



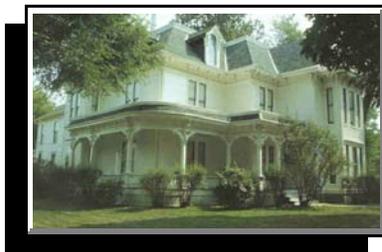
The Pioneer Woman



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



*Harry S. Truman Library and
Museum*



*Harry S. Truman Home
"The Summer White House"*



*Harry S. Truman
Statue*

June 30,

2001

*Comprehensive Annual
Financial Report*

COMPREHENSIVE ANNUAL FINANCIAL REPORT



June 30, 2001

CITY OF INDEPENDENCE, MISSOURI

Comprehensive Annual Financial Report

**For the Fiscal Year July 1, 2000
Through June 30, 2001**

Mayor

Rondell F. Stewart

City Council

Don Reimal	District #1
John Perkins	District #2
Renee Paluka	District #3
Charlie Rich	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

Independence



2001

CITY OF INDEPENDENCE, MISSOURI

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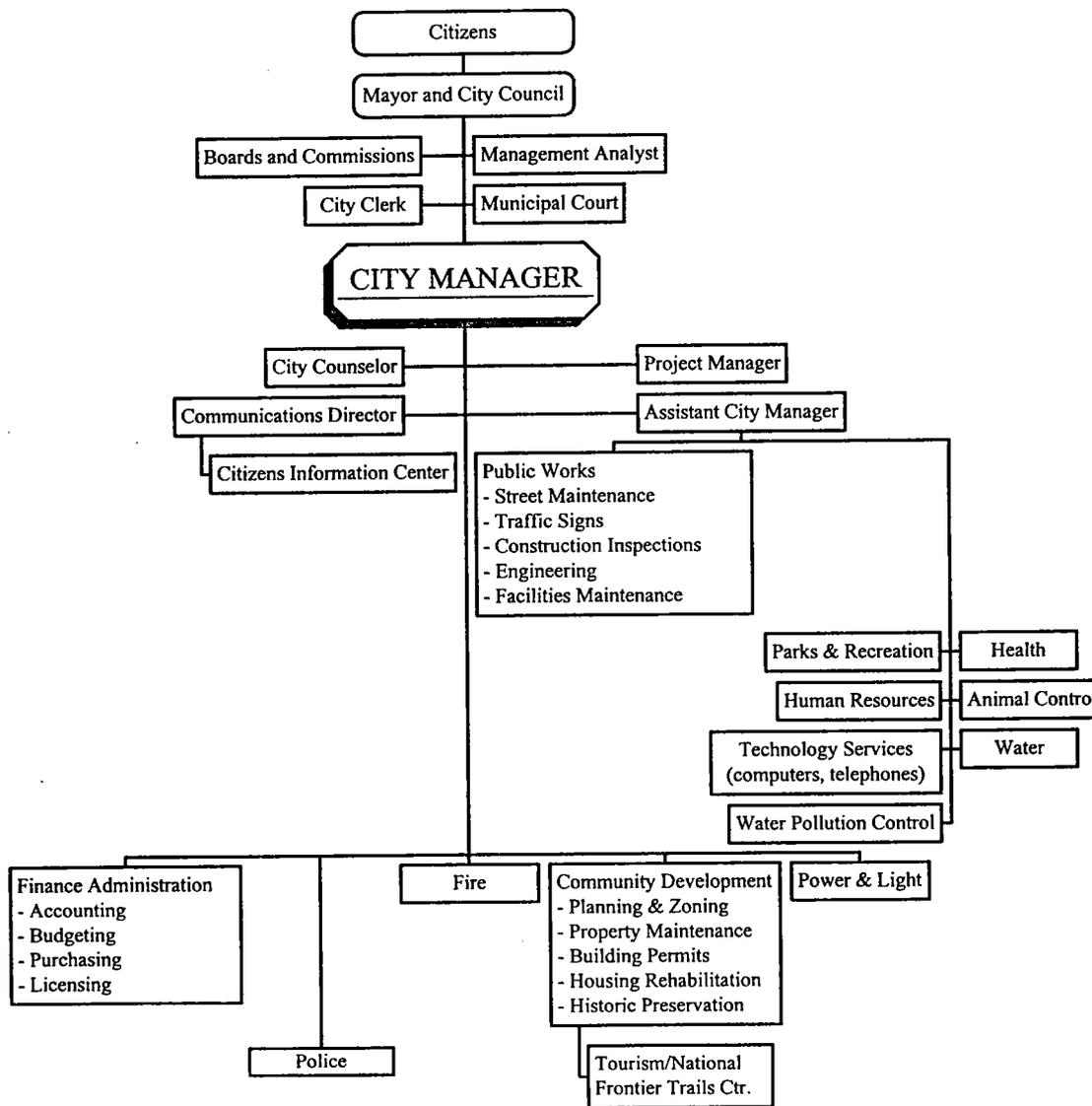
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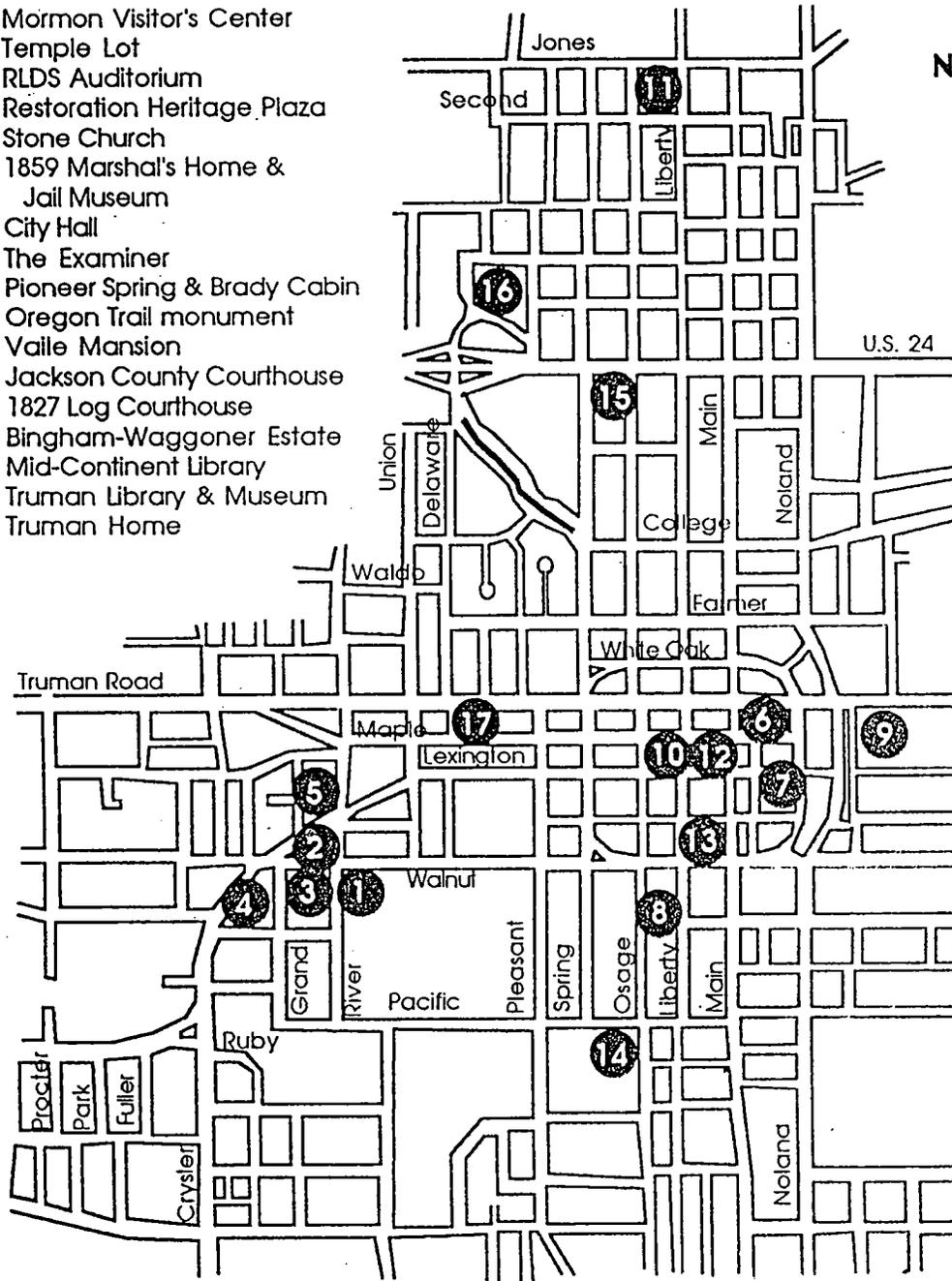
CITY OF INDEPENDENCE, MISSOURI

Organizational Chart



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



City of Independence

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

www.ci.independence.mo.us • (816) 325-7000



November 1, 2001

HONORABLE MAYOR, COUNCIL AND CITY MANAGER:

The Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2001, 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 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 non-financially 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 Auditor's Report and the General Purpose Financial Statements (GPFS). The Auditor's 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

**City of Independence, Missouri
Comprehensive Annual Financial Report for
June 30, 2001**

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 multi-year basis. This section is designed to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from only the financial statements and supporting 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 of Independence 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. Various school districts provide educational services, 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 highways (I-70, I-35, & I-29) and rail routes, access to Independence from all parts of the nation, as well as, Canada and Mexico is excellent. The City's 78 square miles accommodate its residents and numerous businesses with 32 square miles of mixed-use land in eastern Independence. It is estimated that in the next twenty years this area will add 20,000 new residents and support 5,000 new jobs.

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 1960's when the population increased from 62,328 to 111,630, an increase of 79.1%. During the 1970's, the City's population grew by only .1%. During the same time, Kansas City's population decreased 11.7%. The 2000 Census report

**City of Independence, Missouri
Comprehensive Annual Financial Report for
June 30, 2001**

estimates the current population to be 113,288 representing a slight increase from the 1990 Census report of 112,600.

The median income per household in the City rose from \$6,031 in 1960 to \$40,462 in 2001. The median age is thirty-seven. The median value of housing is \$82,623 compared to \$89,971 in Jackson County and \$87,453 in the State of Missouri. The 2001 unemployment rate for the City is 3.9%. The labor force in Independence encompasses a wide variety of skills and occupations: technical, sales, and administrative support occupations (36.31%); managerial and professional specialty occupations (20.93%); operators, fabricators, movers, and laborers (17.37%); service, craft, and repair occupations (24.75%); and farming (0.64%). The education level in Independence of individuals twenty-five or older, consists of 38.26% with some college to a college degree, 40.08% of high school graduates, and 21.66% with less than a high school education.

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.

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.

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.

