

COMPREHENSIVE ANNUAL FINANCIAL REPORT



June 30, 1998

CITY OF INDEPENDENCE, MISSOURI

Comprehensive Annual Financial Report

For The Fiscal Year July 1, 1997
Through June 30, 1998

Mayor

Rondell F. Stewart

City Council

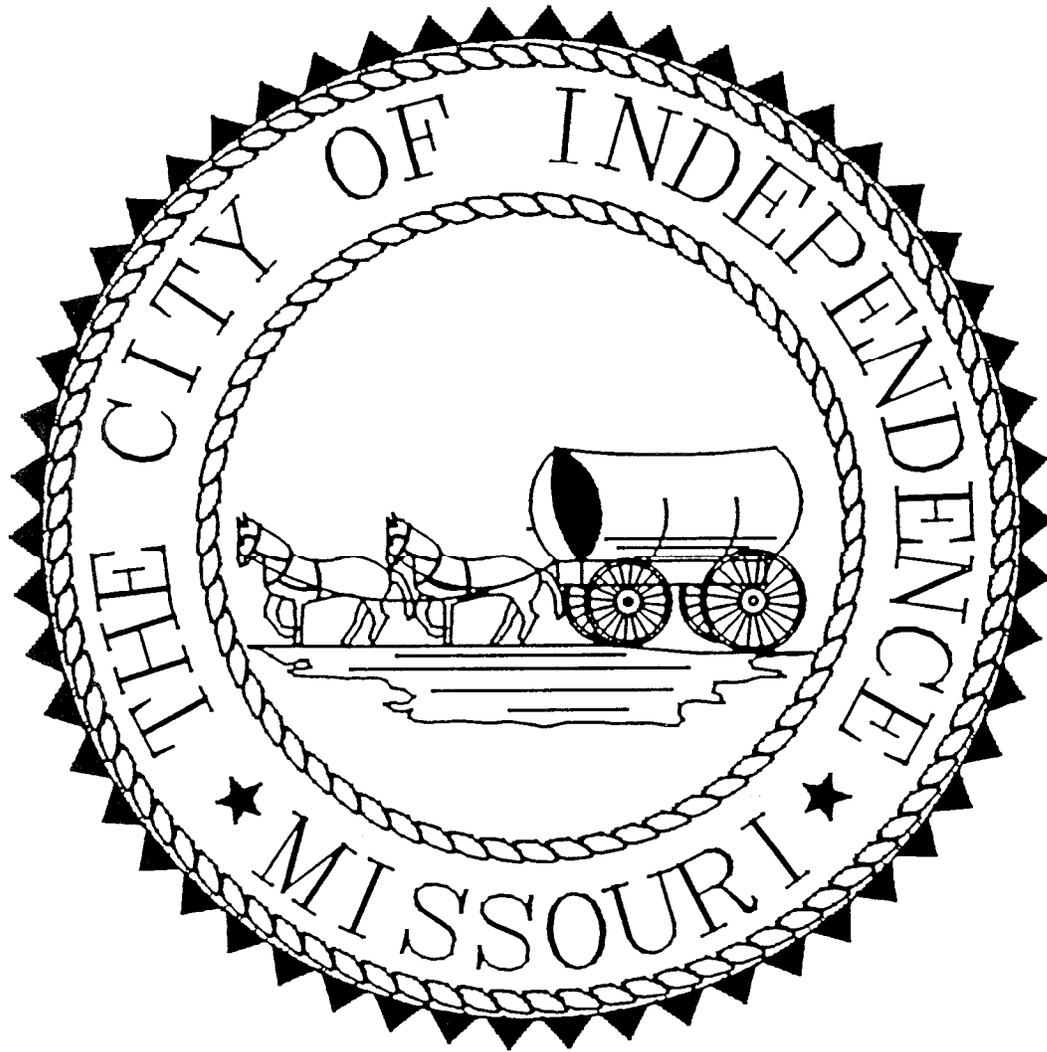
Don Reimal	District #1
John Perkins	District #2
Al Van Iten	District #3
William Baker	District #4
Lucy Young	At-large
William McDonald	At-large

City Manager

Larry N. Blick

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration



CITY OF INDEPENDENCE, MISSOURI

Table of Contents

			Page
INTRODUCTION SECTION			
<i>Organizational Chart</i>			1
<i>Letter of Transmittal</i>			2
<i>GFOA Certificate of Achievement</i>			16
FINANCIAL SECTION			
<i>Independent Auditors' Report</i>			17
		Exhibit	
<i>General Purpose Financial Statements:</i>			
Combined Balance Sheet – All Fund Types and Account Groups	A		18
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds	B		20
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General and Special Revenue Fund Types	C		21
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types and Nonexpendable Trust Funds	D		22
Combined Statement of Cash Flows – All Proprietary Fund Types and Nonexpendable Trust Funds	E		23
Notes to General Purpose Financial Statements			25
		Schedule	
<i>Combining and Individual Fund and Account Group Financial Statements and Schedules:</i>			
Governmental Fund Types:			
General Fund:			
Schedule of Revenues and Expenditures – Budget and Actual (Budget Basis)	1		58
Special Revenue Funds:			
Combining Balance Sheet	2		65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	3		66
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budget Basis):			
Community Development Grant Act Fund	4		67
Tourism Fund	5		68
Independence Square Benefit District Fund	6		69
Rental Rehabilitation Fund	7		70

CITY OF INDEPENDENCE, MISSOURI

Table of Contents, Continued

	Schedule	Page
Capital Projects Funds:		
Combining Balance Sheet	8	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	9	72
Proprietary Fund Types:		
Enterprise Funds:		
Combining Balance Sheet	10	73
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	11	75
Combining Statement of Cash Flows	12	76
Power and Light Fund:		
Schedule of Operating Expenses	13	77
Schedule of Changes in Fixed Assets	14	79
Schedule of Operating Statistics	15	80
Water Fund:		
Schedule of Operating Expenses	16	81
Schedule of Changes in Fixed Assets	17	83
Schedule of Operating Statistics	18	84
Sanitary Sewer Fund:		
Schedule of Changes in Fixed Assets	19	85
Schedule of Operating Statistics	20	86
Storm Water Fund:		
Schedule of Changes in Fixed Assets	21	87
Internal Service Funds:		
Combining Balance Sheet	22	88
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	23	89
Combining Statement of Cash Flows	24	90
Fiduciary Fund Types:		
Trust and Agency Funds:		
Combining Balance Sheet	25	91
Agency Funds:		
Statement of Changes in Assets and Liabilities	26	92
Account Groups:		
General Fixed Assets:		
Schedule of General Fixed Assets by Source	27	93
Schedule of General Fixed Assets by Function and Activity	28	94
Schedule of Changes in General Fixed Assets by Function and Activity	29	95
General Long-term Debt:		
Schedule of General Long-term Debt	30	96

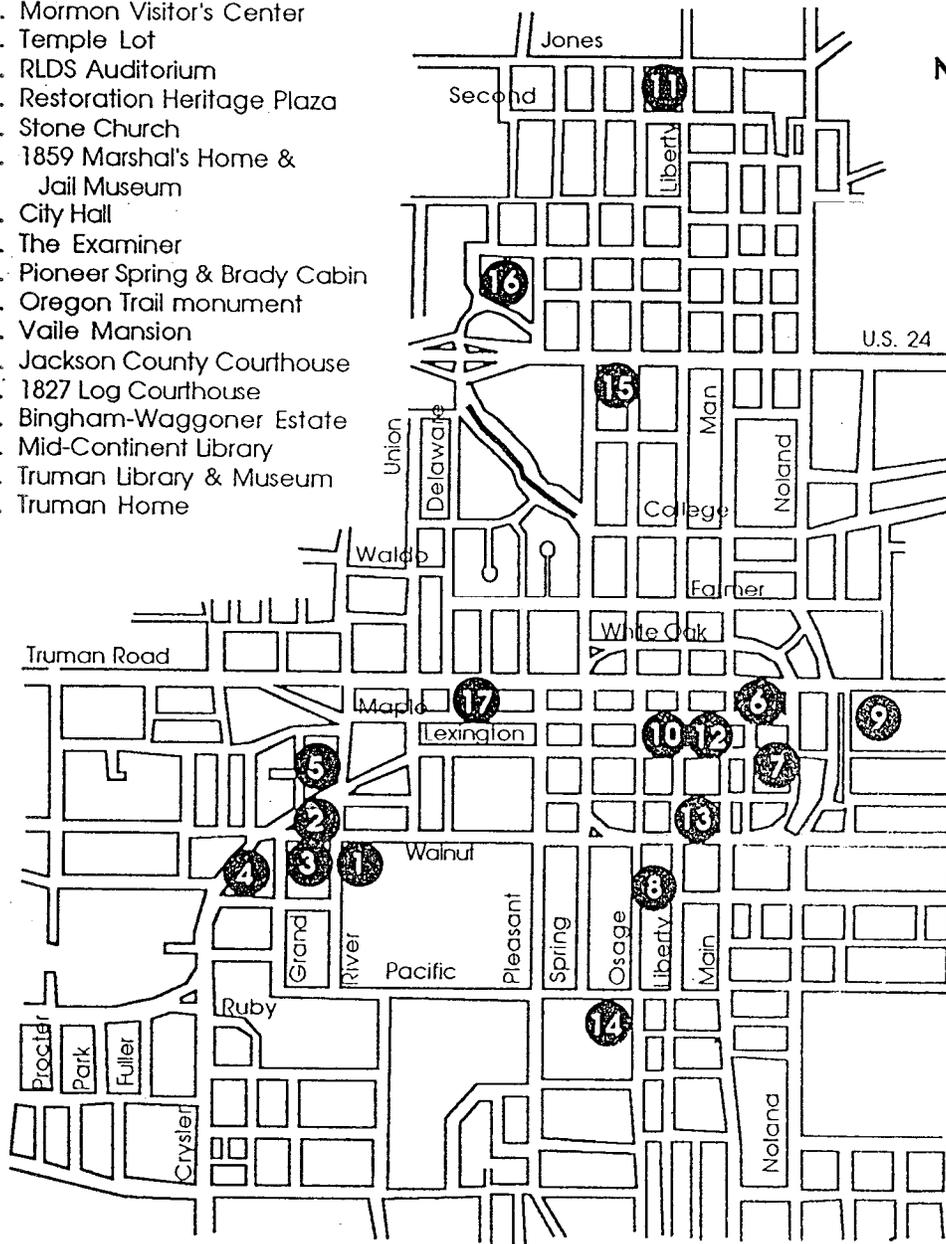
CITY OF INDEPENDENCE, MISSOURI

Table of Contents, Continued

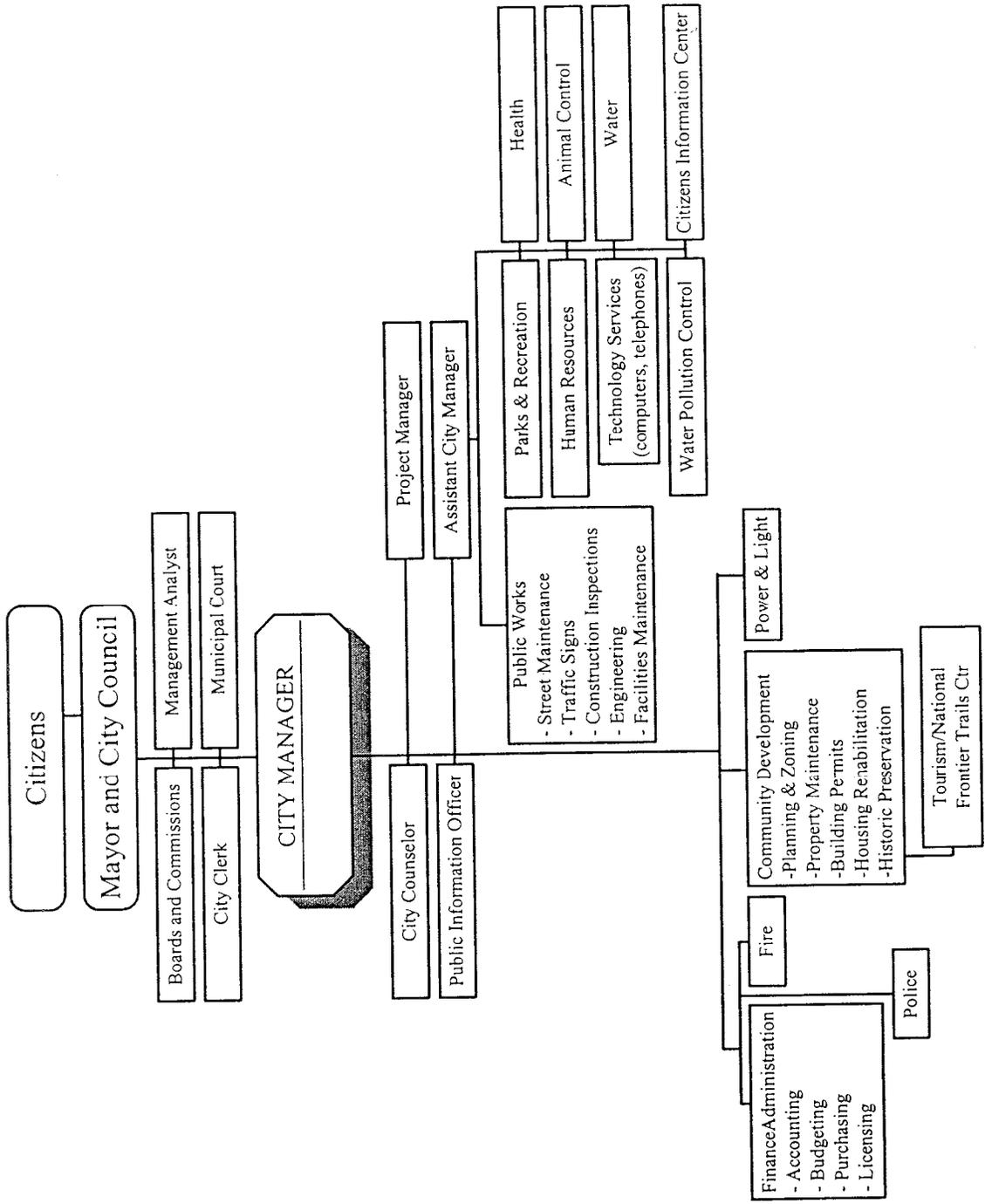
	Table	Page
STATISTICAL SECTION (Unaudited)		
General Governmental Expenditures by Function	1	97
General Governmental Revenue by Source	2	98
General Fund, Public Health and Recreation, Debt Service – Property Tax Levies and Collections	3	99
Assessed and Estimated Actual Values of Taxable Property	4	100
Property Tax Rates – All Direct and Overlapping Governments	5	101
Special Assessment Collections	6	102
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	7	103
Computation of Legal Debt Margin	8	104
Computation of Direct and Overlapping Debt	9	105
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	10	106
Revenue Bond Coverage:		
Power & Light Revenue Bonds	11	107
Water Revenue Bonds	12	108
Sanitary Sewer Revenue Bonds	13	109
Demographic Statistics	14	110
Construction Permits	15	111
Principal Property Taxpayers	16	112
Miscellaneous Statistical Data	17	113
Schedule of Insurance	18	114

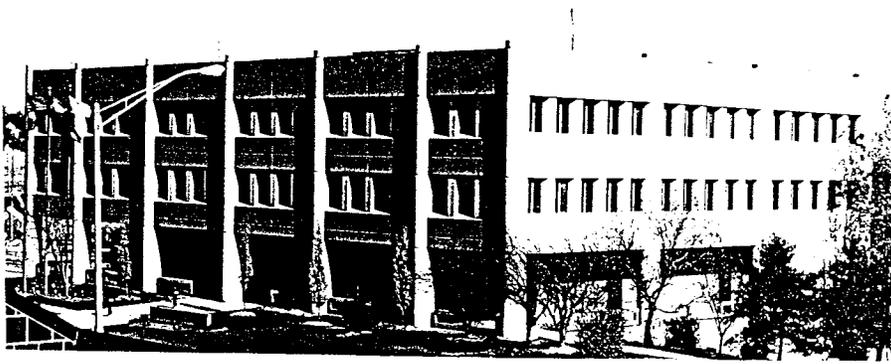
Historic Independence

1. Mormon Visitor's Center
2. Temple Lot
3. RLDS Auditorium
4. Restoration Heritage Plaza
5. Stone Church
6. 1859 Marshal's Home & Jail Museum
7. City Hall
8. The Examiner
9. Pioneer Spring & Brady Cabin
10. Oregon Trail monument
11. Vaile Mansion
12. Jackson County Courthouse
13. 1827 Log Courthouse
14. Bingham-Waggoner Estate
15. Mid-Continent Library
16. Truman Library & Museum
17. Truman Home

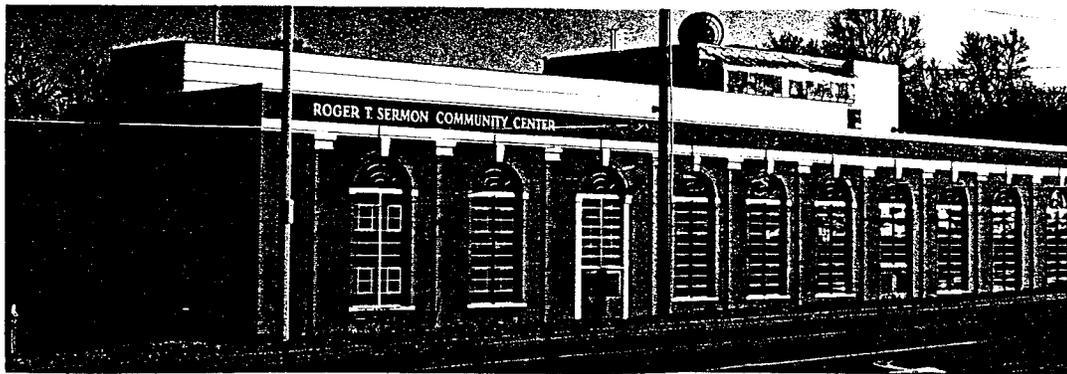


INTRODUCTORY

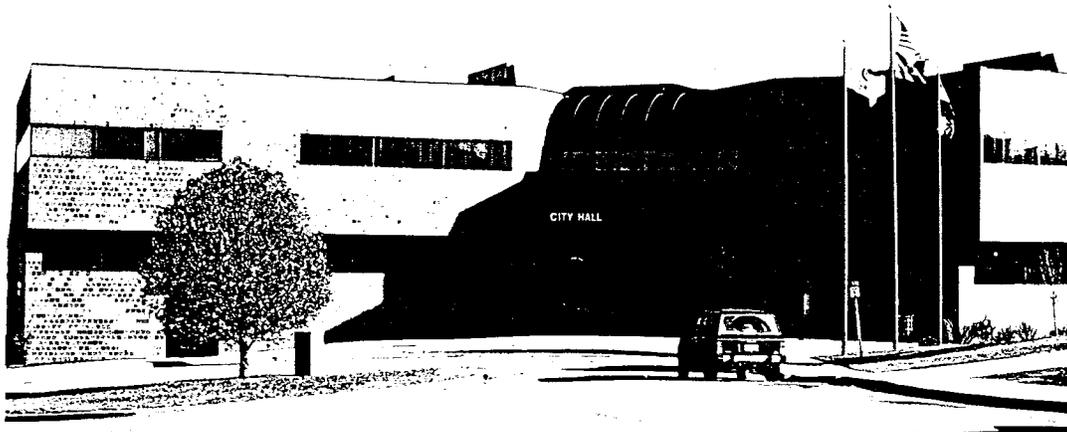




*Police Building
223 N. Memorial Dr.*



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



*City Hall
111 E. Maple St.*



City of Independence

111 EAST MAPLE • P.O. BOX 1019 • INDEPENDENCE, MISSOURI 64051-0519 • (816) 325-7000

AN EQUAL OPPORTUNITY EMPLOYER

October 31, 1998

HONORABLE MAYOR, CITY COUNCIL AND CITY MANAGER:

The Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 1998, is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter. The General Purpose Financial Statements (GPFS) contained herein have been audited by independent auditors as required by Article 2, Section 2.26 of the Charter.

Finance Department staff prepared this CAFR following objectives of financial reporting outlined by the Governmental Accounting Standards Board. The CAFR's role is to assist in making economic, social, and political decisions and to assist in assessing accountability to the citizenry by:

- Comparing actual financial results with the legally adopted budget, where appropriate;
- Assessing financial condition and results of operations;
- Assisting in determining compliance with finance-related laws and regulations; and
- Assisting in evaluating the efficiency and effectiveness of City operations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The CAFR, which consists of three parts, is organized to facilitate understanding by the nonfinancially oriented reader as well as provide all necessary information for the most sophisticated financial observer.

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 Certificate of Achievement for Excellence in Financial Reporting for the previous year's CAFR. The transmittal letter is formatted to explain in simplified narrative terms the fiscal position represented in the financial statements, schedules, notes, and statistical tables.

The first part of the *Financial Section* includes the auditors' report and the GPFS. The auditors' report discloses the opinion of the independent auditors with regard to the presentation of the financial statements and internal control. The GPFS are the "combined" financial statements of the City and the notes to these financial statements. These basic combined financial statements and notes are designed to provide an overview of the City's financial position and results of operations. The remainder of the *Financial Section* presents "combining" and "individual" fund statements and schedules which focus on individual funds rather than fund types.

The *Statistical Section* includes selected financial and demographic information, generally presented on a multiyear 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 schedule presentations included in the financial section. It also provides information that is useful to potential investors in the City's general obligation and revenue bonds.

For purposes of preparing this CAFR, all entities which are controlled by, or dependent on, the City are included. 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. There are no other entities which are either controlled by, or dependent on, the City that meet these criteria and should, therefore, be included as part of this report. Major services provided by the City include public safety, public works, recreation, health, as well as electric, water, and sanitary sewer utilities. Educational services are provided by various school districts, all of which are separate governmental entities.

ECONOMIC CONDITION AND OUTLOOK

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 is the fourth largest city in Missouri and offers residents and businesses unique location advantages. Its central location in the "Heart of America" means that traveling, shipping, receiving, and communications are more economical because of shorter distances to most parts of the country. Situated along major highway and rail routes, access to Independence from all parts of the nation is excellent. The City's 78 square miles accommodate its residents and numerous businesses with 28 square miles of industrial land available for future growth and development.

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 district seats is conducted as a unit, while elections for mayor and two at-large council seats are conducted two years later. The Council appoints a City Manager to serve as the chief administrative officer of the City.

The City has experienced an increase in population since 1940 when the Bureau of the Census reported a population of 16,066. The largest growth period occurred in the 1960s when the population increased from 62,328 to 111,630, an increase of 79.1%. During the 1970s, the City's population grew by only .1%. During the same time period, Kansas City's population decreased 11.7%. The City's Planning Department estimates the current population to be 115,851, representing a modest increase from the 1990 census report of 112,301.

The median income per household in the City rose from \$6,031 in 1960 to \$32,999 in 1996. The average per capita income in the City rose from \$2,118 in 1960 to \$14,306 in 1997 compared to \$14,641 for the United States. In 1990, the per capita income for Jackson County was ranked second in the State slightly ahead of St. Charles County but 26% below St. Louis County. The 1998 unemployment rate for the City was 3.7% compared with 3.3% for 1997. Personal income is derived from several major sources: services (25%), manufacturing (23%), retail and wholesale trade (21%), transportation and public utilities (12%), government (13%), and construction (6%).

Historically, the character of the City has been viewed as predominantly residential. In recent years, industrial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of the anticipated increase in industrial activity. The labor force in the Kansas City Metropolitan Area encompasses a wide variety of skills and occupations: technical, sales, and administrative support occupations (35%); managerial and professional specialty occupations (25%); operators, fabricators, and laborers (16%); service, craft, and repair occupations (23%); and farming (1%).

MAJOR INITIATIVES

The City continued its program of neighborhood revitalization which unites the City, businesses, schools, churches, and citizens in an effort to improve the appearance and quality of our neighborhood. Neighborhoods will develop their own programs including incentives for self-help, housing improvements, code enforcement, enhanced public service, and a greater sense of community awareness. To assist in this, a City-supported home rehabilitation loan program was implemented.

In harmony with both the City's Vision Statement and Strategic Goals, the City conducted extensive management and supervisory training sessions in Continuous Process Improvement, Team Building, Conflict Management, and Sexual Harassment. Diversity training was provided for all employees. The Pay for Performance program was implemented with the initial pay increase effective January 1, 1998.

A healthy economy and sound fiscal management have enabled the City to continue upgrading its fleet of vehicles with the addition of one more new pumper (making a total of seven new pumpers), refurbished an existing pumper, and acquiring 33 new vehicles totaling nearly \$500,000.

The Power & Light Department finalized its purchase of Kansas City Power & Light's electric distribution facilities in eastern Independence at a cost of \$2.5 million. Also completed were major overhauls of two combustion turbines at a cost of \$3.5 million and underground conversion of overhead electric facilities in two areas at a cost of \$450,000.

The Water Department completed the remodeling of the Administration Building and consolidated the customer service employees in the new Utility Customer Service Center at a cost of \$240,000. Sixty-four early warning monitoring wells were installed in the Courtney Bend Water Treatment Plant well field area to protect the integrity of the well field, and other renovation projects at that facility were completed totaling \$389,000.

The Finance, Technology Services, and Human Resources Departments finalized a two-year effort implementing new financial and human resource software purchased from JDEdwards World Solutions. With initial software, training, and consulting, the total project cost exceeded \$200,000. The system utilizes state-of-the-art data base technology with totally interactive communication between all the various systems and resolves the Year 2000 Problem for the many systems and programs it replaced.

