

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



June 30,

2004

*Comprehensive Annual
Financial Report*

CITY OF INDEPENDENCE, MISSOURI

Comprehensive Annual Financial Report



June 30, 2004

CITY OF INDEPENDENCE, MISSOURI

-Comprehensive Annual Financial Report

**Fiscal Year July 1, 2003
through June 30, 2004**

Mayor

Rondell F. Stewart

City Council

| | |
|---------------------------|--------------------|
| Don Reimal | District #1 |
| Will Swoffer | District #2 |
| Renee Paluka-White | District #3 |
| James Page | District #4 |
| Jason White | At-large |
| Jim Schultz | At-large |

City Manager

Robert E. Heacock

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration

CITY OF INDEPENDENCE, MISSOURI

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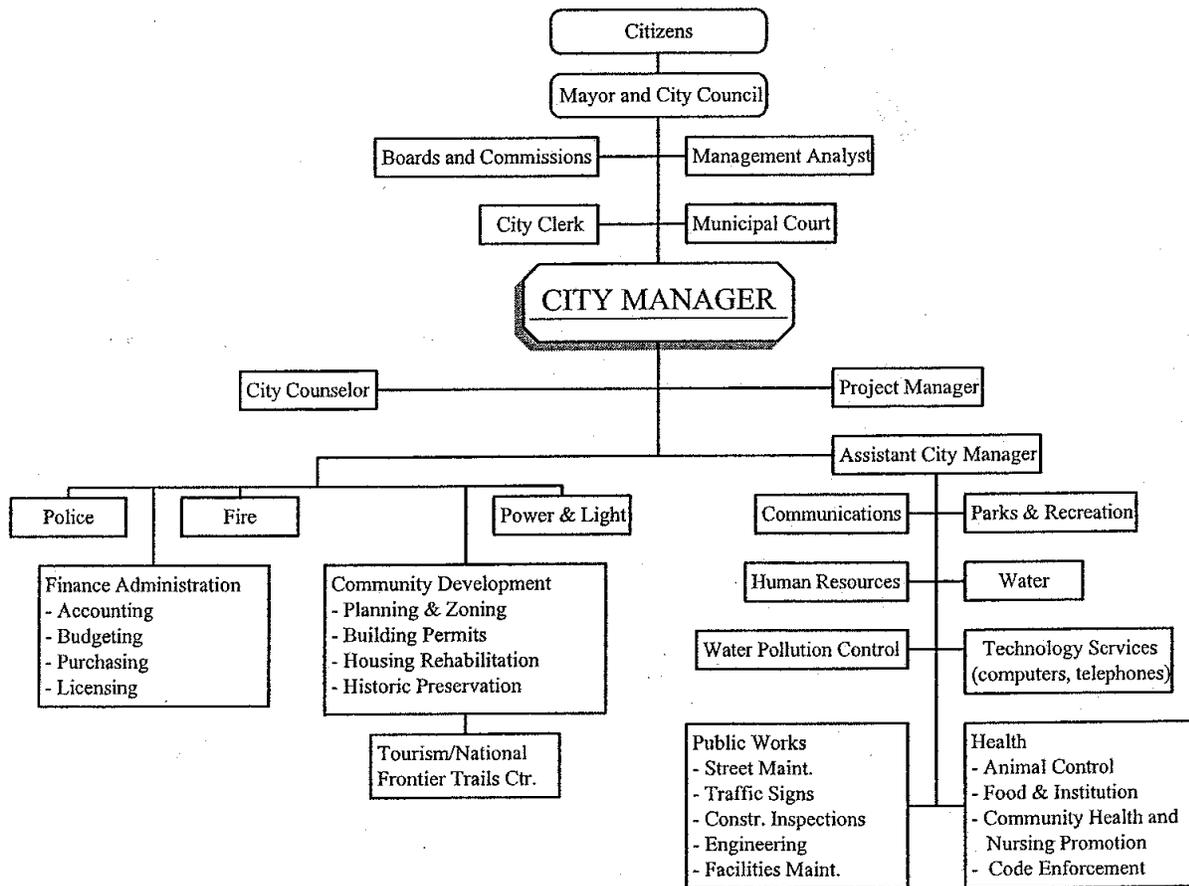
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CITY OF INDEPENDENCE, MISSOURI

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 • (816) 325-7000



November 1, 2004

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2004. 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. It is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

This report was prepared by the City's Finance Department staff in accordance with general accepted accounting principles 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, 2004 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, 2004, 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 Statement—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) and in the notes to the financial statements.

The CAFR 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 2003 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 the MD&A and should be read in conjunction with it. The City of Independence's MD&A can be found immediately following the report of the independent auditor.

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, 33rd President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 112,700. The City of Independence was presented the All American City award for 2001 by the National Civic League. *Working Woman* magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21st Century Community Learning Centers.

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 is home to Lake City Army Ammunition Plant, the largest small arms manufacturing plant in the world. Lake City is the largest employer in Independence and has added more than 1,000 jobs in the last three years. Independence is home to the Harry S Truman Presidential Museum & Library, one of only ten in the nation.

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

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 City 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, 2004, are reported as reservations of fund balances since the City intends to honor the purchase orders and contracts.

Factors Affecting Financial Condition

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 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The 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 Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The fiscal year 2004-2005 budget includes projects totaling an

estimated \$29.4 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales tax.

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. To maximize investment earnings, the City consolidates cash balances of all funds except for certain restricted funds. Idle cash during the year was invested in U.S. agencies and certificates of deposit. Since falling interest rates have negatively impacted the City, the maturities of the investments range from 16 days to one year. The average yield on investments was 2.00 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.) Significant attention is being given to cost control in the area of health insurance.

Awards and Acknowledgements

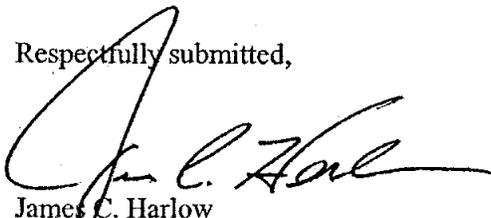
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2003. 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 thank the firm of KPMG LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,



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, 2003

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

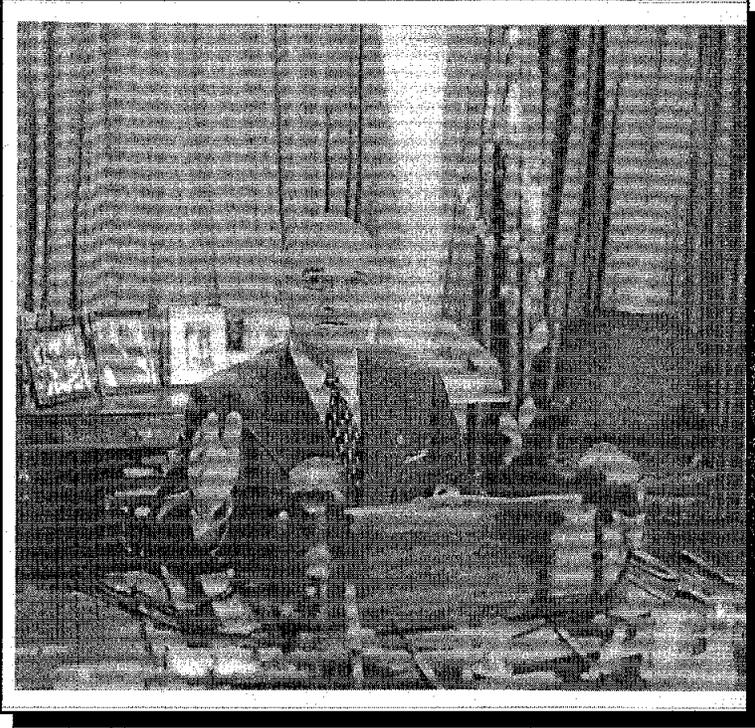


A handwritten signature in black ink, appearing to read "Edward Haney".

President

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

Executive Director



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



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





KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

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, 2004, 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 as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedules of funding progress and employer contributions on pages 9 through 20 and 62 through 65, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplementary information and the schedule of expenditures of federal awards have 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 supplementary information 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.

KPMG LLP

Kansas City, Missouri
October 22, 2004

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

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, 2004. 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.

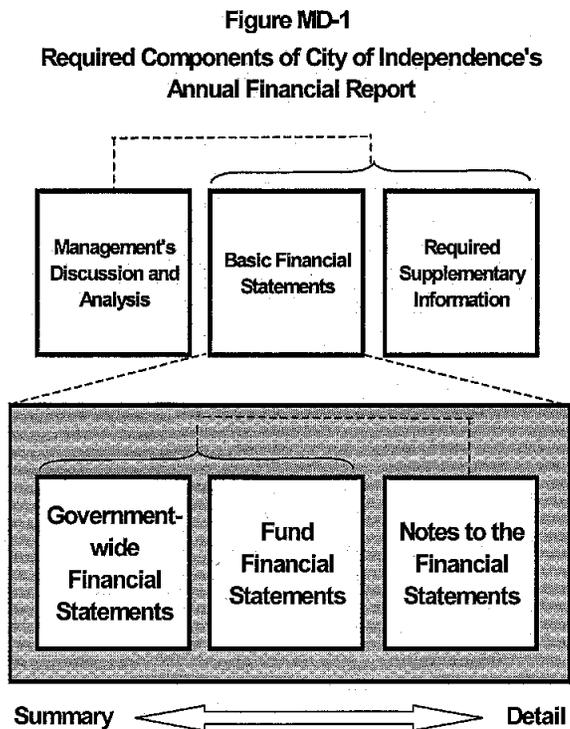
Financial Highlights

- The City's total net assets increased over \$19 million. Of this amount, \$9.2 million or 48% was from the City's 'governmental-type activities,' and the balance was from 'business activities.'
- As with other entities, the recent economic slow-down has affected the City's revenues. Growth in sales tax revenue was only 3.3%.
- The cost increases for employee health insurance has had an impact on our cost of operations.
- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- The City has approved tax increment financing for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel.
- HCA hospitals have received approval to relocate the current two medical facilities it owns in the City to a new \$250,000,000 state of the art medical center.
- During August 2004, sales taxes were approved for public safety purposes. A twelve year, one-eight cent capital improvements sales tax was approved for police equipment. A twelve-year fire protection sales tax at one-quarter cent for four years and then one-eight cent for the remaining years was approved.

Overview of the Financial Statements

This annual report consists of three parts, management's discussion and analysis (this section), the basic financial statements and required supplementary information, and an optional section that presents combining statements for nonmajor 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.



CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

- 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 provides details about our 'nonmajor 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.

| Figure MD-2 Major Features of the City of Independence's Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|--|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire City government (except fiduciary funds) | The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks | Activities the City operates similar to private businesses: electric, water, and sanitary sewer | Instances in which the City is the trustee or agent for someone else's resources |
| Required financial Statements | * Statement of net assets * Statement of activities | * Balance Sheet * Statement of revenues, expenditures, and changes in fund balances | * Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows | * Statement of fiduciary net assets * Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus. | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

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 nonfinancial 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.

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

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 three internal service funds, and these are the self-funded health insurance fund, central garage fund, and employee benefits 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.

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

Financial Analysis of the City as a Whole

Net Assets

The following table (MD-1) reflects the condensed statement of net assets:

Table MD-1
City of Independence
Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|---------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Current and other assets | \$ 43,615,381 | 34,901,472 | 106,033,573 | 92,892,070 | 149,648,954 | 127,793,542 |
| Capital assets | 88,789,612 | 77,888,763 | 275,588,093 | 264,008,141 | 364,377,705 | 341,896,904 |
| Total assets | <u>132,404,993</u> | <u>112,790,235</u> | <u>381,621,666</u> | <u>356,900,211</u> | <u>514,026,659</u> | <u>469,690,446</u> |
| Long-term debt outstanding | 65,292,860 | 57,085,602 | 67,012,548 | 55,158,436 | 132,305,408 | 112,244,038 |
| Other liabilities | 16,960,775 | 14,753,807 | 15,825,604 | 12,807,303 | 32,786,379 | 27,561,110 |
| Total liabilities | <u>82,253,635</u> | <u>71,839,409</u> | <u>82,838,152</u> | <u>67,965,739</u> | <u>165,091,787</u> | <u>139,805,148</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 86,613,728 | 75,199,757 | 212,840,200 | 210,181,962 | 299,453,928 | 285,381,719 |
| Restricted | 12,415,044 | 8,932,152 | 500,000 | 500,000 | 12,915,044 | 9,432,152 |
| Unrestricted | <u>(48,877,412)</u> | <u>(43,181,083)</u> | <u>85,443,314</u> | <u>78,252,510</u> | <u>36,565,902</u> | <u>35,071,427</u> |
| Total net assets | <u>\$ 50,151,360</u> | <u>40,950,826</u> | <u>298,783,514</u> | <u>288,934,472</u> | <u>348,934,874</u> | <u>329,885,298</u> |

The City's combined net assets increased 5.8% to \$348.9 million from \$329.9 million as reflected in Table MD-1. Net assets of the City's governmental activities increased 22.5% to \$50.2 million. Governmental assets increased \$19.6 million and liabilities increased \$10.5 million. The increase in long-term debt of \$8.2 million is related to tax increment financing (TIF) projects, Truman Memorial Building loan, capital leases, and the Neighborhood Improvement Districts (NID).

The City's unrestricted net assets for governmental activities were (\$48.9) million. (Assets for roads, bridges and other governmental infrastructure assets acquired prior to fiscal year 2003 are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2003 in future years in response to GASB Statement No. 34.) Total unrestricted net assets were \$36.6 million with the business-type activities being \$85.4 million.

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

Changes in Net Assets

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

Table MD-1
City of Independence
Change in Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|-------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 13,475,568 | 11,969,571 | 111,264,303 | 105,968,428 | 124,739,871 | 117,937,999 |
| Federal grants | 3,962,710 | 3,511,707 | 115,000 | — | 4,077,710 | 3,511,707 |
| State/local grants and contributions | 6,176,040 | 6,528,243 | 3,916,475 | 847,444 | 10,092,515 | 7,375,687 |
| General revenues: | | | | | | |
| Property taxes | 6,458,742 | 6,104,668 | — | — | 6,458,742 | 6,104,668 |
| Sales taxes | 35,423,599 | 34,286,925 | — | — | 35,423,599 | 34,286,925 |
| Other taxes | 7,270,437 | 6,750,674 | — | — | 7,270,437 | 6,750,674 |
| Interest | 583,364 | 404,173 | 709,029 | 822,222 | 1,292,393 | 1,226,395 |
| Other | 1,646,836 | 535,932 | 1,774,387 | 1,526,891 | 3,421,223 | 2,062,823 |
| Total revenues | 74,997,296 | 70,091,893 | 117,779,194 | 109,164,985 | 192,776,490 | 179,256,878 |
| Expenses: | | | | | | |
| General government | 6,808,416 | 6,846,123 | — | — | 6,808,416 | 6,846,123 |
| Public works | 6,196,849 | 6,686,542 | — | — | 6,196,849 | 6,686,542 |
| Public safety | 32,987,626 | 33,028,116 | — | — | 32,987,626 | 33,028,116 |
| Recreation | 4,069,244 | 3,861,827 | — | — | 4,069,244 | 3,861,827 |
| Community development | 3,471,030 | 3,319,609 | — | — | 3,471,030 | 3,319,609 |
| Health | 2,524,823 | 2,376,921 | — | — | 2,524,823 | 2,376,921 |
| Electric | — | — | 71,641,843 | 65,841,126 | 71,641,843 | 65,841,126 |
| Water | — | — | 15,352,095 | 15,297,405 | 15,352,095 | 15,297,405 |
| Sanitary sewer | — | — | 11,381,487 | 11,535,324 | 11,381,487 | 11,535,324 |
| Storm water | 1,043,573 | 1,081,513 | — | — | 1,043,573 | 1,081,513 |
| Nondepartment/other | 15,012,715 | 11,149,913 | — | — | 15,012,715 | 11,149,913 |
| Interest | 3,237,213 | 2,955,628 | — | — | 3,237,213 | 2,955,628 |
| Total expenses | 75,351,489 | 71,306,192 | 98,375,425 | 92,673,855 | 173,726,914 | 163,980,047 |
| Excess (deficiency) before special item and transfers | (354,193) | (1,214,299) | 19,403,769 | 16,491,130 | 19,049,576 | 15,276,831 |
| Transfers | 9,554,727 | 9,333,977 | (9,554,727) | (9,333,977) | — | — |
| Increase in net assets | \$ 9,200,534 | 8,119,678 | 9,849,042 | 7,157,153 | 19,049,576 | 15,276,831 |

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

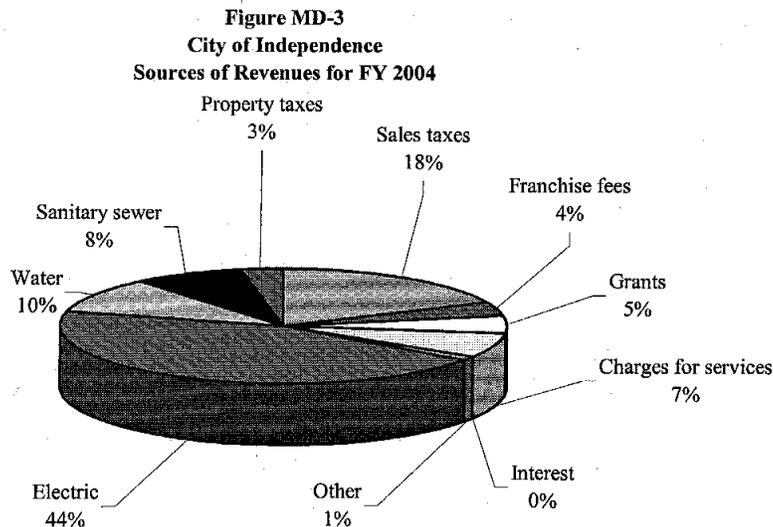
Total revenues increased \$13.5 million and Governmental revenues increased 7% or \$4.9 million. This increase can be attributed mostly to the increase in charges for services and inter-governmental revenues. Of significance is the slow-down in the growth of taxes and particularly sales tax. This, however, is a reflection of the general economy.

Total expenses increased \$9.7 million and Governmental expenses increased 5.7% or \$4.1 million. This increase can be attributed to costs associated with electric production and capital projects, including tax increment financing.

The change in the business-type activities can be described as normal operations, some of which is related to the effect of weather on electric and water sales.

Revenues

For the fiscal year ending June 30, 2004, revenues totaled \$192.8 million. Of this amount, charges for services (governmental and business type) were \$124.7 million or 64.7% of the total. Revenue from business-type activities represents 61.1% of the total City revenues (Figure MD-3).



Revenues from governmental activities were \$75 million. Sales taxes, the largest governmental category, were \$35.4 million or 47.2%. All taxes represent \$49.2 million or 65.6% of the governmental revenue. Inter-governmental revenues from such sources as grants were \$10.1 million or 13.5% of the governmental revenues. Charges for services at \$13.5 million were 18% of the total.

CITY OF INDEPENDENCE, MISSOURI

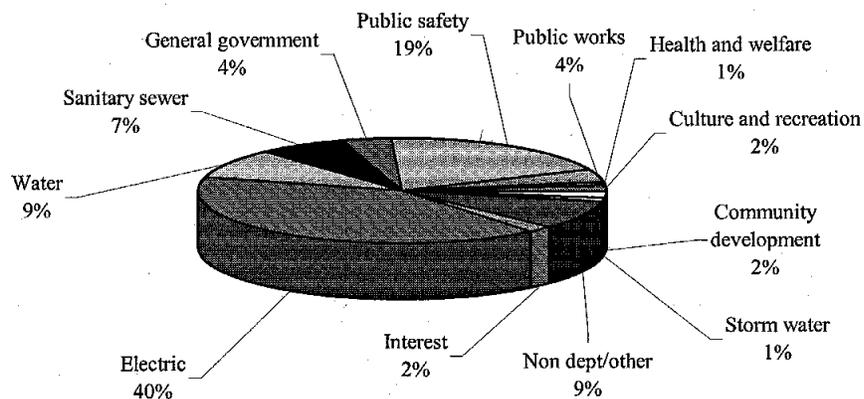
Management's Discussion and Analysis

June 30, 2004

Expenses

For the fiscal year ending June 30, 2004, expenses totaled \$173.7 million. Of this amount the electric utility was \$71.6 million or 41.2% of the total. Business-type expenses represent 56.6% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2004



Expenses from governmental activities were \$75.4 million. Public safety expenses, the largest governmental category, were \$33 million or 43.8% of the total. Nondepartmental, which includes costs associated with tax increment financing projects of \$8.3 million, is the next largest category at \$15 million. Excluding the tax increment financing costs nondepartmental is \$6.6 million or 8.9% of the total. General government represents \$6.8 million or 9% of the governmental activities.

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

Governmental Activities

Table MD-3

Net Cost of City of Independence's Governmental Activities

| | <u>Total cost of services</u> | | <u>Net cost of services</u> | |
|------------------------|-------------------------------|-------------------|-----------------------------|-------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| General government | \$ 6,808,416 | 6,846,123 | 1,660,818 | 1,782,520 |
| Public works | 6,196,849 | 6,686,542 | (1,331,683) | 519,466 |
| Public safety | 32,987,626 | 33,028,116 | 27,118,607 | 26,901,394 |
| Culture and recreation | 4,069,244 | 3,861,827 | 3,666,462 | 3,333,198 |
| Community development | 3,471,030 | 3,319,609 | (27,197) | (39,863) |
| Health | 2,524,823 | 2,376,921 | 1,539,811 | 1,680,060 |
| Storm water | 1,043,573 | 1,081,513 | 875,425 | 1,028,520 |
| Other | 18,249,928 | 14,105,541 | 18,234,928 | 14,091,376 |
| Total | \$ 75,351,489 | 71,306,192 | 51,737,171 | 49,296,671 |

As previously noted, expenses from governmental activities for fiscal year 2004 were \$75.4 million. However, the net costs of these services were \$51.7 million. The difference represents direct revenues received from charges for services of \$13.5 million, operating grants of \$9.2 million, and capital grants of \$957,411. Taxes and other revenues of \$60.9 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities increased \$8.6 million or 7.9% and expenses increased \$5.7 million or 6.2%. This change is primarily the result of increased customer consumption caused by weather conditions. 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 \$32 million. The fund balance of the General Fund increased \$207,199 during fiscal year 2004. The undesignated portion of the General Fund's fund balance increased \$1.3 million to \$1,752,521. This increase was greater than expected when the budget was prepared. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as:

- Position vacancies were managed with the intent of managing termination and recruitment costs and filling these only when necessary.
- Capital projects funded with revenues from closed TIF projects were re-evaluated to release these resources for other purposes.
- Travel by staff in the governmental funds was restricted.

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- Revenue from landline telephone service continues to fall.

General Fund Budgetary Highlights

Resources available for appropriation decreased \$367 thousand from the original estimate. Revenues from grants provided most of this decrease. Actual revenues at the end of the year were less than projected by \$1.2 million. The largest negative variance was in the area of taxes accounting for \$890 thousand of the revenue shortfall.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$680 thousand. 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 \$2.6 million less than the amount appropriated representing a reduction of 4.3%. This was largely the result of an intentional under-spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset declining revenues and fund balance reserves.