**City of Independence, Missouri
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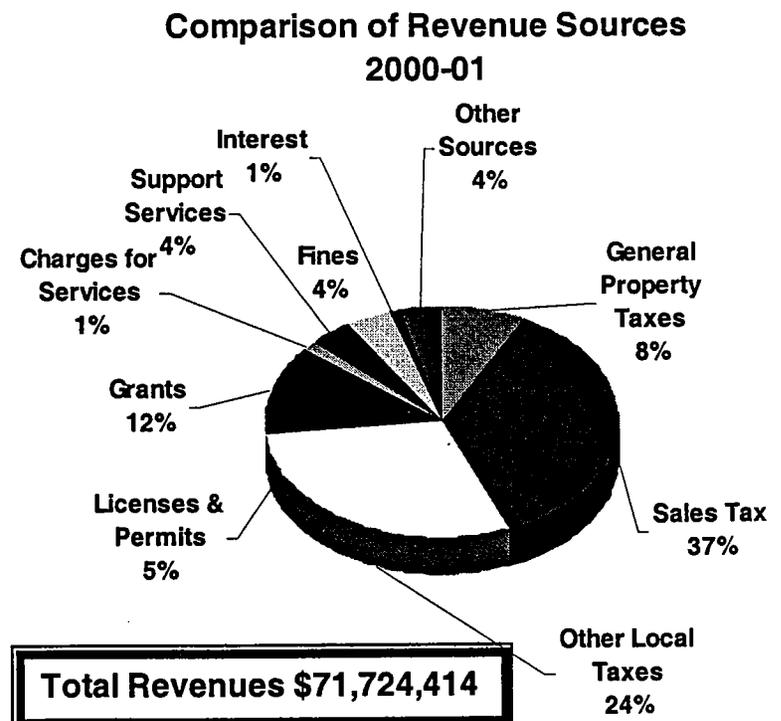
The Audit and Finance Committee, comprised of three members of the City Council, acts in an advisory capacity to the City Council and reviews financial information for appropriateness, reliability, clarity, timeliness and compliance with generally accepted accounting principles and legal requirements. 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, 2001, 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 non-expendable 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 2000-01 total \$58,195,764. This compares with \$53,538,615 in the 1999-00 year and is an increase of \$4,657,149 or 8.7%. Revenues and operating transfers of the Special Revenue Funds totaled \$13,528,650. The total of the City's general governmental operating revenues and other sources was \$71,724,414.

The largest single source of revenue for the City is sales tax which increased 20.0% to \$25,886,499 from a prior fiscal year total of \$21,571,917. This includes sales tax revenue for streets, parks and storm water improvements in the amount of \$9,745,131. The General Fund sales tax increased 12.2%. Utility payments in lieu of taxes increased 23.0% to \$7,004,453 from a prior fiscal year total of \$5,695,789. Intergovernmental revenues reflect a decrease of \$267,972 in grant activity. Charges for services for 2000-01 amounted to \$1,061,733, an increase of \$106,319 over last year. Licenses and permits increased by \$603,638 for an increase of 20.6%. Interest revenues increased 68.1%.



**City of Independence, Missouri
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Other sources of revenue reflected an increase from the previous year of \$1,014,730 or 58.3% due to the issuance of debt for the Truman Memorial Building.

The graph on the previous page and table below illustrates a comparison of major revenue and other financial sources for the General and Special Revenue Funds for the last two fiscal years.

Program	2000-01	% of Total	1999-00	Increase or (Decrease)	
				Amount	Percent
General Property Taxes	\$ 5,652,732	7.9%	\$ 5,349,979	\$ 302,753	5.7%
Sales Tax	25,886,499	36.1%	21,571,917	4,314,582	20.0%
Other Local Taxes	17,550,749	24.5%	15,192,586	2,358,163	15.5%
Licenses & Permits	3,532,316	4.9%	2,928,678	603,638	20.6%
Grants	8,943,578	12.5%	9,211,550	(267,972)	-2.9%
Charges for Services	1,061,733	1.5%	955,414	106,319	11.1%
Support Services	2,757,883	3.8%	2,889,644	(131,761)	-4.6%
Fines	3,010,798	4.2%	2,997,092	13,706	0.5%
Interest	572,573	0.8%	340,558	232,015	68.1%
Other Sources	2,755,553	3.8%	1,740,823	1,014,730	58.3%
Total	\$71,724,414	100.0%	\$63,178,241	\$ 8,546,173	13.5%

Federal, State and Local Grant Programs - The City's grant revenue from federal, state and county governmental units were \$10,678,612 during the year ended June 30, 2001, a decrease of \$3,137,238 or 22.7% from the fiscal year 2000 amount of \$13,815,850. Public Safety revenue decreased primarily due to the Federal funding of the Flood Buy out program. Transportation revenue decreased during the current fiscal year by \$2,347,210 due to less activity in Federal road improvement projects. Non-programmed revenues increased by \$207,464 due to a grant for the restoration of the Truman Memorial Building in the amount of \$693,781 and decreased by \$514,492 in spending related to the Community Development Block Grant Act.

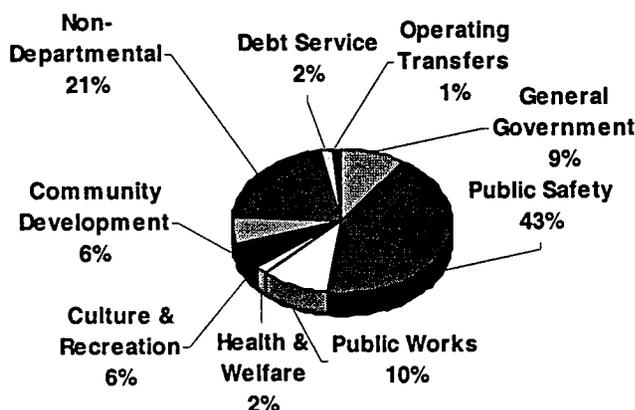
**Federal, State & Local Grant Programs
Comparison of Last Five Fiscal Years**

Program Identity	2000-01	1999-00	1998-99	1997-98	1996-97
Public Safety	\$2,497,212	\$3,673,556	\$1,877,957	\$1,343,007	\$977,732
Transportation	850,103	3,197,313	1,754,267	1,657,640	275,765
Health, Environmental	530,285	275,951	893,138	300,117	544,802
Non-Programmed	2,113,547	1,906,083	1,876,792	1,540,992	776,212
Shared Revenues	4,687,465	4,762,947	4,544,684	4,418,410	4,363,297
Total	\$10,678,612	\$13,815,850	\$10,946,838	\$9,260,166	\$6,937,808

**City of Independence, Missouri
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General operating activities of the City, totaling \$67,976,449 for fiscal year 2000-01, are recorded as expenditures and operating transfers as follows: General Fund \$57,121,076 and Special Revenue Funds \$10,855,373, and are shown in the following graphs and tables classified by program and major class.

**Comparison of Expenditures By Program
2000-01**



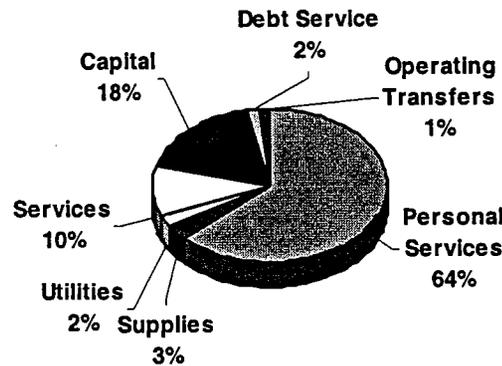
Total Expenditures \$67,976,449

Program	2000-01	% of Total	1999-00	Increase or (Decrease)	
				Amount	Percent
General Government	\$ 6,343,908	9.3%	\$ 6,021,065	\$ 322,843	5.4%
Public Safety	29,136,004	42.9%	27,772,248	1,363,756	4.9%
Public Works	6,867,407	10.1%	5,976,941	890,466	14.9%
Health & Welfare	1,292,388	1.9%	1,175,739	116,649	9.9%
Culture & Recreation	4,017,361	5.9%	3,465,943	551,418	15.9%
Community Development	3,998,820	5.9%	3,952,994	45,826	1.2%
Non-Departmental	14,176,329	20.9%	9,851,479	4,324,850	43.9%
Debt Service	1,267,899	1.9%	1,257,250	10,649	0.8%
Operating Transfers	876,333	1.3%	1,719,519	(843,186)	-49.0%
Total	\$67,976,449	100.0%	\$61,193,178	\$ 6,783,271	11.1%

**City of Independence, Missouri
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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 51.0% of the General Fund and 42.9% of the General and Special Revenue funds combined. The largest expenditure class, Personal Services, accounts for 63.0% of the expenditures for the General and Special Revenue funds. Professional Services and Capital expenditures account for 10.3% and 17.8% respectively.

**By Class
2000-01**



Total Expenditures: \$67,976,449

Class	2000-01	% of Total	1999-00	Increase or (Decrease)	
				Amount	Percent
Personal Services	\$ 42,858,938	64.0%	\$ 40,156,804	\$ 2,702,134	6.7%
Supplies	2,340,427	3.4%	1,841,074	499,353	27.1%
Utilities	1,594,603	2.3%	1,264,964	329,639	26.1%
Services	6,967,588	10.3%	6,503,812	463,776	7.1%
Capital	12,070,661	17.8%	8,449,757	3,620,904	42.9%
Debt Service	1,267,899	1.9%	1,257,248	10,651	0.8%
Operating Transfers	876,333	1.3%	1,719,519	(843,186)	-49.0%
Total	\$ 67,976,449	100.0%	\$ 61,193,178	\$ 6,783,271	11.1%

Proprietary Operations - Enterprise Funds, which are the Power & Light, Water and Sanitary Sewer 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

**City of Independence, Missouri
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which periodic net income measurement is deemed necessary. The operations are accounted for in a way that shows 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. The Storm Water fund deficit balance of \$1,056,694 was transferred to the Sanitary Sewer fund. The General fund will reimburse the Sanitary Sewer fund over a ten-year period.

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 45,945 customers living in Independence and eastern Jackson County, as well as, eleven cities and public water districts. Sales to wholesale customers represent approximately 50.2% of water volume sold and 27.9% 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 with an effective date of July 1, 1998. 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.

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

Power & Light Fund

	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
Gross Revenues	\$ 81,965,004	\$ 70,349,124	\$ 69,173,245	\$ 67,552,096
Net Income	9,269,969	5,320,990	9,224,098	8,151,345
Additions				
Depreciation	6,888,195	6,546,375	6,140,639	6,297,786
Non-Operating Expense	7,635,384	6,565,516	6,488,426	6,191,101
Interest Expense	1,450,632	1,525,383	1,251,342	2,145,766
Income Available for Debt Service	<u>25,244,180</u>	<u>19,958,264</u>	<u>23,104,505</u>	<u>22,785,998</u>
Annual Debt Service	\$ 2,903,835	\$ 2,919,760	\$ 3,095,463	\$ 3,249,615
Coverage	8.69	6.84	7.46	7.01

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Water Fund

	2000-01	1999-00	1998-99	1997-98
Gross Revenues	\$ 16,267,295	\$ 16,656,302	\$ 15,400,654	\$ 15,814,097
Net Income	1,943,869	2,664,840	1,494,787	3,317,490
Additions				
Depreciation	1,751,716	1,706,619	1,678,760	1,641,578
Non-Operating Expense	1,050,165	1,042,947	1,041,049	1,122,540
Interest Expense	1,561,920	1,585,560	1,521,275	1,569,740
Income Available for Debt Service	6,307,670	6,999,966	5,735,871	7,651,348
Annual Debt Service	\$ 2,461,020	\$ 2,435,560	\$ 2,410,313	\$ 2,355,705
Coverage	2.56	2.87	2.38	3.25

Sanitary Sewer Fund

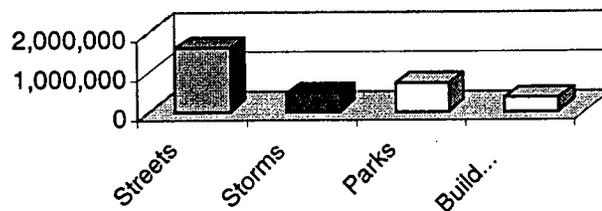
	2000-01	1999-00	1998-99	1997-98
Gross Revenues	\$ 13,852,358	\$ 13,463,695	\$ 13,208,379	\$ 12,397,234
Net Income	1,916,013	1,998,587	1,818,117	1,961,130
Additions				
Depreciation	2,065,328	1,795,116	1,703,877	1,719,123
Non-Operating Expense	1,078,917	1,094,237	1,073,229	1,017,257
Interest Expense	74,643	98,289	108,296	-
Income Available for Debt Service	5,134,901	4,986,229	4,703,519	4,697,510
Annual Debt Service	\$ -	\$ -	\$ -	\$ -
Coverage	N/A	N/A	N/A	N/A

The other proprietary funds are the Central Garage Fund and Stay-Well Health Care Fund. Due to a rise in health care cost, the retained earnings for the Stay-Well Health Care Fund decreased \$952,603 to a balance of \$172,727. The city has since increased premiums and modified benefits in response to increasing costs of health care.