The Water Pollution Control Department completed significant rehabilitation and capital improvements at the Rock Creek Wastewater Treatment Plant. Three 20 year old vacuum filters used to dewater sludge prior to incineration were replaced with two new energy efficient belt presses. In the space created by this action, a third press was installed which dewatered incinerated ash and allowed for the closure of two ash lagoons. Also included in the project was a regenerative thermal oxidizer that destroys noxious vapors. Total project cost was \$2.3 million.

FINANCIAL INFORMATION

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 City 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 Finance Department and Management Analyst work cooperatively with the independent auditors in performing their annual audit.

The Audit and Finance Committee, comprised of three members of the City Council, acts in an advisory capacity to the City 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.

Budgetary control is maintained at the department level. 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, 1998 are reported as reservations of fund balances since the City intends to honor the purchase orders and contracts.

The City's accounting records for general governmental operations (Governmental Funds), Agency Funds and Expendable Trust Funds are maintained on a modified accrual basis, with revenues being recognized when measurable and available, and expenditures being recorded when the liability is incurred. The City's accounting records for Proprietary Funds and Nonexpendable Trust Funds are maintained on the accrual basis. The accrual basis recognizes revenues when earned and expenses are recorded when the liability is incurred.

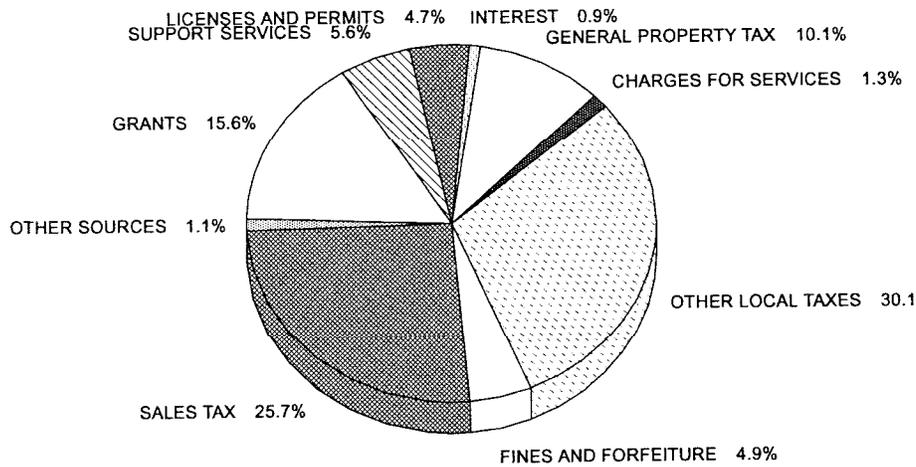
General Governmental Functions

Revenue and other financing sources of the General Fund for 1997-98 total \$46,973,206. This compares with \$45,704,930 in the 1996-97 year and is an increase of \$1,268,276, or 2.7%. Revenues and operating transfers of the Special Revenue Funds totaled \$2,030,923. The total of the City's general operating revenues and other sources was \$49,004,129.

The largest single source of revenue for the City is sales tax which increased 3.3% to \$12,612,418 from a prior fiscal year total of \$12,209,743. Utility payment in lieu of taxes increased \$454,240 to \$7,995,774. Intergovernmental revenues reflect an increase of \$647,905 with a continued increase in grant activity. Charges for services for 1996-97 amounted to \$637,404, an increase of \$70,378 over last year. Fines and forfeitures reflect an increase of 26.6% over last year. Licenses and permits increased by \$25,454. Interest revenues increased 22.6% with more money being available to invest and more aggressive efforts to manage idle funds. Other sources of revenue reflected an increase from the previous year of \$54,925, or 13.5%.

The following graph and table illustrate a comparison of major revenue and other financial sources for the General and Special Revenue Funds for the last two fiscal years.

COMPARISON OF REVENUE SOURCES 1997-98



Total Sources: \$49,004,129

Program	1997-98	Percent of Total 1997-98	1996-97	Increase of Decrease	
				Amount	Percent
General Property Taxes	\$ 4,933,787	10.1%	\$ 4,840,453	93,334	1.9%
Sales Tax	12,612,418	25.7%	12,209,743	402,675	3.3%
Other Local Taxes	14,727,467	30.1%	13,779,033	948,434	6.9%
Licenses and Permits	2,325,055	4.7%	2,299,681	25,374	1.1%
Grants	7,647,165	15.6%	7,541,534	105,631	1.4%
Charges for Services	637,404	1.3%	567,026	70,378	12.4%
Support Services	2,749,077	5.6%	2,895,953	(146,876)	-5.1%
Fines and Forfeitures	2,409,688	4.9%	1,903,081	506,607	26.6%
Interest	425,876	0.9%	352,240	73,636	20.9%
Other Sources	536,192	1.1%	909,414	(373,222)	-41.0%
Total	\$ 49,004,129	100.0%	\$ 47,298,158	1,705,971	3.6%

Federal, State, and Local Grant Programs

The City's grant revenue from federal, state, and county governmental units was \$9,260,166 during the year ended June 30, 1998, an increase of \$2,322,358, or 33.5% from the fiscal year 1997 amount of \$6,937,808. Public safety revenue increased primarily due to increases in federal funding of the Narcotics Control Assistance Program and Jackson County DARE funding. Shared revenues had increases in motor vehicle fees and sales taxes. Transportation revenue increased during the current fiscal year due to increased activity in federal road improvement projects. Nonprogrammed revenues increased \$325,848 due to increased spending related to the Community Development Block Grant Act.

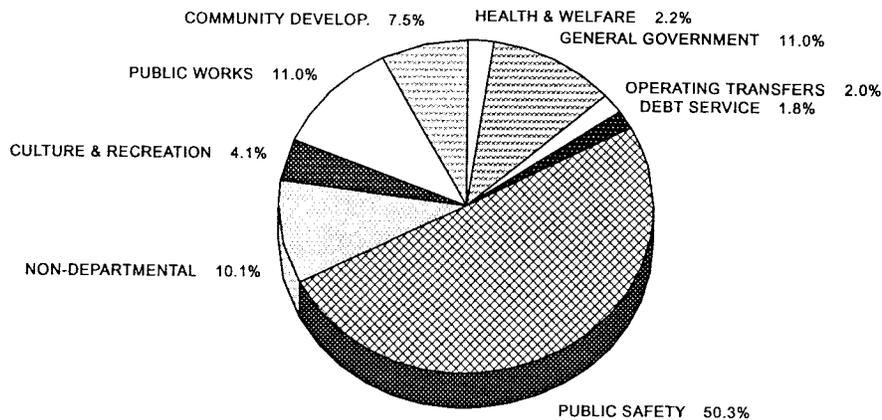
Federal, State, and Local Grant Programs

COMPARISON OF LAST FIVE FISCAL YEARS

Program Identity	Funding				
	1997-98	1996-97	1995-96	1994-95	1993-94
Public Safety	\$ 1,594,840	977,732	751,740	628,915	569,686
Transportation	1,394,223	275,765	759,489	278,605	386,556
Health, Environmental and Labor	540,133	544,802	906,875	745,932	517,804
Nonprogrammed	1,102,060	776,212	1,132,137	914,375	1,341,200
Shared Revenues	4,628,910	4,363,297	4,149,924	4,091,377	3,413,782
Total	\$ 9,260,166	6,937,808	7,700,165	6,659,204	6,229,028

General operating activities of the City, totaling \$48,736,052 for fiscal year 1997-98, are recorded as expenditures and operating transfers as follows: General Fund, \$46,623,426; and Special Revenue Funds, \$2,112,626, and are shown in the following graphs and tables classified by program and major character.

Comparison of Expenditures By Program 1997-98



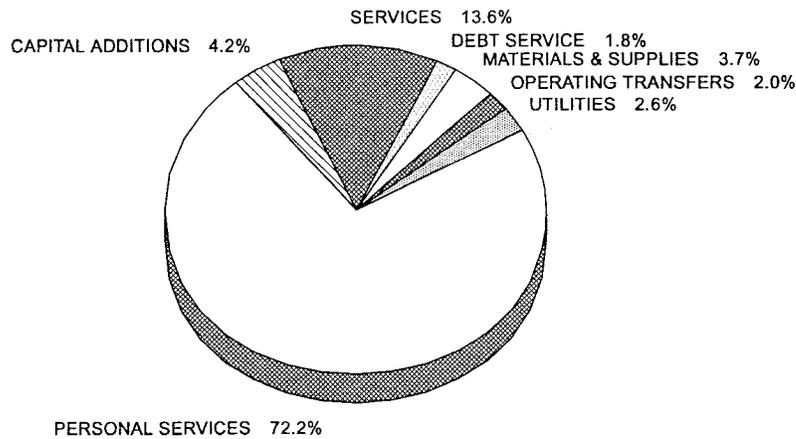
Total Expenditures: \$48,736,052

Program	1997-98	Percent of Total 1997-98	1996-97	Increase or Decrease	
				Amount	Percent
General Government	\$ 5,354,047	11.0%	\$ 5,119,322	234,725	4.6%
Public Safety	24,506,016	50.3%	23,312,495	1,193,521	5.1%
Public Works	5,374,067	11.0%	5,346,312	27,755	0.5%
Health and Welfare	1,089,234	2.2%	948,268	140,966	14.9%
Culture and Recreation	2,008,489	4.1%	1,762,330	246,159	14.0%
Community Development	3,667,406	7.5%	2,847,386	820,020	28.8%
Nondepartmental	4,915,430	10.1%	4,640,616	274,814	5.9%
Debt Service	870,483	1.8%	897,767	(27,284)	-3.0%
Operating Transfers	950,880	2.0%	608,299	342,581	56.3%
Total	\$ 48,736,052	100.0%	\$ 45,482,795	3,253,257	7.2%

As in prior years, Public Safety Programs, consisting of the Police and Fire Departments, received the largest portion of the operating funds to finance their activities. The activities of these departments comprised 52.6% of the General Fund and 50.3% of the General and Special Revenue Funds combined. Public Works, General Government, Nondepartmental, and Community Development follow as major uses of governmental type operating funds.

*EXPENDITURES AND OTHER FINANCING USES — GENERAL,
SPECIAL REVENUES, AND DEBT SERVICE FUNDS*

**BY CHARACTER
1997-98**



Total Expenditures: \$48,736,052

Character	1997-98	Percent of Total 1997-98	1996-97	Increase or Decrease	
				Amount	Percent
Personal Services	\$ 35,198,552	72.2%	\$ 33,449,494	1,749,058	5.2%
Material and Supplies	1,791,758	3.7%	1,739,286	52,472	3.0%
Utilities	1,249,218	2.6%	1,506,605	(257,387)	-17.1%
Services	6,622,859	13.6%	5,662,469	960,390	17.0%
Capital Additions	2,052,302	4.2%	1,618,875	433,427	26.8%
Debt Service	870,483	1.8%	897,767	(27,284)	-3.0%
Operating Transfers	950,880	2.0%	608,299	342,581	56.3%
Total	<u>\$ 48,736,052</u>	<u>100.0%</u>	<u>\$ 45,482,795</u>	<u>3,253,257</u>	<u>7.2%</u>

Proprietary Operations

Enterprise Funds, which are the Power & Light, Water, Sanitary Sewer, and Storm Water, are used to finance and account for the acquisition, operation, and maintenance of City utility facilities and services which are intended to be entirely or predominately self-supporting from user charges and for which periodic net income measurement is deemed necessary. The operations are accounted for in such a manner as to show a profit or loss comparable to private enterprises. Operations are funded by current revenues. Construction is funded principally by revenue bond proceeds, federal and state grants, municipal and private contributions, and current revenues.

Electric rates were last increased by 5.29% on July 1, 1989.

The City purchased the Missouri Water Company on March 31, 1986. This utility has been in existence since 1884 and provides direct retail service to more than 44,500 customers living in Independence and eastern Jackson County as well as eleven cities and public water districts. Sales to this wholesale customer represents approximately 49% of volume of water sold and 27% of total operating revenue.

Water rates were last increased in October 1990. The rate structure increased the average quarterly residential customer bill, based on 1,500 cubic feet of consumption, \$1.12, or 4.4%. An average commercial customer's monthly bill, based on 2,500 cubic feet of consumption, increased \$1.47, or 3.8%. Charges to wholesale customers were not increased at that time.

Sanitary sewer service rates were increased effective date of July 1, 1997. The City's rate structure consists of a volume charge for each one hundred cubic feet of water consumption. Charges for sanitary sewer service are assessed on the actual water consumption of commercial and industrial accounts and the average monthly water consumption during the winter months for residential accounts. The final in the series of rate increases was approved and went into effect on July 1, 1998.

A Storm Water user fee/charge has not been established. Accordingly, the fund does not generate operating revenues although revenue alternatives are regularly considered and evaluated. Storm Water expenditures are currently appropriated in the General Fund. While a significant deficit will still remain, the situation is being addressed and alternative revenue sources investigated.

Comparative data for the City's Power & Light, Water, Sanitary Sewer, and Storm Water Funds for the past four fiscal years are presented in the following tabulation:

Power and Light Fund

	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Gross revenues	\$ 67,552,096	61,774,504	62,980,774	58,461,474
Net income	\$ 8,151,345	5,501,792	4,967,941	3,915,889
Additions:				
Depreciation	6,297,786	6,625,074	6,771,981	5,459,434
Nonoperating expenses	82,767	82,114	69,109	(216,956)
Interest expense	2,145,766	2,228,462	2,276,757	2,350,928
Income available for debt service	\$ <u>16,677,664</u>	<u>14,437,442</u>	<u>14,085,788</u>	<u>11,509,295</u>
Annual debt service	\$ <u>3,249,615</u>	<u>3,253,240</u>	<u>3,251,559</u>	<u>3,261,335</u>
Coverage	<u>5.13</u>	<u>4.44</u>	<u>4.33</u>	<u>3.53</u>

Water Fund

	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Gross revenues	\$ 15,814,097	15,342,158	15,798,683	14,678,604
Net income	\$ 3,317,490	2,501,107	1,804,052	3,272,364
Additions:				
Depreciation	1,641,578	1,614,059	1,563,339	1,444,391
Nonoperating expenses	175,130	178,315	263,272	(313,738)
Interest expense	1,569,740	1,585,010	1,627,583	1,700,996
Income available for debt service	\$ <u>6,703,938</u>	<u>5,878,491</u>	<u>5,258,246</u>	<u>6,104,013</u>
Annual debt service	\$ <u>2,344,158</u>	<u>2,307,884</u>	<u>2,290,965</u>	<u>2,306,007</u>
Coverage	<u>2.86</u>	<u>2.55</u>	<u>2.30</u>	<u>2.65</u>

Sanitary Sewer Fund

	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Gross revenues	\$ <u>12,397,234</u>	<u>11,949,809</u>	<u>10,030,225</u>	<u>8,318,756</u>
Net income	\$ 1,961,130	1,327,302	28,074	(791,541)
Additions:				
Depreciation	1,719,123	1,706,275	1,722,170	1,696,049
Nonoperating expenses	—	—	—	(80,014)
Interest expense	—	1,383	—	—
Income available for debt service	\$ <u>3,680,253</u>	<u>3,034,960</u>	<u>1,750,244</u>	<u>824,494</u>
Annual debt service	\$ —	—	—	—
Coverage	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

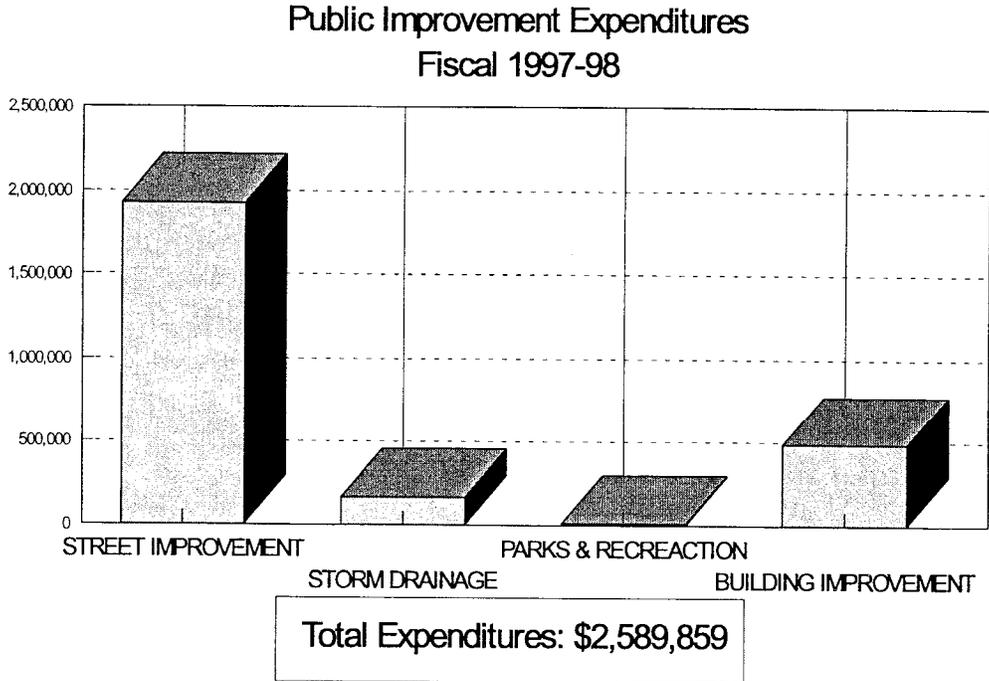
Storm Water Fund

	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Gross revenues	\$ —	—	—	—
Net income	\$ (24,368)	(283,653)	(283,653)	(263,106)
Additions:				
Depreciation	24,368	26,149	26,149	10,011
Nonoperating expenses	—	—	—	(6,079)
Interest expense	—	47,081	47,081	—
Income available for debt service	\$ —	(210,423)	(210,423)	(259,174)
Annual debt service	\$ —	—	—	—
Coverage	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The other Proprietary Fund is the Central Garage Fund. The garage had experienced several years of deficit operations. An operating transfer to fund that deficit was made in the fiscal year ending June 30, 1997. Interfund charges were suspended and operations have been reviewed and are being monitored on a monthly basis. Operations for the fiscal year ending June 30, 1998 resulted in a net income of \$292,983 and positive year-end retained earnings of \$113,333.

Public Improvement Programs

The following graph and table summarize the City's public improvement program for fiscal year 1997-98. The City accomplished this program through the use of City personnel and outside contractors.



	Appropriation Balance 06/30/97	1997-98		Appropriation Balance 06/30/98
		Appropriations	Expenditures	
Street Improvement	\$ 3,482,486	3,510,173	1,928,230	5,064,429
Storm Drainage	449,979	84,981	164,804	370,156
Building Improvement	496,261	269,399	488,054	277,606
Parks and Recreation	8,771	—	8,771	—
Totals	\$ 4,437,497	3,864,553	2,589,859	5,712,191

Debt Administration

As of June 30, 1998, there were no outstanding general obligation bonds, and outstanding revenue bonds totaled \$73,995,000. A detail listing of the City's debt can be found in the *Notes to General Purpose Financial Statements* section of this report. The City's current legal debt margin for general obligation bonds is \$178,681,073.

General Obligation Bonds

The General Obligation Bonds of the City were defeased in fiscal year 1993/94 and the debt service levy was eliminated. The ratio of net general bonded debt to assessed valuation of property for tax purposes and the amount of bonded debt per capita are useful to management, residents, and investors as indicators of the City's financial status. These ratios at the close of fiscal year 1997-98 were as follows:

	<u>Direct</u>	<u>Overlapping</u>	<u>Total</u>
Gross bonded debt	\$ —	36,029,786	36,029,786
Less available Debt Service Funds	—	793,082	793,082
Net bonded debt	<u>\$ —</u>	<u>35,236,704</u>	<u>35,236,704</u>
Assessed value January 1, 1998	<u>\$ 893,405,364</u>		
Ratio of debt to assessed value	<u>—%</u>	<u>3.9%</u>	<u>3.9%</u>
Population	<u>115,851</u>		
Debt per capita	<u>\$ —</u>	<u>304.16</u>	<u>304.15</u>

Revenue Bonds

In 1986, the City purchased the water utility that serves the City and a large portion of eastern Jackson County. To accomplish this acquisition, the City issued \$47,500,000 of revenue bonds. These revenue bonds were originally issued on March 27, 1986 as variable rate bonds with the interest rate being adjusted every seven days. On June 3, 1987, the bonds were re-offered with flexible interest rates and maturity dates ranging from 1 to 270 days. These bonds are subject to conversion at the City's option to a fixed rate, although this has not been financially prudent to this date. The bonds were originally secured for both principal and interest by an irrevocable letter of credit issued by The Sumitomo Trust & Banking Co., Ltd. Currently, the letter of credit is established with Westduetsche Landesbank Girozentrale (WestLB). This agreement went into effect on December 1, 1995 and expires December 15, 2000 and has substantially the same terms as the previous letter of credit with Sumitomo. Lehman Brothers, Inc. serves as remarketing agent. As of June 30, 1998, the total principal balance of the Water Revenue Bonds was \$42,950,000.

On September 2, 1998, the City took steps to issue \$23,520,000 in Electric Utility Refunding Revenue Bonds. These bonds were issued to refund the Series 1989B Electric Utility Revenue Bonds totaling \$22,955,000. As of June 30, 1998, the total principal balance of the Electric Utility Revenue Bonds was \$31,045,000.

Tax Increment Financing (TIF)

Three new TIF agreements were entered into, bringing the total active agreements to ten. The Noland/Santa Fe Trail proposal was submitted and approved with a redevelopment plan having estimated project costs of \$25,567,017 and approximately 220,200 square feet of retail/office space. The Sterling Village Redevelopment Plan was also submitted and approved with estimated project costs of \$4,408,323 for residential development of about 50 new housing units, and the Hartman Heritage plan was approved with project costs estimated at \$97,561,000 and 629,000 square feet of estimated retail/office space.

Financial Software

As indicated in last year's report, financial software from the JDEdwards World Solutions Company was acquired. This fiscal year has seen staff from many City departments working together in a major effort of training for, installing, and implementing the many functions of this software, and actual conversion to the new software was successfully accomplished on July 1, 1998.

Cash Management

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 in process is to always assure the return of principal.

A three-year banking service agreement was signed and went into effect on November 1, 1995. This agreement invested substantially all excess cash in an interest-bearing account (formerly a SUPER NOW account) earning at a rate equal to the 91-day United States treasury note. In an effort to minimize exposure to potential unnecessary "Year 2000" issues and concerns, the banking services agreement was extended by mutual consent through November 1, 2001.

Risk Administration

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

PROSPECTS FOR THE FUTURE

The City, for the last several years, has been improving its infrastructure of roads, bridges, sidewalks, storm sewers, and buildings primarily through the use of intergovernmental revenues. Due to improving current economic conditions, Independence has experienced some growth in its revenue. However, the modest improvement does not eliminate the need to closely monitor and control upward pressure on costs.

A particular concern is the lack of growth in the resources that support the basic governmental services accounted for in the General Fund. The cost of providing services and the demand for greater levels of service have increased faster than the growth in revenues which support the services. This problem is not unique to the City in that many other units of government are experiencing the same difficulty.

OTHER INFORMATION

Independent Audit

The financial statements for the fiscal year ending June 30, 1998, as required by the Charter, were examined by KPMG and their opinion is included in this report. The audit was conducted in such a manner as to enable the auditors to form an opinion on the GPFS taken as a whole. KPMG has issued an unqualified opinion on these GPFS. An unqualified opinion is the best opinion which an organization can receive on its financial statements from an independent certified public accountant. It indicates that the auditors' examination has allowed them to conclude that the GPFS are fairly stated in all material respects. Their audit was made in accordance with generally accepted auditing standards and applicable regulations pertaining to single audits of governmental units.

Awards

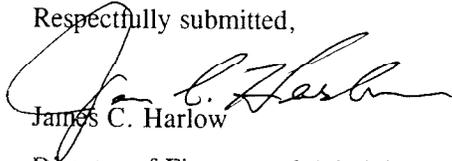
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the for its CAFR for the fiscal year ended June 30, 1997. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized CAFR, the contents of which conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report 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, 1997. 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

Acknowledgments

The preparation of this CAFR could not have been accomplished without the dedicated services of several members of the Finance Department. I would also like to thank the firm of KPMG Peat Marwick LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,



James C. Harlow

Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

FINANCIAL

**REPORT OF
INDEPENDENT AUDITORS**

Independent Auditors' Report

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

We have audited the general purpose financial statements of the City of Independence, Missouri as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Independence, Missouri as of June 30, 1998 and the results of its operations and the cash flows of its Proprietary Fund Types and Nonexpendable Trust Fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 1998 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Independence, Missouri. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

As discussed in note 12 to the financial statements, the City adopted the provisions of Governmental Accounting Standards No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*, in 1998.

