**

<b>Utilities:</b>		<b>Fire Protection:</b>	
<u>Electric Power</u>		Stations	10
Number of power stations	5	Employees	174
Number of customers	54,197	Vehicles	40
Daily average use (Mwh)	2,940		
Maximum daily use (Mwh)	5,395	<b>Police Protection:</b>	
Peak Hourly Use (MW)	289.0	Stations	3
Miles of T&D Circuits	789.0	Employees	266
		Vehicles	151
<u>Sanitary Sewer System</u>			
Miles of sewer mains	565	<b>Streets:</b>	
Number of customers	42,878	Total area (sq. mi.)	78
Number of treatment plants	1	Paved miles	532
Daily average treatment (in MGD)	10.5		
Maximum daily capacity of treatment (in MGD)	18.0		
<u>Water System</u>		<b>Recreation:</b>	
Miles of water mains	694	Parks:	
Number of customers	46,394	Acreage	721
Number of fire hydrants	3,996	Number	40
Daily average consumption (in millions of gallons)	25	Community Centers	1
Maximum daily pumpage (in millions of gallons)	39	Fitness Centers	1
		Ball Fields	53

**Nongovernmental Services and Facilities**

<b>Education:</b>		<b>Transportation:</b>	
Elementary and High School Enrollment	15,987	Bus systems (operated by KCATA)	1
Elementary schools	21	Taxi services	3
Junior High (Middle) Schools	5		
High Schools	4	<b>Communications: (served by)</b>	
Pre-school and Kindergartens	15	Daily Newspapers	2
Parochial and Private	13	Radio Stations	48
Teachers	1,170	TV Stations	16
Administrators	91	<b>Hospitals</b>	
Colleges	5	Number	2
		Bed space	573
<b>Hotels/Motels</b>	15	<b>Bank/Credit Union Facilities</b>	32
No. of Rooms	1209		

Table 18

City of Independence Schedule of Insurance June 30, 2002					
<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
1. Hartford Steam Boiler Zurich American a) All risk property insurance on building and contents. Replacement cost coverage basis.	STA410102 PBM2994187-01	6/30/2002 6/30/2002	All risk including property damage, flood, earthquake, transit, expediting, hazardous material cleanup, extra expense and automatic coverage.	\$200,000,000	\$241,184 \$120,592
2. Hartford Steam Boiler Zurich American b) Boiler and Machinery coverage of listed equipment. Most covered items fall under Power and Light Department.	STA410102 PBM2994187-01	6/30/2002 6/30/2002	Boiler & Machinery coverage including expediting, ammonia containment, water damage, hazardous materials, business interruption.	\$75,000,000	\$81,434 \$81,434
3. Missouri Public Entity Management Liability insurance coverage for law enforcement liability, general liability, public official errors and omission liability and automotive liability.	1038	12/31/2002	Automobile liability claims Law enforcement liability claims General liability claims Public officials liability claims	\$2,000,000 per occurrence	\$321,222
SIRPRO - Kemper Excess Liability	NUAB150408-00	12/31/2002	Coverage for claims not covered by Missouri's Sovereign Immunity Statute	\$5,000,000	\$50,000
4. Midwest Employers Casualty Excess Worker's Compensation and Employer's Liability Insurance	415-99-19	4/25/2003	Loss by on-the-job injury of employees	Statutory	\$128,005
5. Western Surety Company	69137880	6/15/2004	Public Officials Bonds	\$50,000-City Mgr. \$50,000 Pur. Agnt. \$400,000-Fin. Dir.	\$1,864 (3 year premium)

Table 18

<p style="text-align: center;"><b>City of Independence</b>  <b>Schedule of Insurance</b>  <b>June 30, 2002</b></p>					
<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
6. Hartford Insurance Co.	37BPEAT836	6/15/2004	Public employees blanket bond & 3-D crime policy	\$500,000	\$7,863 (3 year premium)
7. Monumental Life	ML1004337	6/30/2002	Reinsurance for Staywell Plan Specific stoploss @ \$125,000 Aggr. Att. Point @ \$10,629,815	See risk covered	\$279,005
8. Nation's Bank		Continuous	Escrow Account-Worker's Compensation	\$225,000	\$350
9. Hartford Life Insurance	907872	8/31/2002	Life Insurance coverage for each \$150,000/person employee. Also covers for accidental death, disability and dismemberment.		\$.295/\$1,000 of Annual Salary
10. Staywell Health Care Plan		Continuous	Self-Insured Health Care Plan	Various limits	Cost varies per emp.
11. National Flood Insurance Program	FL2-0347-59221	12/22/2002	Flood Insurance coverage for Rock Creek Pumping Station	\$322,100	\$2,875
12. HealthNet HMO		Continuous	Health plan for enrolled employees.	Various limits	Cost varies per emp.

Table 18

City of Independence Schedule of Insurance June 30, 2002					
<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
13. Delta Dental of Missouri		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
14. United Dental Care		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
15. Hartford Life Insurance Co.	GLT-32710	8/31/2002	Long term disability insurance.	60% of individual employees' salary.	\$0.137/100 of annual salaries.

Independence



*City of Independence*



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