**City of Independence, Missouri
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Public Improvement Programs - The following graph and table summarize the City's public improvement program for fiscal year 2000-01. The City accomplished this program through the use of City personnel and outside contractors.

Public Improvement Expenditures 2000-01



	Appropriation Balance 6/30/00	Appropriations	Expenditures	Appropriation Balance 6/30/01
Streets	\$ 1,901,488	2,643,059	1,591,172	2,953,375
Storms	911,570	650,000	446,968	1,114,602
Parks	21,719	2,925,465	714,497	2,232,687
Buildings	1,108,900	238,008	351,142	995,766
Total	<u>3,943,677</u>	<u>6,456,532</u>	<u>3,103,779</u>	<u>7,296,430</u>

Sales Tax for Streets & Parks Improvements - In August 1998, a half-cent sales tax was approved for streets and parks improvements with three-eighths going to streets and one-eighth going to parks. This tax, which will expire on December 31, 2003, will be used to improve streets, bridges and parks. Revenues in the Street Improvements Sales Tax Fund and Parks Improvement Sales Tax Fund for 2000-01 totaled \$6,112,764 and \$2,142,782 respectively.

Sales Tax for Storm Water Improvements - In August 2000, a one-quarter of 1 percent sales tax for storm water improvements was approved and will expire on December 31, 2010. Revenues in the Storm Water Fund for 2000-01 totaled \$1,688,754.

Debt Administration - As of June 30, 2001, there were no outstanding general obligation bonds, and outstanding revenue bonds totaled \$59,793,673. A detail listing of the City's debt can be found in the Notes to the General Purpose Financial Statements section of this report. The City's current legal debt margin for general obligation bonds is \$208,557,293.

**City of Independence, Missouri
Comprehensive Annual Financial Report for
June 30, 2001**

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 2000-01 were as follows:

	<u>Direct</u>	<u>Overlapping</u>	<u>Total</u>
Gross Bonded Debt	\$ -	\$98,390,567	\$98,390,567
Less: Available Debt Service Funds	-	1,557,472	1,557,472
Net Bonded Debt	<u>\$ -</u>	<u>\$96,833,095</u>	<u>\$96,833,095</u>
Assessed Value January 1, 2001	1,042,786,467		
Ratio of Debt to Assessed Value	N/A	9.3%	9.3%
Population	113,288		
Debt per Capita	N/A	\$854.75	\$854.75

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 one to 270 days. These bonds were converted to fixed interest rates and the outstanding principal was reduced by \$6,050,000 on January 6, 1999. As of June 30, 2001, the total principal balance of the Water Revenue Bonds was \$34,250,000.

On September 2, 1998, the City issued \$23,520,000 in Electric Utility Refunding Revenue Bonds. This transaction resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$3,948,898. As of June 30, 2001, the total principal balance of the Electric Utility Revenue Bonds was \$25,543,673.

Tax Increment Financing (TIF) - The Mount Washington redevelopment agreement was approved and the Commons and Crossroads were completed and closed. This brings the total active redevelopment agreements to eleven.

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 is to always assure the return of principal.

**City of Independence, Missouri
Comprehensive Annual Financial Report for
June 30, 2001**

A three-year banking service agreement was approved on October 1 and goes into effect on November 1, 2001. This agreement invests substantially all excess cash in an interest-bearing account earning at a rate equal to the 91-day United States Treasury Note.

Risk Administration- During the fiscal year, the City renewed all major insurance policies (property, boiler and machinery, general liability, automobile liability, public official's liability and law enforcement liability.) With the assistance of a risk management consultant, all major liability coverage insurance policies were put up for bid and subsequently awarded. As noted earlier, 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 and the current economic conditions for the country 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 of Independence in that many other units of government are experiencing the same difficulty.

OTHER INFORMATION

GASB 34 - The effective date of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* will require implementation by the City for its year ending June 30, 2002. The Finance department has been working on the implementation of GASB 34 for the last two years. The Finance department is preparing quarterly interim statements in accordance with GASB 34. It is our expectation that we will be ready to implement this Statement as of June 30, 2002.

Independent Audit - The financial statements for the fiscal year ending June 30, 2001, as required by the Charter, were audited by KPMG, LLP 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 general purpose financial statements taken as a whole. KPMG, LLP has issued an unqualified opinion on these financial statements. 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 general purpose financial statements 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.

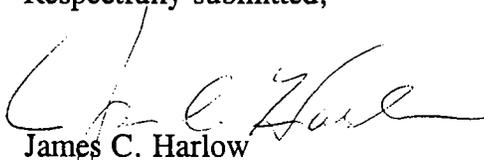
**City of Independence, Missouri
Comprehensive Annual Financial Report for
June 30, 2001**

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 City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current 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, 2000. 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 Comprehensive Annual Financial Report could not have been accomplished without the dedicated services of several members of the Finance Department and especially Ms. Paulette Holst, Controller. I would also like to thank the firm of KPMG, LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,



James C. Harlow
Director of Finance and Administration

CITY OF INDEPENDENCE, MISSOURI

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

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.



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

REPORT OF INDEPENDENT AUDITORS



1000 Walnut
Suite 1600
Kansas City, MO 64106

Independent Auditors' Report

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

We have audited the general purpose financial statements of the City of Independence, Missouri (the City) as of and for the year ended June 30, 2001, as listed in the accompanying 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 general purpose 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, 2001 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 accounting principles generally accepted in the United States of America.

As described in note 19 to the general purpose financial statements, during the fiscal year 2001, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 accompanying 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.

The schedules of funding progress and employer contributions in footnote 12 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employer contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 28, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

September 28, 2001



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.

CITY OF INDEPENDENCE, MISSOURI

Combined Balance Sheet – All Fund Types and Account Groups

June 30, 2001
With Comparative Totals For June 30, 2000

Assets and Other Debits	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
									2001	2000
Pooled cash and investments (note 3)	\$ 3,351,902	7,449,009	1,656,538	63,637,458	1,360,002	111,740	—	—	77,566,649	61,868,918
Receivables:										
Taxes	8,591,271	1,697,448	—	—	—	—	—	—	10,288,719	2,631,177
Accounts, net (note 1D)	—	—	—	13,438,057	852,015	—	—	—	14,290,072	13,310,223
Special assessment principal and accrued interest	751,385	—	1,050,281	232,816	—	—	—	—	2,034,482	1,305,902
Accrued interest	30,621	—	—	1,177,733	17,242	497	—	—	1,226,093	1,317,562
Other	275,513	—	848,435	124,108	—	—	—	—	1,248,056	297,321
Due from other funds (note 6)	2,891,652	—	—	138,719	228	—	—	—	3,030,599	5,131,944
Due from other governments (note 5)	1,058,894	218,953	3,053,286	—	—	—	—	—	4,331,133	4,739,239
Inventory	—	—	—	8,962,936	89,825	—	—	—	9,052,761	8,799,628
Prepaid coal contract	—	—	—	331,500	—	—	—	—	331,500	—
Prepaid items	—	—	—	508,769	—	—	—	—	508,769	41,538
Restricted assets (notes 3 and 8)	581,626	661,173	15,109,070	1,865,024	—	—	—	—	18,216,893	35,978,403
Property, plant, and equipment, net (note 7)	—	—	—	251,937,523	106,551	—	41,057,057	—	293,101,131	271,477,814
Advance to other funds	—	—	—	—	—	—	—	—	—	25,000
Deferred debt issue costs	—	—	—	2,491,731	—	—	—	—	2,491,731	2,661,326
Prepaid employee benefits (note 13)	—	—	—	1,501,437	—	—	—	—	1,501,437	1,642,688
Preliminary survey charges and other	—	—	—	—	—	—	—	—	—	129,391
Amount to be provided for retirement of general long-term debt	—	—	—	—	—	—	—	51,056,912	51,056,912	42,535,319
Total assets and other debits	\$ 17,532,864	10,026,583	21,717,610	346,347,811	2,425,863	112,237	41,057,057	51,056,912	490,276,937	453,893,393

(Continued)

Liabilities, Equity, and Other Credits	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2001	2000
	Accounts and contracts payable	\$ 1,076,944	1,338,736	1,087,048	5,641,505	10,912	246	—	—	9,155,391
Due to other funds (note 6)	—	202,717	2,827,882	—	—	—	—	—	3,030,599	5,131,944
Accrued liabilities	1,222,289	19,312	—	1,134,457	11,230	—	—	—	2,387,288	3,980,723
Compensated absences – current	—	—	—	1,496,009	32,746	—	—	—	1,528,755	1,471,608
Other current liabilities	326,400	—	987,009	327,907	—	18,027	—	—	1,659,343	1,897,675
Deferred revenue	6,763,769	22,452	1,294,592	—	—	—	—	—	8,080,813	1,145,436
Note payable	—	4,165,500	—	—	—	—	—	—	4,165,500	4,412,628
Employee benefits payable (notes 8 and 13)	—	—	—	—	1,438,899	—	—	193,320	1,632,219	5,146,712
Medical self-insurance claims (note 15)	—	—	—	—	735,315	—	—	—	735,315	597,882
Liabilities payable from restricted assets:										
Deposits and court bonds	174,450	—	—	1,121,869	—	—	—	—	1,296,319	1,228,192
Interest on long-term debt	—	—	—	362,198	—	—	—	—	362,198	372,796
Current maturities on revenue bonds (note 8)	—	—	—	2,660,000	—	—	—	—	2,660,000	2,495,000
Current maturities on loan payable (note 8)	—	—	—	545,000	—	—	—	—	545,000	520,000
Revenue bonds payable (note 8)	—	—	—	57,133,673	—	—	—	1,705,000	58,838,673	60,180,731
Loan payable (note 8)	—	—	—	575,000	—	—	—	—	575,000	1,120,000
General obligation/TIF bonds payable (note 8)	—	—	—	—	—	—	—	—	—	2,095,000
TIF loan payable (note 8)	—	—	—	—	—	—	—	36,845,000	36,845,000	24,415,000
Capital lease obligations (note 8)	—	—	—	—	—	—	—	2,130,126	2,130,126	1,826,115
Compensated absences – long-term (note 8)	—	—	—	3,890,527	46,170	—	—	10,183,466	14,120,163	13,980,993
Advances for construction (note 9)	—	—	—	183,550	—	—	—	—	183,550	389,310
Advances from other funds	—	—	—	—	—	—	—	—	—	25,000
Total liabilities	9,563,852	5,748,717	6,196,531	75,071,695	2,275,272	18,273	—	51,056,912	149,931,252	139,200,654
Equity and other credits:										
Investment in general fixed assets	—	—	—	—	—	—	41,057,057	—	41,057,057	39,314,421
Contributed capital (note 10)	—	—	—	51,351,110	—	—	—	—	51,351,110	45,357,862
Retained earnings:										
Reserved (note 8)	—	—	—	500,000	—	—	—	—	500,000	500,000
Unreserved	—	—	—	219,425,006	150,591	—	—	—	219,575,597	204,495,243
Fund balances (notes 17 and 18):										
Reserved	1,920,726	3,662,469	4,465,701	—	—	7,946	—	—	10,056,842	6,805,579
Unreserved:										
Designated	2,539,219	661,173	18,062,446	—	—	72,620	—	—	21,335,458	18,034,248
Undesignated	3,509,067	(45,776)	(7,007,068)	—	—	13,398	—	—	(3,530,379)	185,386
Total equity and other credits	7,969,012	4,277,866	15,521,079	271,276,116	150,591	93,964	41,057,057	—	340,345,685	314,692,739
Total liabilities, equity, and other credits	\$ 17,532,864	10,026,583	21,717,610	346,347,811	2,425,863	112,237	41,057,057	51,056,912	490,276,937	453,893,393