KPMG Peat Marwick LLP

September 25, 1998

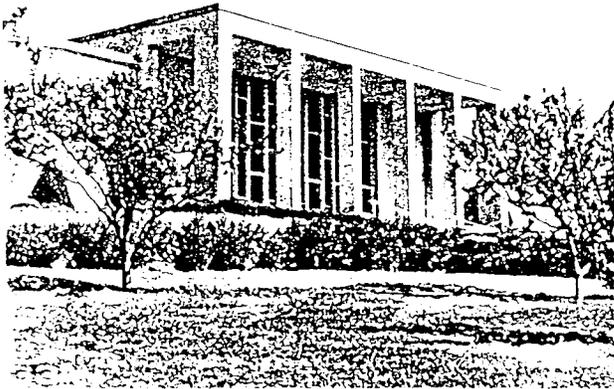
GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements, or "liftable" statements, are intended to provide an overview of the financial position and results of operations for the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow. Separate columns are used for each fund type and account group. The notes to the general purpose financial statements form an integral part of the general purpose financial statements and contain the "Summary of Significant Accounting Policies" and other notes necessary for adequate disclosure.





Harry Struman



CITY OF INDEPENDENCE, MISSOURI

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1998

With Comparative Totals For June 30, 1997

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Groups		Totals	
	General	Special Revenue	Enterprise	Internal Service		General Fixed Assets	General Long-term Debt	(Memorandum Only) 1998	1997
Assets and Other Debits									
Pooled cash and investments (note 3)	\$ 7,699,952	197,399	35,406,009	3,838,294	134,058	—	—	47,366,623	41,506,144
Receivables:									
Taxes	2,010,255	36,768	—	—	—	—	—	2,047,023	2,336,655
Accounts (net of allowance of \$464,530) (note 1D)	—	—	12,745,975	—	—	—	—	12,745,975	11,225,255
Special assessment principal and accrued interest	378,598	—	227,277	—	—	—	—	641,137	773,478
Accrued interest	83,084	—	1,353,430	21,653	498	—	—	1,458,665	872,036
Other	70,241	—	—	—	—	—	—	233,767	137,330
Due from other funds (note 6)	40,772	38,995	1,034,679	279	—	—	—	2,332,057	1,821,237
Due from other governments (note 5)	1,062,137	167,979	—	104,272	—	—	—	3,662,413	3,241,262
Inventory	—	—	6,224,535	—	—	—	—	6,328,807	8,179,790
Prepaid items	—	—	87,585	—	—	—	—	87,585	38,325
Restricted assets (notes 3 and 8)	390,273	—	38,695,265	—	—	—	—	41,015,999	47,823,614
Property, plant, and equipment, net (note 7)	—	—	208,863,512	117,589	—	—	—	243,981,126	236,194,844
Advance to other funds (note 6)	—	—	368,285	—	—	35,000,025	—	368,285	694,292
Deferred debt issue costs	—	—	3,062,380	—	—	—	—	3,062,380	3,167,812
Prepaid employee benefits (note 14)	—	—	2,479,214	—	—	—	—	2,479,214	2,263,861
Other deferred charges	—	—	264,331	—	—	—	—	264,331	242,166
Amount to be provided for retirement of general long-term debt	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	21,101,243	21,101,243	21,059,017
Total assets and other debits	\$ 11,735,312	441,141	310,812,477	4,082,087	134,556	35,000,025	21,101,243	389,176,630	381,577,118

((Continued))

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals	
	General	Special Revenue	Capital Projects		Enterprise	Internal Service	Trust and Agency	General	Long-term Debt	Memorandum Only		
			Revenue	Projects						Assets	1998	1997
Liabilities, Fund Equity, and Other Credits												
Accounts and contracts payable	\$ 1,744,309	69,761	84,368	6,408,783	25,370	7,982	—	—	—	8,340,573	7,066,092	
Due to other funds (note 6)	560,170	100,219	634,258	1,031,694	96	5,620	—	—	—	2,332,057	1,821,237	
Accrued items	655,511	8,699	—	1,137,556	7,449	—	—	—	—	1,809,215	1,094,543	
Compensated absences – current	—	—	—	1,312,159	23,243	—	—	—	—	1,335,402	1,240,173	
Other current liabilities	74,697	—	889,746	152,160	—	—	—	—	—	1,116,603	435,722	
Deferred revenue (note 20)	378,598	—	924,736	—	1,901,468	—	—	—	—	1,303,334	3,269,168	
Employee benefits payable (note 14)	—	—	—	—	534,000	—	—	—	—	6,683,112	7,371,681	
Medical self-insurance claims (note 16)	—	—	—	—	—	—	—	—	4,781,644	534,000	493,000	
Liabilities payable from restricted assets:												
Deposits and court bonds	102,455	—	—	957,631	—	—	—	—	—	1,060,086	1,047,759	
Interest on long-term debt	—	—	—	345,274	—	—	—	—	—	345,274	302,233	
Current maturities on revenue bonds (note 8)	—	—	—	2,105,000	—	—	—	—	—	2,105,000	1,915,000	
Current maturities on certificates of participation (note 8)	—	—	—	161,199	—	—	—	—	—	161,199	150,686	
Deferred compensation benefits payable (note 12)	—	—	—	—	—	—	—	—	—	—	9,941,795	
Revenue bonds payable (note 8)	—	—	—	71,890,000	—	—	—	—	—	71,890,000	73,995,000	
Certificates of participation (note 8)	—	—	—	—	—	—	—	68,801	—	68,801	294,314	
General obligation/TIF bonds payable (note 8)	—	—	—	—	—	—	—	4,875,000	—	4,875,000	5,000,000	
Capital lease obligations (note 8)	—	—	—	—	—	—	—	1,829,472	—	1,829,472	2,334,285	
Compensated absences – long-term (note 8)	—	—	—	3,339,091	52,553	—	—	8,782,263	—	12,173,907	11,216,477	
Advances for construction (note 9)	—	—	—	302,790	—	—	—	—	—	302,790	145,540	
Advances from other funds (note 6)	—	—	—	210,165	—	—	—	158,120	—	368,285	694,292	
Use tax payable (note 20)	433,812	—	—	—	—	—	—	605,943	—	1,039,755	—	
Total liabilities	3,949,552	178,679	2,533,108	89,353,502	2,544,179	13,602	—	21,101,243	—	119,673,865	129,828,997	
Fund equity and other credits:												
Investment in general fixed assets	—	—	—	—	—	—	—	—	—	35,000,025	33,935,440	
Contributed capital (note 10)	—	—	—	43,394,688	—	—	—	—	—	43,394,688	43,880,992	
Retained earnings:												
Reserved (note 8)	—	—	—	5,625,000	—	—	—	—	—	5,625,000	5,625,000	
Unreserved	—	—	—	172,439,287	1,537,908	—	—	—	—	173,977,195	158,490,784	
Fund balances (notes 18 and 19):												
Reserved	2,781,988	214,666	2,854,625	—	—	—	—	—	—	5,851,279	3,980,174	
Unreserved:												
Designated	1,057,809	36,174	1,930,461	—	—	110,340	—	—	—	3,134,784	2,574,353	
Undesignated	3,945,963	11,622	(1,448,405)	—	—	10,614	—	—	—	2,519,794	3,261,378	
Total fund equity and other credits	7,785,760	262,462	3,336,681	221,458,975	1,537,908	120,954	—	35,000,025	—	269,502,765	251,748,121	
Total liabilities, fund equity, and other credits \$	11,735,312	441,141	5,869,789	310,812,477	4,082,087	134,556	—	35,000,025	21,101,243	389,176,630	381,577,118	

See accompanying notes to general purpose financial statements.

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds

Year Ended June 30, 1998
With Comparative Totals For Year Ended June 30, 1997

	Governmental Fund Types			Fiduciary Fund Types	Totals	
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)	
					1998	1997
Revenues:						
Taxes (note 4)	\$ 23,838,031	439,867	4,398,831	—	28,676,729	25,850,597
Licenses and permits	2,325,055	—	—	—	2,325,055	2,299,681
Intergovernmental (note 5)	6,106,173	1,540,992	1,613,001	—	9,260,166	6,937,808
Utility payments in lieu of taxes (note 6)	7,995,774	—	—	—	7,995,774	7,541,534
Charges for services	637,404	—	1,551	13,426	652,381	584,241
Interfund charges for support services (note 6)	2,749,077	—	—	—	2,749,077	2,895,953
Fines, forfeitures, and court costs	2,409,688	—	—	—	2,409,688	1,903,081
Interest	409,085	16,791	178,076	4,171	608,123	503,872
Sale of property, plant, and equipment	64,279	—	—	—	64,279	50,266
Other (note 6)	398,740	19,323	30,000	260	448,323	449,695
Total revenues	46,933,306	2,016,973	6,221,459	17,857	55,189,595	49,016,728
Expenditures:						
Current:						
General government	5,354,047	—	—	—	5,354,047	5,119,322
Public safety	24,506,015	—	—	—	24,506,015	23,312,495
Public works	5,374,067	—	—	—	5,374,067	5,346,312
Health and welfare	1,089,234	—	—	—	1,089,234	948,268
Culture and recreation	1,488,052	520,437	—	—	2,008,489	1,762,330
Community development	2,248,234	1,419,173	—	—	3,667,407	2,847,386
Nondepartmental	4,087,495	19,247	—	—	4,106,742	3,821,673
Capital outlay	808,688	—	5,175,085	15,119	5,998,892	4,569,092
Debt service:						
Principal (note 8)	719,289	—	125,000	—	844,289	866,156
Interest and fiscal agent fees	151,194	—	437,500	—	588,694	594,174
Total expenditures	45,826,315	1,958,857	5,737,585	15,119	53,537,876	49,187,208
Excess (deficiency) of revenues over expenditures	1,106,991	58,116	483,874	2,738	1,651,719	(170,480)
Other financing sources (uses):						
Proceeds from capital leases	—	—	—	—	—	419,069
Operating transfers in (note 6)	39,900	13,950	812,888	—	866,738	520,622
Operating transfers out (note 6)	(797,111)	(153,769)	(131,449)	—	(1,082,329)	(632,225)
Total other financing sources (uses)	(757,211)	(139,819)	681,439	—	(215,591)	307,466
Excess (deficiency) of revenues and other sources over expenditures and other uses	349,780	(81,703)	1,165,313	2,738	1,436,128	136,986
Fund balances, July 1	7,435,980	344,165	1,918,013	107,602	9,805,760	9,668,774
Fund balances, June 30	\$ 7,785,760	262,462	3,083,326	110,340	11,241,888	9,805,760

See accompanying notes to general purpose financial statements.

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (Budget Basis) –
General and Special Revenue Fund Types

Year Ended June 30, 1998

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance– Favorable (Unfavorable)	Budget	Actual	Variance– Favorable (Unfavorable)
Revenues:						
Taxes	\$ 23,460,429	23,838,031	377,602	397,000	439,618	42,618
Licenses and permits	2,162,425	2,325,055	162,630	—	—	—
Intergovernmental	6,442,398	6,106,173	(336,225)	1,629,700	1,540,992	(88,708)
Utility payments in lieu of taxes	8,262,382	7,995,774	(266,608)	—	—	—
Charges for services	660,754	637,404	(23,350)	—	—	—
Interfund charges for support services	2,850,370	2,749,077	(101,293)	—	—	—
Fines, forfeitures, and court costs	1,762,318	2,409,688	647,370	—	—	—
Interest	254,500	409,085	154,585	17,000	17,040	40
Sale of property, plant, and equipment	23,000	64,279	41,279	—	—	—
Other	371,799	398,740	26,941	55,047	19,323	(35,724)
Total revenues	<u>46,250,375</u>	<u>46,933,306</u>	<u>682,931</u>	<u>2,098,747</u>	<u>2,016,973</u>	<u>(81,774)</u>
Expenditures:						
Current:						
General government	5,727,626	5,585,349	142,277	—	—	—
Public safety	24,666,672	24,657,619	9,053	—	—	—
Public works	5,726,833	5,667,379	59,454	—	—	—
Health and welfare	1,151,485	1,097,269	54,216	—	—	—
Water pollution	229,898	229,560	338	—	—	—
Community development	2,415,566	2,276,994	138,572	—	—	—
Culture and recreation	1,522,432	1,505,546	16,886	560,527	546,118	14,409
Other	5,997,085	5,700,316	296,769	1,709,880	1,377,821	332,059
Total expenditures	<u>47,437,597</u>	<u>46,720,032</u>	<u>717,565</u>	<u>2,270,407</u>	<u>1,923,939</u>	<u>346,468</u>
Other financing sources (uses):						
Operating transfers in	100,827	39,900	(60,927)	—	13,950	13,950
Operating transfers out	(676,013)	(797,111)	(121,098)	(226,073)	(153,769)	72,304
Total other financing sources (uses)	<u>(575,186)</u>	<u>(757,211)</u>	<u>(182,025)</u>	<u>(226,073)</u>	<u>(139,819)</u>	<u>86,254</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>(1,762,408)</u>	<u>(543,937)</u>	<u>1,218,471</u>	<u>(397,733)</u>	<u>(46,785)</u>	<u>350,948</u>
Fund balances, July 1		7,435,980			344,165	
Encumbrances, outstanding		2,711,298			214,666	
Encumbrances, prior year outstanding		(80,733)			—	
Encumbrances, prior year		(2,042,097)			(249,584)	
Encumbrances, prior year expired		305,249			—	
Fund balances, June 30		\$ <u>7,785,760</u>			<u>262,462</u>	

See accompanying notes to general purpose financial statements.

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Revenues, Expenses, and Changes in
Retained Earnings/Fund Balances – All Proprietary Fund
Types and Nonexpendable Trust Funds

Year Ended June 30, 1998
With Comparative Totals For Year Ended June 30, 1997

	Proprietary Fund Types		Non- expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		1998	1997
Operating revenues:					
Sale of electric energy	\$ 64,559,582	—	—	64,559,582	59,195,387
Sale of water	14,292,785	—	—	14,292,785	13,924,171
Sanitary sewerage charges	12,014,198	—	—	12,014,198	11,583,645
Repairs and maintenance charges	—	1,237,044	—	1,237,044	1,139,143
Premiums	—	6,042,863	—	6,042,863	5,930,295
Reinsurance reimbursements	—	—	—	—	118,497
Interest income	—	—	469	469	505
Other operating revenue	566,275	—	—	566,275	289,576
Total operating revenues	91,432,840	7,279,907	469	98,713,216	92,181,219
Operating expenses:					
Electric utility plant operations	44,766,098	—	—	44,766,098	41,624,569
Water system operations	8,162,749	—	—	8,162,749	8,547,113
Sewer system operations	7,699,724	—	—	7,699,724	7,924,753
Storm water operations	—	—	—	—	2,689
Public works	—	1,098,041	—	1,098,041	1,190,990
Health care plan expenses	—	5,858,287	—	5,858,287	5,402,684
Depreciation and amortization	9,682,855	9,031	—	9,691,886	9,979,862
Payments to General Fund in lieu of taxes (note 6)	7,995,774	—	—	7,995,774	7,541,534
Other	77,079	—	—	77,079	77,309
Total operating expenses	78,384,279	6,965,359	—	85,349,638	82,291,503
Operating income	13,048,561	314,548	469	13,363,578	9,889,716
Nonoperating revenues (expenses):					
Interest income	4,328,868	252,279	—	4,581,147	4,275,239
Interest expense	(3,715,506)	—	—	(3,715,506)	(3,871,592)
Other	1,719	—	—	1,719	35,825
Administrative fees for revenue bonds and certificates of participation (note 8)	(152,486)	—	—	(152,486)	(155,666)
Amortization of debt issue costs	(105,411)	—	—	(105,411)	(104,763)
	357,184	252,279	—	609,463	179,043
Income before operating transfers	13,405,745	566,827	469	13,973,041	—
Operating transfers in (note 6)	—	215,739	—	215,739	111,603
Operating transfers out (note 6)	(148)	—	—	(148)	—
Net income	13,405,597	782,566	469	14,188,632	111,603
Add credit arising from transfer of depreciation on contributed assets to contributed capital (note 10)	1,298,248	—	—	1,298,248	1,316,663
Transferred to retained earnings	14,703,845	782,566	469	15,486,880	1,428,266
Retained earnings/fund balance, July 1	163,360,442	755,342	10,145	164,125,929	152,628,904
Retained earnings/fund balance, June 30	\$ 178,064,287	1,537,908	10,614	179,612,809	154,057,170

See accompanying notes to general purpose financial statements.

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Cash Flows – All Proprietary
Fund Types and Nonexpendable Trust FundsYear Ended June 30, 1998
With Comparative Totals For Year Ended June 30, 1997

	Proprietary Fund Types		Non- expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		1998	1997
Operating activities:					
Operating income	\$ 13,048,561	314,548	469	13,363,578	9,889,716
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	9,682,855	9,031	—	9,691,886	9,979,862
Interest on investments	—	—	(469)	(469)	(505)
Changes in assets and liabilities:					
Accounts receivable and unbilled revenue	(1,451,167)	—	—	(1,451,167)	151,667
Inventory	1,856,969	(5,986)	—	1,850,983	(29,027)
Due from other funds	(1,689)	285,075	—	283,386	(130,912)
Prepaid items and other	(49,260)	—	—	(49,260)	(2,168)
Accounts and contracts payable	646,598	(14,124)	—	632,474	985,539
Accrued expenses	734,546	(305)	—	734,241	(529,273)
Compensated absences	92,575	5,246	—	97,821	297,574
Customer deposits	22,562	—	—	22,562	86,654
Advances for construction	157,250	—	—	157,250	10,762
Employee benefits payable	—	(266,757)	—	(266,757)	(261,351)
Deferred charges	(132,086)	—	—	(132,086)	72,008
Advance to other funds	326,007	—	—	326,007	308,624
Due to other funds	—	(285,384)	—	(285,384)	133,171
Other current liabilities	30,721	41,000	—	71,721	(199,939)
Net cash provided by operating activities	<u>24,964,442</u>	<u>82,344</u>	<u>—</u>	<u>25,046,786</u>	<u>20,762,402</u>
Capital and related financing activities:					
Principal paid on lease participation certificates (note 8)	(150,686)	—	—	(150,686)	(140,173)
Principal paid on revenue bonds (note 8)	(1,915,000)	—	—	(1,915,000)	(1,795,000)
Additions of property, plant, and equipment	(16,277,476)	(1,380)	—	(16,278,856)	(13,397,956)
Administrative fees for revenue bonds and certificates of participation	(152,486)	—	—	(152,486)	(155,666)
Advances from other funds	(175,845)	—	—	(175,845)	(147,746)
Interest paid on debt	(3,658,430)	—	—	(3,658,430)	(3,908,712)
Contributions (note 10)	811,944	—	—	811,944	709,515
Net cash used in capital and related financing activities	<u>(21,517,979)</u>	<u>(1,380)</u>	<u>—</u>	<u>(21,519,359)</u>	<u>(18,835,738)</u>
Noncapital financing activities:					
Operating transfers in	—	215,739	—	215,739	111,603
Operating transfers out	(148)	—	—	(148)	—
Net cash provided by (used in) noncapital financing activities	<u>(148)</u>	<u>215,739</u>	<u>—</u>	<u>215,591</u>	<u>111,603</u>
Net cash provided by investing activities – interest and dividends on investments	<u>3,746,008</u>	<u>252,279</u>	<u>469</u>	<u>3,998,756</u>	<u>4,202,184</u>
Net increase in cash and cash equivalents	<u>7,192,523</u>	<u>548,982</u>	<u>469</u>	<u>7,741,774</u>	<u>6,240,451</u>
Cash and cash equivalents, July 1	<u>66,908,951</u>	<u>3,289,312</u>	<u>10,145</u>	<u>70,208,408</u>	<u>63,967,957</u>
Cash and cash equivalents, June 30	<u>\$ 74,101,274</u>	<u>3,838,294</u>	<u>10,614</u>	<u>77,950,182</u>	<u>70,208,408</u>

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Cash Flows – All Proprietary
Fund Types and Nonexpendable Trust Funds, Continued

Year Ended June 30, 1998
With Comparative Totals For Year Ended June 30, 1997

	Proprietary Fund Types		Non- expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		1998	1997
Components of cash and cash equivalents at end of year:					
Unrestricted	\$ 35,406,009	3,838,294	10,614	39,254,917	34,280,159
Restricted	<u>38,695,265</u>	<u>—</u>	<u>—</u>	<u>38,695,265</u>	<u>35,928,249</u>
	<u>\$ 74,101,274</u>	<u>3,838,294</u>	<u>10,614</u>	<u>77,950,182</u>	<u>70,208,408</u>
Composition of Fiduciary Fund Types, cash, and investments:					
Waggoner Memorial (Nonexpendable Trust Fund)			\$ 10,614		10,145
Miscellaneous (Expendable Trust Fund)			114,522		107,737
Flexible Benefits Plan (Agency Fund)			<u>8,922</u>		<u>8,790</u>
			<u>\$ 134,058</u>		<u>126,672</u>

See accompanying notes to general purpose financial statements.

**NOTES TO THE
GENERAL PURPOSE
FINANCIAL STATEMENTS**

The Notes to the General Purpose Financial Statements include a summary of accounting policies followed and items of information used by the City that are judged to be most appropriate for full disclosure in the preparation of the financial statements.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(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 more than 113,000 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 generally accepted accounting principles (GAAP) applicable to local governments. The following is a summary of the more significant accounting and reporting policies and practices of the City.

(A) The Financial Reporting Entity

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

The Tax Increment Financing Commission (TIF) is governed by a nine-member board of which six members are appointed by the City Council. The remaining three members are appointed by the respective taxing districts' boards. The TIF is legally separate from the City, 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. These activities are included in the accompanying general purpose financial statements as part of the Tax Increment Financing (Capital Projects) Fund.

(B) Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equities, revenues, and expenditures or expenses. The various funds are grouped by type in the accompanying general purpose financial statements. The following fund types and account groups are used by the City:

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in Proprietary Funds) are reported in Governmental Funds. These funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. The following are the City's Governmental Fund Types:

- *General Fund* – is the principal operating fund of the City and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are financed through revenues received by the General Fund.
- *Special Revenue Funds* – are used to account for revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the City.
- *Capital Projects Funds* – are used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds and Nonexpendable Trust Funds.

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is on determination of net income. The following are the City's Proprietary Fund Types:

- *Enterprise Funds* – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the periodic determination of net income or loss is deemed appropriate.
- *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 City on a cost-reimbursement basis.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

FIDUCIARY FUND TYPES

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, and/or other funds.

- *Trust Funds* – include Nonexpendable and Expendable Trust Funds. The City's Nonexpendable Trust Fund is the Waggoner Memorial Trust Fund and is accounted for in essentially the same manner as Proprietary Funds. The City's Expendable Trust Fund consists of the Miscellaneous Expendable Trust Fund and is accounted for in essentially the same manner as Governmental Funds.
- *Agency Fund* – includes the Flexible Benefits Plan used to account for contributions made by employees to the City's cafeteria plan.

ACCOUNT GROUPS

General Fixed Assets Account Group – is established to account for all fixed assets of the City, other than those accounted for in the Proprietary Funds.

General Long-term Debt Account Group – is established to account for all long-term indebtedness of the City, except that accounted for in the Proprietary Funds.

(C) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all Governmental Fund Types, Expendable Trust Funds, and the Agency Fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers real estate taxes as available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are real estate taxes, utility franchise taxes, special assessments, interest, and certain state and federal grants and entitlements. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Licenses and permits, fines and forfeitures, charges for services, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received in cash.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purposes of expenditure and are revocable only for failure to comply with prescribed compliance requirements. These resources are recognized as revenues at the time of receipt or earlier if they meet the available and measurable criteria.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Special assessments recorded in the Governmental Fund Types are recorded as deferred revenue in the year the assessments are levied and recognized as revenue in equal annual amounts over the period that the assessment is billed. Annual installments not yet collected are reflected as special assessments receivable.

All Proprietary Funds and Nonexpendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund Type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by the Proprietary and Nonexpendable Trust Fund Types. Under this basis of accounting, revenues are recognized when earned (including unbilled revenue) and expenses are recorded when liabilities are incurred, if measurable. In reporting the financial activity of its Proprietary Funds, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the Committee on Accounting Procedure.

(D) *Accounts Receivable*

Accounts receivable result primarily from sales of electricity, water, and sewer services accounted for in the Power and Light, Water and Sanitary Sewer (Enterprise) Funds, respectively. An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year. Accounts receivable for Enterprise Funds at June 30, 1998 include billed receivables, net of allowance for uncollectible accounts, and unbilled revenues of \$6,012,030.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(E) Inventory

Inventory of the Enterprise Funds consists of the coal supply and electric and water utility materials and is valued at the lower of average cost or market. 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.

(F) Property, Plant, and Equipment

Property, plant, and equipment owned by the Proprietary Funds 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 method. Depreciation on utility vehicles and heavy equipment is charged to clearing accounts and redistributed to various operating, construction, and other accounts. The estimated useful lives are as follows:

	Years
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

Fully depreciated fixed assets are included in the property, plant, and equipment accounts until their disposal. Units retired plus the cost of removal, less salvage, are charged against accumulated depreciation with no gain or loss recognized. Depreciation of plant and equipment acquired through contributions is recorded as an expense and a reduction of contributed capital.

The interest cost of borrowed funds used to finance construction projects is capitalized when it is material.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(G) General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Funds and capitalized at historical cost in the General Fixed Assets Account Group. Contributed general fixed assets are recorded at fair market value at the time donated.

Certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, have not been capitalized. Such assets are immovable and of value only to the City; therefore, the purposes of stewardship for capital expenditures are satisfied without recording these assets.

No depreciation is provided on general fixed assets and interest has not been capitalized.

(H) Deferred Charges

Revenue bond issuance costs and related refunding costs and losses arising from the issuance of debt in the Proprietary Funds are capitalized and amortized over the period the related debt is outstanding. Organization costs are being amortized over five years. Other deferred charges consist of preliminary engineering and other survey charges for proposed additions to the enterprise utility plants, which are recorded as deferred charges until the City Council decides whether the project should be pursued. If the project is abandoned, the charges are expensed. If the project is constructed, the charges are capitalized upon completion.