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2004, the City had invested \$364.4 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 prior to fiscal year 2003 in future years in response to GASB Statement No. 34. Assets increased \$22.5 million or 6.6% during the period.

Table MD-4
City of Independence
Capital Assets
 (Net of depreciation)

| | Governmental activities | | Business-type activities | | Total | | Total percentage change 2004-2003 |
|--------------------------------|-------------------------|-------------------|--------------------------|--------------------|--------------------|--------------------|--------------------------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | |
| Land | \$ 10,912,049 | 10,922,339 | 5,437,449 | 4,959,089 | 16,349,498 | 15,881,428 | 2.9% |
| Buildings and improvements | 9,473,762 | 8,614,037 | — | — | 9,473,762 | 8,614,037 | 10.0 |
| Office furniture and equipment | 39,917 | 61,863 | — | — | 39,917 | 61,863 | (35.5) |
| Computer equipment | 333,667 | 314,101 | — | — | 333,667 | 314,101 | 6.2 |
| Mobile equipment | 4,738,944 | 5,172,122 | — | — | 4,738,944 | 5,172,122 | (8.4) |
| Other equipment | 1,022,332 | 1,035,639 | 26,014 | 26,014 | 1,048,346 | 1,061,653 | (1.3) |
| Infrastructure | 26,344,189 | 8,760,282 | 249,833,225 | 240,564,413 | 276,177,414 | 249,324,695 | 10.8 |
| Construction in progress | 35,924,752 | 43,008,380 | 20,291,400 | 18,458,625 | 56,216,152 | 61,467,005 | (8.5) |
| Total \$ | <u>88,789,612</u> | <u>77,888,763</u> | <u>275,588,088</u> | <u>264,008,141</u> | <u>364,377,700</u> | <u>341,896,904</u> | 6.6 |

The budget for fiscal year 2005 projects the City will spend an additional \$29.4 million for capital projects.

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

CITY OF INDEPENDENCE, MISSOURI

Management's Discussion and Analysis

June 30, 2004

Debt Administration

Table MD-5
City of Independence
Outstanding Debt

| | Governmental activities | | Business-type activities | | Total | | Total percentage change 2003-2004 |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|--|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | |
| TIF loans | \$ 56,590,556 | 49,379,628 | — | — | 56,590,556 | 49,379,628 | 14.60% |
| Loans payable | 2,727,360 | 2,922,048 | 65,887,893 | 53,826,179 | 68,615,253 | 56,748,227 | 20.91 |
| Capital lease obligations | 718,955 | 1,086,597 | — | — | 718,955 | 1,086,597 | (33.83) |
| Neighborhood improvement district | 995,000 | — | — | — | 995,000 | — | 100.00 |
| Total | <u>\$ 61,031,871</u> | <u>53,388,273</u> | <u>65,887,893</u> | <u>53,826,179</u> | <u>126,919,764</u> | <u>107,214,452</u> | 18.38 |

The City, at the end of fiscal year 2004, had a total of \$126.9 million of outstanding obligations. This was an increase of \$19.7 million or 18.3% from the previous fiscal year. None of these amounts relate to general obligations of the City, and \$65.8 million or 51.9% are obligations of the business-type activities. The increase in obligations for the governmental activity funds is for debt issued to fund neighborhood assessment projects (NIDs) and tax increment financing redevelopment projects, which includes significant commercial development for the City.

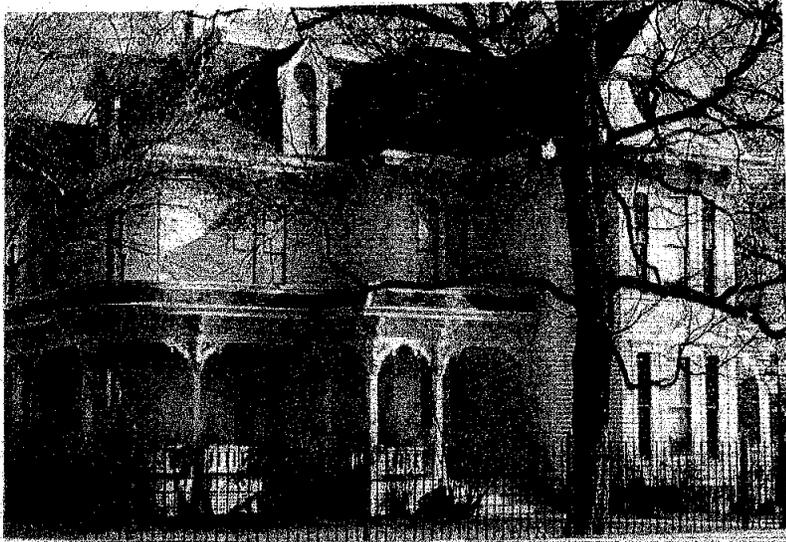
Additional information regarding debt can be found in the 'Note to Financial Statements,' section (7), of this report.

Economic Factors

In the last five years the City, as a community, lost 656 jobs, with employment at 63,730 jobs. Unemployment by mid-2004 was 5.8%, but this is lower than Jackson County at 6.9% and greater than the State at 5.7%. As with most of the rest of the country, the City's unemployment rate has remained steady during the last two years. Median income for 2004 is estimated to be \$50,940, while the State is \$51,685.

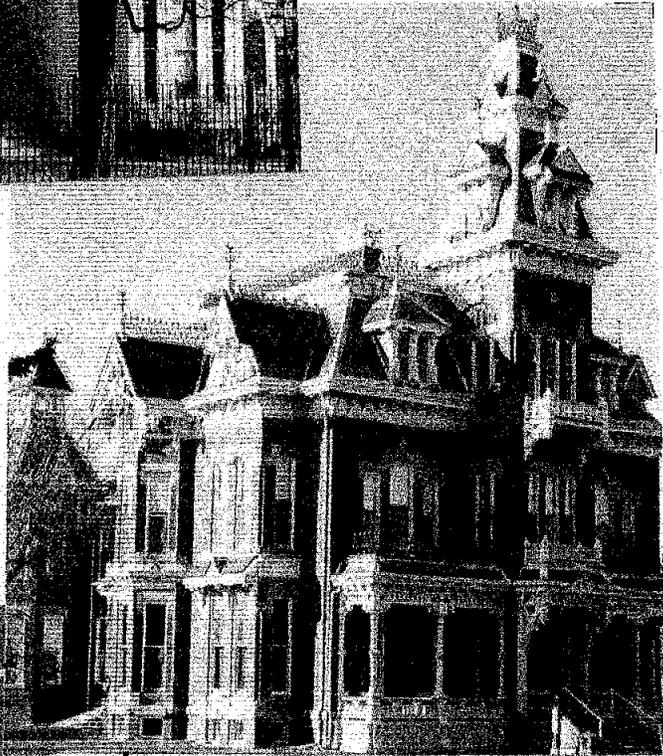
Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customer, 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.



Truman Home
219 N. Delaware

Vaile Mansion, 1881
1500 N. Liberty
30 rooms, Victorian Style



World War I Memorial Building

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2004

| Assets | Governmental activities | Business-type activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| Current assets: | | | |
| Pooled cash and investments | \$ 20,309,959 | 65,294,752 | 85,604,711 |
| Receivables: | | | |
| Taxes | 5,076,439 | — | 5,076,439 |
| Accounts | 964,506 | 6,891,288 | 7,855,794 |
| Unbilled revenue | — | 7,242,918 | 7,242,918 |
| Special assessment principal and accrued interest | 1,615,974 | 260,518 | 1,876,492 |
| Accrued interest | 83,737 | 345,080 | 428,817 |
| Other | — | 124,108 | 124,108 |
| Internal balances | (151,558) | 151,558 | — |
| Due from other governments | 5,041,524 | — | 5,041,524 |
| Inventory | 52,797 | 8,976,058 | 9,028,855 |
| Prepaid items | — | 104,952 | 104,952 |
| Total current assets | 32,993,378 | 89,391,232 | 122,384,610 |
| Noncurrent assets: | | | |
| Restricted assets | 10,236,830 | 2,386,171 | 12,623,001 |
| Capital assets: | | | |
| Nondepreciable | 46,607,019 | 25,728,851 | 72,335,870 |
| Depreciable, net | 42,182,593 | 249,859,242 | 292,041,835 |
| Deferred debt issue costs | 385,173 | 1,492,327 | 1,877,500 |
| Other deferred charges | — | 12,763,843 | 12,763,843 |
| Total noncurrent assets | 99,411,615 | 292,230,434 | 391,642,049 |
| Total assets | 132,404,993 | 381,621,666 | 514,026,659 |
| Liabilities and Net Assets | | | |
| Current liabilities: | | | |
| Accounts and contracts payable | 2,541,177 | 6,262,019 | 8,803,196 |
| Accrued items | 2,512,324 | 1,584,556 | 4,096,880 |
| Other current liabilities | 2,108,797 | 589,134 | 2,697,931 |
| Deferred revenue | 1,680,187 | 33,088 | 1,713,275 |
| Liabilities payable from restricted assets | 183,614 | 1,578,791 | 1,762,405 |
| Medical self-insurance claims | 871,093 | — | 871,093 |
| Long-term liabilities - due within one year | 7,063,581 | 4,723,593 | 11,787,174 |
| Total current liabilities | 16,960,773 | 14,771,181 | 31,731,954 |
| Long-term liabilities: | | | |
| Due in more than one year | 65,292,860 | 67,012,548 | 132,305,408 |
| Advances for construction | — | 1,054,423 | 1,054,423 |
| Total long-term liabilities | 65,292,860 | 68,066,971 | 133,359,831 |
| Total liabilities | 82,253,633 | 82,838,152 | 165,091,785 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 86,613,728 | 212,840,200 | 299,453,928 |
| Restricted for: | | | |
| Special revenue | 12,290,267 | — | 12,290,267 |
| Debt service | 111,503 | 500,000 | 611,503 |
| Other | 13,274 | — | 13,274 |
| Unrestricted | (48,877,412) | 85,443,314 | 36,565,902 |
| Total net assets | 50,151,360 | 298,783,514 | 348,934,874 |
| Total liabilities and net assets | \$ 132,404,993 | 381,621,666 | 514,026,659 |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2004

| Functions/programs | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | Net (expense) revenue |
|--------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|-----------------------|
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 6,808,416 | 5,117,112 | 28,836 | 1,650 | (1,660,818) |
| Public safety | 32,987,626 | 3,618,327 | 2,182,490 | 68,202 | (27,118,607) |
| Public works | 6,196,849 | 1,916,080 | 4,724,893 | 887,559 | 1,331,683 |
| Health and welfare | 2,524,823 | 487,956 | 497,056 | — | (1,539,811) |
| Culture and recreation | 4,069,244 | 252,814 | 149,968 | — | (3,666,462) |
| Community development | 3,471,030 | 2,068,279 | 1,429,948 | — | 27,197 |
| Storm water | 1,043,573 | — | 168,148 | — | (875,425) |
| Nondepartmental/other | 15,012,715 | 15,000 | — | — | (14,997,715) |
| Interest on long-term debt | 3,237,213 | — | — | — | (3,237,213) |
| Total governmental activities | <u>75,351,489</u> | <u>13,475,568</u> | <u>9,181,339</u> | <u>957,411</u> | <u>(51,737,171)</u> |
| Business-type activities: | | | | | |
| Power and light | 71,641,843 | 81,333,414 | — | 106,411 | 9,797,982 |
| Water | 15,352,095 | 16,610,572 | — | 1,973,038 | 3,231,515 |
| Sewer | 11,381,487 | 13,320,317 | — | 1,952,026 | 3,890,856 |
| Total business-type activities | <u>98,375,425</u> | <u>111,264,303</u> | <u>—</u> | <u>4,031,475</u> | <u>16,920,353</u> |
| Total primary government | <u>\$ 173,726,914</u> | <u>124,739,871</u> | <u>9,181,339</u> | <u>4,988,886</u> | <u>(34,816,818)</u> |
| | | | Governmental activities | Business-type activities | Total |
| Changes in net assets: | | | | | |
| Net (expense) revenue | | | \$ (51,737,171) | 16,920,353 | (34,816,818) |
| General revenues: | | | | | |
| Property taxes | | | 6,458,742 | — | 6,458,742 |
| Sales and use taxes | | | 35,423,599 | — | 35,423,599 |
| Franchise taxes | | | 7,241,437 | — | 7,241,437 |
| Financial institutions tax | | | 29,000 | — | 29,000 |
| Investment earnings | | | 583,364 | 709,029 | 1,292,393 |
| Miscellaneous | | | 1,646,836 | 1,774,387 | 3,421,223 |
| Transfers | | | 9,554,727 | (9,554,727) | — |
| Total general revenues and transfers | | | <u>60,937,705</u> | <u>(7,071,311)</u> | <u>53,866,394</u> |
| Change in net assets | | | 9,200,534 | 9,849,042 | 19,049,576 |
| Net assets, beginning of year | | | 40,950,826 | 288,934,472 | 329,885,298 |
| Net assets, end of year | | | <u>\$ 50,151,360</u> | <u>298,783,514</u> | <u>348,934,874</u> |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2004

| Assets | General | Nonmajor governmental funds | Total governmental funds |
|---|---------------------|-----------------------------------|--------------------------------|
| Pooled cash and investments | \$ 3,422,360 | 15,707,255 | 19,129,615 |
| Receivables: | | | |
| Taxes | 2,971,688 | 2,104,751 | 5,076,439 |
| Accounts | 201,619 | 630,232 | 831,851 |
| Special assessment principal and accrued interest | 548,902 | 1,067,071 | 1,615,973 |
| Accrued interest | 4,291 | 79,446 | 83,737 |
| Due from other funds | 790,545 | 24,782 | 815,327 |
| Due from other governments | 795,760 | 4,245,764 | 5,041,524 |
| Restricted assets | 787,766 | 9,449,064 | 10,236,830 |
| Total assets | <u>\$ 9,522,931</u> | <u>33,308,365</u> | <u>42,831,296</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts and contracts payable | \$ 1,146,890 | 1,367,795 | 2,514,685 |
| Due to other funds | 8,626 | 924,357 | 932,983 |
| Accrued items | 1,682,068 | 71,652 | 1,753,720 |
| Other current liabilities | 481,327 | 1,627,471 | 2,108,798 |
| Deferred revenue | 853,902 | 2,442,258 | 3,296,160 |
| Liabilities payable from restricted assets: | | | |
| Deposits and court bonds | 183,614 | — | 183,614 |
| Advances from other funds | — | 15,355 | 15,355 |
| Total liabilities | <u>4,356,427</u> | <u>6,448,888</u> | <u>10,805,315</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 1,156,430 | 8,756,075 | 9,912,505 |
| Domestic violence | 12,155 | — | 12,155 |
| Other purposes | 482,507 | 6,900,792 | 7,383,299 |
| Unreserved, reported in: | | | |
| General Fund | 1,752,521 | — | 1,752,521 |
| Special Revenue Funds | — | 7,871,693 | 7,871,693 |
| Debt Service Fund | — | 92,704 | 92,704 |
| Capital Projects Funds | — | (69,917) | (69,917) |
| Permanent Funds | — | 8,274 | 8,274 |
| Designated General Fund | 1,762,891 | — | 1,762,891 |
| Designated Special Revenue Funds | — | 748,187 | 748,187 |
| Designated Capital Projects Funds | — | 2,546,669 | 2,546,669 |
| Designated Permanent Funds | — | 5,000 | 5,000 |
| Total fund balances | <u>5,166,504</u> | <u>26,859,477</u> | <u>32,025,981</u> |
| Total liabilities and fund balances | <u>\$ 9,522,931</u> | <u>33,308,365</u> | <u>42,831,296</u> |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

June 30, 2004

| | |
|--|----------------------|
| Fund balances—total governmental funds | \$ 32,025,981 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | |
| Governmental capital assets | 109,791,169 |
| Less accumulated depreciation | <u>(21,105,895)</u> |
| | 88,685,274 |
| Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when due | (742,072) |
| Adjustment of deferred revenue | 1,615,976 |
| 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 | 480,994 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds | |
| TIF loan payable | (56,795,000) |
| Other loans payable | (3,740,000) |
| Capital lease obligations | (718,955) |
| Compensated absences | (11,232,959) |
| Employee benefits payable | (35,136) |
| Discounts (premiums) | <u>222,084</u> |
| | (72,299,966) |
| Deferred debt costs | <u>385,173</u> |
| Net assets of governmental activities | <u>\$ 50,151,360</u> |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2004

| | General | Nonmajor governmental funds | Total governmental funds |
|--|---------------------|-----------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 30,752,418 | 18,371,362 | 49,123,780 |
| Licenses and permits | 3,833,529 | 1,118,327 | 4,951,856 |
| Intergovernmental | 5,574,598 | 4,517,166 | 10,091,764 |
| Charges for services | 1,343,661 | 225,622 | 1,569,283 |
| Interfund charges for support services | 2,767,631 | — | 2,767,631 |
| Fines, forfeitures, and court costs | 3,219,276 | — | 3,219,276 |
| Investment income | 97,615 | 473,787 | 571,402 |
| Sale of property, plant, and equipment | 31,537 | — | 31,537 |
| Other | 617,874 | 1,002,121 | 1,619,995 |
| Total revenues | <u>48,238,139</u> | <u>25,708,385</u> | <u>73,946,524</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 6,593,368 | — | 6,593,368 |
| Public safety | 30,585,296 | 1,686,271 | 32,271,567 |
| Public works | 6,035,389 | — | 6,035,389 |
| Health and welfare | 1,899,131 | 496,163 | 2,395,294 |
| Culture and recreation | 2,268,048 | 1,484,137 | 3,752,185 |
| Community development | 2,163,600 | 1,282,974 | 3,446,574 |
| Storm water | 294,440 | 526,263 | 820,703 |
| Nondepartmental/other | 5,923,820 | 1,041,026 | 6,964,846 |
| Capital outlay | 937,585 | 19,544,288 | 20,481,873 |
| Debt service: | | | |
| Principal | 597,881 | 2,956,225 | 3,554,106 |
| Interest and fiscal agent fees | 113,190 | 3,040,340 | 3,153,530 |
| Total expenditures | <u>57,411,748</u> | <u>32,057,687</u> | <u>89,469,435</u> |
| Deficiency of revenues over expenditures | <u>(9,173,609)</u> | <u>(6,349,302)</u> | <u>(15,522,911)</u> |
| Other financing sources (uses): | | | |
| Proceeds from capital leases/bond issuance | 141,464 | 10,955,000 | 11,096,464 |
| Transfers in—utility payments in lieu of taxes | 9,712,812 | — | 9,712,812 |
| Transfers in | — | 651,553 | 651,553 |
| Transfers out | (473,468) | (336,169) | (809,637) |
| Total other financing sources | <u>9,380,808</u> | <u>11,270,384</u> | <u>20,651,192</u> |
| Net change in fund balances | 207,199 | 4,921,082 | 5,128,281 |
| Fund balances, beginning of year | <u>4,959,305</u> | <u>21,938,395</u> | <u>26,897,700</u> |
| Fund balances, end of year | <u>\$ 5,166,504</u> | <u>26,859,477</u> | <u>32,025,981</u> |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 2004

| | |
|--|---------------------|
| Net change in fund balances—total governmental funds | \$ 5,128,281 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the depreciation expense. This is the amount by which capital outlays \$13,462,284 exceeded depreciation of \$2,526,520 in the current period | 10,935,764 |
| 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 | (34,090) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | 941,417 |
| 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 | (11,096,464) |
| Principal payments | 3,554,106 |
| Discounts | 333,082 |
| Premiums | (197,346) |
| | <u>(7,406,622)</u> |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: | |
| Compensated absences | (170,851) |
| Accrued interest | (83,683) |
| | <u>(254,534)</u> |
| Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities | (162,410) |
| Employee benefits transfer | 52,728 |
| Change in net assets of governmental activities (Exhibit 2) | <u>\$ 9,200,534</u> |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
Proprietary Funds
June 30, 2004

| Assets | Enterprise funds | | | | Internal Service Funds |
|--|-----------------------|--------------------|-------------------|--------------------|------------------------|
| | Power and Light | Water | Sanitary Sewer | Total | |
| Current assets: | | | | | |
| Pooled cash and investments | \$ 33,786,466 | 22,329,690 | 8,424,492 | 64,540,648 | 1,934,450 |
| Receivables: | | | | | |
| Accounts (net of allowance of \$751,705) | 4,786,353 | 1,159,017 | 945,918 | 6,891,288 | 132,655 |
| Unbilled revenue | 5,560,035 | 771,335 | 911,548 | 7,242,918 | — |
| Special assessment principal and accrued interest | — | 106,312 | 154,205 | 260,517 | — |
| Accrued interest | 111,843 | 182,989 | 48,157 | 342,989 | 2,091 |
| Other | — | 124,108 | — | 124,108 | — |
| Due from other funds | 102,300 | — | 15,356 | 117,656 | — |
| Inventory | 8,369,284 | 557,395 | 49,379 | 8,976,058 | 52,797 |
| Prepaid items | 104,952 | — | — | 104,952 | — |
| Total current assets | 52,821,233 | 25,230,846 | 10,549,055 | 88,601,134 | 2,121,993 |
| Noncurrent assets: | | | | | |
| Restricted assets | 1,364,272 | 809,875 | 212,024 | 2,386,171 | — |
| Capital assets: | | | | | |
| Nondepreciable | 11,057,084 | 7,312,224 | 7,359,543 | 25,728,851 | 93,979 |
| Depreciable, net | 128,957,366 | 68,733,051 | 52,168,825 | 249,859,242 | 10,359 |
| Advance to other funds | — | — | 15,355 | 15,355 | — |
| Deferred debt issue costs | 379,584 | 1,112,743 | — | 1,492,327 | — |
| Prepaid employee benefits | 598,678 | 79,219 | 113,434 | 791,331 | — |
| Other deferred charges | 222,750 | 12,541,093 | — | 12,763,843 | — |
| Total noncurrent assets | 142,579,734 | 90,588,205 | 59,869,181 | 293,037,120 | 104,338 |
| Total assets | \$ 195,400,967 | 115,819,051 | 70,418,236 | 381,638,254 | 2,226,331 |
| Liabilities and Net Assets | | | | | |
| Current liabilities: | | | | | |
| Accounts and contracts payable | \$ 3,697,324 | 2,272,329 | 292,365 | 6,262,018 | 26,493 |
| Accrued items | 827,600 | 409,223 | 347,733 | 1,584,556 | 16,535 |
| Other current liabilities | 167,400 | 363,360 | 58,374 | 589,134 | — |
| Deferred revenue | — | 33,088 | — | 33,088 | — |
| Current portion of long-term obligations | 2,911,323 | 1,611,933 | 200,337 | 4,723,593 | 21,615 |
| Employee benefits payable | — | — | — | — | 791,331 |
| Medical self-insurance claims | — | — | — | — | 871,093 |
| Liabilities payable from restricted assets | 893,689 | 524,078 | 161,024 | 1,578,791 | — |
| Total current liabilities | 8,497,336 | 5,214,011 | 1,059,833 | 14,771,180 | 1,727,067 |
| Noncurrent liabilities: | | | | | |
| Revenue bonds payable | 18,252,893 | 44,495,000 | — | 62,747,893 | — |
| Compensated absences—long-term | 2,963,080 | 825,826 | 475,748 | 4,264,654 | 34,860 |
| Advances for construction | 921,371 | 126,552 | 6,500 | 1,054,423 | — |
| Total noncurrent liabilities | 22,137,344 | 45,447,378 | 482,248 | 68,066,970 | 34,860 |
| Total liabilities | 30,634,680 | 50,661,389 | 1,542,081 | 82,838,150 | 1,761,927 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 121,761,557 | 31,550,275 | 59,528,368 | 212,840,200 | 104,337 |
| Restricted for: | | | | | |
| Debt service | — | 500,000 | — | 500,000 | — |
| Unrestricted | 43,004,730 | 33,107,387 | 9,347,787 | 85,459,904 | 360,067 |
| Total net assets | 164,766,287 | 65,157,662 | 68,876,155 | 298,800,104 | 464,404 |
| Total liabilities and net assets | \$ 195,400,967 | 115,819,051 | 70,418,236 | 381,638,254 | 2,226,331 |
| 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 | | | | (16,590) | |
| Net assets of business-type activities | | | | \$ 298,783,514 | |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2004