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances – All Governmental Fund Types and Expendable Trust FundsYear Ended June 30, 2001
With Comparative Totals For Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)	
					2001	2000
Revenues:						
Taxes (note 4)	\$ 29,372,239	10,210,374	4,136,636	—	43,719,249	38,199,482
Licenses and permits	3,429,783	102,533	—	—	3,532,316	2,928,678
Intergovernmental (note 5)	7,528,212	1,415,366	1,699,862	—	10,643,440	13,815,850
Utility payments in lieu of taxes (note 6)	9,507,367	—	—	—	9,507,367	8,430,063
Charges for services	1,060,488	1,246	600,880	19,841	1,682,455	1,377,717
Interfund charges for support services (note 6)	2,757,884	—	—	—	2,757,884	2,889,644
Fines, forfeitures, and court costs	3,010,798	—	—	—	3,010,798	2,997,092
Interest	360,397	212,173	993,664	4,719	1,570,953	852,855
Sale of property, plant, and equipment	44,659	—	—	—	44,659	63,838
Other (note 6)	509,809	25,196	24,197	2,082	561,284	667,564
Total revenues	57,581,636	11,966,888	7,455,239	26,642	77,030,405	72,222,783
Expenditures:						
Current:						
General government	6,343,908	—	—	—	6,343,908	6,021,065
Public safety	29,136,004	—	—	—	29,136,004	30,360,187
Public works	6,867,407	—	—	—	6,867,407	5,976,941
Health and welfare	1,292,388	—	—	—	1,292,388	1,175,739
Culture and recreation	1,948,066	2,069,295	—	—	4,017,361	3,465,943
Community development	2,665,482	1,333,338	—	23,241	4,022,061	1,476,358
Nondepartmental	4,733,858	16,753	—	—	4,750,611	4,204,337
Capital outlay	2,728,951	7,310,895	18,676,812	—	28,716,658	21,676,431
Debt service:						
Principal (note 8)	454,068	67,165	2,480,000	—	3,001,233	4,087,505
Interest and fiscal agent fees	124,696	7,842	1,785,124	—	1,917,662	1,036,447
Total expenditures	56,294,828	10,805,288	22,941,936	23,241	90,065,293	79,480,953
Excess (deficiency) of revenues over expenditures	1,286,808	1,161,600	(15,486,697)	3,401	(13,034,888)	(7,258,170)
Other financing sources (uses):						
Proceeds from capital leases	614,128	296,592	—	—	910,720	688,971
Proceeds from bond issuance	—	1,215,000	12,815,000	—	14,030,000	17,975,000
Operating transfers in (note 6)	—	50,170	759,248	—	809,418	1,696,776
Operating transfers out (note 6)	(826,248)	(50,085)	—	—	(876,333)	(1,719,652)
Total other financing sources (uses)	(212,120)	1,511,677	13,574,248	—	14,873,805	18,641,095
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,074,688	2,673,277	(1,912,449)	3,401	1,838,917	11,382,925
Fund balances, beginning of year, as previously reported	6,229,361	1,272,597	17,433,528	77,957	25,013,443	13,630,518
Effect of change in accounting principle (note 19)	664,963	331,992	—	—	996,955	—
Fund balances, beginning of year, as restated	6,894,324	1,604,589	17,433,528	77,957	26,010,398	13,630,518
Fund balances, June 30	\$ 7,969,012	4,277,866	15,521,079	81,358	27,849,315	25,013,443

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, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance– Favorable (Unfavorable)	Budget	Actual	Variance– Favorable (Unfavorable)
Revenues:						
Taxes	\$ 28,227,954	29,372,239	1,144,285	500,000	443,670	(56,330)
Payments in lieu of taxes	8,444,098	9,507,367	1,063,269	—	—	—
Licenses and permits	3,276,340	3,429,783	153,443	—	—	—
Grants – federal and state	2,097,516	1,818,354	(279,162)	47,225	33,304	(13,921)
State and county shared revenue	5,911,752	5,709,858	(201,894)	—	—	—
Charges for current services	1,221,059	1,060,488	(160,571)	—	—	—
Interfund charges for support services	2,853,200	2,757,884	(95,316)	—	—	—
Fines and forfeitures	3,048,899	3,010,798	(38,101)	—	—	—
Other revenue	1,005,910	914,865	(91,045)	30,345	37,389	7,044
Total revenues	56,086,728	57,581,636	1,494,908	577,570	514,363	(63,207)
Expenditures – current:						
General government	6,379,905	6,353,296	26,609	—	—	—
Public safety	33,583,044	32,564,454	1,018,590	—	—	—
Public works	6,301,048	6,298,657	2,391	—	—	—
Health and welfare	1,383,007	1,293,135	89,872	—	—	—
Water pollution	306,676	295,929	10,747	—	—	—
Culture and recreation	2,010,806	1,956,672	54,134	573,006	501,638	71,368
Other	8,451,826	8,013,701	438,125	—	—	—
Total expenditures	58,416,312	56,775,844	1,640,468	573,006	501,638	71,368
Excess of revenues over (under) expenditures	(2,329,584)	805,792	3,135,376	4,564	12,725	8,161
Other financing sources (uses):						
Proceeds from capital leases	1,866,330	614,128	(1,252,202)	—	—	—
Operating transfers out	1,317,419	(826,248)	(2,143,667)	—	—	—
Total other financing sources (uses)	3,183,749	(212,120)	(3,395,869)	—	—	—
Excess (deficiency) of revenues and other sources over expendi- tures and other uses	\$ 854,165	593,672	(260,493)	4,564	12,725	8,161
Undesignated fund balances at beginning of year		2,623,804			70,697	
Cancellation of prior year encumbrances		117,898			4,913	
Increase in other fund balance components during the year (1)		173,693			—	
Undesignated fund balances at end of year		\$ 3,509,067			88,335	

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

See accompanying 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 Fund

Year Ended June 30, 2001

With Comparative Totals For Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals	
	Enterprise	Internal Service	Non- expendable Trust	(Memorandum Only)	
				2001	2000
Operating revenues:					
Sale of electric energy	\$ 79,381,987	—	—	79,381,987	67,741,998
Sale of water	14,925,210	—	—	14,925,210	15,073,939
Sanitary sewerage charges	12,884,435	—	—	12,884,435	12,654,387
Repairs and maintenance charges	—	1,272,313	—	1,272,313	1,126,988
Premiums	—	8,196,540	—	8,196,540	6,770,993
Interest income	—	—	834	834	615
Other operating revenue	408,751	—	—	408,751	393,131
Total operating revenues	107,600,383	9,468,853	834	117,070,070	103,762,051
Operating expenses:					
Electric utility plant operations	57,618,482	—	—	57,618,482	50,390,860
Water system operations	10,018,128	—	—	10,018,128	9,656,334
Sewer system operations	8,893,459	—	—	8,893,459	8,477,466
Public works	—	1,231,983	—	1,231,983	1,099,563
Health care plan expenses	—	9,239,968	—	9,239,968	7,698,620
Depreciation and amortization	10,708,362	5,504	—	10,713,866	10,082,960
Payments to General Fund in lieu of taxes (note 6)	9,507,367	—	—	9,507,367	8,430,063
Other	60,840	—	—	60,840	58,560
Total operating expenses	96,806,638	10,477,455	—	107,284,093	95,894,426
Operating income (loss)	10,793,745	(1,008,602)	834	9,785,977	7,867,625
Nonoperating revenues (expenses):					
Interest income	4,239,728	225,351	—	4,465,079	4,673,148
Interest expense	(3,087,195)	—	—	(3,087,195)	(3,210,350)
Other	244,546	—	—	244,546	164,356
Administrative fees for revenue bonds and certificates of participation	(25,364)	—	—	(25,364)	(8,009)
Amortization of debt issue costs	(170,895)	—	—	(170,895)	(176,218)
	1,200,820	225,351	—	1,426,171	1,442,927
Income (loss) before operating transfers	11,994,565	(783,251)	834	11,212,148	9,310,552
Operating transfers in (note 6)	1,132,163	52,728	—	1,184,891	52,728
Operating transfers out (note 6)	—	(1,117,976)	—	(1,117,976)	(29,852)
Net income (loss)	13,126,728	(1,848,499)	834	11,279,063	9,333,428
Add credit arising from transfer of depreciation on contributed assets to contributed capital (note 10)	1,383,437	—	—	1,383,437	1,315,634
Transferred to retained earnings	14,510,165	(1,848,499)	834	12,662,500	10,649,062
Retained earnings/fund balances, July 1, as previously reported	202,996,153	1,999,090	11,772	205,007,015	194,357,953
Correction of error (note 7)	2,418,688	—	—	2,418,688	—
Retained earnings, July 1, as restated	205,414,841	1,999,090	11,772	207,425,703	194,357,953
Retained earnings/fund balances, June 30	\$ 219,925,006	150,591	12,606	220,088,203	205,007,015

See accompanying notes to general purpose financial statements.

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Cash Flows – All Proprietary
Fund Types and Nonexpendable Trust FundYear Ended June 30, 2001
With Comparative Totals For Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-expendable Trust</u>	<u>(Memorandum Only)</u>	
				<u>2001</u>	<u>2000</u>
Operating activities:					
Operating income (loss)	\$ 10,793,745	(1,008,602)	834	9,785,977	7,867,625
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	10,708,362	5,504	—	10,713,866	10,082,960
Other revenue	244,546	—	—	244,546	164,356
Changes in assets and liabilities:					
Accounts receivable and unbilled revenue	(127,834)	(852,015)	—	(979,849)	(2,018,128)
Accrued interest	—	3,033	—	3,033	1,379
Inventory	(260,873)	7,740	—	(253,133)	(379,965)
Due from other funds	587,667	287	—	587,954	(718,738)
Prepaid items and other	(657,480)	—	—	(657,480)	407,593
Preliminary survey charges and other	129,391	—	—	129,391	(561)
Accounts and contracts payable	84,216	(9,208)	—	75,008	484,483
Accrued expenses	(1,696,000)	870	—	(1,695,130)	1,322,118
Compensated absences	25,999	4,130	—	30,129	325,676
Customer deposits	66,282	—	—	66,282	48,208
Employee benefits payable	—	32,171	—	32,171	(211,754)
Due to other funds	44,841	—	—	44,841	602,443
Other current liabilities	(602,443)	137,433	—	(465,010)	262,321
Net cash provided by (used in) operating activities	<u>19,340,419</u>	<u>(1,678,657)</u>	<u>834</u>	<u>17,662,596</u>	<u>18,240,016</u>
Capital and related financing activities:					
Advances for construction	97,735	—	—	97,735	(25,235)
Principal paid on revenue bonds and note payable (note 8)	(3,015,000)	—	—	(3,015,000)	(2,880,000)
Additions of property, plant, and equipment	(23,232,688)	14,826	—	(23,217,862)	(21,210,714)
Interest paid on debt	(3,097,793)	—	—	(3,097,793)	(3,220,163)
Net cash provided by (used in) capital and related financing activities	<u>\$ (29,247,746)</u>	<u>14,826</u>	<u>—</u>	<u>(29,232,920)</u>	<u>(27,336,112)</u>