(I) 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 and Expendable Trust Funds. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

(J) Medical Self-insurance Claims

Medical self-insurance claims payable include a provision for incurred but not reported claims. This liability has been estimated based upon studies of the City's claim experience.

(K) Compensated Absences

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

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

Vested or accumulated vacation and sick leave for employees of Governmental Funds is recorded as an expenditure in the period it is used and considered payable from current financial resources. The amount of compensated absences expected to be liquidated with expendable available financial resources was not material to the Governmental Funds and is thus recorded in the General Long-term Debt Account Group. The estimated value of leave earned by employees, which may be used in subsequent years and is therefore payable from future resources, is recorded in the General Long-term Debt Account Group. No expenditure is reported for these amounts. Vested or accumulated vacation and sick leave of Proprietary Funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

(L) Capital Leases

Property, plant, and equipment financed by capital leases are reflected as assets and corresponding liabilities of the Enterprise Funds, and the related depreciation expense is provided on the same basis as assets financed with other resources. General fixed assets financed by capital leases are reported as assets and corresponding liabilities in the account groups, and their acquisition is reported as an expenditure and other financing source in the Governmental Funds.

(M) Reserves

Reserves are reported in the various funds to indicate that a portion of the fund balance/retained earnings is restricted by law or contract for a specific purpose. Designations of unreserved fund balances in Governmental Funds indicate City management's plans for use of financial resources in a future period.

(N) "Memorandum Only" Total Columns

Total columns on the accompanying general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with GAAP. Interfund transactions have not been eliminated from the combined totals, and the totals do not present consolidated information.

(O) Statement of Cash Flows

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

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(P) Use of Estimates

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

(Q) Investments

All investments (excluding short-term investments held in trust) are stated 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.

(2) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the accompanying general purpose 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 1997-1998 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 general purpose financial statements include a comparison of budget to actual only for the Governmental Funds. Annual operating budgets are not prepared for Capital Projects 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 Balance – 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General and Special Revenue Fund Types is 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 General Purpose Financial Statements

June 30, 1998

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust 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 budget basis statement.

(3) 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.

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 type's portion of this pool is displayed on the combined balance sheet 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. All deposits and investments are carried at fair value.

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

Investments:		
Short-term investments held in trust	\$	1,038,299
U. S. treasury securities		<u>78,755,610</u>
Total investments		79,793,909
Deposits		8,580,438
Petty cash		<u>8,275</u>
	\$	<u><u>88,382,622</u></u>

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

	<u>Carrying</u>
	<u>Amount</u>
Cash and pooled investments	\$ 47,366,623
Restricted assets	<u>41,015,999</u>
Total	\$ <u><u>88,382,622</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

Deposits – At June 30, 1998, the carrying amount of the City’s deposits was \$8,580,438 and the bank balance was \$8,263,151. Of the bank balance, \$175,897 was covered by federal depository insurance (FDIC) and \$8,087,254 was covered by collateral held at the Federal Reserve under joint custody agreements.

Investments – The City’s investments are categorized as either (1) insured or registered or 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, 1998, the City’s investments in U. S. treasury securities of \$73,221,153 were classified as category (1) above and \$5,534,457 were classified as category (2) above.

(4) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 1998 is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Real estate tax	\$ 4,858,234	20,148	1,510,313
Railroad utilities tax	55,405	—	—
Cigarette tax	600,206	—	—
Transient guest tax	—	419,719	—
Sales tax	12,612,418	—	2,888,518
Franchise tax	<u>5,711,768</u>	<u>—</u>	<u>—</u>
	\$ <u>23,838,031</u>	<u>439,867</u>	<u>4,398,831</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% commission on all taxes collected.

Assessed values are established by the Clay and Jackson County Assessors, subject to review by the County’s 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, 1997, on which the fiscal 1998 levy was based, was \$668,308,367. In the year ended June 30, 1998, the City collected 93% 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 \$.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, 1998 were \$.52 for the General Fund and \$.24 for the Public Health and Recreation Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

Taxes receivable on the accompanying combined balance sheet represent real estate tax, franchise tax, transient guest tax, and sales tax which have been recorded as revenue and/or deferred revenue.

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 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, 1998 were \$3,788,487 and were included as tax revenue in the Tax Increment Financing (Capital Projects) Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(5) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 1998 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Federal:			
Department of Health and Human Services:			
Public Health Nursing	\$ 2,430	—	—
Sanitation of Child Care Facilities	3,120	—	—
Senior Nutrition Site	25,000	—	—
Home visiting capacity building grant – child abuse prevention association	14,074	—	—
Homeless challenge	26,004	—	—
Federal Emergency Management Agency – Emergency Management Assistance	37,038	—	—
Department of Housing and Urban Development:			
Community Development Block Grant	—	1,102,060	—
Emergency Shelter Grant	100,551	—	—
Rental Rehabilitation	—	438,932	—
Department of Transportation:			
Highway Planning and Construction	52,197	—	561,351
Urban Mass Transportation Operating Assistance	9,068	—	—
State and Community Highway Safety	64,947	—	—
Department of Justice:			
Bureau of Justice Assistance – domestic violence	116,517	—	—
Community Oriented Policing Services (COPS)	270,599	—	—
Office of National Drug Control Policy	91,107	—	—
Department of Interior	6,000	—	—
Department of Education	12,461	—	—
Total federal	<u>831,113</u>	<u>1,540,992</u>	<u>561,351</u>
State:			
Department of Health and Human Services	75,052	—	—
Department of Revenue:			
Motor vehicle fuel tax	3,157,100	—	—
Motor vehicle sales tax	743,168	—	—
Motor vehicle fees	498,268	—	—
Financial institutions tax	19,874	—	—
Department of Natural Resources	14,826	—	20,599
Total state	<u>4,508,288</u>	<u>—</u>	<u>20,599</u>
Local:			
Jackson County Drug Task Force	437,792	—	—
Jackson County Funding of D.A.R.E. Program	325,007	—	—
Jackson County Urban Road System	3,973	—	1,031,051
Total local	<u>766,772</u>	<u>—</u>	<u>1,031,051</u>
Total	\$ <u>6,106,173</u>	<u>1,540,922</u>	<u>1,613,001</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

Amounts due from other governments at June 30, 1998 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General:				
Department of Health and Human Services:				
Public Health Nursing	\$ 415	12,509	—	12,924
MARC Senior Nutrition Site	4,167	—	—	4,167
Department of Transportation – State and				
Community Highway Safety	5,943	—	—	5,943
Federal Emergency Management Agency	12,444	—	—	12,444
Department of Justice:				
Domestic violence	99,927	—	—	99,927
COPS	170,860	—	—	170,860
Kansas City Area Transportation				
Authority – Urban Mass Transportation				
Operating Assistance	2,276	—	—	2,276
Mid America Regional Council	—	91	—	91
Department of Revenue:				
Motor vehicle fuel tax	—	540,000	—	540,000
Motor vehicle sales tax	—	87,505	—	87,505
Motor vehicle license fees	—	126,000	—	126,000
	<u>296,032</u>	<u>766,105</u>	<u>—</u>	<u>1,062,137</u>
Special Revenue:				
Department of Housing and Urban				
Development – Community				
Development Block Grant	151,944	—	—	151,944
Rental Rehabilitation	16,035	—	—	16,035
	<u>167,979</u>	<u>—</u>	<u>—</u>	<u>167,979</u>
Capital Projects:				
Department of Transportation – Highway				
Planning and Construction	552,851	—	—	552,851
Department of Natural Resources	—	237,465	—	237,465
Jackson County:				
Urban Road System	—	—	673,947	673,947
Tax Increment Financing Projects	—	—	968,034	968,034
	<u>552,851</u>	<u>237,465</u>	<u>1,641,981</u>	<u>2,432,297</u>
Total	\$ <u>1,016,862</u>	<u>1,003,570</u>	<u>1,641,981</u>	<u>3,662,413</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(6) Interfund Transactions

(A) Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 1998 were as follows:

	Receivable	Payable
General	\$ 40,772	560,170
Special Revenue:		
Community Development Grant Act	—	95,228
Rental Rehabilitation	—	4,991
Tourism	38,995	—
	38,995	100,219
Capital Projects:		
Street Improvements	122,348	—
Buildings and Other Improvements	—	361,319
Tax Increment	879,691	—
Storm Drainage	22,630	269,116
Revolving Public Improvements	192,663	3,823
	1,217,332	634,258
Enterprise:		
Power and Light	911	—
Water	1,031,848	—
Sanitary Sewer	1,920	—
Storm Water	—	1,031,694
	1,034,679	1,031,694
Internal Service:		
Central Garage	183	96
Employee Benefits	96	—
	279	96
Trust and Agency –		
Flexible Benefit Plan	—	5,620
	\$ 2,332,057	2,332,057

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(B) Interfund Advances

Interfund advances receivable and payable balances at June 30, 1998 were as follows:

	Receivable	Payable
General Long-term Debt Account Group	\$ —	158,120
Enterprise:		
Water	343,285	—
Sanitary Sewer	25,000	10,196
Storm Water	—	25,000
Power and Light	—	174,969
	368,285	210,165
	\$ 368,285	368,285

(C) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 1998 were as follows:

	Interfund Charges	Rent
Tourism	\$ 10,000	5,695
Power and Light Fund	1,253,534	52,202
Water Fund	764,941	45,299
Sanitary Sewer Fund	667,987	24,964
Central Garage Fund	52,615	1,400
	\$ 2,749,077	129,560

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 1998 as follows:

Sanitary Sewer Fund	\$ 229,695
Power and Light Fund	639,252
Central Garage Fund	870
	\$ 869,817

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(D) Payments in Lieu of Taxes

The payments of \$6,108,334, \$1,017,109, and \$870,331 in fiscal year 1998 by the Power and Light, Sanitary Sewer, and Water (Enterprise) Funds, respectively, to the General Fund in lieu of taxes represent 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.

(E) Interfund Operating Transfers

Interfund operating transfers for fiscal year 1998 were as follows:

	Transfer To	Transfer From
General	\$ 39,900	797,111
Special Revenue – Community Development Grant Act	13,950	153,769
Capital Projects:		
Street Improvements	574,706	57,916
Buildings and Other Improvements	91,883	13,034
Storm Drainage	137,529	20,599
Park Improvements	8,770	—
Tax Increment Financing	—	39,900
	812,888	131,449
Enterprise – Sanitary Sewer	—	148
Internal Service:		
Employee Benefit Fund	52,728	—
Central Garage	163,011	—
	215,739	—
Total operating transfers	\$ 1,082,477	1,082,477

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(7) Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>June 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1998</u>
Land	\$ 8,209,380	—	—	8,209,380
Buildings	9,293,847	—	—	9,293,847
Improvements other than buildings	1,858,585	—	—	1,858,585
Office furniture and equipment	2,594,106	174,628	3,277	2,765,457
Mobile equipment	9,762,049	934,717	494,904	10,201,862
Other equipment	2,217,473	453,421	—	2,670,894
	<u>\$ 33,935,440</u>	<u>1,562,766</u>	<u>498,181</u>	<u>35,000,025</u>

A summary of property, plant, and equipment of the Enterprise and Internal Service Fund Types at June 30, 1998 is as follows:

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ 330,191	93,979
Building and improvements	11,352,070	141,187
Sanitary sewer lines	44,797,656	—
Production	117,648,121	—
Treatment plant	11,488,039	—
Transmission and distribution equipment	118,107,079	—
General plant	18,036,213	—
Plant and sewer system	6,805,495	—
Furniture and equipment	2,996,474	165,002
Acquisition adjustment	15,303,335	—
Construction in progress	17,449,044	—
Nonutility property	40,014	—
	<u>364,353,731</u>	<u>400,168</u>
Less accumulated depreciation	<u>155,490,219</u>	<u>282,579</u>
	<u>\$ 208,863,512</u>	<u>117,589</u>

Construction in progress at June 30, 1998 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 General Purpose Financial Statements

June 30, 1998

(8) Long-term Debt

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, 1998:

General Long-term Debt Account Group

	<u>Tax Increment Financing Bonds</u>	<u>Capital Lease Obligations</u>	<u>Certificates of Participation General Long-term Debt Account Group</u>	<u>Advance From Water Fund General Long-term Debt Account Group</u>	<u>Employee Benefits Payable (Note 14)</u>	<u>Compensated Absences</u>	<u>Use Tax Payable</u>
Balance, June 30, 1997	\$ 5,000,000	2,334,285	133,115	308,282	5,203,456	8,079,879	—
Increase	—	—	—	—	—	702,384	605,943
Retired	<u>125,000</u>	<u>504,813</u>	<u>64,314</u>	<u>150,162</u>	<u>421,812</u>	—	—
Balance, June 30, 1998	<u>\$ 4,875,000</u>	<u>1,829,472</u>	<u>68,801</u>	<u>158,120</u>	<u>4,781,644</u>	<u>8,782,263</u>	<u>605,943</u>

Proprietary Funds

	<u>Revenue Bonds</u>	<u>Certificates of Participation Enterprise Fund (Water)</u>	<u>Compensated Absences</u>
Balance, June 30, 1997	\$ 75,910,000	311,885	3,136,598
Increase	—	—	202,493
Retired	<u>1,915,000</u>	<u>150,686</u>	—
Balance, June 30, 1998	<u>\$ 73,995,000</u>	<u>161,199</u>	<u>3,339,091</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(A) Revenue Bonds

Revenue bonds payable at June 30, 1998 are comprised of the following individual issues:

Power and Light Fund:

\$28,295,000 1989B Electric Utility Refunding Bonds, due in annual installments of \$765,000 to \$8,285,000 through June 1, 2014, interest at 6.9% to 7.20%, callable at par after December 1, 1998	\$ 22,955,000
\$8,590,000 1993 Electric Utility Refunding Revenue Bonds, due in annual installments of \$100,000 to \$1,950,000 through June 1, 2014, interest at 4.5% to 7.5%, callable 4.5% at par after June 1, 2002	8,090,000

Water Fund:

\$47,500,000 Variable Rate Demand Water Utility Revenue Bonds – Series 1986, principal due in annual installments of \$800,000 to \$5,850,000 through November 1, 2016, interest at approximately 3.5%, variable, callable at par	<u>42,950,000</u>
	\$ <u><u>73,995,000</u></u>

The annual requirements to pay principal and interest on revenue bonds payable at June 30, 1998 (excluding the Variable Rate Demand Water Utility Revenue Bonds) are as follows:

	<u>Principal</u>	<u>Revenue Bonds</u>	
		<u>Interest</u>	<u>Total</u>
Fiscal year ending:			
1999	\$ 1,205,000	2,056,065	3,261,065
2000	1,290,000	1,969,765	3,259,765
2001	1,370,000	1,834,410	3,204,410
2002	1,465,000	1,745,235	3,210,235
2003	1,555,000	1,649,598	3,204,598
2004-2014	<u>24,160,000</u>	<u>10,791,242</u>	<u>34,951,242</u>
	\$ <u><u>31,045,000</u></u>	<u><u>20,046,315</u></u>	<u><u>51,091,315</u></u>

The Variable Rate Demand Water Utility Revenue Bonds – Series 1986 mature serially through November 1, 2016. These bonds are subject to conversion by the City to variable rate, money market municipal rate, or fixed rate obligations. At June 30, 1998, the bonds were money market rate bonds with an average interest rate of 3.5%.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on each mandatory repurchase date, unless the bondholder has elected to retain such bond or any portion thereof (with certain limitations), by delivery of a notice of waiver of repurchases to the City as remarketing agent. The remarketing agent is authorized to use its best efforts to sell any repurchased bonds at a price equal to 100% of the principal amount by adjusting the maturity from 1 to 270 days and the interest rate.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

Under an irrevocable letter of credit issued by the Westdeutsche Landesbank Girozentrale, New York Branch (West LB), the trustee or the remarketing agent is entitled to draw an amount from West LB sufficient to pay for the purchase of any bonds delivered to it, including interest. The letter of credit is valid through December 13, 2000.

If the remarketing agent is unable to resell any of the bonds that are tendered, the letter of credit may be drawn upon to purchase the unsold bonds at an interest rate (10.5% at June 30, 1998) equal to the greater of the prime lending rate plus 2%, or the federal funds lending rate plus 2.5%, with a maximum rate of 14%. If the letter of credit were to be exercised because the entire issue of the demand bonds was tendered and not resold at June 30, 1998, the City would be required to pay a total of \$46,332,312, including interest through March 27, 1999 of \$3,382,312, assuming an interest rate of 10.5% at June 30, 1998.

The City is required to pay to West LB an annual commitment fee for the letter of credit of .2% per annum of the sum of \$42,950,000 plus sixty-five days of interest at an interest rate of 14% (the maximum interest rate on the bonds). The letter of credit fee to West LB amounted to \$88,594 during fiscal year 1998. Additionally, the remarketing agent receives an annual fee of 1/8 of 1% of the outstanding principal amount of the bonds and, when applicable, conversion fees may be required. All of these fees have been included in administrative fees for revenue bonds in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types and Nonexpendable Trust Funds.

The annual requirements to pay principal under the mandatory sinking fund redemption at June 30, 1998 are as follows:

	Demand Revenue Bonds Principal
Fiscal year ending:	
1999	\$ 900,000
2000	1,000,000
2001	1,050,000
2002	1,150,000
2003	1,250,000
2004-2017	<u>37,600,000</u>
	<u>\$ 42,950,000</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

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>
(a) Principal and Interest	For the monthly accumulation of monies to meet the maturing revenue bond principal and interest requirements.
(b) Reserve for revenue bond retirement	For the accumulation of revenue bond reserves over thirty-six months until the minimum required balance of \$4,625,000 is obtained.
(c) Depreciation and Emergency	For the accumulation of monies over sixty months to finance emergency repairs and system improvements until the maximum required balance of \$1,000,000 is obtained. The City has elected to accelerate the reserve accumulation and has restricted all maximum requirements.
(d) Construction	For recording unexpended bond proceeds to be used to finance construction.

Surplus account monies are reflected as unrestricted cash. The required reserves are reported in the accompanying combined balance sheet as restricted assets and reservations of retained earnings as follows:

<u>Account</u>	<u>Enterprise Funds</u>	
	<u>Restricted Assets</u>	<u>Reserved Retained Earnings</u>
Principal and interest	\$ 1,049,198	—
Reserve for revenue bond retirement	4,625,000	4,625,000
Depreciation and emergency	1,000,000	1,000,000
Total revenue bond reserves	6,674,198	5,625,000
Certificates of participation escrow account (note 8B)	308,381	—
Customer deposits	957,631	—
Assets restricted in excess of minimum requirements	2,147,500	—
Capital improvements (see next paragraph)	23,351,555	—
Operations (see next paragraph)	5,256,000	—
Total	\$ <u>38,695,265</u>	<u>5,625,000</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

The City established the capital improvements account in the Power and Light Fund to account for unexpended monies appropriated for capital improvements. The operations account provides for paying current expenses in the event current revenues prove insufficient.

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 \$390,273 at June 30, 1998 consist of cash on deposit for a workers' compensation bond (note 16), collateral for lease purchase agreement, certificates of participation principal and interest, and municipal court bond deposits.

(B) Certificates of Participation

In 1989, the City sold \$2,175,000 of certificates of participation, which are recorded as liabilities of the Water Fund and General Fund. Assets purchased with the proceeds of the certificates of participation are pledged as collateral and have a net book value of \$1,288,422.

The City has restricted certain accounts under the provisions of the certificates of participation in the Water Fund and General Fund. At June 30, 1998, these accounts totaled \$371,199 including \$161,199 for principal and \$210,000 of additional reserve required by the lease agreement.

Annual requirements to pay principal and interest on these certificates at June 30, 1998 are as follows:

	<u>General Long-term Debt Account Group</u>		<u>Enterprise Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ <u>68,801</u>	<u>4,678</u>	<u>161,199</u>	<u>10,962</u>	<u>245,640</u>

(C) Advance From Water Fund

The General, Power and Light, and Sanitary Sewer Funds received advances in prior years from the Water Fund to purchase computer equipment. The liability for the advances was recorded in the respective funds and the General Long-term Debt Account Group. Governmental Fund Types will pay for the General Fixed Assets Account Group's share of the equipment.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(D) Tax Increment Financing Revenue Bonds

On November 1, 1994, the City issued \$5,115,000 in Tax Increment Financing Revenue Bonds – Series 1994, due in annual installments of \$115,000 to \$515,000 through April 1, 2015 and bearing interest at 8.75%. The proceeds of the bonds are to be used for reimbursement of costs related to redevelopment.

Restricted assets in the Capital Projects Funds of \$1,930,461 consist of funds available for debt service relating to the Tax Increment Financing Revenue Bonds, – Series 1994.

(E) Capital Lease Obligations

Capital leases payable at June 30, 1998 are comprised of the following:

CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006. A lease utilized to renovate the HVAC of City Hall	\$ 622,600
Nodaway Bank lease, interest at 7.0% – 1992, semiannual installments through January 15, 1999. A lease utilized to purchase a fire pumper truck. First lien rights are held by lessor until lease obligation is fulfilled	66,656
Emergency One, interest at 5.59% annual installments through May 15, 2000. A lease utilized to purchase two fire pumper trucks. First lien rights are held by lessor until lease obligation is fulfilled	222,186
IBM, interest at 5.89%, monthly installments through March 15, 2000. A lease utilized to purchase and upgrade an IBM AS400. First lien rights are held by lessor until lease obligation is fulfilled	163,882
First National Bank of Louisburg, interest at 5.25% – 1995, semiannual installments through December 1, 2001. A lease utilized to purchase two fire pumper trucks and various equipment for the Fire Department. First lien rights are held by lessor until lease obligation is fulfilled	255,000
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	369,845
IBM at 4.592%, monthly installments through December 15, 2000. A lease utilized to purchase two AS400 computers. First lien rights are held by lessor until lease obligation is fulfilled	<u>129,303</u>
	<u>\$ 1,829,472</u>

Assets acquired through capital leases in the General Fixed Assets Account Group amounted to \$3,289,074 as of June 30, 1998.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 1998 were as follows:

	<u>General Long-term Debt</u>
Year ending June 30,	
1999	\$ 643,237
2000	500,705
2001	252,332
2002	165,134
2003	161,520
Thereafter	<u>438,066</u>
	2,160,994
Less imputed interest	<u>331,522</u>
Present value of minimum lease payments	<u>\$ 1,829,472</u>

(F) Defeasance of Debt

In prior years, the City defeased certain power and light revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's general purpose financial statements. Outstanding revenue bonds in the amount of \$7,535,000 were removed from the Power and Light Enterprise Fund in connection with an in-substance defeasance.

(9) 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, 1998 were \$302,790.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(10) Contributed Capital

The sources and composition of contributed capital at June 30, 1998 are as follows:

	Enterprise Funds			
	Power and Light	Water	Sanitary Sewer	Total
Federal and state grants	\$ —	130,163	25,058,991	25,189,154
Contributions from municipality, developers, and special assessments	<u>1,628,060</u>	<u>13,605,740</u>	<u>27,036,371</u>	<u>42,270,171</u>
	1,628,060	13,735,903	52,095,362	67,459,325
Less accumulated depreciation	<u>517,310</u>	<u>1,426,514</u>	<u>22,120,813</u>	<u>24,064,637</u>
Total contributed capital	<u>\$ 1,110,750</u>	<u>12,309,389</u>	<u>29,974,549</u>	<u>43,394,688</u>

A reconciliation of contributed capital for the year ended June 30, 1998 is as follows:

	Enterprise Funds			
	Power and Light	Water	Sanitary Sewer	Total
Balance, July 1, 1997	\$ 1,060,309	11,954,072	30,866,611	43,880,992
Contributions	108,579	539,174	164,191	811,944
Depreciation transferred	<u>58,138</u>	<u>183,857</u>	<u>1,056,253</u>	<u>1,298,248</u>
Balance, June 30, 1998	<u>\$ 1,110,750</u>	<u>12,309,389</u>	<u>29,974,549</u>	<u>43,394,688</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(11) Segments of Enterprise Activities

The City maintains four Enterprise Funds, the operations of which are financed primarily by user charges. Additional financial data for these funds as of and for the year ended June 30, 1998 is as follows:

	<u>Power and Light Fund</u>	<u>Water Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
Assets:					
Current assets	\$ 28,390,019	21,259,114	7,430,357	—	57,079,490
Restricted assets	30,059,356	8,525,794	110,115	—	38,695,265
Property, plant, and equipment, net	103,782,717	62,143,754	42,729,846	207,195	208,863,512
Other	<u>4,216,979</u>	<u>1,388,290</u>	<u>568,941</u>	<u>—</u>	<u>6,174,210</u>
	\$ <u>166,449,071</u>	<u>93,316,952</u>	<u>50,839,259</u>	<u>207,195</u>	<u>310,812,477</u>
Liabilities and equity:					
Current liabilities	\$ 6,513,383	1,364,013	1,133,262	1,031,694	10,042,352
Liabilities payable from restricted assets	2,056,385	1,402,604	110,115	—	3,569,104
Long-term liabilities	32,102,684	42,842,566	469,006	25,000	75,439,256
Deferred credits	—	302,790	—	—	302,790
Fund equity	<u>125,776,619</u>	<u>47,404,979</u>	<u>49,126,876</u>	<u>(849,499)</u>	<u>221,458,975</u>
	\$ <u>166,449,071</u>	<u>93,316,952</u>	<u>50,839,259</u>	<u>207,195</u>	<u>310,812,477</u>
Working capital (deficit)	\$ <u>21,876,636</u>	<u>19,895,101</u>	<u>6,297,095</u>	<u>(1,031,694)</u>	<u>47,037,138</u>
Operating revenues	\$ 65,002,845	14,349,435	12,080,560	—	91,432,840
Operating expenses:					
Depreciation and amortization	6,297,786	1,641,578	1,719,123	24,368	9,682,855
Other	<u>50,874,432</u>	<u>9,110,159</u>	<u>8,716,833</u>	<u>—</u>	<u>68,701,424</u>
Operating income (loss)	7,830,627	3,597,698	1,644,604	(24,368)	13,048,561
Nonoperating revenues (expenses)	320,718	(280,208)	316,674	—	357,184
Operating transfers in, net	<u>—</u>	<u>—</u>	<u>(148)</u>	<u>—</u>	<u>(148)</u>
Net income (loss)	\$ <u>8,151,345</u>	<u>3,317,490</u>	<u>1,961,130</u>	<u>(24,368)</u>	<u>13,405,597</u>
Acquisition of property, plant, and equipment, net	\$ <u>10,556,577</u>	<u>1,720,428</u>	<u>3,967,345</u>	<u>—</u>	<u>16,244,350</u>
Contributed capital:					
Contributions	\$ 108,579	539,174	164,191	—	811,944
Transfer of depreciation	<u>58,138</u>	<u>183,857</u>	<u>1,056,253</u>	<u>—</u>	<u>1,298,248</u>
Net increase (decrease)	\$ <u>50,441</u>	<u>355,317</u>	<u>(892,062)</u>	<u>—</u>	<u>(486,304)</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(12) Deferred Compensation Plan

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The supplemental retirement plans, which are administered by two carriers, are available to all City employees who qualify under the plans' terms and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In August 1996, the Small Business Job Protection Act was passed into law requiring existing state and local governments plans to hold plan assets in trust or in a custodial account or annuity contract for the exclusive benefit of the participants and their beneficiaries effective January 1, 1999.