| | Enterprise funds | | | | Internal Service Funds |
|---|-----------------------|-------------------|-------------------|---------------------|------------------------------|
| | Power and Light | Water | Sanitary Sewer | Total | |
| Operating revenues: | | | | | |
| Charges for services | \$ 80,394,615 | 16,325,073 | 13,216,121 | 109,935,809 | 1,217,533 |
| Miscellaneous | 938,799 | 285,499 | 104,196 | 1,328,494 | 10,692,076 |
| Total operating revenues | <u>81,333,414</u> | <u>16,610,572</u> | <u>13,320,317</u> | <u>111,264,303</u> | <u>11,909,609</u> |
| Operating expenses: | | | | | |
| Personal services | 12,753,629 | 5,287,754 | 3,679,802 | 21,721,185 | 455,968 |
| Other services | 8,171,666 | 2,826,766 | 5,161,680 | 16,160,112 | 11,445,929 |
| Supplies | 34,454,138 | 1,121,457 | 337,047 | 35,912,642 | 543,086 |
| Other expenses | 5,560,951 | 2,465,987 | 64,723 | 8,091,661 | — |
| Depreciation and amortization | 9,412,287 | 1,960,948 | 2,125,215 | 13,498,450 | 4,676 |
| Total operating expenses | <u>70,352,671</u> | <u>13,662,912</u> | <u>11,368,467</u> | <u>95,384,050</u> | <u>12,449,659</u> |
| Operating income (loss) | <u>10,980,743</u> | <u>2,947,660</u> | <u>1,951,850</u> | <u>15,880,253</u> | <u>(540,050)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest revenue | 425,375 | 163,959 | 111,390 | 700,724 | 20,266 |
| Miscellaneous revenue | 506,928 | 1,305,491 | 117,473 | 1,929,892 | 275,549 |
| Interest expense | (1,234,422) | (1,666,558) | (267) | (2,901,247) | — |
| Total nonoperating revenue (expenses) | <u>(302,119)</u> | <u>(197,108)</u> | <u>228,596</u> | <u>(270,631)</u> | <u>295,815</u> |
| Income before contributions and transfers | <u>10,678,624</u> | <u>2,750,552</u> | <u>2,180,446</u> | <u>15,609,622</u> | <u>(244,235)</u> |
| Capital contributions | 106,411 | 1,858,038 | 1,911,524 | 3,875,973 | — |
| Transfers out—utility payments in lieu of taxes | (7,651,310) | (961,203) | (1,100,299) | (9,712,812) | — |
| Transfers in | 6,283 | 831 | 106,547 | 113,661 | 44,423 |
| Change in net assets | <u>3,140,008</u> | <u>3,648,218</u> | <u>3,098,218</u> | <u>9,886,444</u> | <u>(199,812)</u> |
| Total net assets: | | | | | |
| Beginning of the year | 161,626,279 | 61,509,444 | 65,777,937 | 288,913,660 | 664,216 |
| End of the year | <u>\$ 164,766,287</u> | <u>65,157,662</u> | <u>68,876,155</u> | <u>298,800,104</u> | <u>464,404</u> |
| 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 | | | | <u>(37,402)</u> | |
| Change in net assets of business-type activities | | | | <u>\$ 9,849,042</u> | |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2004

| | Enterprise funds | | | Internal Service Funds | |
|--|------------------|--------------|----------------|------------------------|--------------|
| | Power and Light | Water | Sanitary Sewer | | Total |
| Cash flows from operations: | | | | | |
| Receipts from customers | \$ 80,273,480 | 16,670,456 | 13,361,719 | 110,305,655 | 11,777,318 |
| Payments to suppliers | (47,367,617) | (4,467,951) | (6,418,284) | (58,253,852) | (12,108,937) |
| Payments to employees | (12,420,770) | (5,232,393) | (3,677,060) | (21,330,223) | (448,679) |
| Net cash provided by operating activities | 20,485,093 | 6,970,112 | 3,266,375 | 30,721,580 | (780,298) |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers in | 6,283 | 831 | 106,547 | 113,661 | 44,423 |
| Transfers out—payments in lieu of taxes | (7,651,310) | (961,203) | (1,100,299) | (9,712,812) | — |
| Unamortized LAGERS refund | 163,284 | 21,624 | 30,948 | 215,856 | — |
| Nonoperating revenues | 506,928 | 1,305,490 | 117,474 | 1,929,892 | 275,549 |
| Net cash provided by (used in) noncapital financing activities | (6,974,815) | 366,742 | (845,330) | (7,453,403) | 319,972 |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (10,928,800) | (19,578,335) | (4,891,981) | (35,399,116) | (3,850) |
| Interest paid on revenue bonds and equipment contracts | (983,448) | (1,453,035) | — | (2,436,483) | — |
| Debt expense paid on revenue bonds | — | (151,193) | (267) | (151,460) | — |
| Proceeds from disposition of equipment | (451,877) | (49,758) | — | (501,635) | — |
| Proceeds from 2004 Refunding bond issue | — | 14,525,265 | — | 14,525,265 | — |
| Redemption of revenue bonds | (1,745,000) | (1,200,000) | — | (2,945,000) | — |
| Capital contributed | 936,001 | 1,886,840 | 1,911,524 | 4,734,365 | — |
| Interest received on special assessment | — | — | 10,315 | 10,315 | — |
| Net cash used in capital and related financing activities | (13,173,124) | (6,020,216) | (2,970,409) | (22,163,749) | (3,850) |
| Cash flows from investing activities: | | | | | |
| Purchases of investments | (111,948,769) | (51,847,075) | (23,183,449) | (186,979,293) | (1,495,155) |
| Proceeds from sales and maturities of investments | 111,091,033 | 51,147,354 | 24,206,921 | 186,445,308 | 1,495,429 |
| Interest on investments | 357,159 | (7,763) | 58,042 | 407,438 | 20,266 |
| Net cash provided by (used in) investing activities | (500,577) | (707,484) | 1,081,514 | (126,547) | 20,540 |
| Net increase (decrease) in cash and cash equivalents | (163,423) | 609,154 | 532,150 | 977,881 | (443,636) |
| Cash and cash equivalents at beginning of year | 1,011,209 | 1,363,587 | 1,141,275 | 3,516,071 | 1,880,662 |
| Cash and cash equivalents at end of year | 847,786 | 1,972,741 | 1,673,425 | 4,493,952 | 1,437,026 |
| Investments with original maturities greater than 90 days | 34,302,952 | 21,166,824 | 6,963,091 | 62,432,867 | 497,424 |
| Cash and investments | \$ 35,150,738 | 23,139,565 | 8,636,516 | 66,926,819 | 1,934,450 |
| Noncash capital and related financing activities: | | | | | |
| Contributed capital | \$ 936,001 | 1,858,038 | — | 2,794,039 | — |
| Components of cash and short-term investments at end of fiscal year: | | | | | |
| Unrestricted assets | 33,786,466 | 22,329,690 | 8,424,492 | 64,540,648 | 1,934,450 |
| Restricted assets | 1,364,272 | 809,875 | 212,024 | 2,386,171 | — |
| Total cash and investments | \$ 35,150,738 | 23,139,565 | 8,636,516 | 66,926,819 | 1,934,450 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income | \$ 10,980,743 | 2,947,660 | 1,951,850 | 15,880,253 | (540,050) |
| Adjustments not affecting cash: | | | | | |
| Depreciation and amortization | 9,412,287 | 1,960,948 | 2,125,215 | 13,498,450 | 4,677 |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | (674,178) | (18,901) | 61,989 | (631,090) | (132,289) |
| Inventory | 219,363 | 115,720 | 9,999 | 345,082 | 18,122 |
| Prepaid items | (14,540) | 2,913 | — | (11,627) | — |
| Unbilled revenue | (561,228) | 78,615 | (77,594) | (560,207) | — |
| Special assessments receivable | 175,477 | 170 | 50,507 | 226,154 | — |
| Other deferred charges | 65,250 | — | — | 65,250 | — |
| Accounts and contracts payable | 503,826 | 1,756,561 | (264,593) | 1,995,794 | 5,814 |
| Accrued liabilities | 86,678 | 50,545 | (603,270) | (466,047) | 74,167 |
| Other current liabilities | — | 44,474 | 23,169 | 67,643 | (215,856) |
| Deferred revenue | — | 2,768 | — | 2,768 | — |
| Customer deposits | 45,234 | 7,643 | 10,102 | 62,979 | — |
| Compensated absences | 246,181 | 20,996 | (20,999) | 246,178 | 5,117 |
| Total adjustments | 9,504,350 | 4,022,452 | 1,314,525 | 14,841,327 | (240,248) |
| Net cash provided by operating activities | \$ 20,485,093 | 6,970,112 | 3,266,375 | 30,721,580 | (780,298) |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

| | <u>Private- purpose trust funds</u> | <u>Agency funds</u> |
|--------------------------------|---|-------------------------|
| Assets: | | |
| Pooled cash and investments | \$ 52,516 | 62,208 |
| Accrued interest receivable | — | 496 |
| Total assets | <u>52,516</u> | <u>62,704</u> |
| Liabilities: | | |
| Accounts and contracts payable | (89) | — |
| Funds held in escrow | — | 24,365 |
| Employee deferred credit | — | 38,339 |
| Total liabilities | <u>(89)</u> | <u>\$ 62,704</u> |
| Net assets: | | |
| Held in trust | <u>\$ 52,605</u> | |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year ended June 30, 2004

| | | Private- purpose trust funds |
|-------------------------------|----|---|
| Additions: | | |
| Charges for services | \$ | 17,891 |
| Interest | | 468 |
| Other | | 88 |
| Total additions | | 18,447 |
| Deductions: | | |
| Community development | | 16,581 |
| Total deductions | | 16,581 |
| Change in net assets | | 1,866 |
| Net assets, beginning of year | | 50,739 |
| Net assets, end of year | \$ | 52,605 |

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

(a) *The Financial Reporting Entity*

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. 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 (TIF) Commission is governed by an 11-member board, of which 6 members are appointed by the City Council. The remaining 5 members are appointed by the respective taxing districts' boards. The TIF Commission 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.

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(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.

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 for preservation and maintenance of the Vaile Mansion.

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

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

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Permanent Funds—These 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.

(c) **Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues 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 60 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 judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Agency Funds. Agency funds only report assets and liabilities and do not have a measurement focus. They do use the accrual basis of accounting to recognize receivables and payables.

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, 2004

(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.

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Notes to Financial Statements

June 30, 2004

(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 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

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

Property, plant, and equipment financed by capital leases are reflected as assets and corresponding liabilities, and the related depreciation expense is provided on the same basis as assets financed with other resources. 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 three-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 400 hours.

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

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

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

Unrestricted—This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(n) Statement of Cash Flows

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.

(o) Use of Estimates

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

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

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 | | \$ 9,575,216 |
| U.S. Treasury securities | | <u>72,997,427</u> |
| Total investments | | 82,572,642 |
| Deposits | | 15,760,049 |
| Petty cash | | <u>9,745</u> |
| Total | | <u>\$ 98,342,436</u> |

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

| | <u>Government-wide statement of net assets</u> | <u>Fiduciary funds statement of net assets</u> | <u>Total</u> |
|-----------------------------|--|--|-------------------|
| Pooled cash and investments | \$ 85,604,711 | 114,724 | 85,719,435 |
| Restricted assets | <u>12,623,001</u> | <u>—</u> | <u>12,623,001</u> |
| | <u>\$ 98,227,712</u> | <u>114,724</u> | <u>98,342,436</u> |

Deposits—At June 30, 2004, the carrying amount of the City's deposits was \$15,760,049 and the bank balance was \$19,678,958. Of the bank balance, \$100,000 was covered by federal depository insurance and \$19,578,958 was covered by a \$23,000,000 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, 2004.

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, 2004, the City's investments in U.S. Treasury securities of \$72,997,427 were classified as category (2) above. Short-term investments held in trust represent money markets or mutual funds, which are not subject to categorization.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2004 is as follows:

| | <u>General</u> | <u>Nonmajor governmental funds</u> |
|------------------------|----------------------|--|
| Real estate tax | \$ 6,398,968 | 2,477,907 |
| Railroad utilities tax | 38,401 | — |
| Cigarette tax | 622,835 | — |
| Transient guest tax | — | 859,641 |
| Sales tax | 16,450,778 | 15,033,814 |
| Franchise tax | 7,241,436 | — |
| | <u>\$ 30,752,418</u> | <u>18,371,362</u> |

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

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2003, on which the fiscal 2003 levy was based, was \$923,822,650. In the year ended June 30, 2004, the City collected 95.76% 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, 2004 were \$0.47 for the General Fund, \$0.22 for Public Health and Recreation, and \$0.38 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, 2004 were \$4,750,297 and were included as tax revenue in the Tax Increment Financing (Capital Projects) Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2004 consisted of the following:

| | <u>General Fund</u> | <u>Nonmajor governmental funds</u> |
|--|-------------------------|--|
| Federal: | | |
| Environmental Protection Agency: | | |
| Air Quality Tools for School | \$ (609) | — |
| Federal Emergency Management Agency: | | |
| Emergency Management Assistance | 4,118 | 40,979 |
| Citizen's Corps | — | 3,000 |
| Community Emergency Response Teams | 925 | 10,814 |
| Local Emergency Operations Planning | — | 19,900 |
| Interoperate Communications Grant | — | 68,202 |
| Department of Health and Human Services: | | |
| Nursing Consultation | — | 2,377 |
| Sanitation of Child Care Facilities | 329 | 4,790 |
| Maternal and Child Health | — | 48,079 |
| Senior Nutrition Site | 25,000 | — |
| Home Visitation Capacity Building | — | 22,464 |
| Homeless Challenge | — | 62,904 |
| Bioterrorism | — | 158,158 |
| Summer Food Service Program | — | 325 |
| Chronic Disease Primary Prevention | 104 | 34,896 |
| West Nile Virus Surveillance | 937 | 12,675 |
| Department of Housing and Urban Development: | | |
| Emergency Shelter Grant | 208 | 73,964 |
| Community Development Block Grant | — | 957,759 |
| Home Investment Partnership Grant | — | 335,113 |
| Department of Transportation: | | |
| Urban Mass Transportation Assistance | 25,736 | — |
| Highway Planning and Construction | — | 688,512 |
| State and Community Highway Safety | — | 114,027 |
| Department of Justice: | | |
| Drug Enforcement Administration | — | 13,993 |
| Office of Community Oriented Policing | — | 18,928 |
| Department of Public Safety: | | |
| Narcotics Control Assistance Program | — | 45,016 |
| Office of National Drug Control Policy | — | 308,314 |
| Office of Justice Programs | — | 481,371 |
| Violence Against Women Grant | 34,967 | 332,445 |
| Lewis and Clark Grant Foundation | 2,000 | — |
| U.S. Secret Service: | | |
| K.C. Metro Financial Crimes Task Force | — | 8,489 |
| Total federal | <u>\$ 93,716</u> | <u>3,867,494</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

| | <u>General Fund</u> | <u>Nonmajor governmental funds</u> |
|--|-------------------------|--|
| State and local: | | |
| Department of Health and Human Services: | | |
| Core Health Services | \$ — | 107,152 |
| Performance Management Collaborative | — | 1,500 |
| Influenza Vaccine | 131 | 2,055 |
| Department of Revenue: | | |
| Motor vehicle fuel tax | 3,273,214 | — |
| Motor vehicle sales tax | 850,197 | — |
| Motor vehicle fees | 601,482 | — |
| Financial institution tax | 29,000 | — |
| Department of Tourism: | | |
| Cooperative Marketing Agreement | — | 63,648 |
| Department of Conservation: | | |
| Tree Resource Improvement and Maintenance | — | 4,159 |
| Department of Public Safety: | | |
| Juvenile Accountability Incentive | 266 | 69,410 |
| Post Commission Fund | — | 21,139 |
| MO Methamphetamine Ecstasy Initiative | (66,417) | — |
| Missouri Police Chiefs Association: | | |
| Seat Belt Enforcement | — | 11,061 |
| Department of Natural Resources: | | |
| North Fork of Crackerneck Deten. | — | 749 |
| Spring Branch | — | 78,000 |
| 35th and Leslie Phase II | — | 90,148 |
| Jackson County Anti-Drug Tax | 439,736 | — |
| Jackson County Funding of D.A.R.E. Program | 353,273 | — |
| Jackson County Urban Road System | — | 198,299 |
| Family Literacy Center | — | 934 |
| Safe Street Instructors | — | 1,419 |
| Total state and local | <u>5,480,882</u> | <u>649,672</u> |
| Total | \$ <u>5,574,598</u> | <u>4,517,166</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

Amounts due from other governments at June 30, 2004 are as follows:

| | <u>Federal</u> | <u>State and local</u> | <u>Total</u> |
|---------------------------------------|---------------------|----------------------------|------------------|
| General Fund: | | | |
| Department of Justice: | | | |
| Grants to Encourage Arrest Policies | \$ 9,376 | — | 9,376 |
| Department of Revenue: | | | |
| Motor vehicle fuel tax | — | 535,000 | 535,000 |
| Motor vehicle sales tax | — | 70,000 | 70,000 |
| Motor vehicle license fees | — | 162,000 | 162,000 |
| 39th Street Transportation District | — | 2,521 | 2,521 |
| Other | 16,863 | — | 16,863 |
| | <u>26,239</u> | <u>769,521</u> | <u>795,760</u> |
| Nonmajor governmental funds: | | | |
| Department of Justice: | | | |
| Office of National Drug Control— | | | |
| HIDTA | 82,664 | — | 82,664 |
| Office of COPS | 2,711 | — | 2,711 |
| Grants to Encourage Arrest Policies | 42,109 | — | 42,109 |
| National Office of Weed and Seed | 65,769 | — | 65,769 |
| Supervised Visitation & Safe Exchange | 48,957 | — | 48,957 |
| Homeland Security Overtime | 1,263 | — | 1,263 |
| Stop Violence Against Women | 5,983 | — | 5,983 |
| Project Safe Neighborhood | 30,606 | — | 30,606 |
| Department—Community | | | |
| Development Block Grant | 121,998 | — | 121,998 |
| Rental Rehabilitation | 107,288 | — | 107,288 |
| Missouri Division of Tourism | — | 14,969 | 14,969 |
| Department of Transportation— | | | |
| Highway Planning and Construction | 1,024,403 | — | 1,024,403 |
| Department of Natural Resources | | | |
| | — | 252,956 | 252,956 |
| Department of Interior: | | | |
| Truman Memorial Building Restoration | 250,000 | — | 250,000 |
| Jackson County—Urban Road System | — | 1,649,744 | 1,649,744 |
| Tax Increment Financing Projects | — | 362,670 | 362,670 |
| Other | 160,853 | 20,823 | 181,676 |
| | <u>1,944,603</u> | <u>2,301,161</u> | <u>4,245,764</u> |
| Total | \$ <u>1,970,842</u> | <u>3,070,682</u> | <u>5,041,524</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(5) Interfund Transactions

(a) Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

| | <u>Due from nonmajor governmental</u> |
|-----------------------|---|
| Due to: | |
| General Fund | \$ 790,545 |
| Power and Light Fund | 102,300 |
| Sanitary Sewer Fund | 15,356 |
| Nonmajor governmental | <u>24,782</u> |
| Total | <u>\$ 932,983</u> |

- (1) Interfund payables and receivables represent loans.
- (2) Nonmajor governmental funds have loans outstanding to the Sanitary Sewer Funds in the amount of \$15,356 that will be paid back over the next year.