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Combined Statement of Cash Flows – All Proprietary
Fund Types and Nonexpendable Trust FundYear Ended June 30, 2001
With Comparative Totals For Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-expendable Trust</u>	<u>(Memorandum Only)</u>	
				<u>2001</u>	<u>2000</u>
Noncapital financing activities:					
Operating transfers in	\$ 1,132,163	52,728	—	1,184,891	52,728
Operating transfers out	—	(1,117,976)	—	(1,117,976)	—
Net cash provided by (used in) non-capital financing activities	<u>1,132,163</u>	<u>(1,065,248)</u>	<u>—</u>	<u>66,915</u>	<u>52,728</u>
Investing activities:					
Purchases of investments	(61,474,274)	—	—	(61,474,274)	—
Maturities of investments	60,941,629	—	—	60,941,629	—
Interest and dividends on investments	<u>4,073,186</u>	<u>225,351</u>	<u>—</u>	<u>4,298,537</u>	<u>5,514,967</u>
Net cash provided by investing activities	<u>3,540,541</u>	<u>225,351</u>	<u>—</u>	<u>3,765,892</u>	<u>5,514,967</u>
Net increase (decrease) in cash and cash equivalents	(5,234,623)	(2,503,728)	834	(7,737,517)	(3,528,401)
Cash and cash equivalents, July 1	<u>21,119,122</u>	<u>3,863,730</u>	<u>11,772</u>	<u>24,994,624</u>	<u>28,523,025</u>
Cash and cash equivalents, June 30	15,884,499	1,360,002	12,606	17,257,107	24,994,624
Investments with original maturities greater than ninety days	<u>49,617,983</u>	<u>—</u>	<u>—</u>	<u>49,617,983</u>	<u>46,696,397</u>
Cash and investments	<u>\$ 65,502,482</u>	<u>1,360,002</u>	<u>12,606</u>	<u>66,875,090</u>	<u>71,691,021</u>
Components of cash and cash equivalents at end of year:					
Unrestricted	\$ 63,637,458	1,360,002	12,606	65,010,066	51,467,185
Restricted	<u>1,865,024</u>	<u>—</u>	<u>—</u>	<u>1,865,024</u>	<u>20,223,836</u>
	<u>\$ 65,502,482</u>	<u>1,360,002</u>	<u>12,606</u>	<u>66,875,090</u>	<u>71,691,021</u>
Composition of Fiduciary Fund Types, cash, and investments:					
Waggoner Memorial (Nonexpendable Trust Fund)			\$ 12,606		11,770
Miscellaneous (Expendable Trust Fund)			81,107		77,857
Flexible Benefits Plan (Agency Fund)			<u>18,027</u>		<u>15,518</u>
			<u>\$ 111,740</u>		<u>105,145</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 general purpose financial statements.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(1) Summary of Significant Accounting Policies

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

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

(A) *The Financial Reporting Entity*

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

The Tax Increment Financing Commission (TIF) is governed by an eleven-member board of which six members are appointed by the City Council. The remaining five members are appointed by the respective taxing districts' boards. The TIF is legally separate from the City, 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 a blended component unit 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, 2001

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, 2001

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, the Truman Memorial Building Fund, and the Mayor's Benefit Fund, and are 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, fines and forfeitures, and certain state and federal grants and entitlements. Sales taxes collected and held by the State of Missouri at year-end on behalf of the City also are recognized as revenue. Licenses and permits, 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, 2001

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 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, 2001 include billed receivables, net of allowance for uncollectible accounts of \$545,735, and unbilled revenues totaling \$6,877,790.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

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.

(H) 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.

(I) 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.

(J) Encumbrances

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

(K) Compensated Absences

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

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

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 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. 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 and Designations

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 are so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, these investments are considered cash equivalents.

(P) Use of Estimates

The preparation of general purpose 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(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 2000-2001 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 General and Tourism Special Revenue Governmental Funds. Annual operating budgets are not prepared for Capital Projects Funds and the other special revenue funds although budgets on a project basis are prepared. Therefore, these funds have been omitted from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis).

The City's policy is to prepare the annual operating budget on a basis which includes encumbrances as the equivalent of expenditures. The 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, 2001

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 following budget basis statement:

	<u>General Fund</u>	<u>Tourism Fund</u>
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 57,581,636	514,363
Basis differences – budget to GAAP – none	<u>—</u>	<u>—</u>
 Total revenues as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds	 <u>\$ 57,581,636</u>	 <u>514,363</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 56,775,844	501,638
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget	(1,738,804)	(71,802)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>1,257,788</u>	<u>67,231</u>
 Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	 <u>\$ 56,294,828</u>	 <u>497,067</u>

(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 of Missouri.

The City maintains a cash and investment pool which is available for use by most funds. Substantially all excess cash is invested in U. S. treasury securities and money market funds. Each fund 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

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

Investments:	
Short-term investments held in trust	\$ 15,109,070
U. S. treasury securities	<u>66,343,572</u>
Total investments	81,452,642
Deposits	14,321,410
Petty cash	<u>9,490</u>
	<u>\$ 95,783,542</u>

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

	<u>Carrying Amount</u>
Pooled cash and investments	\$ 77,566,649
Restricted assets	<u>18,216,893</u>
Total	<u>\$ 95,783,542</u>

Deposits – At June 30, 2001, the carrying amount of the City's deposits was \$14,321,410 and the bank balance was \$18,691,588. Of the bank balance, \$100,000 was covered by federal depository insurance (FDIC) and \$18,591,588 was covered by collateral in the form of a \$25,000,000 irrevocable letter of credit that the City entered into with the Federal Home Loan Bank of Des Moines, Iowa on February 12, 2001. There was no amount outstanding on this letter of credit as of June 30, 2001.

Investments – The City's investments are categorized as either (1) insured and registered for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the bank's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the bank or by its trust department or agent, but not in the City's name. At June 30, 2001, the City's investments in U. S. treasury securities of \$66,343,572 were classified as category (2) above. Short-term investments held in trust represent money markets or mutual funds, which are not subject to categorization.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(4) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2000 is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Real estate tax	\$ 5,591,990	21,573	2,025,616
Railroad utilities tax	39,169	—	—
Cigarette tax	595,259	—	—
Transient guest tax	—	443,670	—
Sales tax	16,141,368	9,745,131	2,111,020
Franchise tax	<u>7,004,453</u>	<u>—</u>	<u>—</u>
	<u>\$ 29,372,239</u>	<u>10,210,374</u>	<u>4,136,636</u>

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

Assessed values are established by the Clay and Jackson County Assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2000, on which the fiscal 2001 levy was based, was \$749,292,711. In the year ended June 30, 2001, the City collected 94.66% 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, 2000 were \$.51 for the General Fund, \$.24 for Public Health and Recreation, and \$.46 for the Independence Square Benefit District Fund.

The City has passed ordinances to establish TIFs. The establishment of these districts allows the City to provide public improvements to encourage developers to construct and make new investments within blighted, conservation, or economic areas. Through the use of a TIF district, the City can utilize one-half of the incremental Jackson County and City sales taxes, plus the taxes generated by the incremental increase in property values from the date the TIFs were established, and the combined levies of all taxing jurisdictions for infrastructure improvements. Tax revenues (real estate and sales taxes) available to the TIFs for the year ended June 30, 2001 were \$4,136,636 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, 2001

(5) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2001 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Sanitary Sewer Fund</u>	<u>Total</u>
Federal:					
Federal Emergency Management Agency:					
Emergency Management Assistance	\$ 41,318	—	—	—	41,318
Flood Budget Program	—	—	101,639	—	101,639
Disaster Relief	—	—	—	35,172	35,172
Department of Health and Human Services:					
Home Visitation Capacity Building	80,115	—	—	—	80,115
Administration on Aging	25,000	—	—	—	25,000
Homeless Challenge	30,458	—	—	—	30,458
Childcare and Development Block Grant	9,175	—	—	—	9,175
Summer Food Services Program	348	—	—	—	348
Chronic Disease Health Educator	18,766	—	—	—	18,766
Childhood Lead Poisoning Prevention	11,100	—	—	—	11,100
West Nile Virus Surveillance	1,988	—	—	—	1,988
Department of Housing and Urban Development:					
Emergency Shelter Grant	49,944	—	—	—	49,944
Community Development Block Grant	—	903,088	—	—	903,088
Home Investment Partnership Grant	—	478,974	—	—	478,974
Department of Transportation:					
Urban Mass Transportation Assistance	34,690	—	—	—	34,690
Highway Planning and Construction	—	—	576,486	—	576,486
State and Community Highway Safety	90,512	—	—	—	90,512
Department of Justice:					
Narcotics Control Assistance Program	119,635	—	—	—	119,635
Community Oriented Policing Services (COPS)	281,996	—	—	—	281,996
Office of National Drug Control Policy	298,015	—	—	—	298,015
Office of Justice Programs	452,386	—	—	—	452,386
Violence Against Women Grant	152,021	—	—	—	152,021
Total federal	<u>1,697,467</u>	<u>1,382,062</u>	<u>678,125</u>	<u>35,172</u>	<u>3,792,826</u>
State and local:					
Department of Health and Human Services	124,024	—	—	—	124,024
Department of Revenue:					
Motor vehicle fuel tax	3,194,821	—	—	—	3,194,821
Motor vehicle sales tax	826,722	—	—	—	826,722
Motor vehicle fees	644,060	—	—	—	644,060
Financial institution tax	21,862	—	—	—	21,862
Department of Public Safety:					
School Resource Truancy Officers	44,304	—	—	—	44,304
Post Commission Fund	5,505	—	—	—	5,505
Missouri Police Chief's Association:					
Seat Belt Enforcement	6,589	—	—	—	6,589
Department of Public Service:					
Youth/Family Court Grant	14,000	—	—	—	14,000
Department of Mental Health:					
Retail Tobacco Sales Enforcement	38,300	—	—	—	38,300
Department of Conservation:					
Tree Resource Improvements and Maintenance	10,000	—	—	—	10,000
Department of Natural Resources:					
Spring Branch Watershed Study	—	—	24,000	—	24,000
North Fork of Crackerneck Deten.	—	—	17,950	—	17,950
27th and Scott	—	—	47,079	—	47,079
Office of Administration:					
Truman Memorial Building	—	—	693,781	—	693,781
Jackson County Anti-Drug Tax	334,095	—	—	—	334,095
Jackson County Funding of D.A.R.E. Program	561,343	—	—	—	561,343
Jackson County Urban Road System	—	—	238,927	—	238,927
Jackson County Healthy Child Education	720	—	—	—	720
Historic Markers Truman Heritage District	4,400	—	—	—	4,400
Other	—	33,304	—	—	33,304
Total state and local	<u>5,830,745</u>	<u>33,304</u>	<u>1,021,737</u>	<u>—</u>	<u>6,885,786</u>
Total	<u>\$ 7,528,212</u>	<u>1,415,366</u>	<u>1,699,862</u>	<u>35,172</u>	<u>10,678,612</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

Amounts due from other governments at June 30, 2001 are as follows:

	<u>Federal</u>	<u>State and Local</u>	<u>Total</u>
General:			
Department of Justice:			
Office of National Drug Control – HIDTA	\$ 37,084	—	37,084
Office of COPS	25,959	—	25,959
Office of Justice Programs	113,016	—	113,016
Department of Revenue:			
Motor vehicle fuel tax	—	540,000	540,000
Motor vehicle sales tax	—	75,000	75,000
Motor vehicle license fees	—	155,000	155,000
Other	78,333	34,502	112,835
	<u>254,392</u>	<u>804,502</u>	<u>1,058,894</u>
Special Revenue:			
Department of Housing and Urban Development –			
Community Development Block Grant	178,848	—	178,848
Rental Rehabilitation	40,105	—	40,105
	<u>218,953</u>	<u>—</u>	<u>218,953</u>
Capital Projects:			
Department of Transportation – Highway			
Planning and Construction	2,126,414	—	2,126,414
Department of Natural Resources	76	306,429	306,505
Jackson County – Urban Road System	—	406,855	406,855
Tax Increment Financing Projects	—	213,512	213,512
	<u>2,126,490</u>	<u>926,796</u>	<u>3,053,286</u>
Total	<u><u>\$ 2,599,835</u></u>	<u><u>1,731,298</u></u>	<u><u>4,331,133</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(6) Interfund Transactions

(A) Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2001 were as follows:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 2,891,652	—
Special Revenue:		
Community Development Grant Act	—	140,070
Storm Water Sales Tax	—	36,419
Rental Rehabilitation	—	26,228
	<u>—</u>	<u>202,717</u>
Capital Projects:		
Street Improvements	—	2,264,027
Buildings and Other Improvements	—	392,998
Tax Increment Financing	—	102,300
Storm Drainage	—	68,557
	<u>—</u>	<u>2,827,882</u>
Enterprise:		
Power and Light	102,300	—
Sanitary Sewer	36,419	—
	<u>138,719</u>	<u>—</u>
Internal Service – Central Garage	228	—
	<u>\$ 3,030,599</u>	<u>3,030,599</u>

(B) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2001 were as follows:

	<u>Interfund Charges</u>	<u>Rent</u>
Tourism Fund	\$ 10,000	7,728
Power and Light Fund	1,375,198	63,927
Sanitary Sewer Fund	621,120	26,353
Water Fund	751,566	38,474
	<u>\$ 2,757,884</u>	<u>136,482</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

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 2001 as follows:

Sanitary Sewer Fund	\$ 258,755
Power and Light Fund	<u>632,515</u>
	<u>\$ 891,270</u>

(C) Payments in Lieu of Taxes

The payments of \$7,543,970, \$898,924, and \$1,064,473 in fiscal year 2001 by the Power and Light, Water, and Sanitary Sewer (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.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(D) Interfund Operating Transfers

Interfund operating transfers for fiscal year 2001 were as follows:

	<u>Transfer To</u>	<u>Transfer From</u>
General	\$ —	826,248
Special Revenue:		
Community Development Grant Act	—	48,724
Street Improvements Sales Tax	—	1,021
Park Improvements Sales Tax	—	340
Storm Water Sales Tax	50,170	—
	<u>50,170</u>	<u>50,085</u>
Capital Projects:		
Street Improvements	266,647	—
Tax Increment Financing	4,084	—
Buildings and Other Improvements	211,502	—
Storm Drainage	256,300	—
Park Improvements	20,715	—
	<u>759,248</u>	<u>—</u>
Enterprise Fund:		
Power and Light	897,657	—
Sanitary Sewer	176,003	—
Water	58,503	—
	<u>1,132,163</u>	<u>—</u>
Internal Service – Employee Benefits Fund	<u>52,728</u>	<u>1,117,976</u>
Total operating transfers	\$ <u>1,994,309</u>	<u>1,994,309</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(7) Fixed Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 10,617,336	—	29,048	10,588,288
Buildings	9,582,500	105,422	56,103	9,631,819
Building improvements	933,348	1,713,227	—	2,646,575
Improvements other than buildings	1,372,196	37,185	372,510	1,036,871
Office furniture and equipment	2,049,192	18,603	1,178,360	889,435
Computer equipment	705,646	147,687	—	853,333
Mobile equipment	11,425,738	2,279,114	442,302	13,262,550
Other equipment	2,628,465	232,422	712,701	2,148,186
	<u>\$ 39,314,421</u>	<u>4,533,660</u>	<u>2,791,024</u>	<u>41,057,057</u>

A summary of property, plant, and equipment of the Enterprise and Internal Service Fund Types at June 30, 2001 is as follows:

	Enterprise	Internal Service
Land	\$ —	93,979
Building and improvements	—	134,951
Sanitary sewer lines	64,130,178	—
Production	132,356,941	—
Treatment plant	26,348,609	—
Transmission and distribution equipment	144,189,043	—
General plant	25,397,679	—
Furniture and equipment	—	88,368
Acquisition adjustment	15,303,335	—
Construction in progress	26,142,608	—
Nonutility property	150,810	—
	<u>434,019,203</u>	<u>317,298</u>
Less accumulated depreciation	<u>182,081,680</u>	<u>210,747</u>
	<u>\$ 251,937,523</u>	<u>106,551</u>

Construction in progress at June 30, 2001 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, 2001

The Public Works Department implemented the Geographic Information System (GIS) this year to account for the value of sewer lines. This system is considered more accurate than the older manual system. The value of the sewer lines on the GIS system was significantly higher than the balance on the City's current books. This necessitated a prior period adjustment to bring the book balance for sewer lines into agreement with this system.

(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, 2001:

General Long-Term Debt Account Group

	<u>TIF Bonds</u>	<u>TIF Loans</u>	<u>Revenue Bonds Payable</u>	<u>Capital Lease Obligations</u>	<u>Employee Benefits Payable (Note 13)</u>	<u>Compen- sated Absences</u>
Balance, June 30, 2000	\$ 2,095,000	24,415,000	530,000	1,700,639	3,739,984	10,054,696
Increase	—	12,815,000	1,215,000	910,720	—	190,087
Retired	<u>(2,095,000)</u>	<u>(385,000)</u>	<u>(40,000)</u>	<u>(481,233)</u>	<u>(3,546,664)</u>	<u>(61,317)</u>
Balance, June 30, 2001	\$ <u>—</u>	<u>36,845,000</u>	<u>1,705,000</u>	<u>2,130,126</u>	<u>193,320</u>	<u>10,183,466</u>

Proprietary Funds

	<u>Revenue Bonds</u>	<u>Loan Payable</u>	<u>Capital Lease Obligations</u>	<u>Compen- sated Absences</u>
Balance, June 30, 2000	\$ 62,145,731	1,640,000	125,476	3,926,297
Increase	—	—	—	37,418
Retired	(2,495,000)	(520,000)	(125,476)	(27,018)
Amortization of deferred loss	<u>142,942</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance, June 30, 2001	\$ <u>59,793,673</u>	<u>1,120,000</u>	<u>—</u>	<u>3,936,697</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(A) Revenue Bonds

Revenue bonds payable at June 30, 2001 are comprised of the following individual issues:

Power and Light Fund:

\$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003	\$ 20,540,000
Less deferred loss on refunding	(1,846,327)

\$8,590,000 1993 Electric Utility Refunding Revenue Bonds, due in annual installments of \$100,000 to \$1,950,000 through June 1, 2014, interest at 4.5% to 7.5%, callable 4.5% at par after June 1, 2002	6,850,000
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Water Fund:

\$36,000,000 1986 Water Utility Remarketing Bonds, principal due in annual installments of \$850,000 to \$5,010,000 through June 30, 2017, interest at approximately 3.25% to 5.0%	<u>34,250,000</u>
--	-------------------

\$ 59,793,673

The annual requirements to pay principal and interest on revenue bonds payable at June 30, 2001 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 2,660,000	2,759,120	5,419,120
2003	2,810,000	2,649,205	5,459,205
2004	2,920,000	2,530,045	5,450,045
2005	3,085,000	2,405,693	5,490,693
2006	3,295,000	2,270,670	5,565,670
2007-2017	<u>46,870,000</u>	<u>12,383,969</u>	<u>59,253,969</u>
	<u>\$ 61,640,000</u>	<u>24,998,702</u>	<u>86,638,702</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

The power and light revenue bond ordinance and the water revenue bond indenture require that the systems be accounted for in separate Enterprise Funds. They also require that after sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts in the following sequences:

<u>Account</u>	<u>Restriction</u>
Principal and interest	For the monthly accumulation of monies to meet the maturing revenue bond principal and interest requirements.
Depreciation and emergency (water only)	For the accumulation of \$500,000 to finance emergency repairs and system improvements.

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

<u>Account</u>	<u>Enterprise Funds</u>	
	<u>Restricted Assets</u>	<u>Reserved Retained Earnings</u>
Principal and interest	\$ 243,155	—
Depreciation and emergency	500,000	500,000
Total revenue bond reserves	743,155	500,000
Customer deposits	1,121,869	—
Total	\$ <u>1,865,024</u>	<u>500,000</u>

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

Restricted assets in the General Fund of \$581,626 at June 30, 2001 consist of cash on deposit for a workers' compensation bond (note 15), a debt service reserve (note 8), and municipal court bond deposits.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(B) Tax Increment Financing

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%. In September 2000, a payment of \$2,095,000 was paid by the City for extinguishment of this debt in full.

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

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

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

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

The annual requirements to pay principal and interest on TIF loans payable at June 30, 2001 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 875,000	2,086,620	2,961,620
2003	1,360,000	2,046,657	3,406,657
2004	1,510,000	1,976,637	3,486,637
2005	1,535,000	1,896,560	3,431,560
2006	1,690,000	1,810,565	3,500,564
2007–2021	<u>29,875,000</u>	<u>14,135,044</u>	<u>44,010,045</u>
	<u>\$ 36,845,000</u>	<u>23,952,083</u>	<u>60,797,083</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

Restricted assets in the Capital Projects Funds of \$15,109,070 consist of funds available for costs related to the redevelopment of the Bolger Square, Hartman Heritage, and Eastland Center areas.

(C) Sanitary Sewer Loan Payable

On July 1, 1998, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$2,610,000, due in semiannual installments of \$235,000 to \$290,000 through June 30, 2003 with interest at 4.75% to 5.00%. The payments will be funded by annual appropriations.