Effective July 1, 1997, the City implemented GASB Statement No. 32 *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. As a result, its deferred compensation plans were amended as a trust and an annuity to comply with the Small Business Job Protection Act. Under these agreements, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the trust (without being restricted to the provisions of benefits under the plan).

As of June 30, 1998, plan assets totaling to \$10,693,073 and \$1,259,893 were held in an annuity and a trust contract with Aetna and International City Management Association Retirement Corporation (ICMA), respectively, for deferred compensation benefits for City employees and their beneficiaries.

(13) 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 General Purpose Financial Statements

June 30, 1998

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 8.5% (general), 7.2% (police), and 14.9% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri State Statute.

Annual Pension Cost

For 1998, the City's annual pension cost of \$3,728,732 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1995 and/or 1996 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 7.0% per year, compounded annually, before retirement and 4.0% per year, compounded annually, after retirement; (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.0% per year, depending on age, attributable to seniority/merit; and (d) pre and postretirement mortality based on the 1984 Group Annuity Mortality table set back no years for men and six years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 1998 was fifteen years.

Unaudited Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1996	\$ 3,659,666	100%	—
June 30, 1997	3,473,819	100	—
June 30, 1998	<u>3,728,732</u>	<u>100</u>	<u>—</u>

Unaudited Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Liability</u>	<u>(b) - (a) Unfunded (Overfunded) Accrued Liability (UAL)</u>	<u>(a)/(b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b)-(a)/(c) UAL as a Percentage of Covered Payroll</u>
02/28/96	\$ 67,210,828	69,857,011	2,646,183	96%	\$ 36,906,637	7%
02/28/97	73,938,880	74,953,646	1,014,766	99	38,395,251	3
02/28/98	<u>82,600,634</u>	<u>79,757,633</u>	<u>(2,843,001)</u>	<u>104</u>	<u>39,430,308</u>	<u>N/A</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 29, 1996 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

(14) Reimbursement of Employee Contributions to LAGERS

As allowed by Missouri State Statutes, the City refunded the accumulated contributions of the City's employees and elected to reimburse LAGERS over a fifteen-year period ending 2008. The amount of the annual reimbursement to LAGERS from the City is approximately \$681,000; however, this figure will be adjusted annually based on changes in actuarial assumptions. Amounts reimbursed are reported as expenditures/expenses of each fund for the year in which they are paid to LAGERS. Reimbursement will be made from the following funds:

- General,
- Tourism,
- Community Development Grant Act,
- Power and Light,
- Water, and
- Sanitary Sewer.

A separate Internal Service Fund entitled "Employee Benefits" was established to account for the increased cost ensuing from the refund of contributions to employees. The City's Enterprise Funds (listed above) provided an actuarially determined initial contribution of \$3,237,699 to the fund which prepaid the entire portion of their obligation. The Employee Benefits Fund is remitting these monies to LAGERS over fifteen years and has a balance of \$1,901,468 at June 30, 1998. The Governmental Funds contribute actuarially determined amounts based on annual payroll contributions. At June 30, 1998, \$4,781,644 is recorded in the General Long-term Debt Account Group for the Governmental Funds portion.

(15) Postretirement Health Benefits

In addition to the pension benefits described in note 13, the City provides postretirement health care benefits to all retiring employees meeting the service criteria. Expenditures for postretirement health care benefits are recognized as retirees report their claims. During 1998, expenditures of approximately \$1,309,478 were recognized for postretirement health care. The City has approximately 333 participants currently eligible to receive benefits.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(16) 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 omission liability, and automobile liability insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$10,000,000 per accident, covers specific medical claims in excess of \$500,000 per occurrence. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain an escrow account in the amount of \$225,000. This amount is reflected as restricted assets and designated fund balance of the General Fund. Workers' compensation liabilities were immaterial at June 30, 1998.

The City offers its employees a contributory self-insurance health care plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$125,000 and aggregate claims in excess of \$6,082,427. The portion of premiums paid by the City totaling \$6,042,863 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

The claims liability of \$534,000 reported in the Staywell Health Care Fund at June 30, 1998 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.

	<u>Medical Claims Payable</u>	
	<u>1998</u>	<u>1997</u>
Beginning of year	\$ 493,000	705,000
Incurred	4,301,978	4,780,426
Paid	<u>(4,260,978)</u>	<u>(4,992,426)</u>
End of year	<u>\$ 534,000</u>	<u>493,000</u>

(17) Commitments

Construction Commitments

At June 30, 1998, the City had commitments of approximately \$14,838,757 to complete construction contracts. Of this amount, \$12,003,322 relates to the Enterprise Funds primarily for work-in-process relating to rehabilitation of the electric utility system.

Purchase Capacity and Transmission Service Agreements

On August 21, 1985, the City Council approved a Firm Power Service Purchase Agreement with the MidAmerican Energy Company, Inc. (MidAmerican) and a Capacity Purchase and Transmission Service Agreement with the Kansas City Power & Light Company (KCPL). The MidAmerican Agreement (as amended) calls for the purchase of annual electric generating capacity averaging 32.5 Mw through May 31, 2000. The KCPL Agreement (as amended) calls for the City purchase of 60 Mw of electric generating capacity and associated energy each year through May 31, 2000 and 90 megawatt of electric generating capacity and associated energy for the year ending May 31, 2001. The KCPL Agreement also provides for the transmission wheeling of the MidAmerican purchased power into the Independence electric system. Minimum power scheduling of energy under the KCPL Agreement is one-third of the City's maximum hours scheduled megawatts for any other hourly period during a day's period.

The rates for the purchase of electric energy capacity from MidAmerican and KCPL are based on fixed capacity demand charges and variable energy charges which take into consideration such items as actual kilowatt hours purchased, fuel costs, and costs of production. The delivered cost of capacity and energy under the two Agreements, including all demand, transmission, and energy charges, totaled \$17,873,109 for fiscal year 1998. The projected annual cost of those Agreements for fiscal year 1999 is estimated at approximately \$17,800,000.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

The KCPL Agreement, as amended, also provides for the sale of up to 55 Mw annually through May 31, 2000. During the twelve months ending May 31, 1998, the City sold 55 Mw of reserve generation capacity to KCPL for a total of \$891,000. In November 1997, KCPL exercised its option to purchase the reserve capacity for the contract years starting June 1, 1998 and ending May 31, 2000 at the capacity amount of 55 Mw and for the contract year starting June 1, 2000 and ending May 31, 2001 at the capacity of 30 Mw. Addendum A also provides the City with an option to purchase 20 Mw to 90 Mw from KCPL for up to a four-year period ending May 31, 2005 at the same rates of the current contract. This option expires June 1, 1999.

(18) Deficits

The accumulated deficits in the amounts of \$1,020 in the Building and Other Improvements, \$24,076 in the Storm Drainage, and \$3,823 in the Park Improvements (Capital Projects) Funds, and \$849,499 in the Storm Water (Enterprise) Fund will be eliminated by future revenues or operating transfers.

(19) Fund Equity

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

	Governmental Fund Types			Fiduciary Fund Types
	General	Special Revenue	Capital Projects	Trust and Agency
Fund balances:				
Reserved for:				
Encumbrances	\$ 2,711,298	241,666	2,854,625	—
Certificates of participation	62,818	—	—	—
Domestic violence	7,872	—	—	—
Total fund balances reserved	<u>2,781,988</u>	<u>214,666</u>	<u>2,854,625</u>	<u>—</u>
Unreserved:				
Designated for:				
Police equipment	73,985	—	—	—
Charitable contributions	—	—	—	110,340
Workers' compensation (note 16)	225,000	—	—	—
Capital projects	402,936	—	1,930,461	—
Working capital	—	36,174	—	—
Strategic goal	355,888	—	—	—
Total fund balances designated	<u>1,057,809</u>	<u>36,174</u>	<u>1,930,461</u>	<u>110,340</u>
Undesignated	<u>3,945,963</u>	<u>11,622</u>	<u>(1,448,405)</u>	<u>10,614</u>
Total fund equity	<u>\$ 7,785,760</u>	<u>262,462</u>	<u>3,336,681</u>	<u>120,954</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 1998

(20) Use Tax

From September 1992 to February 1996, the Missouri Department of Revenue collected use tax and remitted a portion of their collections to the City of Independence. In March 1996, the Missouri Supreme Court, in the case of *Associated Industries of Missouri vs. Department of Revenue*, held that the local use tax was unconstitutional and void because it cannot be imposed evenly in all jurisdictions. In March 1998, the Cole County Circuit Court ruled the Missouri Department of Revenue is obligated to reimburse those entities which request reimbursement. The Missouri Department of Revenue has determined the City's liability to be approximately \$1,130,000 and has offered to reduce the City's sales tax proceeds by \$90,245 over the next twelve and one-half months to repay the amount due. As of June 30, 1998, the Department of Revenue had withheld the first month's payment (June 1998) of \$90,245. The City has use tax payable of \$433,812 recorded in the general fund and the remaining \$605,943 in the general long-term debt account.

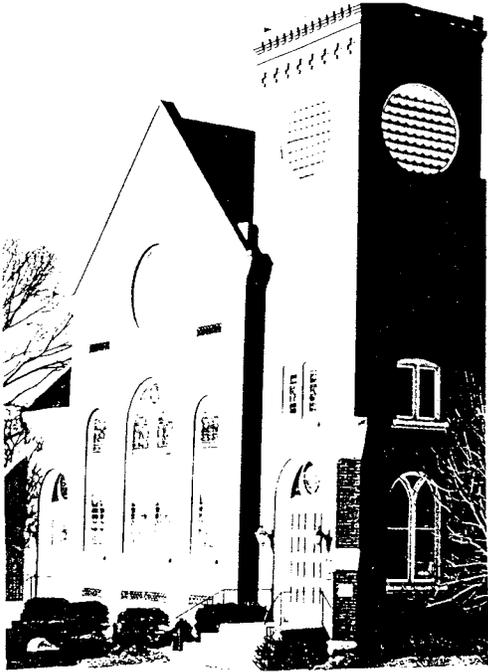
(21) Subsequent Events

On September 1, 1998, the City issued \$23,520,000 of refunding revenue bonds to retire \$22,955,000 of the 1989B electric utility refunding bonds and replace it with obligations which have a lower interest rate. The interest rates on the bonds range from 4.0% to 4.8% and the maturity date is June 1, 2014.

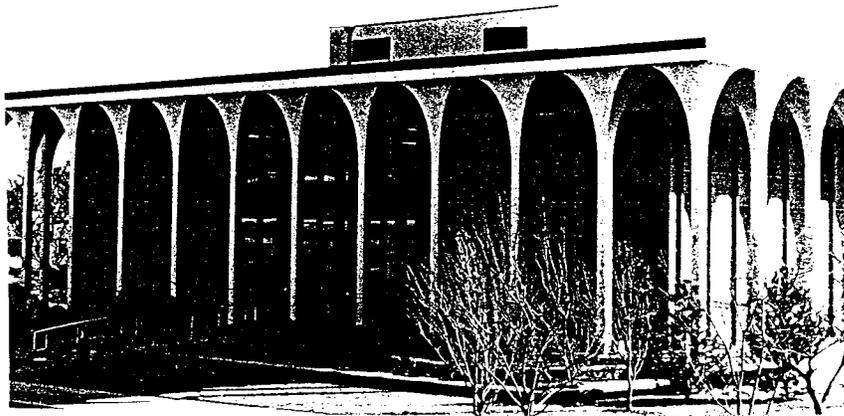
(22) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability for the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. However, the City has not complied with the matching requirement for the HOME grant program. The City's commitment to match federal funds was 25%. Through June 30, 1998, the City has expended \$1,539,159 of HOME grant funds.

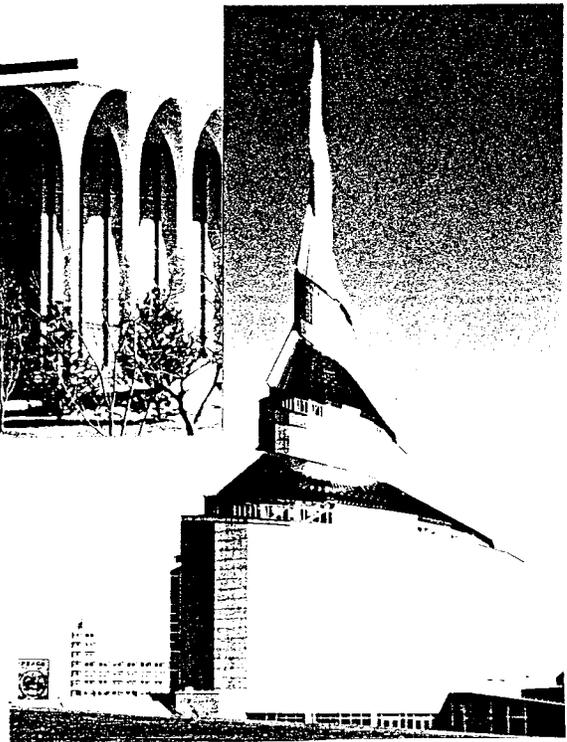
*Below: First Baptist Church
500 W. Truman Road*



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



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

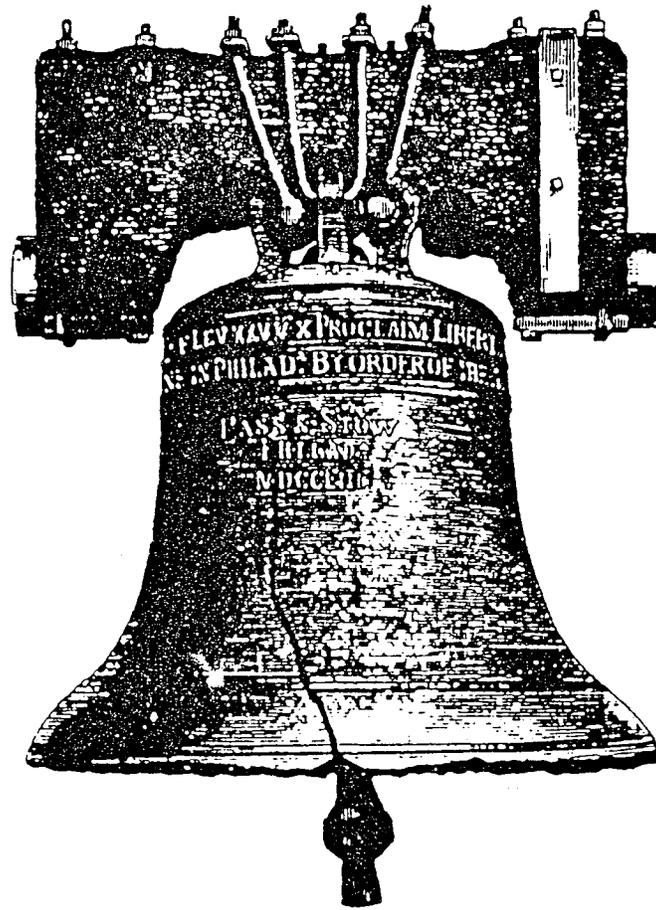


*Right: RLDS Temple
River and Walnut*

ADDITIONAL INFORMATION

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP FINANCIAL STATEMENTS AND SCHEDULES

The financial statements of individual funds and account groups contain data beyond what is included in the general purpose financial statements. This data is presented to provide additional financial information in order to better inform the users of the general purpose financial statements.



GENERAL FUND

The General Fund is used to account for all revenues and expenditures not accounted for in other funds. The essential character of this fund is determined by the commitments from appropriated resources. Functions financed from the General Fund include: General Government; Public Safety; Public Works; Health and Welfare; and Culture and Recreation. The General Fund operates in accordance with a formal budget.

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis)Year Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Real estate taxes, including penalties	\$ 4,782,375	4,858,234	75,859	4,761,036
Railroad and utilities tax	62,900	55,405	(7,495)	60,981
Cigarette tax	490,000	600,206	110,206	472,758
Sales tax	12,145,344	12,612,418	467,074	12,209,743
Franchise tax:				
Water	18,000	19,218	1,218	16,029
Gas	3,160,000	2,858,884	(301,116)	3,450,882
Electricity	2,343,000	226,007	(2,116,993)	334,305
Telephone	133,810	2,247,586	2,113,776	2,114,445
Cable television	325,000	360,073	35,073	331,184
Total taxes	<u>23,460,429</u>	<u>23,838,031</u>	<u>377,602</u>	<u>23,751,363</u>
Licenses and permits:				
Motor vehicle licenses	390,000	425,178	35,178	419,139
Business licenses:				
Occupation licenses	940,000	972,483	32,483	955,674
Liquor licenses	74,000	73,242	(758)	72,040
Building permits	560,000	661,375	101,375	653,815
Food handlers' permits	35,000	41,098	6,098	46,240
Planning examinations and licenses	35,000	44,371	9,371	29,098
Other	128,425	107,308	(21,117)	123,675
Total licenses and permits	<u>2,162,425</u>	<u>2,325,055</u>	<u>162,630</u>	<u>2,299,681</u>
Intergovernmental:				
Federal grants:				
Civil Defense Program	—	—	—	45,025
Emergency Management Assistance	35,000	37,038	2,038	—
Public Health Nursing	99,274	80,602	(18,672)	76,102
I-70 Enforcement	—	—	—	834
Dial-A-Ride	13,000	9,068	(3,932)	15,651
Other	764,378	791,030	26,652	522,235
Total federal grants	<u>\$ 911,652</u>	<u>917,738</u>	<u>6,086</u>	<u>659,847</u>

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis), Continued

Year Ended June 30, 1998

With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
State grants:				
Department of Health	\$ —	—	—	7,500
Department of Revenue:				
Motor vehicle fuel tax	3,200,000	3,157,100	(42,900)	3,119,439
Motor vehicle sales tax	700,000	743,168	43,168	673,516
Motor vehicles fees	540,000	498,268	(41,732)	539,534
Financial institutions tax	24,000	19,874	(4,126)	24,240
Department of Natural Resources	—	—	—	35,071
Other	353,425	3,253	(350,172)	—
Total state grants	<u>4,817,425</u>	<u>4,421,663</u>	<u>(395,762)</u>	<u>4,399,300</u>
Local grants:				
Jackson County	688,321	766,772	78,451	410,472
MARC	25,000	—	(25,000)	33,674
Total local grants	<u>713,321</u>	<u>766,772</u>	<u>53,451</u>	<u>444,146</u>
Total intergovernmental	<u>6,442,398</u>	<u>6,106,173</u>	<u>(336,225)</u>	<u>5,503,293</u>
Utility payments in lieu of tax:				
Power and light	6,331,708	6,108,334	(223,374)	5,712,493
Sanitary sewer	990,000	1,017,109	27,109	990,096
Water	940,674	870,331	(70,343)	838,945
Total utility payments in lieu of tax	<u>\$ 8,262,382</u>	<u>7,995,774</u>	<u>(266,608)</u>	<u>7,541,534</u>

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis), ContinuedYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Charges for services:				
General government:				
Planning and zoning fees	\$ 7,000	28,771	21,771	23,043
Board of adjustment fees	2,000	460	(1,540)	250
Sale of police and fire reports	52,500	56,816	4,316	50,137
Sale of maps, books and plans	4,000	5,127	1,127	3,794
Computer service charges	60,000	26,708	(33,292)	47,998
Public safety – other police and fire charges	138,754	97,782	(40,972)	64,910
Health:				
Animal shelter charges	65,000	58,358	(6,642)	60,656
Animal ID tags	1,000	220	(780)	566
Cemetery:				
Sale of cemetery lots	33,000	51,361	18,361	40,890
Sale of monument bases	10,000	10,342	342	13,155
Cemetery service	55,000	51,054	(3,946)	54,180
Public health and recreation:				
Park concessions	11,500	7,931	(3,569)	11,646
Arts and crafts fees	20,300	26,135	5,835	22,066
Dickinson pool admissions	8,000	—	(8,000)	3,566
Sermon Community Center	10,200	11,278	1,078	10,495
Recreation rentals	15,500	22,223	6,723	21,480
National Frontier Trail Center:				
Admissions	30,000	27,444	(2,556)	28,307
Gift shop	46,000	33,788	(12,212)	34,241
Miscellaneous charges:				
Sale of street signs	1,000	786	(214)	1,416
Special assessments	40,000	75,487	35,487	72,197
Solid waste disposal	30,000	41,199	11,199	—
Other charges	20,000	4,134	(15,866)	2,033
Total charges for services	<u>660,754</u>	<u>637,404</u>	<u>(23,350)</u>	<u>567,026</u>
Interfund charges for support services	<u>2,850,370</u>	<u>2,749,077</u>	<u>(101,293)</u>	<u>2,895,953</u>
Fines, forfeitures, and court costs:				
Fines and forfeitures	1,449,692	2,009,896	560,204	1,563,216
Court costs	308,458	398,248	89,790	339,865
Special warrant collections	4,168	1,544	(2,624)	—
Total fines, forfeitures, and court costs	<u>\$ 1,762,318</u>	<u>2,409,688</u>	<u>647,370</u>	<u>1,903,081</u>

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis), ContinuedYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Interest	\$ 254,500	409,085	154,585	333,698
Other:				
Sale of land	—	—	—	100
Sale of fixed assets	23,000	64,279	41,279	50,166
Rents	154,990	132,660	(22,330)	157,991
Damage claims	20,000	40,754	20,754	20,631
Contributions and Housing Authority PILOT	34,686	1,120	(33,566)	—
Miscellaneous nonoperating revenue	162,123	224,206	62,083	179,206
Total other	394,799	463,019	68,220	408,094
Total revenues	46,250,375	46,933,306	682,931	45,203,723
Expenditures:				
General government:				
City Council	376,512	358,705	17,807	332,638
City Clerk	362,577	362,487	90	350,938
City Manager	536,541	461,643	74,898	346,695
Technology Services	1,505,937	1,488,447	17,490	1,368,149
Municipal Court	479,216	469,753	9,463	465,677
Law Department	601,442	601,441	1	573,979
Finance Department:				
Administration	222,080	220,793	1,287	200,845
Accounting	551,318	552,863	(1,545)	515,082
Licensing	146,837	146,001	836	135,626
Purchasing	318,493	317,137	1,356	310,845
Central services	—	—	—	21,306
Total Finance Department	1,238,728	1,236,794	1,934	1,183,704
Personnel Department	308,826	297,528	11,298	302,843
National Frontier Trails Center	317,847	308,551	9,296	299,881
Total general government	\$ 5,727,626	5,585,349	142,277	5,224,504

(Continued)

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis), ContinuedYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Public safety:				
Police Department:				
Administration	\$ 779,337	798,990	(19,653)	1,280,529
Operations	9,668,146	9,412,349	255,797	8,580,651
Support services	4,091,538	4,318,630	(227,092)	3,963,566
Total Police Department	14,539,021	14,529,969	9,052	13,824,746
Fire Department:				
Administration	238,400	236,479	1,921	419,519
Suppression	8,873,897	8,829,968	43,929	8,669,542
Fire prevention	414,982	437,719	(22,737)	417,746
Training	172,586	163,197	9,389	—
Maintenance	427,786	460,287	(32,501)	363,343
Total Fire Department	10,127,651	10,127,650	1	9,870,150
Total public safety	24,666,672	24,657,619	9,053	23,694,896
Public works:				
Engineering:				
Administration	167,272	166,785	487	312,468
Engineering	2,008,666	2,005,975	2,691	1,902,506
Total engineering	2,175,938	2,172,760	3,178	2,214,974
Maintenance:				
Administration	—	—	—	1,733
Street maintenance	3,550,895	3,494,619	56,276	3,013,496
Total maintenance	3,550,895	3,494,619	56,276	3,015,229
Total public works	\$ 5,726,833	5,667,379	59,454	5,230,203

(Continued)

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis), ContinuedYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Health and welfare – Health Department:				
General services	\$ 778,466	723,346	55,120	593,281
Animal control	373,019	373,923	(904)	356,695
Total health and welfare	<u>1,151,485</u>	<u>1,097,269</u>	<u>54,216</u>	<u>949,976</u>
Community development:				
Planning and permits	1,105,214	1,017,593	87,621	214,365
Inspection	426,234	424,363	1,871	748,909
Administration	229,976	228,043	1,933	1,027,344
Code enforcement	518,558	433,802	84,756	—
Historic preservation	135,584	173,193	(37,609)	119,297
Total community development	<u>2,415,566</u>	<u>2,276,994</u>	<u>138,572</u>	<u>2,109,915</u>
Water pollution	229,898	229,560	338	286,849
Culture and recreation	1,522,432	1,505,546	16,886	1,396,763
Acquisition of capital leases	172,522	171,136	1,386	—
Other	5,824,563	5,529,180	295,383	5,728,635
Total expenditures	<u>47,437,597</u>	<u>46,720,032</u>	<u>717,565</u>	<u>44,621,741</u>
Excess of revenues over (under) expenditures	<u>(1,187,222)</u>	<u>213,274</u>	<u>1,400,496</u>	<u>581,982</u>
Other financing sources (uses):				
Proceeds from capital leases	—	—	—	419,069
Operating transfers in	100,827	39,900	(60,927)	82,138
Operating transfers out	(676,013)	(797,111)	(121,098)	(407,452)
Total other financing sources (uses)	<u>\$ (575,186)</u>	<u>(757,211)</u>	<u>(182,025)</u>	<u>93,755</u>

(Continued)

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures --
Budget and Actual (Budget Basis), ContinuedYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance -- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Excess of revenues and other sources over (under) expenditures and other uses	\$ <u>(1,762,408)</u>	(543,937)	<u>1,218,471</u>	675,737
Fund balance, July 1		7,435,980		5,695,600
Encumbrances, outstanding		2,711,298		2,042,097
Encumbrances, prior year outstanding		(80,733)		(43,991)
Encumbrances, prior year		(2,042,097)		(1,341,706)
Encumbrances, prior year expired		<u>305,249</u>		<u>408,243</u>
Fund balance, June 30	\$	<u>7,785,760</u>		<u>7,435,980</u>

See accompanying independent auditors' report.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for resources allocated by law or contractual agreement for specific purposes. These funds derive their revenue from special taxes or allocated revenue sources and continue in existence as long as governmental resources are allocated for their specific purposes.