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2004 were as follows:

| | <u>Interfund charges</u> | <u>Rent</u> |
|-----------------------------|------------------------------|----------------|
| Nonmajor governmental funds | \$ 10,000 | 5,600 |
| Power and Light Fund | 1,474,824 | 65,550 |
| Sanitary Sewer Fund | 483,758 | 18,750 |
| Water Fund | <u>799,049</u> | <u>35,500</u> |
| | <u>\$ 2,767,631</u> | <u>125,400</u> |

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

Interfund charges for customer service support services and telephone operators were paid (recorded as operating expenses) to the Water Fund (recorded as income) during fiscal year 2004 as follows:

| | |
|----------------------|---------------------|
| Sanitary Sewer Fund | \$ 179,817 |
| Power and Light Fund | <u>863,121</u> |
| | <u>\$ 1,042,938</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(c) Payments in Lieu of Taxes

The payments of \$7,651,310, \$961,203, and \$1,100,299 in fiscal year 2004 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, 2004 consisted of the following:

| | Transfer from | | | Total |
|------------------------|-------------------|--------------------------|------------------------------|----------------|
| | General Fund | Nonmajor governmental | Internal Service Funds | |
| Transfers to: | | | | |
| Water Fund | \$ — | — | 831 | 831 |
| Power and Light Fund | — | — | 6,283 | 6,283 |
| Sanitary Sewer Fund | 105,357 | — | 1,190 | 106,547 |
| Nonmajor governmental | 315,384 | 336,169 | — | 651,553 |
| Internal Service Funds | 52,727 | — | — | 52,727 |
| Total | <u>\$ 473,468</u> | <u>336,169</u> | <u>8,304</u> | <u>817,941</u> |

- (1) Transfers are the result of payment for capital project expenditures.
- (2) Transfers between the General Fund, Power and 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, 2004

(6) Capital Assets

Capital asset activity for the year ended June 30, 2004 is as follows:

| | <u>Balance June 30, 2003</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance June 30, 2004</u> |
|--|--------------------------------------|--------------------|---------------------|--------------------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 10,682,267 | — | — | 10,682,267 |
| Construction work in progress | 43,008,380 | 12,081,374 | (19,165,002) | 35,924,752 |
| Total nondepreciable capital assets | <u>53,690,647</u> | <u>12,081,374</u> | <u>(19,165,002)</u> | <u>46,607,019</u> |
| Depreciable capital assets: | | | | |
| Land improvements | 255,647 | — | — | 255,647 |
| Buildings | 9,716,819 | — | — | 9,716,819 |
| Building improvements | 4,271,382 | 7,915 | — | 4,279,297 |
| Improvements other than buildings | 1,408,214 | 1,377,760 | — | 2,785,974 |
| Office furniture and equipment | 908,268 | 5,617 | — | 913,885 |
| Computer equipment | 1,034,674 | 153,487 | — | 1,188,161 |
| Mobile equipment | 14,076,200 | 736,967 | (464,507) | 14,348,660 |
| Other equipment | 2,646,978 | 177,320 | — | 2,824,298 |
| Infrastructure | 9,120,850 | 18,090,697 | — | 27,211,547 |
| Total depreciable capital assets | <u>43,439,032</u> | <u>20,549,763</u> | <u>(464,507)</u> | <u>63,524,288</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (15,575) | (10,290) | — | (25,865) |
| Buildings | (5,405,622) | (235,207) | — | (5,640,829) |
| Building improvements | (706,647) | (212,996) | — | (919,643) |
| Improvements other than buildings | (670,109) | (77,747) | — | (747,856) |
| Office furniture and equipment | (846,405) | (27,563) | — | (873,968) |
| Computer equipment | (720,573) | (133,921) | — | (854,494) |
| Mobile equipment | (8,904,078) | (1,136,055) | 430,417 | (9,609,716) |
| Other equipment | (1,611,339) | (190,627) | — | (1,801,966) |
| Infrastructure | (360,568) | (506,790) | — | (867,358) |
| Total accumulated depreciation | <u>(19,240,916)</u> | <u>(2,531,196)</u> | <u>430,417</u> | <u>(21,341,695)</u> |
| Total depreciable capital assets, net | <u>24,198,116</u> | <u>18,018,567</u> | <u>(34,090)</u> | <u>42,182,593</u> |
| Governmental activities capital assets, net | <u>\$ 77,888,763</u> | <u>30,099,941</u> | <u>(19,199,092)</u> | <u>88,789,612</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

Depreciation expense was charged to functions as follows:

| | |
|---|---------------------|
| General government | \$ 256,307 |
| Public safety | 932,206 |
| Public works | 682,832 |
| Health and welfare | 49,283 |
| Culture and recreation | 328,709 |
| Community development | 65,675 |
| Storm water | 211,507 |
| 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>4,677</u> |
| | <u>\$ 2,531,196</u> |

| | <u>Balance</u> <u>June 30, 2003</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2004</u> |
|---------------------------------------|--|--------------------|--------------------|--|
| Business-type activities: | | | | |
| Power and Light Fund: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 2,637,065 | 311,141 | — | 2,948,206 |
| Construction in progress | 8,506,245 | — | (397,367) | 8,108,878 |
| Total nondepreciable capital assets | <u>11,143,310</u> | <u>311,141</u> | <u>(397,367)</u> | <u>11,057,084</u> |
| Depreciable capital assets: | | | | |
| Acquisition adjustment | 2,755,568 | — | — | 2,755,568 |
| Production plant | 135,551,342 | 4,917,715 | (802,547) | 139,666,510 |
| Transmission plant | 21,392,514 | 285,647 | (32,268) | 21,645,893 |
| Distribution plant | 89,515,283 | 4,812,074 | (667,024) | 93,660,333 |
| General plant | 17,609,056 | 616,718 | (357,815) | 17,867,959 |
| Total depreciable capital assets | <u>266,823,763</u> | <u>10,632,154</u> | <u>(1,859,654)</u> | <u>275,596,263</u> |
| Less accumulated depreciation: | | | | |
| Acquisition adjustment | (2,305,185) | (154,408) | — | (2,459,593) |
| Production plant | (85,541,881) | (4,252,312) | 802,546 | (88,991,647) |
| Transmission plant | (9,451,676) | (594,507) | 32,268 | (10,013,915) |
| Distribution plant | (30,237,727) | (2,976,340) | 1,118,901 | (32,095,166) |
| General plant | (12,383,493) | (1,052,898) | 357,815 | (13,078,576) |
| Total accumulated depreciation | <u>(139,919,962)</u> | <u>(9,030,465)</u> | <u>2,311,530</u> | <u>(146,638,897)</u> |
| Total depreciable capital assets, net | <u>126,903,801</u> | <u>1,601,689</u> | <u>451,876</u> | <u>128,957,366</u> |
| Total power and light capital assets | <u>138,047,111</u> | <u>1,912,830</u> | <u>54,509</u> | <u>140,014,450</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

| | <u>Balance</u> <u>June 30, 2003</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2004</u> |
|---------------------------------------|--|--------------------|--------------------|--|
| Water Fund: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 1,992,291 | 170,882 | (4,120) | 2,159,053 |
| Construction in progress | 1,520,835 | 3,632,336 | — | 5,153,171 |
| Total nondepreciable capital assets | <u>3,513,126</u> | <u>3,803,218</u> | <u>(4,120)</u> | <u>7,312,224</u> |
| Depreciable capital assets: | | | | |
| Acquisition adjustment | 12,547,765 | — | — | 12,547,765 |
| Nonutility property | 40,014 | — | — | 40,014 |
| Source of supply | 6,315,939 | 668,909 | — | 6,984,848 |
| Pumping plant | 5,047,362 | 162,508 | (35,194) | 5,174,676 |
| Treatment plant | 12,643,464 | 1,179,742 | (33,893) | 13,789,313 |
| Transmission plant | 47,539,933 | 2,729,043 | (112,827) | 50,156,149 |
| General plant | 5,326,528 | 341,545 | (99,601) | 5,568,472 |
| Total depreciable capital assets | <u>89,461,005</u> | <u>5,081,747</u> | <u>(281,515)</u> | <u>94,261,237</u> |
| Less accumulated depreciation: | | | | |
| Acquisition adjustment | (7,807,938) | (371,751) | — | (8,179,689) |
| Nonutility property | (14,000) | — | — | (14,000) |
| Source of supply | (2,797,128) | (369,434) | — | (3,166,562) |
| Pumping plant | (1,713,250) | (164,065) | 35,198 | (1,842,117) |
| Treatment plant | (3,672,827) | (330,330) | 29,907 | (3,973,250) |
| Transmission plant | (5,649,414) | (582,282) | 186,079 | (6,045,617) |
| General plant | (2,120,148) | (289,383) | 102,580 | (2,306,951) |
| Total accumulated depreciation | <u>(23,774,705)</u> | <u>(2,107,245)</u> | <u>353,764</u> | <u>(25,528,186)</u> |
| Total depreciable capital assets, net | <u>65,686,300</u> | <u>2,974,502</u> | <u>72,249</u> | <u>68,733,051</u> |
| Total water capital assets | <u>69,199,426</u> | <u>6,777,720</u> | <u>68,129</u> | <u>76,045,275</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

| | <u>Balance</u> <u>June 30, 2003</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2004</u> |
|---|--|--------------------|--------------------|--|
| Sanitary Sewer Fund: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 330,191 | — | — | 330,191 |
| Construction in progress | <u>8,431,545</u> | <u>2,906,612</u> | <u>(4,308,805)</u> | <u>7,029,352</u> |
| Total nondepreciable capital assets | <u>8,761,736</u> | <u>2,906,612</u> | <u>(4,308,805)</u> | <u>7,359,543</u> |
| Depreciable capital assets: | | | | |
| Nonutility property | 46,368 | — | — | 46,368 |
| Collection plant | 62,676,966 | 5,639,383 | — | 68,316,349 |
| Pumping plant | 4,951,689 | 41,673 | (12,275) | 4,981,087 |
| Treatment plant | 14,240,630 | 440,358 | (37,482) | 14,643,506 |
| General plant | <u>3,917,789</u> | <u>172,760</u> | <u>(212,689)</u> | <u>3,877,860</u> |
| Total depreciable capital assets | <u>85,833,442</u> | <u>6,294,174</u> | <u>(262,446)</u> | <u>91,865,170</u> |
| Less accumulated depreciation: | | | | |
| Nonutility property | (46,368) | — | — | (46,368) |
| Collection plant | (16,815,120) | (829,331) | — | (17,644,451) |
| Pumping plant | (4,566,432) | (217,328) | 12,275 | (4,771,485) |
| Treatment plant | (12,361,710) | (794,647) | 37,482 | (13,118,875) |
| General plant | <u>(4,043,946)</u> | <u>(283,909)</u> | <u>212,689</u> | <u>(4,115,166)</u> |
| Total accumulated depreciation | <u>(37,833,576)</u> | <u>(2,125,215)</u> | <u>262,446</u> | <u>(39,696,345)</u> |
| Total depreciable capital assets, net | <u>47,999,866</u> | <u>4,168,959</u> | <u>—</u> | <u>52,168,825</u> |
| Total sewer capital assets | <u>56,761,602</u> | <u>7,075,571</u> | <u>(4,308,805)</u> | <u>59,528,368</u> |
| Total business-type activities capital assets | <u>\$ 264,008,139</u> | <u>15,766,121</u> | <u>(4,186,167)</u> | <u>275,588,093</u> |

Depreciation expense was charged to functions as follows:

Business-type activities:

| | |
|---|----------------------|
| Power and light | \$ 9,030,465 |
| Water | 2,107,245 |
| Water pollution control | <u>2,125,215</u> |
| Total business-type activities depreciation expense | <u>\$ 13,262,925</u> |

Construction in progress at June 30, 2004 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, 2004

(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, 2004:

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Amount due within one year</u> |
|---|------------------------------|-------------------|--------------------|---------------------------|---|
| Governmental activities: | | | | | |
| Loans and notes payable: | | | | | |
| TIF loans | \$ 49,695,000 | 8,715,000 | (1,615,000) | 56,795,000 | 1,980,000 |
| Loans payable | 2,930,000 | 1,245,000 | (1,430,000) | 2,745,000 | 455,000 |
| Capital lease obligations | 1,086,597 | 141,464 | (509,106) | 718,955 | 452,634 |
| Neighborhood Improvement District | — | 995,000 | — | 995,000 | 60,000 |
| Premium (discount), net | (323,324) | — | 101,240 | (222,084) | — |
| Total loans and notes payable | <u>53,388,273</u> | <u>11,096,464</u> | <u>(3,452,866)</u> | <u>61,031,871</u> | <u>2,947,634</u> |
| Other liabilities: | | | | | |
| Employee benefits payable | 87,864 | — | (52,728) | 35,136 | 35,136 |
| Compensated absences | 11,113,466 | 1,029,473 | (853,505) | 11,289,434 | 4,080,811 |
| Total other liabilities | <u>11,201,330</u> | <u>1,029,473</u> | <u>(906,233)</u> | <u>11,324,570</u> | <u>4,115,947</u> |
| Total governmental activities long-term liabilities | <u>\$ 64,589,603</u> | <u>12,125,937</u> | <u>(4,359,099)</u> | <u>72,356,441</u> | <u>7,063,581</u> |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Amount due within one year</u> |
|--|------------------------------|-------------------|--------------------|---------------------------|---|
| Business-type activities: | | | | | |
| Power and Light Fund: | | | | | |
| Revenue bonds | \$ 24,045,000 | — | (1,745,000) | 22,300,000 | 1,855,000 |
| Less deferred amount on refunding | (2,413,821) | — | 221,714 | (2,192,107) | — |
| Total revenue bonds | 21,631,179 | — | (1,523,286) | 20,107,893 | 1,855,000 |
| Compensated absences | 3,773,222 | 314,821 | (68,640) | 4,019,403 | 1,056,323 |
| Total Power and Light Fund | 25,404,401 | 314,821 | (1,591,926) | 24,127,296 | 2,911,323 |
| Water Fund: | | | | | |
| Revenue bonds | 32,195,000 | 14,785,000 | (1,200,000) | 45,780,000 | 1,285,000 |
| Compensated absences | 1,131,763 | 20,996 | — | 1,152,759 | 326,933 |
| Total Water Fund | 33,326,763 | 14,805,996 | (1,200,000) | 46,932,759 | 1,611,933 |
| Sanitary Sewer Fund: | | | | | |
| Compensated absences | 697,086 | 40,395 | (61,396) | 676,085 | 200,337 |
| Total Sanitary Sewer Fund | 697,086 | 40,395 | (61,396) | 676,085 | 200,337 |
| Total business-type activities long-term liabilities | \$ <u>59,428,250</u> | <u>15,161,212</u> | <u>(2,853,322)</u> | <u>71,736,140</u> | <u>4,723,593</u> |

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

Debt service requirements on long-term debt at June 30, 2004 are as follows:

| | Governmental activities | | | | | |
|-------------|--------------------------------|-------------------|----------------------|-------------------|--------------------|-----------------|
| | TIF loans | | Loans payable | | NID payable | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2005 | \$ 1,980,000 | 3,045,726 | 455,000 | 120,081 | 60,000 | 40,775 |
| 2006 | 2,200,000 | 2,944,813 | 465,000 | 100,873 | 55,000 | 47,875 |
| 2007 | 2,460,000 | 2,836,370 | 495,000 | 80,450 | 55,000 | 44,713 |
| 2008 | 2,690,000 | 2,716,886 | 515,000 | 58,753 | 55,000 | 41,688 |
| 2009 | 2,995,000 | 2,581,525 | 535,000 | 36,478 | 60,000 | 38,800 |
| 2010 – 2014 | 14,030,000 | 10,514,566 | 280,000 | 13,100 | 325,000 | 148,638 |
| 2015 – 2019 | 15,485,000 | 6,793,250 | — | — | 385,000 | 62,300 |
| 2020 – 2024 | 14,955,000 | 1,615,250 | — | — | — | — |
| | \$ 56,795,000 | 33,048,386 | 2,745,000 | 409,735 | 995,000 | 424,789 |
| | Enterprise funds | | | | | |
| | Power and Light | | Water | | | |
| | Principal | Interest | Principal | Interest | | |
| 2005 | \$ 1,855,000 | 921,038 | 1,285,000 | 2,019,251 | | |
| 2006 | 1,925,000 | 855,273 | 1,905,000 | 2,013,619 | | |
| 2007 | 1,995,000 | 784,822 | 2,040,000 | 1,937,091 | | |
| 2008 | 2,065,000 | 708,217 | 2,200,000 | 1,852,685 | | |
| 2009 | 2,155,000 | 628,693 | 2,380,000 | 1,760,459 | | |
| 2010 – 2014 | 12,305,000 | 1,689,737 | 14,875,000 | 7,500,566 | | |
| 2015 – 2019 | — | — | 15,195,000 | 2,880,903 | | |
| 2020 – 2024 | — | — | 4,795,000 | 897,135 | | |
| 2025 – 2029 | — | — | 1,105,000 | 27,625 | | |
| | \$ 22,300,000 | 5,587,780 | 45,780,000 | 20,889,334 | | |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(a) Revenue Bonds

Revenue bonds payable at June 30, 2004 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 | \$ 16,760,000 |
| \$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of \$435,000 to \$660,000 through June 1, 2014, interest at 2.0% to 3.65% | 5,540,000 |
| Less deferred loss on refunding | <u>(2,192,107)</u> |
| Total power and light fund | <u>20,107,893</u> |

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 3.25% to 5.0% | 30,995,000 |
| \$14,785,000 2004 Missouri Development Finance Board Infrastructure Facilities Revenue bonds, principal due in annual installments of \$490,000 to \$1,105,000 from November 1, 2005 through November 1, 2024, interest at 3.375% to 5.0%. | <u>14,785,000</u> |
| Total water fund | <u>45,780,000</u> |
| Total revenue bonds | <u>\$ 65,887,893</u> |

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 |

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

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

| <u>Account</u> | <u>Power and Light</u> | <u>Sanitary Sewer</u> | <u>Water</u> |
|--------------------------------|----------------------------|---------------------------|----------------|
| Principle and interest | \$ 231,337 | — | — |
| Depreciation and emergency | — | — | 500,000 |
| Total revenue bond reserves | 231,337 | — | 500,000 |
| Customer deposits | 816,935 | 161,024 | 229,875 |
| Workers' compensation | 316,000 | 51,000 | 80,000 |
| Total | <u>\$ 1,364,272</u> | <u>212,024</u> | <u>809,875</u> |

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

Restricted assets in the General Fund of \$787,766 at June 30, 2004 consist of cash on deposit for a debt service reserve, and municipal court bond deposits.

(b) Neighborhood Improvement District

On May 15, 2004, the City issued \$995,000 Neighborhood Improvement Bonds for Noland Road and Englewood Improvements, due in annual installments of \$55,000 to \$85,000 through March 1, 2019 and bearing interest at 4.5% to 5.75%.

(c) 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.

On April 1, 2000, the City issued an \$11,850,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$677,556 to \$1,307,556 through April 1, 2020 and bearing interest at 5.8% to 6.2%. The proceeds of the bond issuance are to be used for costs related to redevelopment of Hartman Heritage area.

On May 1, 2000, the City issued a \$5,595,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$293,482 to \$846,000 through April 1, 2012 and bearing interest at 5.8% to 6.2%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

On November 1, 2000, the City issued a \$12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$318,690 to \$2,310,800 through April 1, 2021 and bearing interest at 5.37% to 6%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On August 1, 2001, the City issued a \$10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$87,849 to \$1,913,956 through April 1, 2023 and bearing interest at 4.375% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Sante Fe area.

On November 1, 2001, the City issued a \$1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$43,019 to \$168,400 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On November 1, 2002, the City issued a \$3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$145,452 to \$866,653 through April 1, 2012 and bearing interest at 3.5% to 4.1%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On September 1, 2003, the City issued a \$8,715,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$135,000 to \$2,675,000 through April 1, 2021 and bearing interest at 2.0% to 5.0%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Hartman Heritage area.

Restricted assets in the Capital Projects Funds of \$9,346,996 consist of funds available for costs related to the redevelopment of the Bolger Square, Hartman Heritage, Sante Fe, and Eastland Center areas.

(d) Loans Payable

On June 1, 2000, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$530,000, due in annual installments of \$68,637 to \$72,280 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City.

On August 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,635,000, due in annual installments of \$216,763 to \$224,460 through June 1, 2010, and bearing interest at 4.20% to 4.40%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City, software for the Fire Department, and additional funding for Hartman Heritage Tax Increment Financing Project. Restricted assets in the General Fund of \$224,953 consist of funds available for costs related to this debt.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

On May 1, 2004, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,245,000 due in annual installments of \$230,000 to \$270,000 through June 1, 2009, and bearing interest at 2.25% to 4.25%. The proceeds will be used for the restoration of the Truman Memorial Building.

(e) Capital Lease Obligations

Capital leases payable at June 30, 2004 are comprised of the following:

Governmental funds:

| | |
|---|------------|
| CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006; a lease utilized to renovate the HVAC of City Hall | \$ 186,865 |
| First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005; a lease utilized to purchase a fire truck, vehicles, rescue equipment, and a telephone system | 79,921 |
| Emergency One, Inc, interest at 4.84%, annual installments through May 18, 2005; a lease to purchase a nonwalk-in rescue unit on a commercial chassis and custom pumpers on two Emergency One Cyclone chassis | 96,954 |
| Emergency One, Inc, interest at 5.84%, annual installments through March 2005; a lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus | 101,296 |
| Emergency One, Inc, interest at 6.31%, annual installments through October 2007; a lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus | 78,822 |
| IBM Corporation, monthly installments through April 1, 2007: | |
| a) Interest at 6.37%; a lease to purchase I Series System | 88,097 |
| b) Interest at 6.37%; a lease to purchase a Disk, Tape, and Network Storage | 8,809 |
| c) Interest at 6.37%; a lease to purchase an Uninterrupted Power Supply | 2,862 |
| d) Interest at 6.37%; a lease to purchase Printers | 7,526 |
| e) Interest at 5.77%; a lease to purchase I Series System | 12,141 |
| f) Interest at 5.77%; a lease to purchase I Series System | 3,123 |
| g) Interest at 5.77%; a lease to purchase IBM Software | 46 |
| h) Interest at 5.77%; a lease to purchase I Series System | 4,985 |
| i) Interest at 5.77%; a lease to purchase I Series System | 3,072 |
| IBM Corporation, monthly installments through November 1, 2004: | |
| a) Interest at 4.84%; a lease to purchase an AS/400 SWSUB | 934 |
| b) Interest at 4.94%; a lease to purchase a Remarketed Service Unit | 2,369 |
| c) Interest at 4.64%; a lease to purchase a System Unit | 4,652 |
| d) Interest at 4.82%; a lease to purchase an OEM UPS for AS/400 | 211 |
| Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005; a lease to purchase a Vac-Con Sewer Cleaner | 36,271 |
| | \$ 718,956 |

Assets acquired through capital leases amounted to \$1,714,079 as of June 30, 2004.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004 were as follows:

| | | |
|---|----|----------------|
| Year ending June 30: | | |
| 2005 | \$ | 491,097 |
| 2006 | | 193,955 |
| 2007 | | 65,894 |
| 2008 | | 22,910 |
| | | <hr/> |
| | | 773,856 |
| Less imputed interest | | 54,900 |
| | | <hr/> |
| Present value of minimum lease payments | \$ | <u>718,956</u> |

(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, 2004 were \$126,552.

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, 2004 were \$921,371.

(9) Employee Retirement System

Plan Description

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

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 7.5% (general), 6.1% (police), and 12.7% (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

Schedule of Employer Contributions:

| | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> | <u>Net pension obligation</u> |
|---------------------|--|--|-----------------------------------|
| Fiscal year ending: | | | |
| June 30, 2002 | \$ 4,347,515 | 100% | \$ — |
| June 30, 2003 | 3,897,577 | 100 | — |
| June 30, 2004 | 4,192,623 | 100 | — |

For 2004, the City's annual pension cost of \$4,192,623 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2002 and/or February 28, 2003 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 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 29, 2004 was 15 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 15-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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

be made from the General, Power and Light, Water, and 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 15 years and has a balance of \$791,331 at June 30, 2004. 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 healthcare benefits to all retiring employees meeting the service criteria. Expenditures for postretirement healthcare benefits are recognized as retirees report their claims. During fiscal year 2003-2004, expenditures of approximately \$3,097,687 were recognized for postretirement healthcare. The City has approximately 589 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.