The annual requirements to pay principal and interest on the sanitary sewer loan payable at June 30, 2001 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 545,000	49,250	594,250
2003	<u>575,000</u>	<u>21,625</u>	<u>596,625</u>
	<u>\$ 1,120,000</u>	<u>70,875</u>	<u>1,190,875</u>

(D) General Fund Loan Payable

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 45,000	26,405	71,405
2003	45,000	24,155	69,155
2004	50,000	21,860	71,860
2005	50,000	19,260	69,260
2006	55,000	16,635	71,635
Thereafter	<u>245,000</u>	<u>35,197</u>	<u>280,197</u>
	<u>\$ 490,000</u>	<u>143,512</u>	<u>633,512</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(E) Park Improvement Sales Tax Loan Payable

On June 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,215,000. Interest is due in semiannual installments of \$25,819 through June 1, 2004 with interest at 4.25%. The City is required to make a one-time principal payment of \$1,215,000 on June 1, 2004. The proceeds will be used for the restoration of the Truman Memorial Building.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ —	51,638	51,638
2003	—	51,638	51,638
2004	<u>1,215,000</u>	<u>51,637</u>	<u>1,266,637</u>
	<u>\$ 1,215,000</u>	<u>154,913</u>	<u>1,369,913</u>

(F) Capital Lease Obligations

Capital leases payable at June 30, 2001 are comprised of the following:

Governmental Funds:		
CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006; a lease utilized to renovate the HVAC of City Hall	\$ 436,127	
First National Bank of Louisburg, interest at 5.25%, semiannual installments through December 1, 2001; a lease utilized to purchase two fire pumper trucks and various equipment for the Fire Department	5,000	
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	220,750	
Kansas State Bank of Manhattan, interest at 6%, annual installments through July 13, 2003; a lease to purchase a Daewoo DH Excavator	51,496	
Deere Credit, Inc., interest at 5.75%, annual installments through August 20, 2002; a lease to purchase a John Deere 672CH motor grader	55,723	
IBM Corporation, interest at 5.69%, monthly installments through September 1, 2002; a lease to purchase an IBM magnetic tape drive	12,502	
Emergency One, Inc, interest at 4.84%, annual installments through May 18, 2005; a lease to purchase a non-walk-in rescue unit on a commercial chassis and custom pumpers on 2 Emergency One Cyclone chassis	361,777	
IBM Corporation, interest at 6.69%, monthly installments through June 1, 2003; a lease to purchase an IBM AS/400 Model 720, related components, and software for the Technology Services Department	143,196	
Emergency One, Inc, interest at 5.84%, annual installments through March 2006; a lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus	487,637	
Emergency One, Inc, interest at 6.31%, annual installments through October 2007; a lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus	<u>126,490</u>	
	<u>\$ 1,900,698</u>	

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

Special Revenue Funds:	
Caterpillar Financial Services Corporation, interest at 6.25%, annual installments through December 2003; a lease to purchase a back-end loader and a front-end loader	\$ 96,900
Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005; a lease to purchase a Vac-Con Sewer Cleaner	<u>132,528</u>
	<u>\$ 229,428</u>

Assets acquired through capital leases in the General Fixed Assets Account Group amounted to \$5,188,758 as of June 30, 2001.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2001 were as follows:

<u>Year Ending June 30,</u>	<u>General Long-Term Debt</u>
2002	\$ 621,609
2003	617,240
2004	477,766
2005	442,938
2006	257,617
Thereafter	<u>45,819</u>
	2,462,989
Less imputed interest	<u>332,863</u>
Present value of minimum lease payments	<u>\$ 2,130,126</u>

(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, 2001 were \$183,550.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(10) Contributed Capital

The sources and composition of contributed capital at June 30, 2001 are as follows:

	<u>Enterprise Funds</u>			
	<u>Power and Light</u>	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Total</u>
Federal and state grants	\$ —	130,163	25,058,991	25,189,154
Contributions from municipality, developers, and special assessments	<u>2,405,238</u>	<u>17,112,396</u>	<u>34,559,630</u>	<u>54,077,264</u>
	2,405,238	17,242,559	59,618,621	79,266,418
Less accumulated depreciation	<u>(732,668)</u>	<u>(2,042,958)</u>	<u>(25,139,682)</u>	<u>(27,915,308)</u>
Total contributed capital	<u>\$ 1,672,570</u>	<u>15,199,601</u>	<u>34,478,939</u>	<u>51,351,110</u>

A reconciliation of contributed capital for the year ended June 30, 2001 is as follows:

	<u>Enterprise Funds</u>			
	<u>Power and Light</u>	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Total</u>
Balance, July 1, 2000	\$ 1,612,664	14,557,601	29,187,597	45,357,862
Contributions	148,416	861,374	6,366,895	7,376,685
Depreciation transferred	<u>(88,510)</u>	<u>(219,374)</u>	<u>(1,075,553)</u>	<u>(1,383,437)</u>
Balance, June 30, 2001	<u>\$ 1,672,570</u>	<u>15,199,601</u>	<u>34,478,939</u>	<u>51,351,110</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(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, 2001 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	\$ 51,385,052	25,359,028	11,476,516	—	88,220,596
Restricted assets	1,010,498	709,049	145,477	—	1,865,024
Property, plant, and equipment, net	130,283,897	67,105,587	54,548,039	—	251,937,523
Other	2,888,244	1,203,859	232,565	—	4,324,668
	<u>\$ 185,567,691</u>	<u>94,377,523</u>	<u>66,402,597</u>	<u>—</u>	<u>346,347,811</u>
Liabilities and equity:					
Current liabilities	\$ 6,287,902	1,566,411	745,565	—	8,599,878
Liabilities payable from restricted assets	2,545,915	1,452,675	690,477	—	4,689,067
Long-term liabilities	26,365,028	34,159,762	1,074,410	—	61,599,200
Deferred credits	—	183,550	—	—	183,550
Fund equity	150,368,846	57,015,125	63,892,145	—	271,276,116
	<u>\$ 185,567,691</u>	<u>94,377,523</u>	<u>66,402,597</u>	<u>—</u>	<u>346,347,811</u>
Working capital	<u>\$ 45,097,150</u>	<u>23,792,617</u>	<u>10,730,951</u>	<u>—</u>	<u>79,620,718</u>
Operating revenues	\$ 79,705,053	15,027,561	12,867,769	—	107,600,383
Operating expenses:					
Depreciation and amortization	6,888,195	1,751,716	2,065,328	3,123	10,708,362
Other	65,162,451	10,977,892	9,957,933	—	86,098,276
Operating income (loss)	7,654,407	2,297,953	844,508	(3,123)	10,793,745
Nonoperating revenues (expenses)	717,905	(412,587)	895,502	—	1,200,820
Operating transfers in	897,657	58,503	176,003	—	1,132,163
Net income (loss)	<u>\$ 9,269,969</u>	<u>1,943,869</u>	<u>1,916,013</u>	<u>(3,123)</u>	<u>13,126,728</u>
Acquisition of property, plant, and equipment, net	<u>\$ 15,263,357</u>	<u>2,682,542</u>	<u>5,286,789</u>	<u>—</u>	<u>23,232,688</u>
Contributed capital:					
Contributions	\$ 148,416	861,374	6,366,895	—	7,376,685
Transfer of depreciation	88,510	219,374	1,075,553	—	1,383,437
Net increase	<u>\$ 59,906</u>	<u>642,000</u>	<u>5,291,342</u>	<u>—</u>	<u>5,993,248</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(12) Employee Retirement System

Plan Description

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

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

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by Missouri State Statute to contribute at an actuarially determined rate; the current rate is 7.5% (general), 7.4% (police), and 13.1% (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 2001, the City's annual pension cost of \$4,024,181 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 1999 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; (d) preretirement mortality based on the 1983 Group Annuity Mortality table; and (e) postretirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2001 was fifteen years.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1999	\$ 3,929,148	100 %	\$ —
June 30, 2000	3,767,817	100	—
June 30, 2001	<u>4,024,181</u>	<u>100</u>	<u>—</u>

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>
February 28, 1999	\$ 91,438,251	87,994,995	(3,443,256)	104 %	\$ 42,681,231	N/A
February 29, 2000	105,409,941	92,016,767	(13,393,174)	115	44,020,535	N/A
February 28, 2001	<u>120,920,566</u>	<u>92,684,032</u>	<u>(28,236,534)</u>	<u>130</u>	<u>46,724,586</u>	<u>N/A</u>

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

(13) Reimbursement of Employee Contributions to LAGERS

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

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 \$1,438,899 at June 30, 2001. The Governmental Funds contribute actuarially determined amounts based on annual payroll contributions. At June 30, 2001, \$193,320 is recorded in the General Long-term Debt Account Group for the Governmental Funds portion.

(14) 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 2001, expenditures of approximately \$1,983,000 were recognized for postretirement health care. The City has approximately 460 participants currently eligible to receive benefits.

(15) 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 \$350,000. This amount is reflected as restricted assets and designated fund balance of the General Fund. Workers' compensation liabilities were immaterial at June 30, 2001.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

The City offers its employees a contributory self-insurance health care plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$125,000 and aggregate claims in excess of \$8,350,030. The portion of premiums paid by the City totaling \$7,214,005 are reflected as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Claims incurred but not reported are accrued as a liability in the Internal Service Fund.

The claims liability of \$735,315 reported in the Staywell Health Care Fund at June 30, 2001 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

	Medical Claims Payable	
	<u>2001</u>	<u>2000</u>
Beginning of year	\$ 597,882	419,000
Incurred	9,239,968	7,154,531
Paid	<u>(9,102,535)</u>	<u>(6,975,649)</u>
End of year	<u>\$ 735,315</u>	<u>597,882</u>

(16) Commitments

Construction Commitments

At June 30, 2001, the City had commitments of approximately \$17,709,238 to complete construction contracts. Of this amount, \$10,533,308 relates to the Enterprise Funds.

Purchase Capacity and Transmission Service Agreements

On August 21, 1985, the City Council approved a Capacity Purchase and Transmission Service Agreement with the Kansas City Power & Light Company (KCPL). The KCPL Agreement (as amended) calls for the City purchase of 90 Mw of electric generating capacity and associated energy each year through May 31, 2005. 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 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 approximately \$15,750,000 for fiscal year 2001. The projected annual cost of the KCPL Agreement for fiscal year 2002 is estimated at approximately \$16,390,000.

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

The KCPL Agreement, as amended, also provides for the sale of 30 Mw of reserve generation capacity and associated energy for the year ending May 31, 2001. During the eleven months ending May 31, 2001, the City sold 30 Mw of reserve generation capacity to KCPL for a total of \$512,500.

(17) Deficits

The accumulated deficits in the amounts of \$3,894 in the Community Development Grant Act and \$255,149 in the Street Improvement Sales Tax (Special Revenue) Funds; \$38,503 in the Street Improvements, \$1,020 in the Buildings and Other Improvements, and \$3,823 in the Park Improvements (Capital Projects) Funds; and \$193,320 in the Employee Benefits (Internal Service) Fund will be eliminated by future revenues or operating transfers.

(18) Fund Equity

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

	Governmental Fund Types			Fiduciary Fund Types
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust and Agency</u>
Fund balances:				
Reserved for:				
Encumbrances	\$ 1,850,738	3,662,469	4,465,701	7,946
Debt service	57,176	—	—	—
Domestic violence	12,812	—	—	—
Total fund balances reserved	<u>1,920,726</u>	<u>3,662,469</u>	<u>4,465,701</u>	<u>7,946</u>
Unreserved:				
Designated for:				
Police equipment	161,964	—	—	—
Charitable contributions	—	—	—	67,620
Workers' compensation (note 15)	350,000	—	—	—
Capital projects	1,613,860	661,173	18,062,446	5,000
Sidewalk repairs	16,234	—	—	—
Strategic goal	397,161	—	—	—
Total fund balances designated	<u>2,539,219</u>	<u>661,173</u>	<u>18,062,446</u>	<u>72,620</u>
Undesignated	<u>3,509,067</u>	<u>(45,776)</u>	<u>(7,007,068)</u>	<u>13,398</u>
Total fund equity	<u>\$ 7,969,012</u>	<u>4,277,866</u>	<u>15,521,079</u>	<u>93,964</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to General Purpose Financial Statements

June 30, 2001

(19) Prior Period Adjustments

Prior period adjustments were made in the General Fund, the Street Improvement Sales Tax Special Revenue Fund, and the Park Improvement Sales Tax Special Revenue Fund as a result of the implementation of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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, 2001