COMMUNITY DEVELOPMENT GRANT ACT

This fund is used to account for all projects which are funded by the Federal Community Development Block Grants.

TOURISM

This fund is used to account for expenditures for tourism which 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 which are financed by a special property tax levy on those businesses which are benefitted.

RENTAL REHABILITATION

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

CITY OF INDEPENDENCE, MISSOURI

All Special Revenue Funds

Combining Balance Sheet

June 30, 1998

With Comparative Totals For June 30, 1997

Assets and Other Debits	Community Development Grant Act	Independence Square Benefit District Tourism	Rental Rehabilitation	Totals		
				1998	1997	
Pooled cash and investments	\$ —	195,321	2,078	—	197,399	353,955
Taxes receivable	—	35,500	1,268	—	36,768	36,762
Due from other funds	—	38,995	—	—	38,995	19,054
Due from other governments	<u>151,944</u>	<u>—</u>	<u>—</u>	<u>16,035</u>	<u>167,979</u>	<u>33,914</u>
Total assets and other debits	\$ <u>151,944</u>	<u>269,816</u>	<u>3,346</u>	<u>16,035</u>	<u>441,141</u>	<u>443,685</u>
Liabilities and Fund Balances						
Accounts payable	\$ 52,173	8,044	—	9,544	69,761	65,803
Due to other funds	95,228	—	—	4,991	100,219	25,390
Accrued expenses	<u>4,543</u>	<u>3,126</u>	<u>—</u>	<u>1,030</u>	<u>8,699</u>	<u>8,327</u>
Total liabilities	<u>151,944</u>	<u>11,170</u>	<u>—</u>	<u>15,565</u>	<u>178,679</u>	<u>99,520</u>
Fund balances:						
Reserved for encumbrances	116,429	37,056	—	61,181	214,666	249,584
Unreserved:						
Designed for working capital	—	36,174	—	—	36,174	36,174
Undesignated	<u>(116,429)</u>	<u>185,416</u>	<u>3,346</u>	<u>(60,711)</u>	<u>11,622</u>	<u>58,407</u>
Total fund balances	<u>—</u>	<u>258,646</u>	<u>3,346</u>	<u>470</u>	<u>262,462</u>	<u>344,165</u>
Total liabilities and fund balances	\$ <u>151,944</u>	<u>269,816</u>	<u>3,346</u>	<u>16,035</u>	<u>441,141</u>	<u>443,685</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Special Revenue Funds

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

Year Ended June 30, 1998
With Comparative Totals for June 30, 1997

	Community Development Grant Act	Independence Tourism	Independence Square Benefit District	Rental Rehabilitation	Totals	
					1998	1997
Revenues:						
Taxes:						
Real estate tax	\$ —	—	20,148	—	20,148	18,436
Transient guest tax	—	419,719	—	—	419,719	396,654
Total taxes	—	419,719	20,148	—	439,867	415,090
Intergovernmental	1,102,060	—	—	438,932	1,540,992	1,159,483
Interest	—	16,375	416	—	16,791	18,542
Other	18,000	1,323	—	—	19,323	113
Total revenues	1,120,060	437,417	20,564	438,932	2,016,973	1,593,228
Expenditures:						
General government	—	—	—	—	—	6,000
Culture and recreation	—	520,437	—	—	520,437	366,770
Community development	980,241	—	—	438,932	1,419,173	925,282
Nondepartmental	—	—	19,247	—	19,247	19,346
Total expenditures	980,241	520,437	19,247	438,932	1,958,857	1,317,398
Excess of revenues over (under) expenditures	139,819	(83,020)	1,317	—	58,116	275,830
Other financing sources (uses):						
Operating transfers in	13,950	—	—	—	13,950	—
Operating transfers out	(153,769)	—	—	—	(153,769)	(200,847)
Excess (deficiency) of revenues and other sources over expen- ditures and other uses	—	(83,020)	1,317	—	(81,703)	74,983
Fund balance, July 1	—	341,666	2,029	470	344,165	269,182
Fund balance, June 30	\$ —	258,646	3,346	470	262,462	344,165

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis) –
Community Development Grant Act Fund

Year Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Revenues:				
Intergovernmental	\$ 1,072,000	1,102,060	30,060	748,858
Other	—	18,000	18,000	—
Total revenues	<u>1,072,000</u>	<u>1,120,060</u>	<u>48,060</u>	<u>748,858</u>
Expenditures:				
General government – finance	—	—	—	6,000
Community development program	<u>1,316,629</u>	<u>1,085,236</u>	<u>231,393</u>	<u>542,011</u>
Total expenditures	<u>1,316,629</u>	<u>1,085,236</u>	<u>231,393</u>	<u>548,011</u>
Excess of revenues over (under) expenditures	(244,629)	34,824	279,453	200,847
Other financing sources (uses):				
Operating transfers in	—	13,950	13,950	—
Operating transfers out	<u>—</u>	<u>(153,769)</u>	<u>(153,769)</u>	<u>(200,847)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (244,629)</u>	(104,995)	<u>139,634</u>	—
Fund balance, July 1		—		—
Encumbrances outstanding		116,429		108,988
Encumbrances, prior year outstanding		(2,252)		—
Encumbrances, prior year		(108,988)		(134,182)
Encumbrances, prior year expired		<u>99,806</u>		<u>25,194</u>
Fund balance, June 30		<u>\$ —</u>		<u>—</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis) –
Tourism FundYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Revenues:				
Transient guest tax	\$ 397,000	419,719	22,719	396,654
Interest	17,000	16,375	(625)	18,258
Intergovernmental	—	—	—	27,354
Other	55,047	1,323	(53,724)	113
Total revenues	469,047	437,417	(31,630)	442,379
Expenditures – culture and recreation – historic preservation	549,152	548,152	1,000	366,770
Excess (deficiency) of revenues over expenditures	\$ <u>(80,105)</u>	(110,735)	<u>(30,630)</u>	75,609
Fund balance, July 1		341,666		266,057
Encumbrances outstanding		37,056		11,375
Encumbrances, prior year outstanding		(1,460)		(710)
Encumbrances, prior year		(11,375)		(12,270)
Encumbrances, prior year expired		3,494		1,605
Fund balance, June 30		\$ <u>258,646</u>		<u>341,666</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis) –
Independence Square Benefit District Fund

Year Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Revenues:				
Taxes	\$ —	19,899	19,899	18,436
Interest	—	665	665	284
Total revenues	—	20,564	20,564	18,720
Expenditures – community development	45,955	19,247	26,708	18,668
Excess (deficiency) of revenues over expenditures	\$ <u>(45,955)</u>	1,317	<u>47,272</u>	52
Fund balance, July 1		<u>2,029</u>		<u>1,977</u>
Fund balance, June 30		\$ <u>3,346</u>		<u>2,029</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis) –
Rental Rehabilitation FundYear Ended June 30, 1998
With Comparative Actual Figures For Year Ended June 30, 1997

	1998		Variance – Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Revenues – intergovernmental	\$ 557,700	438,932	(118,768)	383,271
Expenditures – community development rental rehabilitation	<u>281,746</u>	<u>450,575</u>	<u>(168,829)</u>	<u>383,271</u>
Excess (deficiency) of revenues over expenditures	\$ <u>275,954</u>	(11,643)	<u>(287,597)</u>	—
Fund balance, July 1		470		1,148
Encumbrances outstanding		61,181		129,221
Encumbrances, prior year outstanding		—		(43,351)
Encumbrances, prior year		(129,221)		(214,023)
Encumbrances, prior year expired		<u>79,683</u>		<u>127,475</u>
Fund balance, June 30		\$ <u>470</u>		<u>470</u>

See accompanying independent auditors' report.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for all receipts and expenditures for the acquisition and construction of capital facilities by the City except those financed by the Proprietary Funds or Trust Funds. Capital facilities are defined as major facilities with an estimated useful life in excess of one year.

STREET IMPROVEMENTS

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

TAX INCREMENT FINANCING

This fund is 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 obligation established by the agreement.

BUILDING AND OTHER IMPROVEMENTS

This fund is used to account for the acquisition, construction, and improvement of nonproprietary or trust fund buildings and facilities of the City.

STORM DRAINAGE

This fund is used to account for the acquisition and construction of the City's infrastructure to control the runoff surface water.

PARK IMPROVEMENTS

This fund is used to account for the acquisition and construction of the City's park land.

REVOLVING PUBLIC IMPROVEMENTS

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

CITY OF INDEPENDENCE, MISSOURI

All Capital Projects Funds

Combining Balance Sheet

June 30, 1998
With Comparative Totals For June 30, 1997

Assets	Street Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Revolving Public Improvements	Totals	
							1998	1997
Pooled cash and investments	\$ 90,911	—	—	—	—	—	90,911	529,960
Receivables:								
Special assessment principal and accrued interest	—	—	—	—	—	35,262	35,262	36,813
Other	—	48	163,478	—	—	—	163,526	10,030
Restricted cash	122,348	1,930,461	—	—	—	—	1,930,461	1,264,231
Due from other funds	1,019,550	879,691	—	22,630	—	192,663	1,217,332	475,539
Due from other governments	—	968,035	207,247	237,465	—	—	2,432,297	2,418,705
Total assets	\$ 1,232,809	3,778,235	370,725	260,095	—	227,925	5,869,789	4,735,278
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	\$ 54,272	4,615	10,426	15,055	—	—	84,368	37,194
Due to other funds	—	—	361,319	269,116	3,823	—	634,258	270,279
Other current liabilities	—	889,746	—	—	—	—	889,746	204,516
Deferred revenue	658,607	230,867	—	—	—	35,262	924,736	2,305,276
Total liabilities	712,879	1,125,228	371,745	284,171	3,823	35,262	2,533,108	2,817,265
Fund balances (deficit):								
Reserved for encumbrances	2,555,657	19,191	12,263	267,514	—	—	2,854,625	1,551,697
Unreserved:								
Designated for capital projects	—	1,930,461	—	—	—	—	1,930,461	1,264,231
Undesignated	(2,035,727)	703,355	(13,283)	(291,590)	(3,823)	192,663	(1,448,405)	(897,915)
Total fund balances (deficit)	519,930	2,653,007	(1,020)	(24,076)	(3,823)	192,663	3,336,681	1,918,013
Total liabilities and fund balances	\$ 1,232,809	3,778,235	370,725	260,095	—	227,925	5,869,789	4,735,278

NOTE: The negative unreserved, undesignated fund balance in the Street Improvements Fund arises because the reserve for encumbrances include purchase orders issued for services which will be paid for by expenditure-driven grants. Revenues for these grants cannot be recognized until the expenditures are made. These grants amount to \$2,133,597 and, if recorded, would reduce the negative undesignated fund balance to \$97,870.

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Capital Projects Funds

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

Year Ended June 30, 1998
With Comparative Totals For June 30, 1997

	Street Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Revolving Public Improvements	Totals
	1998	1998	1998	1998	1998	1998	1997
Revenues:							
Taxes	\$ 1,385,155	4,398,831	207,247	20,599	—	—	1,684,144
Intergovernmental	—	—	—	—	—	—	275,032
Charges for services	46,854	122,192	—	—	—	1,551	2,794
Interest	31,143	30,000	222,212	—	—	9,030	147,176
Other	—	—	—	—	—	—	71,754
Total revenues	1,463,152	4,551,023	429,459	20,599	—	10,581	6,474,814
Expenditures:							
Capital outlay	1,928,206	2,585,250	488,054	164,805	8,770	—	5,175,085
Debt service – interest	—	437,500	—	—	—	—	437,500
Debt service – principal	—	125,000	—	—	—	—	125,000
Total expenditures	1,928,206	3,147,750	488,054	164,805	8,770	—	5,737,585
Excess (deficiency) of revenues over expenditures	(465,054)	1,403,273	(58,595)	(144,206)	(8,770)	10,581	(2,116,644)
Other financing sources (uses):							
Operating transfers in	574,706	—	91,883	137,529	8,770	—	812,888
Operating transfers out	(57,916)	(39,900)	(13,034)	(20,599)	—	—	(131,449)
Total other financing sources (uses)	516,790	(39,900)	78,849	116,930	8,770	—	681,439
Excess (deficiency) of revenues and other sources over expenditures and other uses	51,736	1,363,373	20,254	(27,276)	—	10,581	(1,702,086)
Fund balance (deficit), July 1	468,194	1,289,634	(21,274)	3,200	(3,823)	182,082	1,918,013
Fund balance (deficit), June 30	\$ 519,930	2,653,007	(1,020)	(24,076)	(3,823)	192,663	3,336,681

See accompanying independent auditors' report.

ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-- where the intent of the government's council is that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

POWER AND LIGHT

This fund is used to account for the provision of electrical services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service and future acquisitions.

WATER

This fund is used to account for the pumping, transmission and distribution of water to the residents and businesses in the City and areas outside the City limits as well as wholesale customers operating in surrounding communities and districts in Eastern Jackson County. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service.

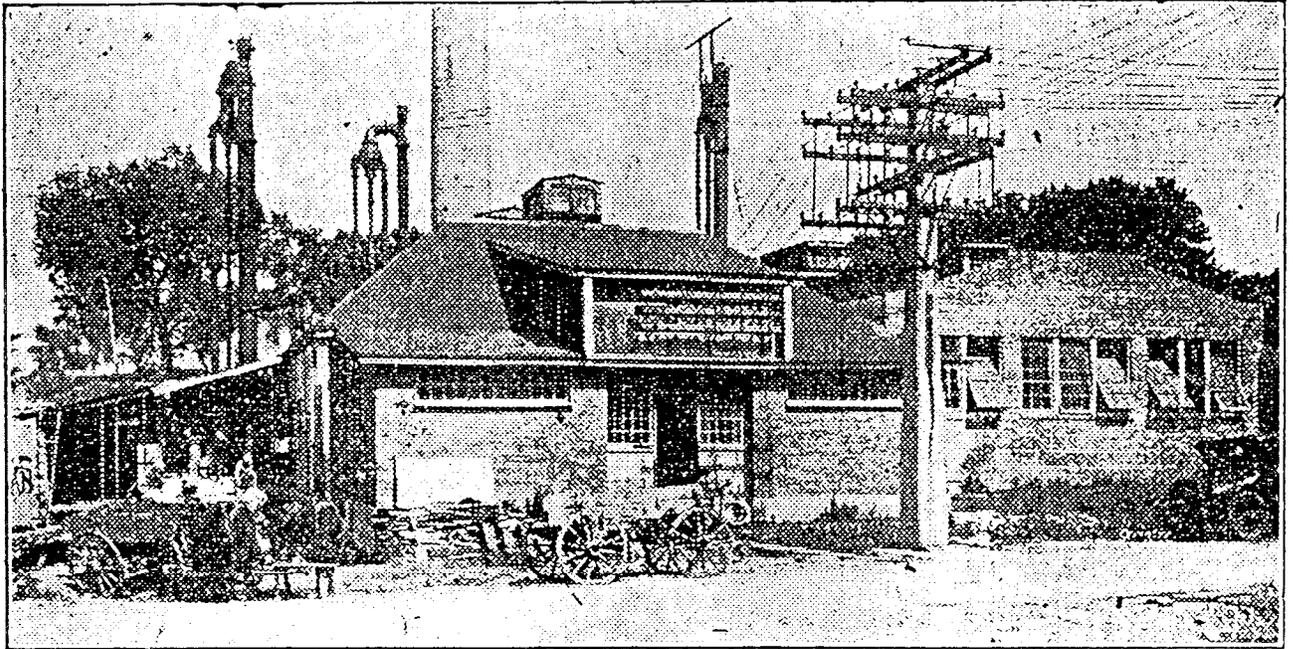
SANITARY SEWER

This fund is used to account for the disposal of waste water and industrial waste for most residents and businesses in the City and areas outside the City limits. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service.

STORM WATER

This fund is used to account for the collection and conveyance of storm water runoff generated in the City and areas outside the city limits. Due to the absence of a revenue source to fund this activity, all expenditures necessary to provide such services are now being appropriated and accounted for in the General Fund, including but not limited to, administration, operations, maintenance, financing.

THE CITY LIGHT PLANT IN 1925



NEW RATES

Effective February 1, 1930

CITY LIGHT DEPARTMENT

RESIDENCE RATE

1st -----	30-KWH @ .06 $\frac{1}{2}$
2nd -----	30-KWH @ .05 $\frac{1}{2}$
All over -----	60-KWH @ .05
Minimum Charge -----	.75

COMBINATION RATE

Bills are based on 5-KWH per room. The following is figured on a 5-room house:

1st -----	25-KWH @ .06 $\frac{1}{2}$
2nd -----	25-KWH @ .04 $\frac{1}{2}$
All over -----	50-KWH @ .02 $\frac{1}{2}$
Minimum Charge -----	.75

COMMERCIAL LIGHTING RATES are as follows:

1st -----	150-KWH @ .06 $\frac{1}{2}$
2nd -----	150-KWH @ .05 $\frac{1}{2}$
All over -----	300-KWH @ .05
Minimum Charge -----	.75

POWER RATES

1st -----	250-KWH @ .05
2nd -----	250-KWH @ .04
Next -----	2000-KWH @ .03
Next -----	2500-KWH @ .02 $\frac{1}{2}$
All over -----	5000-KWH @ .02

Minimum Charge

1st 10 Horse-power	\$1.00 Each
All over	.75 Each

CITY OF INDEPENDENCE, MISSOURI

All Enterprise Funds
Combining Balance Sheet

June 30, 1998
With Comparative Totals For June 30, 1997

	Power and Light	Water	Sanitary Sewer	Storm Water	Totals
	1998	1997	1998	1997	Totals
Current assets:					
Pooled assets and investments	\$ 12,837,121	17,066,020	5,502,838	—	35,406,009
Receivables:					
Accounts	4,071,401	,033,636	906,993	—	6,012,030
Unbilled revenue	5,207,815	768,973	757,157	—	6,733,945
Special assessment principal and accrued interest	—	199,647	27,630	—	227,277
Accrued interest	794,832	486,438	72,160	—	1,353,430
Total receivables	10,074,048	2,488,694	1,763,940	—	14,326,682
Due from other funds	911	,031,848	1,920	—	1,034,679
Inventory, at average cost	5,397,179	665,727	161,629	—	6,224,535
Prepaid expenses and other current assets	80,760	6,825	—	—	87,585
Total current assets	28,390,019	21,259,114	7,430,357	—	57,079,490
Restricted assets	30,059,356	8,525,794	110,115	—	38,695,265
Property, plant, and equipment:					
Utility plant in service	200,292,547	64,829,074	66,053,494	339,855	331,514,970
Acquisition adjustment	2,755,569	12,547,766	—	—	15,303,335
Construction in progress	12,015,825	423,090	5,010,129	—	17,449,044
Nonutility property	—	40,014	46,368	—	86,382
Less accumulated depreciation	215,063,941	77,839,944	71,109,991	339,855	364,353,731
Net property, plant, and equipment	111,281,224	15,696,190	28,380,145	132,660	155,490,219
Advances to other funds	—	343,285	25,060	—	208,863,512
Deferred charges:					
Deferred debt issue costs	2,635,048	427,332	—	—	3,062,380
Prepaid employee benefits	1,581,931	617,673	279,610	—	2,479,214
Preliminary survey charges and other	—	—	264,331	—	264,331
Total assets	\$ 166,449,071	93,316,952	50,839,259	207,195	310,812,477

(Continued)

Schedule 10 (Cont'd)

	Liabilities and Fund Equity				
	Power and Light	Water	Sanitary Sewer	Storm Water	Totals
					1998
					1997
Current liabilities:					
Accounts and contracts payable	\$ 5,351,322	733,960	323,501	—	5,762,185
Accrued expenses	306,970	204,350	626,236	—	1,137,556
Compensated absences	855,091	273,543	183,525	—	1,219,584
Due to other funds	—	—	—	1,031,694	1,031,694
Other current liabilities	—	152,160	—	—	152,160
Total current liabilities	6,513,383	1,364,013	1,133,252	1,031,694	10,042,352
Liabilities payable from restricted assets:					
Customer deposits	680,046	167,470	110,115	—	957,631
Interest on long-term debt	171,339	173,935	—	—	345,274
Current maturities of revenue bonds	1,205,000	900,000	—	—	2,105,000
Current maturities of certificates of participation	—	161,199	—	—	161,199
Total liabilities payable from restricted assets	2,056,385	1,402,604	110,115	—	3,569,104
Long-term liabilities:					
Revenue bonds payable	29,840,000	42,050,000	—	—	71,890,000
Certificates of participation	—	—	—	—	161,199
Compensated absences	2,087,715	792,566	458,810	—	3,339,091
Advances from other funds	174,969	—	10,196	25,000	210,165
Total long-term liabilities	32,102,684	42,842,566	469,006	25,000	75,439,256
Deferred credits – advances for construction	—	302,790	—	—	302,790
Total liabilities	40,672,452	45,911,973	1,712,383	1,056,694	89,353,502
Fund equity:					
Contributed capital	1,110,750	12,309,389	29,974,549	—	43,394,688
Retained earnings:					
Reserved for revenue bond retirement	—	4,625,000	—	—	4,625,000
Reserved for depreciation and emergency	500,000	500,000	—	—	1,000,000
Unreserved	124,165,869	29,970,590	19,152,327	(849,499)	172,439,287
Total retained earnings (deficit)	124,665,869	35,095,590	19,152,327	(849,499)	178,064,287
Total fund equity	125,776,619	47,404,979	49,126,876	(849,499)	221,458,975
Total liabilities and fund equity	\$ 166,449,071	93,316,952	50,839,259	207,195	310,812,477
					296,856,720