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 omissions 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 \$200,000. This amount is reflected as restricted assets in the Power and Light, Water, and Sanitary Sewer Funds. The state of Missouri also requires the City to maintain a surety bond in the amount of \$1,120,000. Workers' compensation liabilities were immaterial at June 30, 2004.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

The City offers its employees a contributory self-insurance healthcare plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$150,000 and aggregate claims in excess of \$13,646,588. The portion of premiums paid by the City, totaling \$8,991,801, 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 \$871,093 reported in the Staywell Health Care Fund at June 30, 2004 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.

| | Medical claims payable | |
|-------------------|-------------------------------|--------------------|
| | <u>2004</u> | <u>2003</u> |
| Beginning of year | \$ 799,270 | 745,108 |
| Incurred | 11,178,110 | 9,646,651 |
| Paid | <u>(11,106,287)</u> | <u>(9,592,489)</u> |
| End of year | <u>\$ 871,093</u> | <u>799,270</u> |

(13) Commitments

Construction Commitments

At June 30, 2004, the City had commitments of approximately \$18,494,591 to complete construction contracts. Of this amount, \$11,143,846 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). Under the agreement, the City purchases 90 MW of capacity and energy for a term through May 31, 2005 at contract-specified pricing for the capacity and associated energy. After May 31, 2005, the agreement provides the City an option to extend the purchase in amounts of 20 MW to 90 MW of capacity for the six-year period ending May 31, 2011 with the same terms and conditions, except that the current capacity price of \$84 per kilowatt-year is to be negotiated up to the contract-specified maximum price of \$126 per kilowatt-year. The City exercised this extension option for a capacity amount of 90 MW, and the parties agreed to seek the Federal Energy Regulatory Commission determination on the appropriate capacity price. The delivered cost of capacity and energy under the agreement, including all demand, transmission, and energy charges, totaled approximately \$16,740,000 for fiscal year 2004. The projected annual cost of the KCPL agreement for fiscal year 2005 is estimated at approximately \$17,500,000.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2004

(14) Deficits

The accumulated deficits in nonmajor funds in the amounts of \$90,000 in the Buildings and Other Improvements, \$85,353 in the RSO Redevelopment TIF, and \$84,851 in the Mount Washington TIF (Capital Projects) Funds will be eliminated by future revenues or operating transfers.

(15) Fund Equity

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

| | <u>Governmental fund types</u> | |
|--------------------------------|--------------------------------|-------------------|
| | <u>General</u> | <u>Nonmajor</u> |
| Fund balances: | | |
| Reserved for: | | |
| Encumbrances | \$ 1,156,430 | 8,756,075 |
| Debt service | 224,779 | 6,900,792 |
| Protested revenues | 257,728 | — |
| Domestic violence | 12,155 | — |
| Total fund balances reserved | <u>1,651,092</u> | <u>15,656,867</u> |
| Unreserved: | | |
| Designated for: | | |
| Police equipment | 219,613 | — |
| Capital projects | 286,238 | 3,299,856 |
| Strategic goal | 514,216 | — |
| TIF distribution | 693,076 | — |
| Homeland security | 49,748 | — |
| Total fund balances designated | <u>1,762,891</u> | <u>3,299,856</u> |
| Undesignated | <u>1,752,521</u> | <u>7,902,754</u> |
| Total fund equity | <u>\$ 5,166,504</u> | <u>26,859,477</u> |

CITY OF INDEPENDENCE, MISSOURI
 Required Supplementary Information (Unaudited)
 Budgetary Comparison Schedule—General Fund
 Year ended June 30, 2004

| | Budgeted amounts | | Actual amounts (budget basis) | Variance with final budget favorable (unfavorable) |
|--|-------------------|--------------------|-------------------------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 31,633,935 | 31,633,935 | 30,752,418 | (881,517) |
| Licenses and permits | 4,034,910 | 4,114,910 | 3,833,529 | (281,381) |
| Grants—federal and state | 611,594 | 58,867 | 97,848 | 38,981 |
| State and county shared revenue | 5,573,803 | 5,681,873 | 5,476,750 | (205,123) |
| Charges for current services | 1,388,226 | 1,308,226 | 1,343,661 | 35,435 |
| Interfund charges for support services | 3,579,168 | 3,579,168 | 3,219,276 | (359,892) |
| Fines and forfeitures | 2,745,900 | 2,745,900 | 2,767,631 | 21,731 |
| Other revenue | 512,400 | 590,175 | 747,026 | 156,851 |
| Total revenues | <u>50,079,936</u> | <u>49,713,054</u> | <u>48,238,139</u> | <u>(1,474,915)</u> |
| Other financing sources: | | | | |
| Proceeds from capital leases | — | 141,464 | 141,464 | — |
| Payments in lieu of taxes | 9,436,270 | 9,436,270 | 9,712,812 | 276,542 |
| Total other financing sources | <u>9,436,270</u> | <u>9,577,734</u> | <u>9,854,276</u> | <u>276,542</u> |
| Total revenues and other financing resources | <u>59,516,206</u> | <u>59,290,788</u> | <u>58,092,415</u> | <u>(1,198,373)</u> |
| Expenditures: | | | | |
| City Council | 407,979 | 407,979 | 386,358 | 21,621 |
| City Clerk | 421,637 | 421,637 | 402,052 | 19,585 |
| City Manager | 764,224 | 764,224 | 757,446 | 6,778 |
| National Frontier Trails Center | 330,435 | 331,302 | 327,314 | 3,988 |
| Technology services | 1,584,938 | 1,584,938 | 1,522,686 | 62,252 |
| Municipal court | 632,208 | 632,208 | 627,638 | 4,570 |
| Law | 596,847 | 605,347 | 605,111 | 236 |
| Finance | 1,552,038 | 1,569,538 | 1,567,598 | 1,940 |
| Human resources | 458,924 | 458,924 | 456,211 | 2,713 |
| Community development | 2,193,638 | 2,193,638 | 2,170,386 | 23,252 |
| Police | 17,767,000 | 18,118,521 | 18,110,565 | 7,956 |
| Fire | 12,749,442 | 12,837,442 | 12,836,984 | 458 |
| Health | 2,416,116 | 2,070,027 | 1,914,633 | 155,394 |
| Public works | 6,415,787 | 6,415,787 | 6,031,377 | 384,410 |
| Water pollution control | 295,397 | 295,397 | 295,013 | 384 |
| Parks and recreation | 2,290,778 | 2,303,809 | 2,264,134 | 39,675 |
| Nondepartmental | 6,142,334 | 5,961,030 | 5,744,012 | 217,018 |
| City Council strategic goals | 400,000 | 732,447 | 218,231 | 514,216 |
| Debt service | 106,569 | 248,033 | 248,033 | — |
| Capital outlay | 1,796,830 | 2,050,840 | 941,197 | 1,109,643 |
| Total expenditures | <u>59,323,121</u> | <u>60,003,068</u> | <u>57,426,979</u> | <u>2,576,089</u> |
| Other financing uses—operating transfers out | 193,085 | 492,243 | 473,471 | 18,772 |
| Total expenditures and other financing uses | <u>59,516,206</u> | <u>60,495,311</u> | <u>57,900,450</u> | <u>2,594,861</u> |
| Excess of revenue and other financing resources over expenditures and other financing uses | <u>\$ —</u> | <u>(1,204,523)</u> | <u>191,965</u> | <u>(3,793,234)</u> |
| Undesignated fund balance at beginning of year | | | 413,564 | |
| Cancellation of prior year encumbrances | | | 115,887 | |
| Decrease in other fund balance components during the year | | | <u>1,031,105</u> | |
| Undesignated fund balance at end of year | | | <u>\$ 1,752,521</u> | |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedule

Year ended June 30, 2004

(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 2003-2004 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, 2004

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:

| | General Fund |
|--|-----------------------------|
| | <u> </u> |
| Sources/inflows in resources: | |
| Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule | \$ 48,238,139 |
| 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>\$ 48,238,139</u> |
| Uses/outflows of resources: | |
| Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule | \$ 57,426,979 |
| Basis differences—budget to GAAP: | |
| Outstanding encumbrances at year-end charged to the current year's budget | (917,487) |
| Current year expenditures of encumbrances outstanding at the end of the prior fiscal year | <u>902,253</u> |
| Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances—governmental funds (GAAP basis) | <u>\$ 57,411,745</u> |

CITY OF INDEPENDENCE, MISSOURI
 Required Supplementary Information (Unaudited)
 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 (assets in excess of) accrued liability (UAL) | (a)/(b) Funded ratio | (c) Annual covered payroll | (b) - (a)/(c) UAL as a percentage of covered payroll |
|-----------------------------|--|---|--|----------------------------|-------------------------------------|--|
| February 28, 2002 | \$ 128,939,351 | 120,906,429 | (8,032,922) | 107% | \$ 49,980,158 | N/A |
| February 28, 2003 | 127,457,211 | 128,121,618 | 664,407 | 99 | 52,648,086 | 1 |
| February 29, 2004 | 130,616,538 | 126,971,008 | (3,645,530) | 103 | 51,648,134 | (7) |

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's office in Jefferson City.

Schedule of Employer Contributions:

| | Annual pension cost (APC) | Percentage of APC contributed | Net pension obligation |
|---------------------|---------------------------------|-------------------------------------|---------------------------|
| Fiscal year ending: | | | |
| June 30, 2002 | \$ 4,347,515 | 100% | \$ — |
| June 30, 2003 | 3,897,577 | 100 | — |
| June 30, 2004 | 4,192,623 | 100 | — |

CITY OF INDEPENDENCE, MISSOURI

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

Park Improvement Sales Tax—This fund is used to account for all park projects that are funded by the one-eighth cent park improvement sales tax.

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

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

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

Capital Projects Funds

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

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

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.

CITY OF INDEPENDENCE, MISSOURI

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

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

Debt Service Fund

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

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.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2004

| Assets | Special Revenue Funds (Exhibit 14) | Capital Projects Funds (Exhibit 17) | Permanent Fund | Debt Service Funds | Total nonmajor governmental funds |
|--|---|--|-------------------|-----------------------|---|
| Pooled cash and investments | \$ 11,962,437 | 3,728,840 | 13,274 | 2,704 | 15,707,255 |
| Receivables: | | | | | |
| Taxes | 2,052,801 | 51,950 | — | — | 2,104,751 |
| Accounts | 34,094 | 596,138 | — | — | 630,232 |
| Special assessment principal and accrued interest | — | 72,071 | — | 995,000 | 1,067,071 |
| Accrued interest | 79,446 | — | — | — | 79,446 |
| Due from other funds | 16,156 | 8,626 | — | — | 24,782 |
| Due from other governments | 942,792 | 3,302,972 | — | — | 4,245,764 |
| Restricted assets | 12,068 | 9,346,996 | — | 90,000 | 9,449,064 |
| Total assets | <u>\$ 15,099,794</u> | <u>17,107,593</u> | <u>13,274</u> | <u>1,087,704</u> | <u>33,308,365</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts and contracts payable | \$ 729,358 | 638,437 | — | — | 1,367,795 |
| Due to other funds | 376,049 | 548,308 | — | — | 924,357 |
| Accrued items | 71,652 | — | — | — | 71,652 |
| Other current liabilities | 107,728 | 1,519,743 | — | — | 1,627,471 |
| Advances from other funds | 15,355 | — | — | — | 15,355 |
| Deferred revenue | 100,251 | 1,347,007 | — | 995,000 | 2,442,258 |
| Total liabilities | <u>1,400,393</u> | <u>4,053,495</u> | <u>—</u> | <u>995,000</u> | <u>6,448,888</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 5,046,767 | 3,709,308 | — | — | 8,756,075 |
| Other purposes | 32,754 | 6,868,038 | — | — | 6,900,792 |
| Unreserved, reported in: | | | | | |
| Special Revenue Funds | 7,871,693 | — | — | — | 7,871,693 |
| Debt Service Funds | — | — | — | 92,704 | 92,704 |
| Capital Projects Funds | — | (69,917) | — | — | (69,917) |
| Permanent fund | — | — | 8,274 | — | 8,274 |
| Designated Special Revenue Funds | 748,187 | — | — | — | 748,187 |
| Designated Capital Projects Funds | — | 2,546,669 | — | — | 2,546,669 |
| Designated Permanent Fund | — | — | 5,000 | — | 5,000 |
| Total fund balances | <u>13,699,401</u> | <u>13,054,098</u> | <u>13,274</u> | <u>92,704</u> | <u>26,859,477</u> |
| Total liabilities and fund balances | <u>\$ 15,099,794</u> | <u>17,107,593</u> | <u>13,274</u> | <u>1,087,704</u> | <u>33,308,365</u> |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2004

| | Special Revenue Funds (Exhibit 15) | Capital Projects Funds (Exhibit 18) | Permanent Fund | Debt Service Funds | Total nonmajor governmental funds |
|--|---|--|-------------------|-----------------------|---|
| Revenues: | | | | | |
| Taxes | \$ 13,621,063 | 4,750,299 | — | — | 18,371,362 |
| Licenses and permits | 1,118,327 | — | — | — | 1,118,327 |
| Intergovernmental | 3,629,607 | 887,559 | — | — | 4,517,166 |
| Charges for services | 210,407 | 15,215 | — | — | 225,622 |
| Investment income | 126,046 | 345,765 | 114 | 1,862 | 473,787 |
| Other | 218,036 | 784,085 | — | — | 1,002,121 |
| Total revenues | 18,923,486 | 6,782,923 | 114 | 1,862 | 25,708,385 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public safety | 1,686,271 | — | — | — | 1,686,271 |
| Health and welfare | 496,163 | — | — | — | 496,163 |
| Culture and recreation | 1,484,137 | — | — | — | 1,484,137 |
| Community development | 1,282,974 | — | — | — | 1,282,974 |
| Storm water | 526,263 | — | — | — | 526,263 |
| Nondepartmental | 136,868 | — | — | 904,158 | 1,041,026 |
| Capital outlay | 9,705,821 | 9,838,467 | — | — | 19,544,288 |
| Debt service: | | | | | |
| Principal | 1,283,369 | 1,672,856 | — | — | 2,956,225 |
| Interest and fiscal agent fees | 58,276 | 2,982,064 | — | — | 3,040,340 |
| Total expenditures | 16,660,142 | 14,493,387 | — | 904,158 | 32,057,687 |
| Excess (deficiency) of revenues over expenditures | 2,263,344 | (7,710,464) | 114 | (902,296) | (6,349,302) |
| Other financing sources (uses): | | | | | |
| Proceeds from capital leases/bond issuance | 1,245,000 | 8,715,000 | — | 995,000 | 10,955,000 |
| Operating transfers in | 150,069 | 501,484 | — | — | 651,553 |
| Operating transfers out | (310,767) | (25,402) | — | — | (336,169) |
| Total other financing sources | 1,084,302 | 9,191,082 | — | 995,000 | 11,270,384 |
| Net change in fund balances | 3,347,646 | 1,480,618 | 114 | 92,704 | 4,921,082 |
| Fund balances, beginning of year | 10,351,755 | 11,573,480 | 13,160 | — | 21,938,395 |
| Fund balances, end of year | \$ 13,699,401 | 13,054,098 | 13,274 | 92,704 | 26,859,477 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2004

| 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 | Grants | Total (Exhibit 12) |
|--------------------------------------|------------|--------------------------------------|---------------------------------|-----------------------|------------------------------|----------------------------|-----------------------|-------------------|-----------|--------------------|
| Pooled cash and investments | \$ 591,482 | 2,343 | — | 30,341 | 1,735,038 | 124,778 | 7,611,355 | 1,866,688 | 412 | 11,962,437 |
| Receivables: | | | | | | | | | | |
| Taxes | 80,000 | 9,092 | — | — | 904,458 | 468,906 | 590,345 | — | — | 2,052,801 |
| Accounts | 8,443 | — | — | — | — | — | 6,580 | — | 19,071 | 34,094 |
| Accrued interest | — | — | — | — | 2,861 | — | 45,927 | 30,658 | — | 79,446 |
| Due from other funds | — | — | — | — | — | — | 16,156 | — | — | 16,156 |
| Due from other governments | 14,969 | — | 121,998 | 107,288 | — | — | 236,800 | — | 461,737 | 942,792 |
| Restricted assets | — | — | — | — | — | 12,068 | — | — | — | 12,068 |
| Total assets | \$ 694,894 | 11,435 | 121,998 | 137,629 | 2,642,357 | 605,752 | 8,507,163 | 1,897,346 | 481,220 | 15,099,794 |
| Liabilities and Fund Balances | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts and contracts payable | \$ 10,214 | — | 347 | 27,465 | 376,191 | 115,678 | 88,681 | — | 110,782 | 729,358 |
| Due to other funds | — | — | 114,816 | — | — | — | 15,356 | — | 245,877 | 376,049 |
| Accrued items | 7,181 | — | 6,835 | 2,442 | — | 17,499 | 14,790 | — | 22,905 | 71,652 |
| Other current liabilities | — | — | — | 107,718 | — | — | — | — | 10 | 107,728 |
| Deferred revenue | — | — | — | — | — | — | — | — | 100,251 | 100,251 |
| Advances from other funds | — | — | — | — | — | — | 15,355 | — | — | 15,355 |
| Total liabilities | 17,395 | — | 121,998 | 137,625 | 376,191 | 133,177 | 134,182 | — | 479,825 | 1,400,393 |
| Fund balances: | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Encumbrances | 28,943 | — | 278,744 | 599,127 | 1,615,820 | 980,274 | 1,112,212 | — | 431,647 | 5,046,767 |
| Other purposes | — | — | — | — | — | 32,754 | — | — | — | 32,754 |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue Funds | 505,312 | 11,435 | (278,744) | (599,123) | 650,346 | (540,453) | 6,659,245 | 1,897,346 | (433,671) | 7,871,693 |
| Designated Special Revenue Funds | 143,244 | — | — | — | — | — | 601,524 | — | 3,419 | 748,187 |
| Total fund balances | 677,499 | 11,435 | — | 4 | 2,266,166 | 472,575 | 8,372,981 | 1,897,346 | 1,395 | 13,699,401 |
| Total liabilities and fund balances | \$ 694,894 | 11,435 | 121,998 | 137,629 | 2,642,357 | 605,752 | 8,507,163 | 1,897,346 | 481,220 | 15,099,794 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2004

| | 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 | Grants | Total (Exhibit 13) |
|---|------------|--------------------------------------|---------------------------------|-----------------------|------------------------------|----------------------------|-----------------------|-------------------|-----------|--------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 859,641 | 21,374 | -- | -- | 6,022,690 | 2,817,653 | 3,899,705 | -- | -- | 13,621,063 |
| Licenses and permits | -- | -- | -- | -- | -- | -- | 168,148 | 1,118,327 | -- | 1,118,327 |
| Intergovernmental | 63,648 | -- | 957,759 | 335,113 | -- | -- | -- | -- | 2,104,939 | 3,629,607 |
| Charges for services | 665 | -- | -- | -- | -- | -- | -- | -- | 209,742 | 210,407 |
| Investment income | 4,522 | 2,375 | -- | -- | 19,136 | 20,030 | 66,885 | 12,655 | 443 | 126,046 |
| Other | 11,470 | -- | 3,820 | -- | -- | 58,890 | 136,144 | -- | 7,712 | 218,036 |
| Total revenues | 939,946 | 23,749 | 961,579 | 335,113 | 6,041,826 | 2,896,573 | 4,270,882 | 1,130,982 | 2,322,836 | 18,923,486 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | -- | -- | -- | -- | -- | -- | -- | -- | 1,686,271 | 1,686,271 |
| Health and welfare | -- | -- | -- | -- | -- | -- | -- | -- | 496,163 | 496,163 |
| Culture and recreation | 659,991 | -- | -- | -- | -- | 819,987 | -- | -- | 4,159 | 1,484,137 |
| Community development | -- | -- | 947,861 | 335,113 | -- | -- | -- | -- | -- | 1,282,974 |
| Storm water | -- | -- | -- | -- | -- | -- | 526,263 | -- | -- | 526,263 |
| Nondepartmental | -- | -- | -- | -- | -- | -- | 1,434,616 | -- | 136,868 | 136,868 |
| Capital outlay | -- | 24,116 | -- | -- | 4,748,397 | 3,498,692 | -- | -- | -- | 9,705,821 |
| Debt service: | | | | | | | | | | |
| Principal | -- | -- | -- | -- | -- | 1,215,000 | 68,369 | -- | -- | 1,283,369 |
| Interest and fiscal agent fees | -- | -- | -- | -- | -- | 51,638 | 6,638 | -- | -- | 58,276 |
| Total expenditures | 659,991 | 24,116 | 947,861 | 335,113 | 4,748,397 | 5,585,317 | 2,035,886 | -- | 2,323,461 | 16,660,142 |
| Excess (deficiency) of revenues over expenditures | 279,955 | (367) | 13,718 | -- | 1,293,429 | (2,688,744) | 2,234,996 | 1,130,982 | (625) | 2,263,344 |
| Other financing sources (uses): | | | | | | | | | | |
| Proceeds from bond issuance | -- | -- | -- | -- | -- | 1,245,000 | -- | -- | -- | 1,245,000 |
| Transfers in | -- | -- | -- | -- | -- | (54,232) | 148,049 | -- | 2,020 | 150,069 |
| Transfers out | -- | -- | (9,898) | -- | (5,328) | -- | (3,552) | (237,757) | -- | (310,767) |
| Total other financing sources (uses) | -- | -- | (9,898) | -- | (5,328) | 1,190,768 | 144,497 | (237,757) | 2,020 | 1,084,302 |
| Net change in fund balances | 279,955 | (367) | 3,820 | -- | 1,288,101 | (1,497,976) | 2,379,493 | 893,225 | 1,395 | 3,347,646 |
| Fund balances, beginning of year | 397,544 | 11,802 | (3,820) | 4 | 978,065 | 1,970,551 | 5,993,488 | 1,004,121 | -- | 10,351,755 |
| Fund balances, end of year | \$ 677,499 | 11,435 | -- | 4 | 2,266,166 | 472,575 | 8,372,981 | 1,897,346 | 1,395 | 13,699,401 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2004

| | Budgeted amounts | | Actual amounts (budget basis) | Variance with final budget favorable (unfavorable) | 2003 actual |
|--|------------------|---------|----------------------------------|--|----------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| Transient guest taxes | \$ 738,000 | 738,000 | 859,641 | 121,641 | 680,605 |
| Interest | 50 | 2,658 | 4,522 | 1,864 | 4,049 |
| Grants—federal, state, and local | — | 63,648 | 63,648 | — | 55,741 |
| Other revenue | 10,608 | 8,000 | 12,135 | 4,135 | 3,428 |
| Total revenues | 748,658 | 812,306 | 939,946 | 127,640 | 743,823 |
| Expenditures: | | | | | |
| Tourism | 604,209 | 667,857 | 659,324 | 8,533 | 549,233 |
| Total expenditures | 604,209 | 667,857 | 659,324 | 8,533 | 549,233 |
| Excess of revenues and other financing resources over expenditures and other financing uses | \$ 144,449 | 144,449 | 280,622 | 136,173 | 194,590 |
| Undesignated fund balance at beginning of year | | | 355,229 | | 172,425 |
| Cancellation of prior year encumbrances | | | 693 | | 226 |
| Increase in other fund balance components during the year (1) | | | (131,232) | | (12,012) |
| Undesignated fund balance at end of year | | | \$ 505,312 | | 355,229 |

(1) This amount represents transactions included in the excess of revenues and other financing resources over expenditures and other financing uses amount listed above that affected fund balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the undesignated fund balance account to other fund balance component accounts.

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2004

| | <u>Tourism Fund</u> |
|--|-------------------------|
| Sources/inflows of resources: | |
| Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule | \$ 939,946 |
| Basis differences—budget to GAAP: None | <u>—</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds | <u>\$ 939,946</u> |
| Uses/outflows of resources: | |
| Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule | \$ 659,324 |
| Basis differences—budget to GAAP: | |
| Outstanding encumbrances at year-end charged to the current year’s budget (1) | (28,943) |
| Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1) | <u>29,610</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds | <u>\$ 659,991</u> |

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

See accompanying independent auditors’ report.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2004

| Assets | Street Improvements | Revolving Public Improvements | Consolidated Tax Increment Financing (Exhibit 19) | Buildings and Other Improvements | Storm Drainage | Park Improvements | Total (Exhibit 12) |
|---|---------------------|-------------------------------|---|----------------------------------|----------------|-------------------|--------------------|
| Pooled cash and investments | \$ 112,242 | 16,412 | 3,600,183 | 1 | 1 | 1 | 3,728,840 |
| Receivables: | | | | | | | |
| Taxes | — | — | 51,950 | — | — | — | 51,950 |
| Accounts | — | — | 573,030 | 21,108 | — | 2,000 | 596,138 |
| Special assessment principal and accrued interest | 72,071 | — | — | — | — | — | 72,071 |
| Due from other funds | — | — | 8,626 | — | — | — | 8,626 |
| Due from other governments | 2,597,193 | — | 362,670 | 76,953 | 16,155 | 250,001 | 3,302,972 |
| Restricted assets | — | — | 9,346,996 | — | — | — | 9,346,996 |
| Total assets | \$ 2,781,506 | 16,412 | 13,943,455 | 98,062 | 16,156 | 252,002 | 17,107,593 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts and contracts payable | \$ 635,892 | — | 2,509 | — | — | 36 | 638,437 |
| Due to other funds | — | — | 102,300 | 188,062 | 16,156 | 241,790 | 548,308 |
| Other current liabilities | 700,000 | — | 819,743 | — | — | — | 1,519,743 |
| Deferred revenue | 1,347,007 | — | — | — | — | — | 1,347,007 |
| Advances from other funds | — | — | — | — | — | — | — |
| Total liabilities | 2,682,899 | — | 924,552 | 188,062 | 16,156 | 241,826 | 4,053,495 |
| Fund balances (deficit): | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances | 3,542,083 | — | (4,717) | 171,406 | — | 536 | 3,709,308 |
| Other purposes | — | — | 6,868,038 | — | — | — | 6,868,038 |
| Unreserved, reported in: | | | | | | | |
| Capital Project Funds | (3,443,476) | 16,412 | 3,608,913 | (261,406) | — | 9,640 | (69,917) |
| Designated Capital Projects Funds | — | — | 2,546,669 | — | — | — | 2,546,669 |
| Total fund balances (deficit) | 98,607 | 16,412 | 13,018,903 | (90,000) | — | 10,176 | 13,054,098 |
| Total liabilities and fund balances (deficit) | \$ 2,781,506 | 16,412 | 13,943,455 | 98,062 | 16,156 | 252,002 | 17,107,593 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2004

| | Street Improvements | Revolving Public Improvements | Consolidated Tax Increment Financing (Exhibit 20) | Buildings and Other Improvements | Storm Drainage | Park Improvements | Total (Exhibit 13) |
|--|------------------------|-------------------------------------|--|--|-------------------|----------------------|-----------------------|
| Revenues: | | | | | | | |
| Taxes | — | — | 4,750,299 | — | — | — | 4,750,299 |
| Intergovernmental | 966,962 | — | — | (80,152) | 749 | — | 887,559 |
| Charges for services | 215 | — | 15,000 | — | — | — | 15,215 |
| Investment income | (8,227) | 178 | 353,814 | — | — | — | 345,765 |
| Other | 61,455 | — | 770,792 | 7,029 | (3,124) | (52,067) | 784,085 |
| Total revenues | 1,020,405 | 178 | 5,889,905 | (73,123) | (2,375) | (52,067) | 6,782,923 |
| Expenditures: | | | | | | | |
| Capital outlay | 1,337,939 | — | 8,372,257 | 14,079 | — | 114,192 | 9,838,467 |
| Debt service: | | | | | | | |
| Principal | — | — | 1,672,856 | — | — | — | 1,672,856 |
| Interest and fiscal agent fees | — | — | 2,982,064 | — | — | — | 2,982,064 |
| Total expenditures | 1,337,939 | — | 13,027,177 | 14,079 | — | 114,192 | 14,493,387 |
| Excess (deficiency) of revenues over expenditures | (317,534) | 178 | (7,137,272) | (87,202) | (2,375) | (166,259) | (7,710,464) |
| Other financing sources (uses): | | | | | | | |
| Proceeds from capital leases/bond issuance | — | — | 8,715,000 | — | — | — | 8,715,000 |
| Transfers in | 312,501 | — | 25,252 | (1,779) | (749) | 166,259 | 501,484 |
| Transfers out | — | (25,402) | — | — | — | — | (25,402) |
| Total other financing sources (uses) | 312,501 | (25,402) | 8,740,252 | (1,779) | (749) | 166,259 | 9,191,082 |
| Net change in fund balances | (5,033) | (25,224) | 1,602,980 | (88,981) | (3,124) | — | 1,480,618 |
| Fund balances (deficit), beginning of year | 103,640 | 41,636 | 11,415,923 | (1,019) | 3,124 | 10,176 | 11,573,480 |
| Fund balances, end of year | 98,607 | 16,412 | 13,018,903 | (90,000) | — | 10,176 | 13,054,098 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Subcombining Balance Sheet
 Nonmajor TIF Funds
 June 30, 2004

| Assets | Midtown Truman | RSO | Bolger Square | Sante Fe | Sterling Village | Hartman Heritage | Drumrn Farm | Eastland Center | North Independence | Mount Washington | Hwy-Vee | Noland Rd Autobody | TIF App Fees | Total (Exhibit 17) |
|---|----------------|----------|---------------|-----------|------------------|------------------|-------------|-----------------|--------------------|------------------|---------|--------------------|--------------|--------------------|
| Pooled cash and investments | 687,285 | 58,481 | 411,747 | 301,342 | 4,437 | 626,925 | 214,533 | 1,193,069 | 934 | 12,154 | 34,638 | 37,881 | 16,757 | 3,600,183 |
| Receivables: | | | | | | | | | | | | | | |
| Taxes | | | | 3,946 | | 41,502 | | | | | | 6,502 | | 51,950 |
| Accounts | | | 573,000 | | | 8,626 | | | | | | | 30 | 573,030 |
| Due from other funds | | | 70,415 | 5,156 | | 67,265 | 2,260 | 181,131 | 2,268 | 2,017 | 8,350 | 12,000 | | 8,626 |
| Due from other governments | | 11,708 | | 1,902,442 | | 4,215,705 | | 2,380,498 | | | | | | 362,670 |
| Restricted assets | | | 848,351 | | | | | | | | | | | 9,346,996 |
| Total assets | 687,285 | 70,189 | 1,903,513 | 2,212,886 | 4,437 | 4,960,123 | 216,793 | 3,754,698 | 3,202 | 14,171 | 42,988 | 56,383 | 16,787 | 13,943,455 |
| Liabilities and Fund Balances | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | |
| Accounts and contracts payable | | | 1,425 | | | | | 875 | | | | | 209 | 2,509 |
| Due to other funds | | | | | | 102,300 | | | | | | | | 102,300 |
| Other current liabilities | | 155,542 | | | | 298,846 | | 266,333 | | 99,022 | | | | 819,743 |
| Advances from other funds | | | | | | | | | | | | | | |
| Total liabilities | | 155,542 | 1,425 | | | 401,146 | | 267,208 | | 99,022 | | | 209 | 924,552 |
| Fund balances: | | | | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | | | | |
| Encumbrances | | | | 540 | | 2,294 | | (11,389) | | | | | 3,838 | (4,717) |
| Other purposes | | | 724,666 | 1,450,082 | | 2,349,821 | | 2,343,469 | | | | | | 6,868,038 |
| Unreserved, reported in: | | | | | | | | | | | | | | |
| Capital Projects Funds | 687,285 | (85,353) | 1,053,737 | 309,904 | 4,437 | 273,268 | 216,793 | 1,118,380 | 3,202 | (84,851) | 42,988 | 56,383 | 12,740 | 3,608,913 |
| Designated Capital Projects Funds | | | 123,683 | 452,560 | | 1,933,594 | | 37,050 | | | | | | 2,546,669 |
| Total fund balances (deficit) | 687,285 | (85,353) | 1,902,088 | 2,212,886 | 4,437 | 4,538,977 | 216,793 | 3,487,490 | 3,202 | (84,851) | 42,988 | 56,383 | 16,578 | 13,018,903 |
| Total liabilities and fund balances (deficit) | 687,285 | 70,189 | 1,903,513 | 2,212,886 | 4,437 | 4,960,123 | 216,793 | 3,754,698 | 3,202 | 14,171 | 42,988 | 56,383 | 16,787 | 13,943,455 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Nonmajor TIF Funds
 Year ended June 30, 2004

| | Midtown Truman | RSO | Bolger Square | Sante Fe | Sterling Village | Hartman Heritage | Drumo Farm | Eastland Center | North Independence | Mount Washington | Hy-Vee | Noland Rd Autobody | TIF App Fees | Total (Exhibit 18) |
|--|-------------------|------------------|------------------|------------------|---------------------|---------------------|----------------|--------------------|-----------------------|---------------------|---------------|-----------------------|-----------------|-----------------------|
| Revenues: | | | | | | | | | | | | | | |
| Taxes | 367,903 | 116,961 | 968,706 | 10,598 | 4,416 | 1,034,366 | 206,899 | 1,909,732 | 22,499 | 8,458 | 42,995 | 56,766 | — | 4,750,999 |
| Charges for services | — | — | — | — | — | — | — | — | — | — | — | — | 15,000 | 15,000 |
| Investment income | 5,013 | 859 | 12,413 | 18,935 | 21 | 280,051 | 1,028 | 34,960 | 35 | 117 | 46 | 188 | 148 | 353,814 |
| Other | — | — | — | 20,792 | — | — | — | 750,000 | — | — | — | — | — | 770,792 |
| Total revenues | 372,916 | 117,820 | 981,119 | 50,325 | 4,437 | 1,314,417 | 207,927 | 2,894,692 | 22,534 | 8,575 | 43,041 | 56,954 | 15,148 | 5,889,905 |
| Expenditures: | | | | | | | | | | | | | | |
| Capital outlay | 71,299 | 59,875 | 11,157 | 8,420 | — | 5,523,449 | 677 | 2,646,559 | 19,335 | 3,544 | 53 | 571 | 27,318 | 8,372,257 |
| Debt service | — | — | 555,000 | — | — | 397,856 | — | 720,000 | — | — | — | — | — | 1,672,856 |
| Interest | — | — | 283,423 | — | — | 908,967 | — | 1,262,581 | — | — | — | — | — | 2,982,064 |
| Interest and fiscal agent fees | — | — | — | 577,091 | — | — | — | — | — | — | — | — | — | — |
| Total expenditures | 71,299 | 59,875 | 849,582 | 535,511 | — | 6,830,272 | 677 | 4,629,140 | 19,335 | 3,544 | 53 | 571 | 27,318 | 13,027,177 |
| Excess (deficiency) of revenues over expenditures | 301,617 | 57,945 | 131,537 | (485,186) | 4,437 | (3,515,855) | 207,250 | (1,934,448) | 3,199 | 5,031 | 42,988 | 56,383 | (12,170) | (7,137,272) |
| Other financing sources: | | | | | | | | | | | | | | |
| Proceeds from capital leases/bond issuance | — | — | — | 25,252 | — | 8,715,000 | — | — | — | — | — | — | — | 8,715,000 |
| Transfers in | — | — | — | — | — | — | — | — | — | — | — | — | — | 25,252 |
| Total other financing sources | | | | 25,252 | | 8,715,000 | | | | | | | | 8,740,252 |
| Net change in fund balances | 301,617 | 57,945 | 131,537 | (459,934) | 4,437 | 3,199,145 | 207,250 | (1,934,448) | 3,199 | 5,031 | 42,988 | 56,383 | (12,170) | 1,602,980 |
| Fund balances (deficit), beginning of year | 385,668 | (143,298) | 1,770,551 | 2,672,820 | — | 1,350,832 | 9,543 | 5,421,938 | 3 | (89,882) | — | — | 28,748 | 11,415,923 |
| Fund balances (deficit), end of year | 687,285 | (85,353) | 1,902,088 | 2,212,886 | 4,437 | 4,558,977 | 216,793 | 3,487,490 | 3,202 | (84,851) | 42,988 | 56,383 | 16,578 | 13,018,903 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

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

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

Employee Benefits—This fund is used to account for all financial activity associated with the reimbursement to the Missouri Local Government Employees Retirement System (LAGERS) for the refunding of employee contributions made to the system.

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

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2004

| Assets | Central Garage | Employee Benefits | Staywell Health Care | Total (Exhibit 5) |
|---|-------------------|----------------------|----------------------------|----------------------|
| Current assets: | | | | |
| Pooled cash and investments | \$ 167,764 | 754,104 | 1,012,582 | 1,934,450 |
| Accounts receivable | 2,152 | — | 130,503 | 132,655 |
| Accrued interest receivable | — | 2,091 | — | 2,091 |
| Inventory | 52,797 | — | — | 52,797 |
| Total current assets | <u>222,713</u> | <u>756,195</u> | <u>1,143,085</u> | <u>2,121,993</u> |
| Noncurrent assets: | | | | |
| Property, plant, and equipment: | | | | |
| Land | 93,979 | — | — | 93,979 |
| Depreciable property, plant, and equipment | 246,154 | — | — | 246,154 |
| Less accumulated depreciation | (235,795) | — | — | (235,795) |
| Total noncurrent assets | <u>104,338</u> | <u>—</u> | <u>—</u> | <u>104,338</u> |
| Total assets | <u>\$ 327,051</u> | <u>756,195</u> | <u>1,143,085</u> | <u>2,226,331</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities: | | | | |
| Accounts and contracts payable | \$ 26,493 | — | — | 26,493 |
| Accrued liabilities | 16,535 | — | — | 16,535 |
| Compensated absences—current | 21,615 | — | — | 21,615 |
| Employee benefits payable | — | 791,331 | — | 791,331 |
| Medical self-insurance claims | — | — | 871,093 | 871,093 |
| Total current liabilities | <u>64,643</u> | <u>791,331</u> | <u>871,093</u> | <u>1,727,067</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences—long-term | 34,860 | — | — | 34,860 |
| Total liabilities | <u>99,503</u> | <u>791,331</u> | <u>871,093</u> | <u>1,761,927</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 104,337 | — | — | 104,337 |
| Unrestricted | 123,211 | (35,136) | 271,992 | 360,067 |
| Total net assets (deficit) | <u>227,548</u> | <u>(35,136)</u> | <u>271,992</u> | <u>464,404</u> |
| Total liabilities and net assets (deficit) | <u>\$ 327,051</u> | <u>756,195</u> | <u>1,143,085</u> | <u>2,226,331</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, 2004

| | <u>Central Garage</u> | <u>Employee Benefits</u> | <u>Staywell Health Care</u> | <u>Total (Exhibit 6)</u> |
|--------------------------------|---------------------------|------------------------------|-------------------------------------|------------------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 1,217,533 | — | — | 1,217,533 |
| Miscellaneous | — | — | 10,692,076 | 10,692,076 |
| Total operating revenues | <u>1,217,533</u> | <u>—</u> | <u>10,692,076</u> | <u>11,909,609</u> |
| Operating expenses: | | | | |
| Personal services | 455,968 | — | — | 455,968 |
| Other services | 265,319 | — | 11,180,610 | 11,445,929 |
| Supplies | 543,086 | — | — | 543,086 |
| Capital outlay | — | — | — | — |
| Depreciation and amortization | 4,676 | — | — | 4,676 |
| Total operating expenses | <u>1,269,049</u> | <u>—</u> | <u>11,180,610</u> | <u>12,449,659</u> |
| Operating loss | <u>(51,516)</u> | <u>—</u> | <u>(488,534)</u> | <u>(540,050)</u> |
| Nonoperating revenues: | | | | |
| Interest revenue | 1,284 | 8,305 | 10,677 | 20,266 |
| Miscellaneous revenue | 29,574 | — | 245,975 | 275,549 |
| Total nonoperating revenues | <u>30,858</u> | <u>8,305</u> | <u>256,652</u> | <u>295,815</u> |
| Income (loss) before transfers | <u>(20,658)</u> | <u>8,305</u> | <u>(231,882)</u> | <u>(244,235)</u> |
| Transfers in | — | 44,423 | — | 44,423 |
| Change in net assets | <u>(20,658)</u> | <u>52,728</u> | <u>(231,882)</u> | <u>(199,812)</u> |
| Total net assets (deficit): | | | | |
| Beginning of the year | <u>248,206</u> | <u>(87,864)</u> | <u>503,874</u> | <u>664,216</u> |
| End of the year | <u>\$ 227,548</u> | <u>(35,136)</u> | <u>271,992</u> | <u>464,404</u> |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2004

| | Internal Service Funds | | | Total (Exhibit 7) |
|--|------------------------|----------------------|-------------------------|----------------------|
| | Central Garage | Employee Benefits | Staywell Health Care | |
| Cash flows from operations: | | | | |
| Receipts from customers | \$ 1,215,746 | — | 10,561,572 | 11,777,318 |
| Payments to suppliers | (783,170) | (215,856) | (11,109,911) | (12,108,937) |
| Payments to employees | (448,679) | — | — | (448,679) |
| Net cash used in operating activities | (16,103) | (215,856) | (548,339) | (780,298) |
| Cash flows from noncapital financing activities: | | | | |
| Transfers in | — | 44,423 | — | 44,423 |
| Nonoperating revenues | 29,574 | — | 245,975 | 275,549 |
| Net cash provided by noncapital financing activities | 29,574 | 44,423 | 245,975 | 319,972 |
| Cash flows from capital financing activities: | | | | |
| Acquisition and construction of capital assets | (3,850) | — | — | (3,850) |
| Cash flows from investing activities: | | | | |
| Purchases of investments | — | (1,495,155) | — | (1,495,155) |
| Proceeds from sales and maturities of investments | — | 1,495,429 | — | 1,495,429 |
| Interest on investments | 1,284 | 8,305 | 10,677 | 20,266 |
| Net cash provided by investing activities | 1,284 | 8,579 | 10,677 | 20,540 |
| Net increase (decrease) in cash and cash equivalents | 10,905 | (162,854) | (291,687) | (443,636) |
| Cash and cash equivalents at beginning of year | 156,859 | 419,534 | 1,304,269 | 1,880,662 |
| Cash and cash equivalents at end of year | 167,764 | 256,680 | 1,012,582 | 1,437,026 |
| Investments with original maturities greater than 90 days | — | 497,424 | — | 497,424 |
| Cash and investments | \$ 167,764 | 754,104 | 1,012,582 | 1,934,450 |
| Reconciliation of operating loss to net cash used in operating activities: | | | | |
| Operating income (loss) | \$ (51,516) | — | (488,534) | (540,050) |
| Adjustments not affecting cash: | | | | |
| Depreciation and amortization | 4,677 | — | — | 4,677 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | (1,787) | — | (130,502) | (132,289) |
| Inventory | 18,122 | — | — | 18,122 |
| Accounts and contracts payable | 6,939 | — | (1,125) | 5,814 |
| Accrued liabilities | 2,345 | — | 71,822 | 74,167 |
| Other current liabilities | — | (215,856) | — | (215,856) |
| Compensated absences | 5,117 | — | — | 5,117 |
| Total adjustments | 35,413 | (215,856) | (59,805) | (240,248) |
| Net cash used in operating activities | \$ (16,103) | (215,856) | (548,339) | (780,298) |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

| | Private- purpose Trust Fund | | Agency funds | | Total (Exhibit 8) |
|---|---|------------------------------|--------------------------------------|----------------------------------|------------------------------|
| | Miscellaneous Expendable Trust | Total (Exhibit 8) | Flexible Benefit Plan | Susie Block Trust | |
| Assets: | | | | | |
| Pooled cash and investments | \$ 52,516 | 52,516 | 38,339 | 23,869 | 62,208 |
| Accrued interest receivable | — | — | — | 496 | 496 |
| Total assets | \$ 52,516 | 52,516 | 38,339 | 24,365 | 62,704 |
| Liabilities: | | | | | |
| Accounts and contracts payable | \$ (89) | (89) | — | — | — |
| Liabilities payable from restricted assets: | | | | | |
| Funds held in escrow | — | — | — | 24,365 | 24,365 |
| Employee deferred credit | — | — | 38,339 | — | 38,339 |
| Total liabilities | (89) | (89) | 38,339 | 24,365 | 62,704 |
| Net assets: | | | | | |
| Held in trust | \$ 52,605 | 52,605 | | | |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Assets
 Miscellaneous Expendable Trust
 Year ended June 30, 2004

| | | Private- purpose Trust Fund (Exhibit 9) |
|-----------------------|----|--|
| | | |
| Additions: | | |
| Charges for services | \$ | 17,891 |
| Interest | | 468 |
| Other | | 88 |
| Total additions | | 18,447 |
| Deductions: | | |
| Community development | | 16,581 |
| Total deductions | | 16,581 |
| Change in net assets | | 1,866 |
| Net assets, beginning | | 50,739 |
| Net assets, ending | \$ | 52,605 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

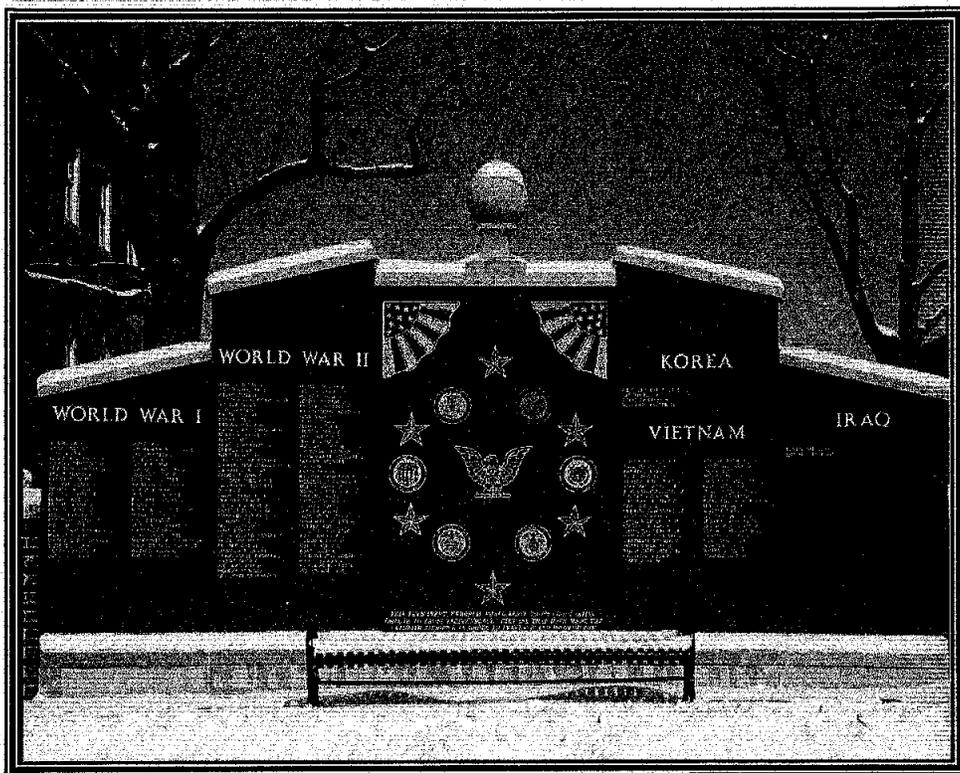
All Agency Funds

Year ended June 30, 2004

| | Balance June 30, 2003 | Additions | Deductions | Balance June 30, 2004 (Exhibit 24) |
|-------------------------------|--------------------------------------|------------------|-------------------|---|
| Flexible Benefit Plan: | | | | |
| Assets: | | | | |
| Cash | \$ 46,646 | 28,293 | 36,600 | 38,339 |
| Liabilities: | | | | |
| Flexible benefit payable | \$ 46,646 | 322,713 | 331,020 | 38,339 |
| | <u>\$ 46,646</u> | <u>322,713</u> | <u>331,020</u> | <u>38,339</u> |
| Susie Block Trust: | | | | |
| Assets: | | | | |
| Cash | \$ 1,885 | 1,347 | 345 | 2,887 |
| Investments | 20,981 | — | — | 20,981 |
| Accrued interest | 496 | 1,326 | 1,325 | 497 |
| | <u>\$ 23,362</u> | <u>2,673</u> | <u>1,670</u> | <u>24,365</u> |
| Liabilities: | | | | |
| Escrow | \$ 23,362 | 1,348 | 345 | 24,365 |

See accompanying independent auditors' report.