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Power and Light Fund

Years Ended June 30, 1998 and 1997

	1998			1997		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 3,623,083			2,407,033
Gas			908,650			639,100
Oil			208,054			24,982
Total production fuel			<u>4,739,787</u>			<u>3,071,115</u>
Purchased power:						
Purchased energy			10,654,253			10,023,145
Purchased capacity (net)			7,662,000			7,730,000
Border customers			121,390			28,680
Control and dispatching			571,799			560,176
Total purchased power			<u>19,009,442</u>			<u>18,342,001</u>
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 323,320	335,295	658,615	306,271	340,896	647,167
Steam	451,383	78,594	529,977	437,812	1,695,974	2,133,786
Electric	429,798	1,263,157	1,692,955	437,592	199,814	637,406
Structures and improvements	—	264,160	264,160	—	92,480	92,480
Miscellaneous	932,291	771,540	1,703,831	778,668	829,109	1,607,777
	<u>2,136,792</u>	<u>2,712,746</u>	<u>4,849,538</u>	<u>1,960,343</u>	<u>3,158,273</u>	<u>5,118,616</u>
Missouri City Station:						
Supervision and engineering	8,349	2,163	10,512	—	1,075	1,075
Steam	131,026	6,342	137,368	96,548	6,969	103,517
Electric	130,873	42,170	173,043	103,675	31,644	135,319
Structures and improvements	—	13,261	13,261	—	12,451	12,451
Miscellaneous	51,031	106,824	157,855	49,815	71,222	121,037
	<u>321,279</u>	<u>170,760</u>	<u>492,039</u>	<u>250,038</u>	<u>123,361</u>	<u>373,399</u>
Combustion Turbine Station:						
Supervision and engineering	—	24,157	24,157	—	8,760	8,760
Generation expenses	3,575	89,664	93,239	655	64,059	64,714
Structures and improvements	—	188,084	188,084	—	37,349	37,349
Miscellaneous	14,066	27,391	41,457	9,598	709	10,307
	<u>17,641</u>	<u>329,296</u>	<u>346,937</u>	<u>10,253</u>	<u>110,877</u>	<u>121,130</u>
Total production (other)	\$ <u>2,475,712</u>	<u>3,212,802</u>	<u>5,688,514</u>	\$ <u>2,220,634</u>	<u>3,392,511</u>	<u>5,613,145</u>
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 137,245	12,312	149,557	130,440	9,619	140,059
Overhead expenses	568	800	1,368	43,120	2,254	45,374
Station expenses	20,022	168,880	188,902	16,038	186,780	202,818
Wheeling charges	1,076,152	—	1,076,152	1,152,600	—	1,152,600
Underground line expense	6,200	—	6,200	341	—	341
Structures and improvements	—	—	—	—	8,731	8,731
Miscellaneous	2,434	295	2,729	—	—	—
Total transmission	\$ <u>1,242,621</u>	<u>182,287</u>	<u>1,424,908</u>	<u>1,342,539</u>	<u>207,384</u>	<u>1,549,923</u>

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Power and Light Fund, Continued

Years Ended June 30, 1998 and 1997

	1998			1997		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distributions:						
Supervision and engineering	\$ 120,913	36,932	157,845	90,085	28,704	118,789
Overhead lines	567,457	2,140,739	2,708,196	458,027	1,835,331	2,293,358
Station expenses	272,717	89,982	362,699	173,741	37,306	211,047
Street lights and traffic signals	158,407	356,610	515,017	108,901	357,815	466,716
Meters	154,432	462,260	616,692	152,409	296,250	448,659
Customer installations	11,432	—	11,432	8,425	—	8,425
Underground lines	374,046	222,889	596,935	276,567	222,993	499,560
Dispatching communication	485,789	—	485,789	467,772	—	467,772
Line transformers	—	95,315	95,315	—	232,273	232,273
Miscellaneous	316,011	133,998	450,009	317,506	806,451	1,123,957
Total distributions	<u>2,461,204</u>	<u>3,538,725</u>	<u>5,999,929</u>	<u>2,053,433</u>	<u>3,817,123</u>	<u>5,870,556</u>
Total transmission and distributions	\$ <u>3,703,825</u>	<u>3,721,012</u>	<u>7,424,837</u>	\$ <u>3,395,972</u>	<u>4,024,507</u>	<u>7,420,479</u>
Customer service:						
Supervision		\$ 135,818				120,370
Meter reading			462,614			533,999
Customer records and collections			1,169,530			1,046,159
Provisions for doubtful accounts			482,027			261,151
Miscellaneous			143,953			118,112
Total customer service			<u>2,393,942</u>			<u>2,079,791</u>
General and administrative:						
Salaries			529,077			545,590
Office supplies			210,827			228,169
Insurance			366,351			350,975
Injuries and damage			134,881			94,505
Employee benefits			2,139,382			1,990,692
Outside services			1,027,079			1,008,673
Miscellaneous			570,868			342,681
Administrative expenses – transfers			(155,251)			(125,854)
Total general and administrative			<u>4,823,214</u>			<u>4,435,431</u>
Depreciation and amortization			6,297,786			6,625,074
Payroll taxes			686,362			662,607
Payments to General Fund in lieu of taxes			6,108,334			5,712,493
Total operating expense			\$ <u>57,172,218</u>			<u>53,962,136</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in Fixed Assets – Power and Light Fund

Year Ended June 30, 1998

	<u>Balance June 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1998</u>
Property, plant, and equipment:				
Production plant	\$ 102,203,127	4,404,861	—	106,607,988
Transmission plant	21,809,883	4,201	—	21,814,084
Distribution plant	54,507,258	3,737,829	611,817	57,633,270
General plant	<u>13,899,655</u>	<u>435,760</u>	<u>98,210</u>	<u>14,237,205</u>
Utility plant in service	192,419,923	8,582,651	710,027	200,292,547
Acquisition adjustment	2,755,569	—	—	2,755,569
Construction in progress	<u>9,974,461</u>	<u>12,791,549</u>	<u>10,750,185</u>	<u>12,015,825</u>
	205,149,953	21,374,200	11,460,212	215,063,941
Total accumulated depreciation	<u>105,686,557</u>	<u>6,660,162</u>	<u>1,065,495</u>	<u>111,281,224</u>
Net property, plant, and equipment	<u>\$ 99,463,396</u>	<u>14,714,038</u>	<u>10,394,717</u>	<u>103,782,717</u>

Depreciation and amortization for the years ended 1998 and 1997 were allocated as follows:

	<u>1998</u>	<u>1997</u>
Expense	\$ 6,297,786	6,625,074
Capitalized as construction in progress and other	<u>362,376</u>	<u>360,500</u>
	<u>\$ 6,660,162</u>	<u>6,985,574</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year Ended June 30, 1998

	Number of Customers		Revenue	KWH
	Beginning of Year	End of Year		
Sale of electric energy:				
Metered:				
Residential	45,921	47,663	\$ 33,224,458	449,568,398
Small general services	2,522	2,723	2,170,420	23,046,195
General services–space heating	3	3	1,150	24,998
Large general services	1,730	1,672	18,277,964	300,804,553
Large general services–prime voltage	13	13	805,251	14,100,080
Large general services–space heating	–	2	7,371	127,571
Total electric general services	42	49	1,998,494	37,996,199
Schools, churches, and hospitals	265	273	1,877,038	29,355,806
Schools, churches, and hospitals, all electric	3	5	89,603	1,741,717
Large power services	5	6	1,516,201	36,942,000
Interruptible services	1	1	483,961	12,742,240
Sewer pumping	6	6	356,567	5,615,172
City traffic signals	56	58	64,825	664,694
Wholesale (border customers)	2	–	93,961	4,395,725
Wholesale (interchange)	2	–	395,370	9,257,000
Capacity sale	–	–	892,800	–
	<u>50,571</u>	<u>52,474</u>	62,255,434	926,382,348
Unmetered:				
Private security lighting	1,250	1,366	214,726	1,101,459
City public street lighting	10,613	10,783	607,312	8,470,965
	<u>11,863</u>	<u>12,149</u>	822,038	9,572,424
Increase in unbilled revenue			748,978	12,129,078
Other operating revenue			1,176,395	–
Total operating revenue			<u>\$ 65,002,845</u>	<u>948,083,850</u>
Net generation				210,380,612
Wholesale power purchased				796,955,501
Unintentional interchange				(542,000)
Net generation and power purchased				<u>1,006,794,113</u>
Retail energy sales				934,431,125
Wholesale (border customers) sales				13,652,725
Power and light usage (building and substations)				<u>1,861,305</u>
Net disposition				<u>949,945,155</u>
Transmission and distribution operating losses				<u>56,848,958</u>

See accompanying independent auditors' report. 80

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Water Fund

Years Ended June 30, 1998 and 1997

	1998			1997		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 18,838	—	18,838	15,217	—	15,217
Labor and expenses	144,895	—	144,895	145,079	—	145,079
Structures and improvements	—	14,665	14,665	—	3,559	3,559
Miscellaneous	14,183	64,028	78,211	19,586	169,954	189,540
Total source of supply	<u>177,916</u>	<u>78,693</u>	<u>256,609</u>	<u>179,882</u>	<u>173,513</u>	<u>353,395</u>
Power and pumping:						
Supervision and engineering	28,397	11,180	39,577	31,690	14,446	46,136
Fuel/power purchased	986,064	—	986,064	947,856	—	947,856
Labor and expenses	107,318	—	107,318	95,460	—	95,460
Structures and improvements	—	12,319	12,319	—	10,593	10,593
Miscellaneous	55,220	30,501	85,721	67,423	59,611	127,034
Total power and pumping	<u>1,176,999</u>	<u>54,000</u>	<u>1,230,999</u>	<u>1,142,429</u>	<u>84,650</u>	<u>1,227,079</u>
Water treatment:						
Supervision and engineering	36,394	14,593	50,987	34,183	19,550	53,733
Chemicals	525,144	—	525,144	514,317	—	514,317
Labor and expenses	270,425	—	270,425	238,679	—	238,679
Structures and improvements	—	22,566	22,566	—	9,873	9,873
Miscellaneous	85,879	407,415	493,294	96,191	253,946	350,137
Total water treatment	<u>917,842</u>	<u>444,574</u>	<u>1,362,416</u>	<u>883,370</u>	<u>283,369</u>	<u>1,166,739</u>
Total production	\$ <u>2,272,757</u>	<u>577,267</u>	<u>2,850,024</u>	\$ <u>2,205,681</u>	<u>541,532</u>	<u>2,747,213</u>
Transmission and distribution:						
Supervision and engineering	\$ 51,996	122,849	174,845	53,786	124,886	178,672
Storage facilities	17,598	42,451	60,049	16,109	565,591	581,700
Transmission and distribution lines	333,537	309,872	643,409	302,986	321,983	624,969
Meters	187,996	149,715	337,711	177,826	103,675	281,501
Customer installations	86,603	—	86,603	88,789	—	88,789
Services	—	116,311	116,311	—	104,894	104,894
Hydrants	—	44,854	44,854	—	61,894	61,894
Miscellaneous	189,676	78,437	268,113	195,614	69,978	265,592
Total transmission and distribution	\$ <u>867,406</u>	<u>864,489</u>	<u>1,731,895</u>	\$ <u>835,110</u>	<u>1,352,901</u>	<u>2,188,011</u>

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Water Fund, Continued

Years Ended June 30, 1998 and 1997

	1998		1997			
	<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>	<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>
Customer service:						
Customer accounting paid and collecting:						
Supervision			\$ 80,308			73,907
Meter reading			667,997			614,116
Customer records			(103,184)			77,765
Provision for uncollectible amounts			56,173			37,726
Total customer accounting paid and collecting			701,294			803,514
Sales promotion – expenses			33,281			33,323
Total customer service			734,575			836,837
General and administrative:						
Salaries			385,588			341,813
Office supplies and expense			355,116			331,068
Insurance			15,533			15,385
Injuries and damages			139,592			111,647
Employee benefits			814,979			780,033
Outside services			849,489			919,712
Miscellaneous			49,204			39,783
Total general and administrative			2,609,501			2,539,441
Depreciation and amortization			1,641,578			1,614,059
Payroll taxes			236,754			235,777
Payments to General Fund in lieu of taxes			870,331			838,945
Other			77,079			77,309
Total operating expenses			\$ 10,751,737			11,077,592

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in Fixed Assets – Water Fund

Year Ended June 30, 1998

	<u>Balance June 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 1998</u>
Property, plant, and equipment:				
Production plant:				
Source of supply	\$ 6,004,125	427,370	—	6,431,495
Pumping plant	4,463,361	156,954	11,680	4,608,635
Water treatment plant	11,415,366	112,222	39,549	11,488,039
Transmission and distribution equipment	37,816,372	922,311	78,955	38,659,728
General plant	<u>3,271,424</u>	<u>459,194</u>	<u>89,441</u>	<u>3,641,177</u>
Utility plant in service	62,970,648	2,078,051	219,625	64,829,074
Acquisition adjustment	12,547,766	—	—	12,547,766
Construction in progress	564,152	—	141,062	423,090
Nonutility property	<u>40,014</u>	<u>—</u>	<u>—</u>	<u>40,014</u>
	76,122,580	2,078,051	360,687	77,839,944
Total accumulated depreciation and amortization	<u>14,125,400</u>	<u>1,801,614</u>	<u>230,824</u>	<u>15,696,190</u>
Net property, plant, and equipment	<u>\$ 61,997,180</u>	<u>276,437</u>	<u>129,863</u>	<u>62,143,754</u>

Depreciation and amortization for the years ended 1998 and 1997 were allocated as follows:

	<u>1998</u>	<u>1997</u>
Expenses	\$ 1,641,578	1,614,059
Capitalized as construction in progress and other	<u>160,036</u>	<u>125,164</u>
	<u>\$ 1,801,614</u>	<u>1,739,223</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year Ended June 30, 1998

	Number of Customers		Revenue	MGS*
	Beginning of Year	End of Year		
Sale of water:				
Residential	41,874	41,475	\$ 7,359,247	3,102,987
Commercial	2,687	2,684	1,925,840	984,131
Industrial	8	8	238,872	200,881
Public authority	56	55	105,014	52,800
Resale	13	13	3,854,736	4,095,942
Private fire protection	239	230	35,361	—
Public fire protection	—	—	533,042	—
	<u>44,877</u>	<u>44,465</u>	14,052,112	<u>8,436,741</u>
Increase in unbilled revenue			18,174	
Other operating revenue			<u>279,149</u>	
Total operating revenue			\$ <u>14,349,435</u>	
Thousands of gallons pumped –				
Courtney Bend Plant			9,163,245	
Less total sales			<u>8,346,741</u>	
Unaccounted for water			<u>816,504</u>	

* Thousand gallons sold.

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in Fixed Assets – Sanitary Sewer Fund

Year Ended June 30, 1998

	Balance June 30, 1997	Additions	Deletions	Balance June 30, 1998
Property, plant, and equipment:				
Collection plant	\$ 45,579,843	402,045	—	45,981,888
Pumping plant	4,538,822	208,695	—	4,747,517
Treatment and disposal plant	12,121,497	292,451	713,828	11,700,120
General plant	<u>3,348,298</u>	<u>313,778</u>	<u>38,107</u>	<u>3,623,969</u>
Utility plant in service	65,588,460	1,216,969	751,935	66,053,494
Construction in progress	2,210,976	2,799,153	—	5,010,129
Nonutility property	<u>46,368</u>	<u>—</u>	<u>—</u>	<u>46,368</u>
	67,845,804	4,016,122	751,935	71,109,991
Total accumulated depreciation	<u>27,403,779</u>	<u>1,719,123</u>	<u>742,757</u>	<u>28,380,145</u>
Net property, plant, and equipment	<u>\$ 40,442,025</u>	<u>2,296,999</u>	<u>9,178</u>	<u>42,729,846</u>

Depreciation charges for the years ended June 30, 1998 and 1997 were allocated as follows:

	1998	1997
Expense	\$ <u>1,719,123</u>	<u>1,706,274</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year Ended June 30, 1998

	Number of Customers		Revenue	CCF*
	Beginning of Year	End Year		
Sale of sanitary sewer services:				
Residential	36,493	36,852	\$ 7,316,053	2,740,671
Commercial:				
Base	3,463	3,459	3,150,003	1,775,445
Surcharge	—	—	766,614	—
Contract waste treatment	—	—	297,503	—
Intermunicipal agreements:				
Sugar Creek	—	—	326,486	—
Kansas City	—	—	59,649	—
Lee's Summit	—	—	8,187	—
	<u>39,956</u>	<u>40,311</u>	11,924,495	<u>4,516,116</u>
Other operating revenue			89,703	
Increase in unbilled revenue			<u>66,362</u>	
Total operating revenue			<u>\$ 12,080,560</u>	

* Hundred cubic feet.

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in Fixed Assets – Storm Water Fund

Year Ended June 30, 1998

	<u>Balance June 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1998</u>
Property, plant and equipment– general plant	\$ 339,855	—	—	339,855
Accumulated depreciation	<u>108,292</u>	<u>24,368</u>	<u>—</u>	<u>132,660</u>
Net property, plant, and equipment	<u>\$ 231,563</u>	<u>(24,368)</u>	<u>—</u>	<u>207,195</u>

Depreciation charges for the years ended June 30, 1998 and 1997 were allocated as follows:

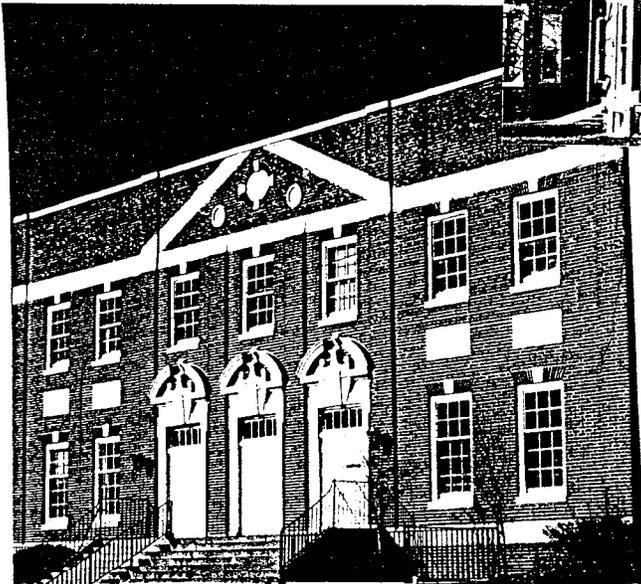
	<u>1998</u>	<u>1997</u>
Expense	\$ <u>24,368</u>	<u>24,774</u>

See accompanying independent auditors' report.



*Truman Home
219 N. Delaware*

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



World War I Memorial Building

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 government units, on a cost reimbursement basis.

CENTRAL GARAGE

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

STAYWELL HEALTH CARE

This fund is used to account for the costs of the City's self-insured health care plan.

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.

CITY OF INDEPENDENCE, MISSOURI

All Internal Service Funds

Combining Balance Sheet

June 30, 1998

With Comparative Totals For June 30, 1997

Assets	Central Garage	Employee Benefits	Staywell Health Care	Totals	
				1998	1997
Current assets:					
Pooled cash and investments	\$ —	2,295,689	1,542,605	3,838,294	3,289,312
Accrued interest receivable	—	21,653	—	21,653	21,653
Due from other funds	183	96	—	279	285,354
Inventory, at average cost	104,272	—	—	104,272	98,286
Total current assets	104,455	2,317,438	1,542,605	3,964,498	3,694,605
Property, plant, and equipment	400,168	—	—	400,168	398,788
Less accumulated depreciation	282,579	—	—	282,579	273,548
Net property, plant, and equipment	117,589	—	—	117,589	125,240
Total assets	\$ <u>222,044</u>	<u>2,317,438</u>	<u>1,542,605</u>	<u>4,082,087</u>	<u>3,819,845</u>
Liabilities and Fund Equity					
Current liabilities:					
Accounts and contracts payable	\$ 25,370	—	—	25,370	39,494
Due to other funds	96	—	—	96	285,480
Accrued expenses	7,449	—	—	7,449	7,754
Compensated absences – current	23,243	—	—	23,243	20,589
Other current liabilities – medical self-insurance claims	—	—	534,000	534,000	493,000
Total current liabilities	56,158	—	534,000	590,158	846,317
Employee benefits payable	—	1,901,468	—	1,901,468	2,168,225
Compensated absences – long-term	52,553	—	—	52,553	49,961
Total liabilities	108,711	1,901,468	534,000	2,544,179	3,064,503
Fund equity – retained earnings	113,333	415,970	1,008,605	1,537,908	755,342
Total liabilities and fund equity	\$ <u>222,044</u>	<u>2,317,438</u>	<u>1,542,605</u>	<u>4,082,087</u>	<u>3,819,845</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Internal Service Funds

Combining Statement of Revenues, Expenses, and
Changes in Retained EarningsYear Ended June 30, 1998
With Comparative Totals For June 30, 1997

	Central Garage	Employee Benefits	Staywell Health Care	Totals	
				1998	1997
Operating revenues:					
Repairs and maintenance charges	\$ 1,237,044	—	—	1,237,044	1,139,143
Premiums	—	—	6,042,863	6,042,863	5,930,295
Reinsurance reimbursements	—	—	—	—	118,497
Total operating revenues	<u>1,237,044</u>	<u>—</u>	<u>6,042,863</u>	<u>7,279,907</u>	<u>7,187,935</u>
Operating expenses:					
Public works	1,098,041	—	—	1,098,041	1,190,990
Health care plan expenses	—	—	5,858,287	5,858,287	5,402,684
Depreciation and amortization	9,031	—	—	9,031	9,680
Total operating expenses	<u>1,107,072</u>	<u>—</u>	<u>5,858,287</u>	<u>6,965,359</u>	<u>6,603,354</u>
Operating income	129,972	—	184,576	314,548	584,581
Nonoperating revenues – interest income	—	159,564	92,715	252,279	201,547
Income before operating transfers	129,972	159,564	277,291	566,827	786,128
Operating transfers in	<u>163,011</u>	<u>52,728</u>	<u>—</u>	<u>215,739</u>	<u>52,728</u>
Net income	292,983	212,292	277,291	782,566	838,856
Retained earnings (deficit), July 1	<u>(179,650)</u>	<u>203,678</u>	<u>731,314</u>	<u>755,342</u>	<u>(83,514)</u>
Retained earnings, June 30	<u>\$ 113,333</u>	<u>415,970</u>	<u>1,008,605</u>	<u>1,537,908</u>	<u>755,342</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

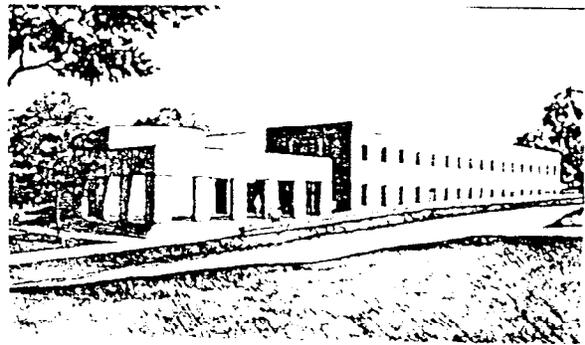
All Internal Service Funds

Combining Statement of Cash Flows

Year Ended June 30, 1998

	<u>Central Garage</u>	<u>Employee Benefits</u>	<u>Staywell Health Care</u>	<u>Total</u>
Operating activities:				
Operating income	\$ 129,972	—	184,576	314,548
Adjustments to reconcile operating income to cash provided by (used in) operating activities:				
Depreciation	9,031	—	—	9,031
Changes in assets and liabilities:				
Inventory	(5,986)	—	—	(5,986)
Due from other funds	(81)	285,156	—	285,075
Account and contracts payable	(14,124)	—	—	(14,124)
Accrued expenses	(305)	—	—	(305)
Due to other funds	(285,384)	—	—	(285,384)
Compensated absences	5,246	—	—	5,246
Employee benefits payable	—	(266,757)	—	(266,757)
Other current liabilities – medical self-insurance claims payable	—	—	41,000	41,000
Net cash provided by (used in) operating activities	(161,631)	18,399	225,576	82,344
Capital and related financing activities – acquisition and construction of capital assets	(1,380)	—	—	(1,380)
Noncapital financing activities – operating transfer in	163,011	52,728	—	215,739
Investing activities – interest and dividends on investments	—	159,564	92,715	252,279
Net increase in cash and cash equivalents	—	230,691	318,291	548,982
Cash and cash equivalents, July 1	—	2,064,998	1,224,314	3,289,312
Cash and cash equivalents, June 30	\$ —	2,295,689	1,542,605	3,838,294

See accompanying independent auditors' report.



National Frontier Trails Center



Oregon Trails Monument, Independence Square



TRUST AND AGENCY FUNDS

Trust and Agency Funds are established to account for the assets held by the City as trustee, custodian or agent for individuals, governmental entities and private organizations. The City has fiduciary responsibilities for the funds' assets and makes expenditures only in accordance with the purpose for which assets were received.

NONEXPENDABLE TRUST FUND

Waggoner Memorial

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

EXPENDABLE TRUST FUNDS

Miscellaneous Expendable Trust

This fund is used to account for small amounts of money such as donations provided the City for specific purposes.

AGENCY FUND

Deferred Compensation Plan Fund

This fund is used to account for amounts withheld from employee's salaries and deferred until the future, under employee deferred compensation plans.

Flexible Benefit Plan

This fund is used to account for contributions made by employees to the City's cafeteria plan for health care, medical and/or dental expenses and dependent care costs.

CITY OF INDEPENDENCE, MISSOURI

All Trust and Agency Funds

Combining Balance Sheet

June 30, 1998

With Comparative Totals For June 30, 1997

	Non- expendable Trust Fund Wagoner Memorial	Expendable Trust Fund Miscellaneous Expendable Trust	Agency Funds Flexible Benefit Plan	Totals
	1998	1997	1998	1997
Assets and Other Debits				
Pooled cash and investments	\$ 10,614	114,522	8,922	134,058
Restricted assets	—	—	—	—
Accrued interest	—	498	—	498
Total assets and other debits	<u>\$ 10,614</u>	<u>115,020</u>	<u>8,922</u>	<u>134,556</u>
Liabilities, Fund Equity, and Other Credits				
Liabilities:				
Accounts and contracts payable	\$ —	4,680	3,302	7,982
Due to other funds	—	—	5,620	5,620
Deferred compensation benefits payable	—	—	—	—
Total liabilities	<u>—</u>	<u>4,680</u>	<u>8,922</u>	<u>13,602</u>
Fund balances:				
Reserved for encumbrances	—	—	—	—
Unreserved:				
Designated for charitable contributions	—	110,340	—	110,340
Undesignated	10,614	—	—	10,614
Total fund equity and other credits	<u>10,614</u>	<u>110,340</u>	<u>—</u>	<u>120,954</u>
Total liabilities, fund equity, and other credits	<u>\$ 10,614</u>	<u>115,020</u>	<u>8,922</u>	<u>134,556</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Agency Funds

Statement of Changes in Assets and Liabilities

Year Ended June 30, 1998

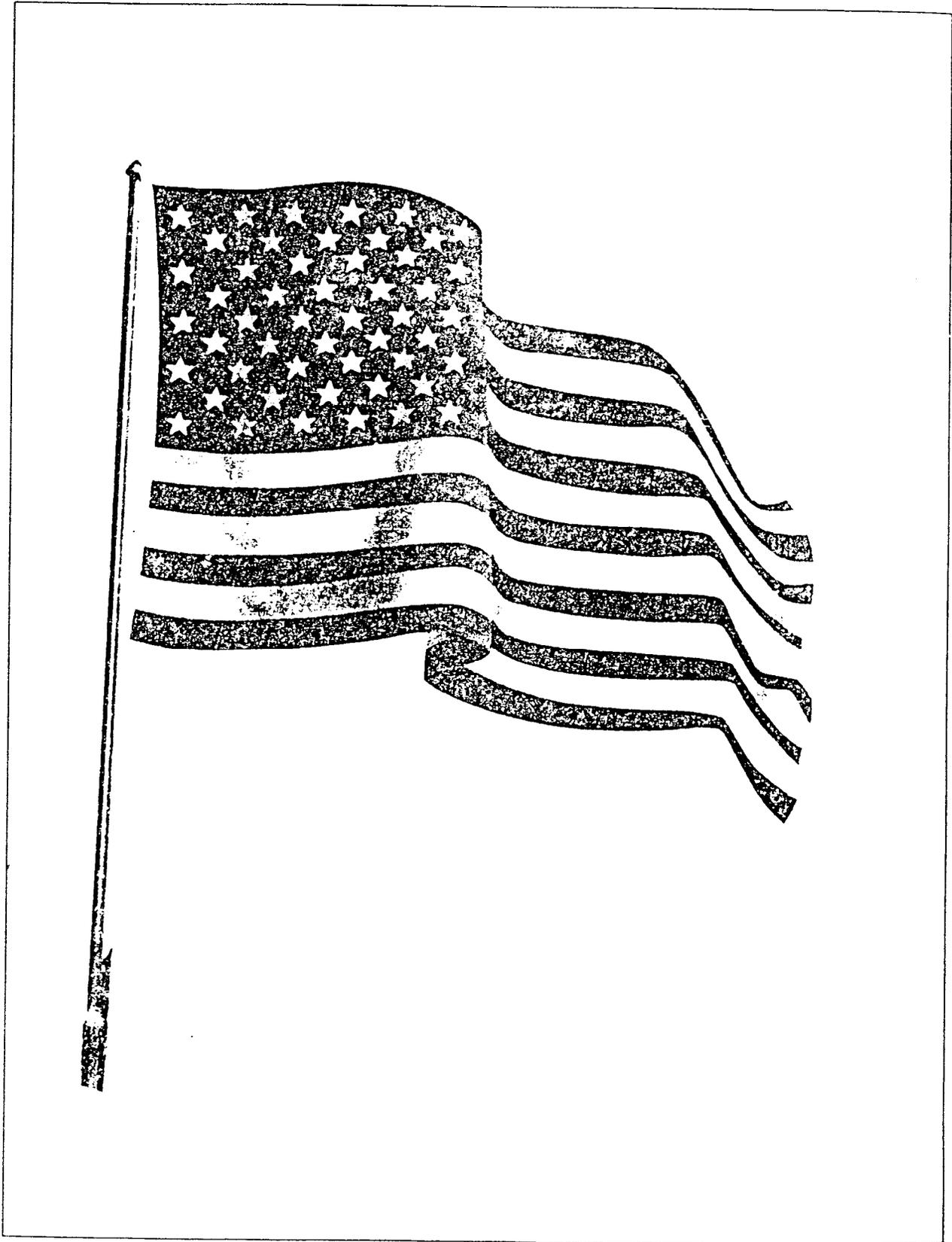
Flexible Benefit Plan Fund	Balance June 30, 1997	Additions	Deductions	Balance June 30, 1998
Assets:				
Pooled cash and investments	\$ <u>8,790</u>	<u>147,404</u>	<u>147,272</u>	<u>8,922</u>
Liabilities:				
Accounts payable	\$ 4,912	148,922	150,532	3,302
Due to other funds	<u>3,878</u>	<u>1,742</u>	<u>—</u>	<u>5,620</u>
	\$ <u>8,790</u>	<u>150,664</u>	<u>150,532</u>	<u>8,922</u>

See accompanying independent auditors' report.

GENERAL FIXED ASSETS

ACCOUNT GROUP

The General Fixed Assets Account Group is established to record and account for fixed assets with useful lives of greater than one year acquired for general City purposes. Excluded from this account group are the fixed assets of the Enterprise, Internal Service and Trust and Agency Funds.



CITY OF INDEPENDENCE, MISSOURI

Schedule of General Fixed Assets by Source

June 30, 1998
With Comparative Figures For June 30, 1997

	<u>1998</u>	<u>1997</u>
General fixed assets:		
Land	\$ 8,209,380	8,209,380
Buildings	9,293,847	9,293,847
Improvements other than buildings	1,858,585	1,858,585
Office furniture and equipment	2,765,457	2,594,106
Mobile equipment	10,201,862	9,762,049
Other equipment	<u>2,670,894</u>	<u>2,217,473</u>
	<u>\$ 35,000,025</u>	<u>33,935,440</u>
Investments in general fixed assets:		
Current operations:		
General Fund	\$ 14,215,413	13,051,191
Tourism Fund	51,553	51,553
Federal grants	1,042,531	1,043,638
State grants	528,561	528,561
General obligation bonds	126,794	126,794
Acquired prior to June 30, 1984	18,908,864	19,007,394
Other	<u>126,309</u>	<u>126,309</u>
	<u>\$ 35,000,025</u>	<u>33,935,440</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of General Fixed Assets by Function and Activity

June 30, 1998

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Office Furniture and Equipment	Mobile Equipment	Other Equipment
General government:							
City Hall	\$ 3,473,835	745,972	1,930,192	797,671	—	—	—
Police Building	2,008,241	255,000	1,753,241	—	—	—	—
City Council	25,488	—	—	—	25,488	—	—
City Clerk	136,011	—	—	—	136,011	—	—
City Manager	34,935	—	—	—	25,727	—	9,208
National Frontier Trails Center	77,111	—	—	—	67,182	—	9,929
Computer Services	862,847	—	—	1,665	790,615	—	70,567
Municipal Court	15,415	—	—	—	15,415	—	—
Law Department	20,038	—	—	—	20,038	—	—
Finance Department	239,934	—	—	—	222,744	17,190	—
Personnel Department	23,068	—	—	—	23,068	—	—
Total general government	6,916,923	1,000,972	3,683,433	799,336	1,326,288	17,190	89,704
Public safety:							
Police Department	3,717,897	46,423	—	160,905	693,446	2,080,951	736,172
Fire Department	6,009,986	—	1,941,186	52,893	274,364	3,347,882	393,661
Planning Department	350,254	—	—	—	145,930	151,182	53,142
Emergency Department	261,783	—	—	44,231	2,035	—	215,517
Total public safety	10,339,920	46,423	1,941,186	258,029	1,115,775	5,580,015	1,398,492
Public works:							
Engineering	485,665	—	—	—	124,335	260,486	100,844
Maintenance	3,871,786	—	34,004	—	49,991	3,053,645	734,146
Storm sewer	86,882	—	—	14,415	—	72,467	—
Total public works	4,444,333	—	34,004	14,415	174,326	3,386,598	834,990
Health and welfare:							
Health Department	142,129	—	—	—	32,443	70,505	39,181
Animal Control	268,853	—	123,830	7,068	8,800	80,271	48,884
Cemetery	205,056	1,230	—	3,013	5,151	123,784	71,878
Total health and welfare	616,038	1,230	123,830	10,081	46,394	274,560	159,943
Culture and recreation:							
Park maintenance	1,001,592	25,000	—	—	18,391	810,394	147,807
Recreation	314,505	27,500	60,312	4,662	69,121	112,952	39,958
Tourism	1,359,753	1,036,555	305,342	—	15,162	2,694	—
Total culture and recreation	2,675,850	1,089,055	365,654	4,662	102,674	926,040	187,765
Public use facilities	6,334,259	2,424,657	3,137,540	772,062	—	—	—
Other	3,672,702	3,647,043	8,200	—	—	17,459	—
Total general fixed assets allocated to function	\$ 35,000,025	8,209,380	9,293,847	1,858,585	2,765,457	10,201,862	2,670,894

See accompanying independent auditors' report.

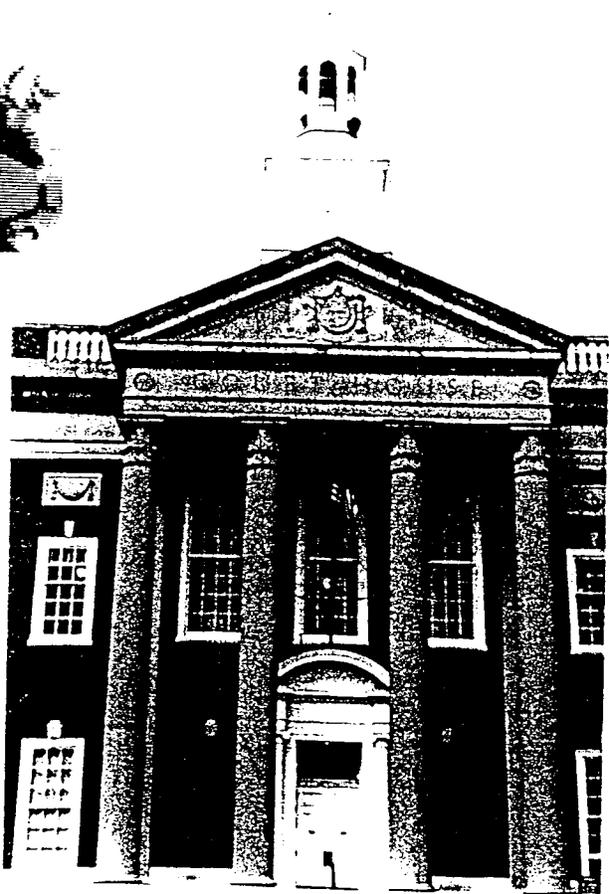
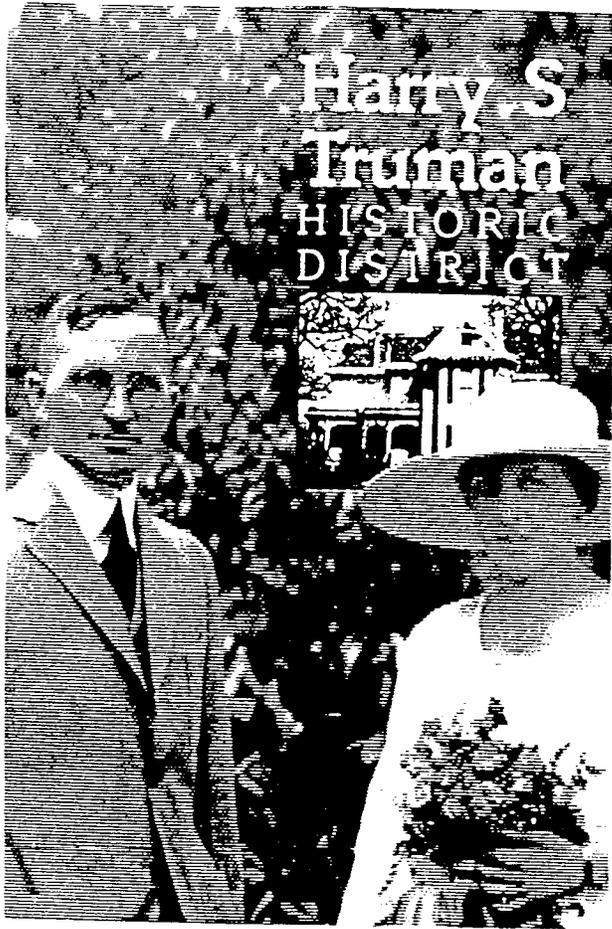
CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in General Fixed Assets by
Function and Activity

Year Ended June 30, 1998

Function and Activity	General Fixed Assets July 1, 1997	Additions/ Transfers In	Deletions/ Transfers Out	General Fixed Assets June 30, 1998
General government:				
City Hall	\$ 3,473,835	—	—	3,473,835
Police Building	2,008,241	—	—	2,008,241
City Council	25,488	—	—	25,488
City Clerk	136,011	—	—	136,011
City Manager	23,173	11,762	—	34,935
National Frontier Trails Center	69,749	7,362	—	77,111
Computer Services	837,996	24,851	—	862,847
Municipal Court	8,978	6,437	—	15,415
Law Department	17,004	3,034	—	20,038
Finance Department	231,087	19,913	11,066	239,934
Personnel Department	21,219	1,849	—	23,068
Total general government	<u>6,852,781</u>	<u>75,208</u>	<u>11,066</u>	<u>6,916,923</u>
Public safety:				
Police Department	3,233,295	646,907	162,305	3,717,897
Fire Department	5,738,880	351,191	80,085	6,009,986
Planning Department	401,400	8,331	59,477	350,254
Emergency Department	265,060	—	3,277	261,783
Total public safety	<u>9,638,635</u>	<u>1,006,429</u>	<u>305,144</u>	<u>10,339,920</u>
Public works:				
Engineering	450,047	61,221	25,603	485,665
Maintenance	3,624,494	282,295	35,003	3,871,786
Storm sewer	86,882	—	—	86,882
Total public works	<u>4,161,423</u>	<u>343,516</u>	<u>60,606</u>	<u>4,444,333</u>
Health and welfare:				
Health Department	130,264	19,008	7,143	142,129
Animal Control	289,703	—	20,850	268,853
Cemetery	202,816	2,240	—	205,056
Total health and welfare	<u>622,783</u>	<u>21,248</u>	<u>27,993</u>	<u>616,038</u>
Culture and recreation:				
Park maintenance	984,039	116,249	98,696	1,001,592
Recreation	303,323	11,182	—	314,505
Tourism	1,359,753	—	—	1,359,753
Total culture and recreation	<u>2,647,115</u>	<u>127,431</u>	<u>98,696</u>	<u>2,675,850</u>
Public use facilities	6,334,259	—	—	6,334,259
Other	3,678,444	—	5,742	3,672,702
	<u>\$ 33,935,440</u>	<u>1,573,832</u>	<u>509,247</u>	<u>35,000,025</u>

See accompanying independent auditors' report.



GENERAL LONG-TERM DEBT

ACCOUNT GROUP

The General Long-Term Debt Account Group reflects the City's liability for general obligation debt outstanding as well as that portion of liabilities for compensated absences of governmental funds which is not expected to be liquidated with expendable available financial resources.



*Pioneer Spring and Brady Cabin, ca. 1830
Truman and Noland Roads*



Blevyn Davis House, Glendale Gardens

CITY OF INDEPENDENCE, MISSOURI

Schedule of General Long-term Debt

June 30, 1998

With Comparative Figures For June 30, 1997

	<u>1998</u>	<u>1997</u>
Other debts – amount to be provided for retirement of general long-term debt	\$ <u>21,101,243</u>	<u>21,059,017</u>
TIF bonds payable	\$ 4,875,000	5,000,000
Certificates of participation	68,801	133,115
Capital lease obligations	1,829,472	2,334,285
Compensated absences	8,782,263	8,079,879
Employee benefits payable	4,781,644	5,203,456
Advance from Water Fund	158,120	308,282
Use tax payable	<u>605,943</u>	<u>—</u>
	\$ <u>21,101,243</u>	<u>21,059,017</u>

See accompanying independent auditors' report.



STATISTICAL

STATISTICAL DATA

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

Table 1

City of Independence, Missouri
General Governmental Expenditures by Function

	<i>General Government</i>	<i>Public Safety</i>	<i>Public Works</i>	<i>Health & Welfare</i>	<i>Culture & Recreation</i>	<i>Community Development</i>	<i>Non-Departmental</i>	<i>Debt Service</i>	
1989	34,344,738	4,446,902	17,195,621	4,727,148	1,061,409	1,468,984	314,322	2,409,469	2,720,883
1990	37,143,366	4,766,848	19,512,772	5,063,061	1,196,241	1,522,406	346,526	2,964,731	1,770,781
1991	40,453,033	6,061,664	20,470,893	5,311,032	1,099,571	1,573,539	485,380	3,001,195	2,449,759
1992	39,547,789	4,385,732	22,020,984	4,721,619	1,138,718	1,585,848	753,764	3,040,927	1,900,197
1993	39,369,718	4,276,566	22,208,616	4,318,668	1,043,937	1,497,064	660,145	3,569,279	1,795,443
1994	40,060,595	4,715,130	22,505,090	4,140,247	1,068,079	1,517,978	1,110,984	3,196,325	1,806,762
1995	43,452,685	6,202,999	24,274,529	4,750,098	883,014	1,642,344	960,911	4,137,601	601,189
1996	43,976,403	5,135,501	24,002,906	5,532,316	991,262	1,683,247	1,379,783	4,435,609	815,779
1997	44,874,496	5,119,322	23,312,495	5,346,312	948,268	1,762,330	925,282	2,847,386	897,767
1998	\$44,286,915	\$5,354,047	\$24,506,015	\$5,374,067	\$1,089,234	\$2,008,489	\$1,419,173	\$3,667,407	\$870,483

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

Table 2

City of Independence, Missouri
General Governmental Revenue by Source

<i>Total (a)</i>	<i>Taxes & In Lieu of Taxes (b)</i>	<i>License & Permits</i>	<i>Intergovernmental</i>	<i>Charges for Services</i>	<i>Intragovernmental (c)</i>	<i>Fines & Forfeitures</i>	<i>Interest</i>	<i>Other (d)</i>	
1989	34,009,288	23,155,323	1,111,406	3,643,510	335,448	3,012,703	1,475,724	726,805	548,269
1990	35,335,926	23,430,369	1,114,088	4,221,455	356,668	3,040,831	1,768,599	595,526	808,390
1991	35,788,258	24,242,056	1,223,120	4,078,391	325,828	2,709,844	1,738,441	378,790	1,091,788
1992	36,795,122	25,208,593	1,400,040	4,599,983	343,618	2,681,998	1,795,543	136,891	628,456
1993	38,822,069	26,459,470	1,550,092	4,986,772	359,767	2,589,027	2,088,736	44,413	743,792
1994	42,313,976	28,313,660	1,757,212	5,971,261	470,900	2,622,480	2,193,204	83,293	901,966
1995	42,613,320	28,731,356	1,728,067	6,277,520	607,956	2,686,712	1,682,239	244,473	654,897
1996	44,421,023	30,167,780	1,891,026	6,715,227	489,537	2,828,007	1,602,145	303,844	423,457
1997	46,796,951	31,707,987	2,299,681	6,662,776	567,026	2,895,953	1,903,081	352,240	408,207
1998	\$48,950,279	\$32,273,672	\$2,325,055	\$7,647,165	\$637,404	\$2,749,077	\$2,409,688	\$425,876	\$482,342

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

b) General Property Taxes, Sales Tax and Other Local Taxes.

c) Interfund Charges for Support Services.

d) Includes revenue from Sale of Property, and revenue not included in other categories.

Table 3

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

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
1989	\$3,925,907	\$3,696,139	94.15%	\$171,090	\$3,867,229	98.51%	\$196,123	5.00%
1990	4,054,531	3,677,460	90.70%	210,353	3,887,813	95.89%	262,163	6.47%
1991	4,077,957	3,835,313	94.05%	186,160	4,021,473	98.61%	320,841	7.87%
1992	4,264,977	3,990,062	93.55%	298,280	4,288,342	100.55%	583,485	13.68%
1993	4,302,151	4,083,837	94.93%	252,809	4,346,646	101.03%	487,022	11.32%
1994	4,389,816	4,137,260	94.25%	226,048	4,363,308	99.40%	419,170	9.55%
1995	4,388,141	4,233,148	96.47%	303,406	4,536,554	103.38%	270,757	6.17%
1996	4,539,910	4,203,803	92.60%	169,654	4,373,457	96.33%	437,210	9.63%
1997	4,724,273	4,460,502	94.42%	328,281	4,788,783	101.37%	372,700	7.89%
1998	\$4,984,727	\$4,644,002	93.16%	\$261,611	\$4,905,613	98.41%	\$451,814	9.06%

Table 4

City of Independence, Missouri

Assessed and Estimated Actual Values of Taxable Property

As of January 1,	Real Property	Railroad & Utilities	Total Assessed Value	Total Fair Market Value	Percentage of Fair Market Value
1989	534,658,930	10,737,698	545,396,628	2,400,125,421	22.72%
1990	533,400,643	11,016,472	544,417,115	2,408,784,039	22.60%
1991	556,593,814	10,558,426	567,152,240	2,528,290,144	22.43%
1992	560,415,355	10,762,026	571,177,381	2,554,017,644	22.36%
1993	571,355,060	11,576,125	582,931,185	2,607,377,068	22.36%
1994	577,338,830	12,043,452	589,382,282	2,638,607,117	22.34%
1995	607,586,620	12,836,118	620,422,738	2,785,963,818	22.27%
1996	613,400,460	13,270,911	626,671,371	2,811,135,555	22.29%
1997	657,944,690	12,224,657	670,169,347	3,016,248,617	22.22%
1998	\$663,218,200	\$9,949,439	673,167,639	3,028,167,179	22.23%

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**

For Assessed Valuations As of January 1,	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
CITY TAX RATES: (1)										
General	\$0.500	\$0.500	\$0.500	\$0.510	\$0.510	\$0.520	\$0.520	\$0.530	\$0.520	\$0.520
Public Health & Recreation	0.210	0.210	0.210	0.220	0.220	0.230	0.230	0.240	0.240	0.240
Debt Service	0.070	0.070	0.060	0.040	0.040	0.000	0.000	0.000	0.000	0.000
Total City Tax Rate	0.780	0.780	0.770	0.770	0.770	0.750	0.750	0.770	0.760	0.760
METROPOLITAN JUNIOR COLLEGE										
INDEPENDENCE SCHOOL DISTRICT (3)	3.200	3.100	3.300	3.380	3.300	3.300	3.350	3.990	4.040	4.290
COUNTY TAX RATES: (2)										
County	0.619	0.613	0.629	0.540	0.540	0.500	0.510	0.500	0.530	0.530
Mid-Continent Public Library	0.310	0.310	0.310	0.310	0.310	0.310	0.330	0.330	0.330	0.330
Handicap	0.066	0.066	0.066	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Mental Health	0.033	0.033	0.130	0.133	0.133	0.133	0.133	0.133	0.133	0.133
Total County Tax Rate	1.028	1.022	1.135	1.063	1.063	1.023	1.053	1.043	1.073	1.073
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	\$5.038	\$4.932	\$5.235	\$5.243	\$5.163	\$5.103	\$5.403	\$6.053	\$6.123	\$6.373

(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 1998

Health & Welfare Fund	\$0.15
General Fund	0.16
Road & Bridge Fund	0.09
Park Fund	<u>0.13</u>
	<u>\$0.53</u>

(3) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for 1998 in these districts are:
 Fort Osage Reorganized #1 \$4.52
 Blue Springs Reorganized #4 \$4.65
 Kansas City School District \$4.96

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>
1989	\$18,829	\$108,973	\$193,088
1990	335,697	88,412	440,373
1991	515,986	256,363	699,966
1992	329,974	116,655	913,285
1993	170,334	247,853	835,766
1994	45,734	101,058	780,442
1995	74,248	133,882	720,808
1996	139,575	120,018	740,365
1997	66,214	33,101	773,478
1998	\$145,958	\$278,298	\$641,138

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

Table 7

City of Independence, Missouri
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt per Capita

Year Ended June 30,	Estimated Population	Assessed Value	General		Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
			Obligation Bonded Debt					
1989	116,092	672,433,483	5,415,000	125,582	5,289,418	0.8	45.56	
1990	112,301	682,409,064	4,370,000	90,305	4,279,695	0.6	38.11	
1991	112,600	711,474,429	3,275,000	88,285	3,186,715	0.4	28.30	
1992	113,165	726,111,617	2,140,000	52,787	2,087,213	0.3	18.44	
1993	113,561	743,446,460	1,090,000	56,452	1,033,548	0.1	\$9.10	
1994	113,802	756,611,010	-	-	-	-	-	
1995	113,761	810,488,004	-	-	-	-	-	
1996	114,931	830,079,209	-	-	-	-	-	
1997	115,531	885,348,546	-	-	-	-	-	
1998	115,851	\$893,405,364	-	-	-	-	-	

City of Independence, Missouri

Computation of Legal Debt Margin

June 30, 1998

Assessed Value at January 1, 1998: *

Jackson County	\$893,370,259
Clay County	35,105
	<u>\$893,405,364</u>

Constitutional Debt Limit ** (20% of Assessed Value)	\$178,681,073
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Total Bonded Debt	\$73,995,000
Less:	
Water Utility Bonds	\$42,950,000
Electric Utility Bonds	<u>31,045,000</u>
	<u>73,995,000</u>

Total General Obligation Debt	0
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Less: Debt Service Fund Balance	<u>0</u>
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Applicable Debt Limit	<u>0</u>
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Legal Debt Margin	<u>\$178,681,073</u>
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* 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.