Memorial Wall located by the Truman-Memorial Building
On West Walnut Street



Picture courtesy of Herbert Webb

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses—Power and Light Fund
Years ended June 30, 2004 and 2003

| | 2004 | | | 2003 | | |
|---------------------------------------|---------------------|------------------|-------------------|------------------|------------------|-------------------|
| | Operations | Maintenance | Total | Operations | Maintenance | Total |
| Production fuel: | | | | | | |
| Coal | | | \$ 8,021,261 | | | 6,846,747 |
| Gas | | | 1,143,588 | | | 889,819 |
| Oil | | | 146,758 | | | 187,109 |
| Total production fuel | | | <u>9,311,607</u> | | | <u>7,923,675</u> |
| Purchased power: | | | | | | |
| Purchased energy | | | 16,694,809 | | | 14,968,146 |
| Purchased capacity (net) | | | 7,560,000 | | | 7,560,000 |
| Border customers | | | 28,476 | | | 27,510 |
| Control and dispatching | | | 592,689 | | | 670,409 |
| Total purchased power | | | <u>24,875,974</u> | | | <u>23,226,065</u> |
| Production (other): | | | | | | |
| Blue Valley Station: | | | | | | |
| Supervision and engineering | \$ 448,193 | 553,616 | 1,001,809 | 445,684 | 468,347 | 914,031 |
| Steam | 615,705 | 1,550,756 | 2,166,461 | 589,324 | 1,137,356 | 1,726,680 |
| Electric | 671,604 | 255,642 | 927,246 | 613,228 | 266,557 | 879,785 |
| Structures and improvements | — | 56,733 | 56,733 | — | 143,903 | 143,903 |
| Miscellaneous | 910,730 | 638,622 | 1,549,352 | 798,098 | 731,593 | 1,529,691 |
| | <u>2,646,232</u> | <u>3,055,369</u> | <u>5,701,601</u> | <u>2,446,334</u> | <u>2,747,756</u> | <u>5,194,090</u> |
| Missouri City Station: | | | | | | |
| Supervision and engineering | 81,814 | 2,266 | 84,080 | 61,941 | 8,414 | 70,355 |
| Steam | 332,592 | 676,538 | 1,009,130 | 272,342 | 260,766 | 533,108 |
| Electric | 338,960 | 60,538 | 399,498 | 281,063 | 85,266 | 366,329 |
| Structures and improvements | — | 63,781 | 63,781 | — | 32,559 | 32,559 |
| Miscellaneous | 241,468 | 287,173 | 528,641 | 146,413 | 161,933 | 308,346 |
| | <u>994,834</u> | <u>1,090,296</u> | <u>2,085,130</u> | <u>761,759</u> | <u>548,938</u> | <u>1,310,697</u> |
| Combustion Turbine Station: | | | | | | |
| Supervision and engineering | — | — | — | — | 792 | 792 |
| Generation expenses | — | 72,464 | 72,464 | (12,022) | 125,941 | 113,919 |
| Structures and improvements | — | 151,457 | 151,457 | 7,592 | 40,674 | 48,266 |
| Miscellaneous | 87,366 | 111,243 | 198,609 | — | 328,582 | 328,582 |
| | <u>87,366</u> | <u>335,164</u> | <u>422,530</u> | <u>(4,430)</u> | <u>495,989</u> | <u>491,559</u> |
| Total production (other) | \$ <u>3,728,432</u> | <u>4,480,829</u> | <u>8,209,261</u> | <u>3,203,663</u> | <u>3,792,683</u> | <u>6,996,346</u> |
| Transmission and distribution: | | | | | | |
| Transmission: | | | | | | |
| Supervision and engineering | \$ 134,230 | 14,152 | 148,382 | 138,367 | 13,448 | 151,815 |
| Overhead expenses | 7,998 | 736 | 8,734 | 12,256 | — | 12,256 |
| Station expenses | 17,476 | 316,253 | 333,729 | 20,975 | 255,307 | 276,282 |
| Wheeling charges | 7,379 | — | 7,379 | 6,909 | — | 6,909 |
| Underground line expense | — | — | — | 667 | 1,596 | 2,263 |
| Structures and improvements | — | — | — | — | 11 | 11 |
| Miscellaneous | 4,262 | — | 4,262 | 249 | — | 249 |
| Total transmission | <u>171,345</u> | <u>331,141</u> | <u>502,486</u> | <u>179,423</u> | <u>270,362</u> | <u>449,785</u> |

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses—Power and Light Fund
Years ended June 30, 2004 and 2003

| | 2004 | | | 2003 | | |
|--|---------------------|------------------|----------------------|------------------|------------------|-------------------|
| | Operations | Maintenance | Total | Operations | Maintenance | Total |
| Distribution: | | | | | | |
| Supervision and engineering | \$ 81,353 | 42,491 | 123,844 | 80,124 | 40,386 | 120,510 |
| Overhead lines | 772,883 | 2,397,018 | 3,169,901 | 757,196 | 2,473,191 | 3,230,387 |
| Station expenses | 226,871 | 210,712 | 437,583 | 216,348 | 53,052 | 269,400 |
| Street lights and traffic signals | 151,043 | 426,877 | 577,920 | 227,432 | 435,974 | 663,406 |
| Meters | 154,765 | 502,996 | 657,761 | 159,600 | 458,135 | 617,735 |
| Customer installations | 466 | — | 466 | 77 | — | 77 |
| Underground lines | 624,849 | 539,937 | 1,164,786 | 648,826 | 487,830 | 1,136,656 |
| Dispatching communication | 671,616 | — | 671,616 | 585,510 | — | 585,510 |
| Line transformers | — | 103,972 | 103,972 | — | 138,752 | 138,752 |
| Miscellaneous | 616,060 | 221,143 | 837,203 | 402,369 | 157,079 | 559,448 |
| Total distribution | 3,299,906 | 4,445,146 | 7,745,052 | 3,077,482 | 4,244,399 | 7,321,881 |
| Total transmission and distribution | \$ 3,471,251 | 4,776,287 | 8,247,538 | 3,256,905 | 4,514,761 | 7,771,666 |
| Customer service: | | | | | | |
| Supervision | | | \$ 200,361 | | | 215,728 |
| Meter reading | | | 672,072 | | | 607,457 |
| Customer records and collections | | | 1,266,411 | | | 1,290,808 |
| Provisions for doubtful accounts | | | 440,055 | | | 519,065 |
| Miscellaneous | | | 148,478 | | | 161,279 |
| Total customer service | | | 2,727,377 | | | 2,794,337 |
| General and administrative: | | | | | | |
| Salaries | | | 714,390 | | | 655,366 |
| Office supplies | | | 350,671 | | | 210,108 |
| Insurance | | | 911,003 | | | 737,812 |
| Injuries and damage | | | 425,755 | | | 470,156 |
| Employee benefits | | | 3,143,968 | | | 3,018,080 |
| Outside services | | | 1,415,713 | | | 1,398,987 |
| Miscellaneous | | | 771,150 | | | 771,714 |
| Administrative expenses—transfers | | | (50,998) | | | (48,924) |
| Total general and administrative | | | 7,681,652 | | | 7,213,299 |
| Depreciation and amortization | | | 8,501,784 | | | 7,892,484 |
| Payroll taxes | | | 797,478 | | | 774,754 |
| Total operating expenses | | | \$ 70,352,671 | | | 64,592,626 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Schedule of Operating Statistics—Power and Light Fund
 Year ended June 30, 2004

| | Number of customers | | Revenues | KWH |
|--|----------------------|---------------|----------------------|----------------------|
| | Beginning of year | End of year | | |
| Sale of electric energy: | | | | |
| Metered: | | | | |
| Residential | 49,562 | 50,596 | \$ 41,908,958 | 517,868,840 |
| Small general services | 2,921 | 3,008 | 2,884,642 | 28,455,090 |
| General services—space heating | 2 | 2 | 1,499 | 23,650 |
| Large general services | 1,588 | 1,603 | 23,519,410 | 346,566,989 |
| Large general services—prime voltage | 13 | 12 | 1,055,956 | 17,341,584 |
| Large general services—space heating | 2 | 2 | 8,717 | 130,201 |
| Total electric general services | 58 | 64 | 2,969,121 | 49,402,176 |
| Schools, churches, and hospitals | 287 | 283 | 2,965,598 | 41,287,865 |
| Schools, churches, and hospitals, all electric | 6 | 7 | 176,374 | 3,014,184 |
| Large power services | 6 | 6 | 2,116,348 | 41,298,780 |
| Interruptible services | — | — | — | — |
| Sewer pumping | 6 | 6 | 392,997 | 5,693,609 |
| City traffic signals | 60 | 59 | 58,507 | 344,552 |
| Wholesale (border customers) | — | — | 108,448 | 5,266,307 |
| Wholesale (interchange) | — | — | 580,161 | 17,417,000 |
| | <u>54,511</u> | <u>55,648</u> | <u>78,746,736</u> | <u>1,074,110,827</u> |
| Unmetered: | | | | |
| Private security lighting | 1,537 | 1,527 | 250,941 | 1,314,527 |
| City public street lighting | 11,090 | 11,070 | 883,090 | 9,037,643 |
| | <u>12,627</u> | <u>12,597</u> | <u>1,134,031</u> | <u>10,352,170</u> |
| Increase in unbilled revenue | | | 561,228 | 2,052,761 |
| Other operating revenue | | | 891,419 | — |
| Total operating revenue and total energy sales | | | <u>\$ 81,333,414</u> | <u>1,086,515,758</u> |
| Net generation | | | | 349,737,208 |
| Wholesale power purchased | | | | 797,407,519 |
| Unintentional interchange | | | | 12,000 |
| Net generation and power purchased | | | | <u>1,147,156,727</u> |
| Retail energy sales | | | | 1,063,832,451 |
| Wholesale (border customers) sales | | | | 22,683,307 |
| Power and light usage (building and substations) | | | | <u>1,380,564</u> |
| Net disposition | | | | <u>1,087,896,322</u> |
| Transmission and distribution operating losses | | | | <u>59,260,405</u> |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses—Water Fund
Years ended June 30, 2004 and 2003

| | 2004 | | | 2003 | | |
|---|---------------------|------------------|----------------------|------------------|------------------|-------------------|
| | Operations | Maintenance | Total | Operations | Maintenance | Total |
| Production: | | | | | | |
| Source of supply: | | | | | | |
| Supervision and engineering | \$ 12,275 | — | 12,275 | 19,763 | — | 19,763 |
| Labor and expenses | 269,275 | — | 269,275 | 270,458 | — | 270,458 |
| Structures and improvements | — | 30,757 | 30,757 | — | 30,332 | 30,332 |
| Miscellaneous | — | 379,967 | 379,967 | — | 318,285 | 318,285 |
| Total source of supply | 281,550 | 410,724 | 692,274 | 290,221 | 348,617 | 638,838 |
| Power and pumping: | | | | | | |
| Supervision and engineering | 25,720 | 11,490 | 37,210 | 29,830 | 24,341 | 54,171 |
| Fuel/power purchased | 1,190,942 | — | 1,190,942 | 1,113,424 | — | 1,113,424 |
| Labor and expenses | 163,798 | — | 163,798 | 164,479 | — | 164,479 |
| Structures and improvements | — | 10,867 | 10,867 | — | 13,885 | 13,885 |
| Miscellaneous | — | 72,001 | 72,001 | — | 37,190 | 37,190 |
| Total power and pumping | 1,380,460 | 94,358 | 1,474,818 | 1,307,733 | 75,416 | 1,383,149 |
| Water treatment: | | | | | | |
| Supervision and engineering | 27,912 | 15,799 | 43,711 | 34,600 | 15,269 | 49,869 |
| Chemicals | 773,047 | — | 773,047 | 812,493 | — | 812,493 |
| Labor and expenses | 548,480 | — | 548,480 | 543,811 | — | 543,811 |
| Structures and improvements | — | 11,101 | 11,101 | — | 6,467 | 6,467 |
| Miscellaneous | — | 204,786 | 204,786 | — | 332,478 | 332,478 |
| Total water treatment | 1,349,439 | 231,686 | 1,581,125 | 1,390,904 | 354,214 | 1,745,118 |
| Total production | \$ 3,011,449 | 736,768 | 3,748,217 | 2,988,858 | 778,247 | 3,767,105 |
| Transmission and distribution: | | | | | | |
| Supervision and engineering | \$ 54,942 | 91,193 | 146,135 | 48,476 | 102,183 | 150,659 |
| Storage facilities | 13,843 | (48,181) | (34,338) | 13,693 | 215,051 | 228,744 |
| Transmission and distribution lines | 477,217 | 599,023 | 1,076,240 | 474,427 | 572,911 | 1,047,338 |
| Meters | 187,372 | 120,566 | 307,938 | 172,431 | 138,488 | 310,919 |
| Customer installations | 67,280 | — | 67,280 | 60,672 | — | 60,672 |
| Services | — | 197,390 | 197,390 | — | 312,182 | 312,182 |
| Hydrants | — | 63,099 | 63,099 | — | 43,135 | 43,135 |
| Miscellaneous | 360,164 | 107,432 | 467,596 | 363,706 | 111,801 | 475,507 |
| Total transmission and distribution | \$ 1,160,818 | 1,130,522 | 2,291,340 | 1,133,405 | 1,495,751 | 2,629,156 |
| Customer service: | | | | | | |
| Customer accounting paid and collecting: | | | | | | |
| Supervision | | | \$ 137,396 | | | 141,886 |
| Meter reading | | | 663,271 | | | 691,723 |
| Customer records | | | 74,930 | | | (16,108) |
| Provision for uncollectible amounts | | | 48,412 | | | 48,723 |
| Total customer accounting paid and collecting | | | 924,009 | | | 866,224 |
| Sales promotion: | | | | | | |
| Expenses | | | | | | |
| | | | 96,807 | | | 106,435 |
| Total customer service | | | 1,020,816 | | | 972,659 |
| General and administrative: | | | | | | |
| Salaries | | | 403,805 | | | 450,527 |
| Office supplies and expense | | | 294,414 | | | 328,144 |
| Injuries and damages | | | 290,600 | | | 258,189 |
| Employee benefits | | | 1,208,638 | | | 1,146,109 |
| Outside services | | | 940,705 | | | 833,662 |
| Miscellaneous | | | 234,286 | | | 103,735 |
| Total general and administrative | | | 3,372,448 | | | 3,120,366 |
| Depreciation and amortization | | | | | | |
| Payroll taxes | | | 1,960,948 | | | 1,863,011 |
| Other | | | 286,033 | | | 298,957 |
| | | | 65,017 | | | 73,535 |
| Total operating expenses | | | 12,744,819 | | | 12,724,789 |
| Certain amounts are presented as a reduction of operating expenses, whereas they are included as miscellaneous revenue in the statement of revenues, expenses, and changes in fund net assets | | | | | | |
| | | | 1,058,441 | | | 1,062,790 |
| | | | \$ 13,803,260 | | | 13,787,579 |

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics—Water Fund
Year ended June 30, 2004

| | Number of customers | | | |
|------------------------------|------------------------------|--------------------|----------------------|------------------|
| | Beginning of year | End of year | | |
| Sale of water: | | | | |
| Residential | 43,606 | 43,895 | \$ 8,141,479 | 3,438,332 |
| Commercial | 2,883 | 2,933 | 2,152,295 | 985,307 |
| Industrial | 7 | 7 | 336,707 | 299,619 |
| Public authority | 57 | 59 | 174,092 | 86,201 |
| Resale | 13 | 13 | 4,950,287 | 4,831,296 |
| Private fire protection | 307 | 327 | 50,609 | — |
| Public fire protection | — | — | 598,219 | — |
| | <u>46,873</u> | <u>47,234</u> | <u>16,403,688</u> | <u>9,640,755</u> |
| Decrease in unbilled revenue | | | (78,615) | |
| Other operating revenue | | | 285,499 | |
| Total operating revenues | | | <u>\$ 16,610,572</u> | |
| Thousands of gallons pumped: | | | | |
| Courtney Bend Plant | | | | 11,005,907 |
| Less total sales | | | | <u>9,640,755</u> |
| Unaccounted for water | | | | <u>1,365,152</u> |

* Thousand gallons sold.

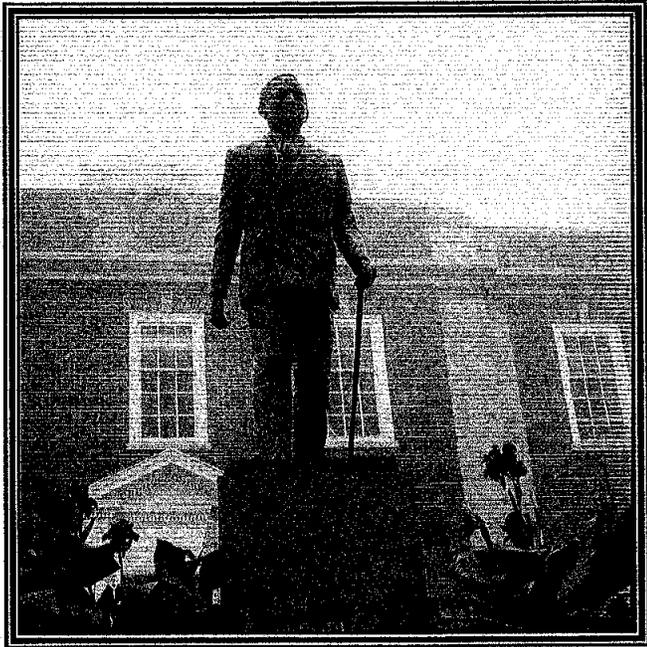
See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Schedule of Operating Statistics—Sanitary Sewer Fund
 Year ended June 30, 2004

| | <u>Number of customers</u> | | <u>Revenues</u> | <u>CCF*</u> |
|----------------------------------|----------------------------|--------------------|----------------------|------------------|
| | <u>Beginning of year</u> | <u>End of year</u> | | |
| Sale of sanitary sewer services: | | | | |
| Residential | 39,751 | 40,070 | \$ 8,570,232 | 3,090,102 |
| Commercial: | | | | |
| Base | 3,493 | 3,534 | 3,245,404 | 1,695,425 |
| Surcharge | — | — | 719,332 | — |
| Contract waste treatment | 20 | 14 | 201,825 | — |
| Intermunicipal agreements: | | | | |
| Sugar Creek | — | — | 340,471 | — |
| Kansas City | — | — | 63,433 | — |
| | <u>43,264</u> | <u>43,618</u> | 13,140,697 | <u>4,785,527</u> |
| Other operating revenue | | | 102,026 | |
| Increase in unbilled revenue | | | 77,594 | |
| Total operating revenues | | | <u>\$ 13,320,317</u> | |

* Hundred cubic feet.

See accompanying independent auditors' report.



**Jackson County Courthouse on
The Independence Square**

**Upper lefthand corner Harry S Truman statue
East side of Courthouse**

**Lower lefthand corner Andrew Jackson statue
West side of Courthouse**

Pictures courtesy of Herb Webb

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

| City of Independence, Missouri | | | | | | | | | | | |
|---|--------------------|---------------|--------------------------|------------------|----------------------|-----------------------|----------------|------------------------|--------------|--|--|
| 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 | | |
| 1995 | 46,590,172 | 6,202,999 | 24,274,529 | 4,750,098 | 883,014 | 1,642,344 | 2,895,795 | 4,379,293 | 601,189 | | |
| 1996 | 47,963,641 | 5,135,501 | 24,002,906 | 5,532,316 | 991,262 | 1,683,247 | 4,862,856 | 3,559,991 | 815,779 | | |
| 1997 | 49,172,040 | 5,119,322 | 23,312,495 | 5,346,312 | 948,268 | 1,762,330 | 4,553,924 | 3,821,673 | 1,460,330 | | |
| 1998 | 53,522,757 | 5,354,047 | 24,506,016 | 5,374,067 | 1,089,234 | 2,008,489 | 5,983,773 | 4,106,742 | 1,432,983 | | |
| 1999 | 66,380,643 | 5,628,079 | 28,603,191 | 6,847,093 | 1,214,950 | 2,480,903 | 13,257,853 | 5,094,621 | 1,753,156 | | |
| 2000 | 79,366,650 | 6,021,065 | 30,360,187 | 5,976,941 | 1,175,739 | 3,465,943 | 22,365,404 | 4,201,337 | 4,434,979 | | |
| 2001 | 90,042,052 | 6,343,908 | 29,136,004 | 6,867,407 | 1,292,388 | 4,017,361 | 28,716,658 | 4,750,611 | 4,918,895 | | |
| 2002 | 98,020,507 | 6,477,775 | 31,290,454 | 7,042,825 | 2,193,035 | 2,973,715 | 29,255,681 | 10,794,758 | 4,476,638 | | |
| 2003 | 83,337,998 | 6,542,594 | 32,088,292 | 7,242,208 | 2,300,201 | 3,552,903 | 17,123,501 | 6,147,462 | 5,098,684 | | |
| 2004 | \$89,469,435 | \$6,593,368 | \$32,271,567 | \$6,856,092 | \$2,395,294 | \$3,752,185 | \$20,481,873 | \$6,964,846 | \$6,707,636 | | |

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

Last updated: 9/8/04

Numbers taken from Total Governmental Funds Column on the Stmt of Rev, Expend, and Changes in Fund Balances

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) |
| 1995 | 43,095,895 | 28,731,356 | 1,728,067 | 6,659,204 | 610,041 | 2,686,712 | 1,682,239 | 339,946 | 658,330 |
| 1996 | 46,918,647 | 31,417,798 | 1,891,026 | 7,700,165 | 494,402 | 2,828,007 | 1,602,145 | 543,743 | 441,361 |
| 1997 | 48,977,851 | 33,392,131 | 2,299,681 | 6,937,808 | 569,820 | 2,895,953 | 1,903,081 | 499,416 | 479,961 |
| 1998 | 55,171,738 | 36,672,503 | 2,325,055 | 9,260,166 | 638,955 | 2,749,077 | 2,409,688 | 603,952 | 512,342 |
| 1999 | 60,902,834 | 40,251,255 | 2,476,897 | 10,913,472 | 796,030 | 3,070,849 | 2,666,064 | 425,256 | 303,011 |
| 2000 | 72,149,590 | 46,629,545 | 2,928,678 | 13,815,850 | 1,359,698 | 2,889,644 | 2,997,092 | 844,469 | 684,614 |
| 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 | 605,943 |
| 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 |
| 2003 | 79,483,053 | 56,496,560 | 4,315,628 | 9,902,274 | 1,519,823 | 2,704,534 | 3,502,074 | 381,438 | 660,722 |
| 2004 | \$83,659,336 | \$58,836,592 | \$4,951,856 | \$10,091,764 | \$1,569,283 | \$2,767,631 | \$3,219,276 | \$571,402 | \$1,651,532 |

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 2A

City of Independence, Missouri

General Governmental Tax Revenues by Source

| | Total | Real Estate Tax | Railroad Utilities Tax | Cigarette Tax | Transient Guest Tax | Sales Tax | Franchise Tax | In Lien of Taxes |
|------|--------------|-----------------|------------------------|---------------|---------------------|--------------|---------------|------------------|
| 1995 | 28,731,356 | 4,449,012 | 54,444 | 489,210 | 327,070 | 11,824,936 | 4,458,123 | 7,128,561 |
| 1996 | 31,417,798 | 4,974,581 | 56,733 | 513,102 | 366,246 | 12,497,734 | 5,525,140 | 7,484,262 |
| 1997 | 33,392,131 | 6,063,867 | 60,981 | 472,758 | 396,654 | 12,609,492 | 6,246,845 | 7,541,534 |
| 1998 | 36,672,503 | 6,388,695 | 55,405 | 600,206 | 419,719 | 15,500,936 | 5,711,768 | 7,995,774 |
| 1999 | 40,251,255 | 6,747,561 | 39,291 | 579,968 | 424,286 | 18,479,114 | 5,662,192 | 8,318,843 |
| 2000 | 46,629,545 | 7,157,444 | 38,824 | 634,169 | 432,564 | 24,240,691 | 5,695,790 | 8,430,063 |
| 2001 | 53,226,616 | 7,639,179 | 39,169 | 595,259 | 443,670 | 27,997,519 | 7,004,453 | 9,507,367 |
| 2002 | 54,521,441 | 7,251,844 | 45,912 | 594,665 | 471,450 | 30,800,658 | 6,545,093 | 8,811,819 |
| 2003 | 56,496,560 | 8,155,079 | 45,144 | 583,785 | 680,605 | 30,926,980 | 6,718,262 | 9,386,705 |
| 2004 | \$58,836,592 | \$8,876,875 | \$38,401 | \$622,835 | \$859,643 | \$31,484,590 | \$7,241,436 | \$9,712,812 |

Includes General, Special Revenue, and TIF funds.

Table 3

City of Independence, Missouri

General Fund, Public Health & Recreation, Debt Service

Property Tax Levies and Collections

| Year Ended June 30 | Net Current Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Total Collections as Percent of Net Current Tax Levy | Outstanding Delinquent Taxes | Outstanding Delinquent Taxes as Percent of Net Current Tax Levy |
|--------------------|----------------------|-------------------------|---------------------------|----------------------------|-----------------------|--|------------------------------|---|
| 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 | 99.96% | 548,436 | 9.38% |
| 2003 | 5,965,249 | 5,634,547 | 94.46% | 286,397 | 5,920,944 | 99.26% | 592,741 | 9.94% |
| 2004 | \$6,241,984 | \$5,977,317 | 95.76% | \$321,803 | \$6,299,121 | 100.92% | \$535,605 | 8.58% |

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 |
|--------------------|------------------|----------------------|-------------------------|----------------------------|-------------------------------|---------------------------------------|
| 1995 | 607,752,380 | 189,899,506 | 12,836,118 | 810,488,004 | 3,356,232,605 | 24.15% |
| 1996 | 613,435,010 | 203,408,373 | 13,270,911 | 830,114,294 | 3,421,971,510 | 24.26% |
| 1997 | 656,083,710 | 217,040,179 | 12,224,657 | 885,348,546 | 3,668,020,926 | 24.14% |
| 1998 | 663,252,770 | 220,203,155 | 9,949,439 | 893,405,364 | 3,689,437,915 | 24.22% |
| 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% |
| 2002 | 816,800,367 | 252,906,062 | 5,471,811 | 1,075,178,240 | 4,614,774,987 | 23.30% |
| 2003 | 925,425,811 | 242,118,750 | 4,947,308 | 1,172,491,869 | 5,096,281,412 | 23.01% |
| 2004 | \$935,237,606 | \$257,027,857 | \$5,477,070 | \$1,197,742,533 | \$5,141,053,505 | 23.30% |

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

City of Independence, Missouri

Property Tax Rates—All Direct and Overlapping Governments

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>For Assessed Valuations As of January 1,</i> | | | | | | | | | | |
| CITY TAX RATES: (1) | | | | | | | | | | |
| General | \$0.520 | \$0.530 | \$0.520 | \$0.520 | \$0.510 | \$0.510 | \$0.510 | \$0.510 | \$0.510 | \$0.471 |
| Public Health & Recreation | 0.230 | 0.240 | 0.240 | 0.240 | 0.240 | 0.240 | 0.240 | 0.240 | 0.240 | 0.222 |
| Debt Service | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total City Tax Rate | 0.750 | 0.770 | 0.760 | 0.760 | 0.750 | 0.750 | 0.750 | 0.750 | 0.750 | 0.693 |
| METROPOLITAN JUNIOR COLLEGE | 0.220 | 0.220 | 0.220 | 0.220 | 0.330 | 0.230 | 0.230 | 0.230 | 0.230 | 0.230 |
| INDEPENDENCE SCHOOL DISTRICT (3) | 3.350 | 3.990 | 4.040 | 4.290 | 4.290 | 4.460 | 4.460 | 4.990 | 5.190 | 5.190 |
| COUNTY TAX RATES: (2) | | | | | | | | | | |
| County | 0.510 | 0.500 | 0.530 | 0.530 | 0.550 | 0.560 | 0.560 | 0.570 | 0.570 | 0.570 |
| Mid-Continent Public Library | 0.330 | 0.330 | 0.330 | 0.330 | 0.330 | 0.330 | 0.330 | 0.330 | 0.330 | 0.329 |
| 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 | 0.128 |
| Total County Tax Rate | 1.053 | 1.043 | 1.073 | 1.073 | 1.093 | 1.103 | 1.103 | 1.113 | 1.113 | 1.107 |
| STATE: | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 |
| Total Tax Rate For All Overlapping Governments | \$5.403 | \$6.053 | \$6.123 | \$6.373 | \$6.493 | \$6.573 | \$6.573 | \$7.113 | \$7.313 | \$7.250 |

1) The General Fund and Public Health & 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.

2) County Tax Breakdown for current year.

| | |
|-----------------------|---------------|
| Health & Welfare Fund | \$0.16 |
| General Fund | \$0.18 |
| Road & Bridge Fund | \$0.14 |
| Park Fund | \$0.09 |
| | <u>\$0.57</u> |

3) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for the current year in these districts are:
 Fort Osage Reorganized #1 \$4.96
 Blue Springs Reorganized #4 \$5.38
 Kansas City School District \$4.95

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.

NOTE 2): Commercial real property is also assessed an additional "replacement tax" of 1.437 per \$100 assessed value.

Table 6

City of Independence, Missouri

Special Assessment Collections

| <i>Year Ended June 30</i> | <i>Special Assessment Billings</i> | <i>Assessments Collected (1)</i> | <i>Total Outstanding Assessments</i> |
|-----------------------------------|--|--------------------------------------|--|
| 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 |
| 2002 | 349,750 | 284,832 | 1,892,190 |
| 2003 | 202,411 | 510,770 | 1,583,831 |
| 2004 | \$1,103,139 | (2) | \$835,116 |
| | | (3) | \$1,851,854 |

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

(2) Includes \$995,000 in Neighborhood Improvement Bonds.

(3) Includes \$24,636 held in escrow.

Table 7

City of Independence, Missouri

Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt per Capita

| <i>Year Ended June 30</i> | <i>Estimated Population</i> | <i>Assessed Value</i> | <i>General Obligation Bonded Debt</i> | <i>Less Debt Service Funds</i> | <i>Net Bonded Debt</i> | <i>Ratio of Net Bonded Debt to Assessed Value</i> | <i>Net Bonded Debt Per Capita</i> |
|---------------------------|-----------------------------|-----------------------|---------------------------------------|--------------------------------|------------------------|---|-----------------------------------|
| 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 | — | — | — | — | — |
| 2003 | 114,345 | 1,172,491,869 | — | — | — | — | — |
| 2004 | 112,700 | \$1,197,742,533 | — | — | — | — | — |

City of Independence, Missouri

Computation of Legal Debt Margin

June 30, 2004

Assessed Value at January 1, 2003: *

| | | |
|----------------|--|------------------------|
| Jackson County | | \$1,197,738,593 |
| Clay County | | <u>3,940</u> |
| | | <u>\$1,197,742,533</u> |

| | | |
|---|-------------------|-------------------|
| Constitutional Debt Limit ** (20% of Assessed Value) | | \$239,548,507 |
| Total Bonded Debt | | \$65,887,893 |
| Less: | | |
| Water Utility Bonds | \$45,780,000 | |
| Electric Utility Bonds | <u>20,107,893</u> | |
| | | <u>65,887,893</u> |
| Total General Obligation Debt | | 0 |
| Less: Debt Service Fund Balance | | <u>0</u> |
| Applicable Debt Limit | | <u>0</u> |

| | | |
|--------------------------|--|-----------------------------|
| Legal Debt Margin | | <u>\$239,548,507</u> |
|--------------------------|--|-----------------------------|

* All Tangible Property.

** 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.

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.

Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer 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.

Table 9

City of Independence, Missouri

Computation of Direct and Overlapping Debt

June 30, 2004

| <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 | — | — | — | 0.00% | — |
| Jackson County School Districts: | | | | | |
| Metropolitan Junior College | 75,449,000 | — | 75,449,000 | 7.00% | 5,281,430 |
| Independence | 85,165,000 | — | 85,165,000 | 100.00% | 85,165,000 |
| Kansas City | — | — | — | 0.00% | — |
| Raytown | 68,000,000 | — | 68,000,000 | 6.00% | 4,080,000 |
| Blue Springs Reorganized #4 | 99,876,481 | 7,031,093 | 92,845,388 | 21.75% | 20,193,872 |
| Fort Osage Reorganized #1 | 24,009,674 | — | 24,009,674 | 12.50% | 3,001,209 |
| | <u>\$352,500,155</u> | <u>\$7,031,093</u> | <u>\$345,469,062</u> | | <u>\$117,721,511</u> |

Table 10

City of Independence, Missouri

Ratio of Annual Debt Service Expenditures for General Bonded Debt
To Total General Governmental Expenditures

| | Year Ended June 30 | | | | | | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Bond Retirements: | | | | | | | | | | |
| 23 Street Right-of-Way | | | | | | | | | | |
| 1968 Street | | | | | | | | | | |
| 1969 Street | | | | | | | | | | |
| 1974 Street | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1968 Fire | | | | | | | | | | |
| 1969 Fire | | | | | | | | | | |
| 1974 Fire | | | | | | | | | | |
| 1968 Sewer | | | | | | | | | | |
| 1969 Sewer | | | | | | | | | | |
| 1972 Police Bldg. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Bond Requirements | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest and Agent Fees | \$55,445 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Debt Service | \$55,445 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total General Governmental Expenditures (a) | \$46,590,172 | \$47,963,641 | \$49,172,040 | \$53,522,757 | \$66,380,643 | \$79,366,650 | \$90,042,052 | \$98,020,507 | \$83,337,998 | \$89,469,435 |
| Ratio of Debt Service to General Governmental Expenditures | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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 | | | Coverage |
|--------------------|---------------|----------------------|--|---------------------------|-----------|-------------|----------|
| | | | | Principal | Interest | Total | |
| 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 |
| 2003 | 77,932,974 | 56,701,449 | 21,231,525 | 1,740,000 | 1,164,512 | 2,904,512 | 7.31 |
| 2004 | \$82,265,717 | \$61,850,892 | \$20,414,825 | \$1,745,000 | \$983,448 | \$2,728,448 | 7.48 |

(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 | | Coverage |
|--------------------|---------------|----------------------|--|--------------|---------------------------|--------------|----------|
| | | | Principal | Interest (2) | Principal | Interest (2) | |
| 1995 | 14,678,604 | 7,693,996 | 6,984,608 | 1,656,007 | 2,306,007 | 3.03 | |
| 1996 | 15,798,683 | 9,629,563 | 6,169,120 | 1,590,965 | 2,290,965 | 2.69 | |
| 1997 | 15,342,158 | 8,547,276 | 6,794,882 | 1,557,884 | 2,307,884 | 2.94 | |
| 1998 | 15,814,097 | 8,162,749 | 7,651,348 | 1,555,705 | 2,355,705 | 3.25 | |
| 1999 | 15,400,654 | 9,664,783 | 5,735,871 | 1,510,313 | 2,410,313 | 2.38 | |
| 2000 | 16,656,302 | 9,656,336 | 6,999,966 | 1,596,133 | 2,446,133 | 2.86 | |
| 2001 | 16,267,295 | 10,018,126 | 6,249,169 | 1,561,920 | 2,461,920 | 2.54 | |
| 2002 | 16,068,944 | 10,199,624 | 5,869,320 | 1,527,809 | 2,512,809 | 2.34 | |
| 2003 | 16,348,365 | 10,788,334 | 5,560,031 | 1,489,510 | 2,559,510 | 2.17 | |
| 2004 | \$16,907,411 | \$10,718,853 | \$6,188,558 | \$1,449,060 | \$2,649,060 | 2.34 | |

(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 | | |
| | | | | Principal | Interest | Total |
| | | | | | | Coverage |
| 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 | — | — | — |
| 2002 | 13,100,624 | 8,900,009 | 4,200,615 | — | — | — |
| 2003 | 12,946,774 | 9,453,484 | 3,493,290 | — | — | — |
| 2004 | \$13,549,180 | \$9,243,252 | \$4,305,928 | — | — | — |

(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>Unemployment Rate (2)</i> |
|-------------------------------|-----------------------|--|---------------------------|--------------------------|----------------------------------|
| 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 | 3.10% |
| 2001 | 113,288 | 40,462 | 36 | 15,302 | 4.20% |
| 2002 | 113,288 | 53,960 | 38 | 15,987 | 5.70% |
| 2003 | 114,345 | 52,921 | 38 | 16,334 | 5.20% |
| 2004 | 112,700 | \$50,940 | 39 | 18,215 | 5.15% |

Sources:

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

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

City of Independence, Missouri

Construction Permits

| Year Ended Dec 31 | <u>Commercial Construction (1)</u> | | <u>Residential Construction (1)</u> | |
|-------------------------|------------------------------------|--------------|-------------------------------------|--------------|
| | Number of Permits | Value | Number of Permits | Value |
| 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 |
| 2001 | 158 | 47,467,165 | 596 | 39,941,328 |
| 2002 | 204 | 78,904,822 | 744 | 51,015,505 |
| 2003 | 186 | \$50,594,507 | 657 | \$47,280,932 |

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

Table 16

City of Independence, Missouri

Principal Property Taxpayers

June 30, 2004

| <i>Taxpayer</i> | <i>Type of Business</i> | <i>2003 Assessed Valuation (1)</i> | <i>Percent of Total Assessed Valuation</i> |
|------------------------------|-------------------------|------------------------------------|--|
| Simon Property Group LP | Retail | \$18,525,568 | 1.55 % |
| DDR MDT Independence Commons | Retail | 9,286,793 | 0.78 |
| Space Center of Kansas City | Warehouse | 8,551,633 | 0.71 |
| Bradley Operating LTD PTP | Retail | 7,402,354 | 0.31 |
| Southern Union Railroad | Utility | 5,485,106 | 0.46 |
| Noland Fashion Square | Retail | 5,225,985 | 0.62 |
| Sprint Spectrum | Communications | 4,469,180 | 0.44 |
| Independence Regional Health | Hospital | 3,695,375 | 0.31 |
| Southwestern Bell | Communications | 3,671,072 | 0.37 |
| Independence Apartments | Housing | 3,321,200 | 0.28 |
| Subtotal | | <u>\$69,634,266</u> | <u>5.81</u> |
| Taxpayers not listed | | 1,128,108,267 | 94.19 |
| TOTAL | | <u><u>\$1,197,742,533</u></u> | <u><u>100.00 %</u></u> |

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

City of Independence, Missouri

Miscellaneous Statistical Data

June 30, 2004

Governmental Structure

| | | | |
|-----------------------------|------------------|---------------------|---------|
| Date of Organization: | 1827 | Current Statistics: | |
| Date of Incorporation: | 1849 | Population | 112,700 |
| Charter Adopted: | December 5, 1961 | Households | 47,492 |
| Form of Government: | Council/Manager | Registered Voters | 66,261 |
| Current Number of Employees | 1,170 | | |

City Facilities and Services

Utilities:

Electric Power

| | |
|--------------------------|--------|
| Number of power stations | 5 |
| Number of customers | 55,648 |
| Daily average use (Mwh) | 3,072 |
| Maximum daily use (Mwh) | 5,838 |
| Peak Hourly Use (MW) | 315 |
| Miles of T&D Circuits | 802 |

Sanitary Sewer System

| | |
|--|--------|
| Miles of sewer mains | 582 |
| Number of customers | 43,618 |
| Number of treatment plants | 1 |
| Daily average treatment (in MGD) | 8.3 |
| Maximum daily capacity of treatment (in MGD) | 18.0 |

Water System

| | |
|--|--------|
| Miles of water mains | 711 |
| Number of customers | 47,324 |
| Number of fire hydrants | 4,186 |
| Daily average consumption (in millions of gallons) | 26 |
| Maximum daily pumpage (in millions of gallons) | 42 |

Fire Protection:

| | |
|-----------|-----|
| Stations | 10 |
| Employees | 174 |
| Vehicles | 42 |

Police Protection:

| | |
|-----------|-----|
| Stations | 3 |
| Employees | 279 |
| Vehicles | 162 |

Streets:

| | |
|----------------------|-----|
| Total area (sq. mi.) | 78 |
| Paved miles | 535 |

Recreation:

| | |
|-------------------|-----|
| <u>Parks:</u> | |
| Acreage | 724 |
| Number | 40 |
| Community Centers | 3 |
| Fitness Centers | 2 |
| Ball Fields | 53 |

Nongovernmental Services and Facilities

Education:

| | |
|---------------------------------------|--------|
| Elementary and High School Enrollment | 18,215 |
| Elementary schools | 19 |
| Junior High (Middle) Schools | 5 |
| High Schools | 4 |
| Pre-school and Kindergartens | 16 |
| Parochial and Private | 13 |
| Teachers | 1,393 |
| Administrators | 111 |
| Colleges | 5 |

Hotels/Motels

| | |
|--------------|-------|
| No. of Rooms | 15 |
| | 1,259 |

Transportation:

| | |
|---------------------------------|---|
| Bus systems (operated by KCATA) | 1 |
| Taxi services | 3 |

Communications: (served by)

| | |
|------------------|----|
| Daily Newspapers | 2 |
| Radio Stations | 45 |
| TV Stations | 12 |

Hospitals

| | |
|-----------|-----|
| Number | 2 |
| Bed space | 549 |

Bank/Credit Union Facilities

37

City of Independence, Missouri

Schedule of Insurance
June 30, 2004

| Description | Policy Number | Termination Date | Risk Covered | Limits | Premium |
|---|---|-------------------------------------|---|--|-------------------------------------|
| 1 Hartford Steam Boiler Zurich American Liberty International a) All risk property insurance on building and contents. Replacement cost coverage basis. b) Boiler and Machinery coverage of listed equipment. Most covered items fall under Power and Light Department. | STA410102 PBM2994187-01 CHI0001401012 | 6/30/2004 6/30/2004 6/30/2004 | All risk including property damage, flood, earthquake, transit, expediting, hazardous material cleanup, extra expense and automatic coverage. | Property \$200,000,000 | \$483,491 \$222,572 \$172,281 |
| 2 Missouri Public Entity Management Fund. Liability insurance coverage for law enforcement liability, general liability, public official errors and omission liability and automotive liability. | 1038 | 12/31/2004 | Boiler & Machinery coverage including expediting, ammonia containment, water damage, hazardous materials, business interruption. | Boiler & Machinery \$75,000,000 | \$350,862 |
| 3 SIRPRO—Clarendon America Excess Liability | NUAB160408-00 | 12/31/2004 | Automobile liability claims Law enforcement liability claims General liability claims Public officials liability claims | \$2,000,000 per occurrence | \$154,000 |
| 4 Midwest Employers Casualty Excess Worker's Compensation and Employer's Liability Insurance | 415-99-19 | 4/25/2005 | Coverage for claims not covered by Missouri's Sovereign Immunity Statute Loss by on-the-job injury of employees | Statutory | \$165,066 |
| 5 Western Surety Company | 69137880 | 6/15/2007 | Public Officials Bonds | \$50,000—City Mgr. \$50,000—Pur. Agmt. \$400,000—Fin. Dir. | \$1,864 (3 year premium) |
| 6 Hartford Insurance Co. | 37BPPEAT836 | 6/15/2007 | Public employees blanket bond & 3-D crime policy | \$500,000 | \$8,526 (3 year premium) |
| 7 Monumental Life | ML1004337 | 6/30/2004 | Reinsurance for Staywell Plan Specific stoploss @ \$150,000 Aggr. Att. Point @ \$1,364,6588 | See risk covered | \$337,963 |

Table 18

| City of Independence, Missouri | | | | | | |
|--|----------------|------------------|--|--------------------------------------|----------------------------------|--|
| Schedule of Insurance | | | | | | |
| June 30, 2004 | | | | | | |
| Description | Policy Number | Termination Date | Risk Covered | Limits | Premium | |
| 8 Nation's Bank | | Continuous | Escrow Account-Worker's Compensation | \$200,000 | \$350 | |
| 9 Hartford Life Insurance | 907872 | 8/31/2004 | Life Insurance coverage for each employee. Also covers for accidental death, disability and dismemberment. | \$150,000/person | \$.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 Hartford Fire Insurance Company | FL2-0347-59221 | 12/22/2004 | Flood Insurance coverage for Rock Creek Pumping Station | \$389,700 | \$3,509 | |
| 12 Coventry HMO | | Continuous | Health plan for enrolled employees. | Various limits | Cost varies per emp. | |
| 13 Delta Dental of Missouri | | Continuous | Dental plan for enrolled employees. | Various limits | Cost varies per emp. | |
| 14 Fortis United Dental Care | | Continuous | Dental plan for enrolled employees. | Various limits | Cost varies per emp. | |
| 15 Hartford Life Insurance Co. | GLT-32710 | 8/31/2004 | Long term disability insurance. | 60% of individual employees' salary. | \$0.137/100 of annual salaries. | |