With Comparative Actual Figures For Year Ended June 30, 2000

	2001				
	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance With Final Budget Favorable (Unfavorable)	2000 Actual
	Original	Final			
Revenues:					
Taxes	\$ 28,138,355	28,227,954	29,372,239	1,144,285	26,044,001
Payments in lieu of taxes	8,444,098	8,444,098	9,507,367	1,063,269	8,430,063
Licenses and permits	3,276,340	3,276,340	3,429,783	153,443	2,928,678
Grants – federal and state	439,889	2,097,516	1,818,354	(279,162)	1,662,805
State and county shared revenue	5,713,179	5,911,752	5,709,858	(201,894)	5,648,038
Charges for current services	835,246	1,221,059	1,060,488	(160,571)	955,413
Interfund charges for support services	3,048,899	2,853,200	2,757,884	(95,316)	2,889,644
Fines and forfeitures	2,853,200	3,048,899	3,010,798	(38,101)	2,997,092
Other revenue	717,192	1,005,910	914,865	(91,045)	763,909
Total revenues	53,466,398	56,086,728	57,581,636	1,494,908	52,319,643
Other financing resources:					
Proceeds from capital leases	—	1,866,330	614,128	(1,252,202)	1,218,971
Operating transfers in	118,572	—	—	—	—
Total other financing resources	118,572	1,866,330	614,128	(1,252,202)	1,218,971
Total revenues and other financing resources	53,584,970	57,953,058	58,195,764	242,706	53,538,614
Expenditures:					
City Council	337,299	347,053	335,222	11,831	320,698
City Clerk	404,156	412,947	412,569	378	394,982
City Manager	723,421	770,407	768,980	1,427	797,013
National Frontier Trails Center	295,539	301,317	301,023	294	278,820
Technology services	1,435,955	1,470,867	1,469,187	1,680	1,448,670
Municipal court	534,287	544,677	543,530	1,147	498,957
Law	638,206	686,089	681,067	5,022	662,808
Finance	1,353,737	1,418,692	1,414,801	3,891	1,355,177
Human resources	400,730	427,856	426,917	939	332,657
Community development	2,757,178	2,844,874	2,761,309	83,565	2,587,939
Police	15,325,478	18,909,148	17,985,889	923,259	16,782,390
Fire	11,336,175	11,829,022	11,817,256	11,766	11,526,990
Health	1,278,765	1,383,007	1,293,135	89,872	1,193,500
Public works	6,188,889	6,301,048	6,298,657	2,391	6,189,676
Water pollution control	304,582	306,676	295,929	10,747	262,999
Parks and recreation	1,935,883	2,010,806	1,956,672	54,134	1,757,622
Nondepartmental	5,589,338	4,492,047	4,488,250	3,797	5,048,422
City Council strategic goals	400,000	766,681	369,520	397,161	138,106
Debt service	102,030	1,950,510	1,931,327	19,183	100,590
Capital outlay	1,199,738	1,242,588	1,224,604	17,984	1,098,733
Total expenditures	52,541,386	58,416,312	56,775,844	1,640,468	52,776,749
Other financing uses – operating transfers out	1,201,322	1,317,419	826,248	491,171	1,232,398
Total expenditures and other financing uses	\$ 53,742,708	59,733,731	57,602,092	2,131,639	54,009,147

(Continued)

CITY OF INDEPENDENCE, MISSOURI

General Fund

Schedule of Revenues and Expenditures –
Budget and Actual (Budget Basis)Year Ended June 30, 2001
With Comparative Actual Figures For Year Ended June 30, 2000

	2001		Actual Amounts (Budget Basis)	Variance With Final Budget Favorable (Unfavorable)	2000 Actual
	Budgeted Amounts				
	Original	Final			
Excess of revenues and other financing resources over expenditures and other financing uses	\$ (157,738)	(1,780,673)	593,672	(1,888,933)	(470,533)
Undesignated fund balance at beginning of year			2,623,804		3,245,732
Cancellation of prior year encumbrances			117,898		119,713
Increase (decrease) in other fund balance components during the year (1)			173,693		(271,109)
Undesignated fund balance at end of year			\$ 3,509,067		2,623,803

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

See accompanying independent auditors' report.

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 benefited.

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.

STREET IMPROVEMENT SALES TAX

This fund is used to account for all street projects which are funded by the 3/8 cents street improvement sales tax.

PARK IMPROVEMENT SALES TAX

This fund is used to account for all park projects which are funded by the 1/8 cent park improvement sales tax.

STORM WATER SALES TAX

This fund is used to account for all storm water projects which are funded by the 1/4 cent storm water sales tax.

LICENSE SURCHARGE

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

CITY OF INDEPENDENCE, MISSOURI

All Special Revenue Funds

Combining Balance Sheet

June 30, 2001
With Comparative Totals For June 30, 2000

Assets and Other Debits	Community Development Grant Act	Tourism	Independence Square Benefit District	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Totals	
									2001	2000
Pooled cash and investments	\$ —	141,847	619	1	4,146,837	2,174,182	881,423	104,100	7,449,009	4,920,674
Taxes receivable	—	38,000	28,198	—	815,625	271,875	543,750	—	1,697,448	753,879
Due from other funds	—	—	—	—	—	—	—	—	—	366,132
Due from other governments	178,848	—	—	40,105	—	—	—	—	218,953	375,982
Restricted cash	—	—	—	—	—	661,173	—	—	661,173	375,982
Total assets and other debits	\$ 178,848	179,847	28,817	40,106	4,962,462	3,107,230	1,425,173	104,100	10,026,583	6,416,667
Liabilities and Fund Balances										
Accounts payable	\$ 37,330	14,510	—	12,340	1,052,111	181,568	40,877	—	1,338,736	344,517
Due to other funds	140,070	—	—	26,228	—	—	36,419	—	202,717	372,744
Note payable	—	—	—	—	4,165,500	—	—	—	4,165,500	4,412,628
Deferred revenue	—	—	22,452	—	—	—	—	—	22,452	—
Accrued expenditures	5,342	5,171	—	1,535	—	1,918	5,346	—	19,312	14,181
Total liabilities	182,742	19,681	22,452	40,103	5,217,611	183,486	82,642	—	5,748,717	5,144,070
Fund balances (deficit):										
Reserved for encumbrances	268,801	71,831	—	419,609	1,218,276	1,531,639	152,313	—	3,662,469	2,602,520
Unreserved:										
Designated for capital projects	—	—	—	—	—	661,173	—	—	661,173	—
Undesignated	(272,695)	88,335	6,365	(419,606)	(1,473,425)	730,932	1,190,218	104,100	(45,776)	(1,329,923)
Total fund balances (deficit)	(3,894)	160,166	6,365	3	(255,149)	2,923,744	1,342,531	104,100	4,277,866	1,272,597
Total liabilities and fund balances	\$ 178,848	179,847	28,817	40,106	4,962,462	3,107,230	1,425,173	104,100	10,026,583	6,416,667

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, 2001
With Comparative Totals For June 30, 2000

	Community Development Grant Act	Tourism	Independence Square Benefit District	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Totals	
									2001	2000
Revenues:										
Taxes:									21,573	21,019
Real estate tax	\$ —	—	21,573	—	—	—	—	—	9,745,131	7,186,835
Sales tax	—	443,670	—	—	6,051,479	2,017,160	1,676,492	—	443,670	432,564
Transient guest tax	—	—	—	—	—	—	—	—	—	—
Total taxes	—	443,670	21,573	—	6,051,479	2,017,160	1,676,492	—	10,210,374	7,640,418
Intergovernmental	903,088	33,304	—	478,974	—	—	—	—	1,415,366	1,900,707
Charges for service	—	1,246	—	—	—	—	—	—	1,246	—
Licenses and permits	—	—	—	—	—	—	—	102,533	102,533	—
Interest	—	10,996	440	—	61,285	125,623	12,262	1,567	212,173	95,813
Other	49	25,147	—	—	—	—	—	—	25,196	2,555
Total revenues	903,137	514,363	22,013	478,974	6,112,764	2,142,783	1,688,754	104,100	11,966,888	9,639,493
Expenditures:										
Current:									2,069,295	1,701,109
Culture and recreation	—	497,067	—	—	—	1,572,228	—	—	1,333,338	1,365,055
Community development	854,364	—	—	478,974	—	—	—	—	16,753	23,103
Nondepartmental	—	—	16,753	—	6,692,917	—	617,978	—	7,310,895	4,155,356
Capital outlay	—	—	—	—	—	—	—	—	—	—
Debt service:									67,165	—
Principal	—	—	—	—	—	—	—	—	7,842	—
Interest and fiscal agent fees	—	—	—	—	—	—	—	—	—	—
Total expenditures	854,364	497,067	16,753	478,974	6,692,917	1,572,228	692,985	—	10,805,288	7,244,623
Excess of revenues over (under) expenditures	48,773	17,296	5,260	—	(580,153)	570,555	995,769	104,100	1,161,600	2,394,870
Other financing sources (uses):										
Proceeds from capital leases	—	—	—	—	—	—	296,592	—	296,592	—
Proceeds from bond issuance	—	—	—	—	—	1,215,000	—	—	1,215,000	—
Operating transfers in	—	—	—	—	—	—	50,170	—	50,170	133
Operating transfers out	(48,724)	—	—	—	(1,021)	(340)	—	—	(50,085)	(487,121)
Total other financing sources (uses)	(48,724)	—	—	—	(1,021)	1,214,660	346,762	—	1,511,677	(486,988)
Excess (deficiency) of revenues and other sources over expenditures and other uses	49	17,296	5,260	—	(581,174)	1,785,215	1,342,531	104,100	2,673,277	1,907,882
Fund balances, July 1, beginning of year, as previously reported	(3,943)	142,870	1,105	3	77,031	1,055,531	—	—	1,272,597	(635,285)
Adjustment to record sales tax in accordance with GASB #33	—	—	—	—	248,994	82,998	—	—	331,992	—
Fund balances, beginning of year, as restated	(3,943)	142,870	1,105	3	326,025	1,138,529	—	—	1,604,589	(635,285)
Fund balances, June 30	\$ (3,894)	160,166	6,365	3	(255,149)	2,923,744	1,342,531	104,100	4,277,866	1,272,597

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis) –
Tourism FundYear Ended June 30, 2001
With Comparative Actual Amounts For Year Ended June 30, 2000

	2001		Actual Amounts (Budget Basis)	Variance With Final Budget Favorable (Unfavorable)	2000 Actual
	Budgeted Amounts				
	Original	Final			
Revenues:					
Transient guest taxes	\$ 500,000	500,000	443,670	(56,330)	432,564
Interest	12,345	12,045	10,996	(1,049)	10,771
Grants – federal, state, and local	7,700	47,225	33,304	(13,921)	48,531
Other revenue	—	18,300	26,393	8,093	2,555
Total revenues	520,045	577,570	514,363	(63,207)	494,421
Other financing resources – operating transfers in	—	—	—	—	133
	520,045	577,570	514,363	(63,207)	494,554
Expenditures – tourism	515,481	573,006	501,638	(71,368)	601,481
Excess of revenues and other financing resources over expenditures and other financing uses	\$ 4,564	4,564	12,725	8,161	(106,927)
Undesignated fund balance at beginning of year			70,697		177,327
Cancellation of prior year encumbrances			4,913		297
Undesignated fund balance at end of year			\$ 88,335		70,697

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

See accompanying independent auditors' report.

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.

BUILDINGS 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 run-off 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, 2001

With Comparative Totals For June 30, 2000

Assets	Street	Tax	Buildings	Storm	Park	Revolving	Totals	
	Improvements	Increment Financing	and Other Improvements	Drainage	Improvements	Public Improvements	2001	2000
Pooled cash and investments	\$ 1	1,207,513	—	12,902	207,251	228,871	1,656,538	355,971
Receivables:								
Special assessment principal and accrued interest	1,050,281	—	—	—	—	—	1,050,281	449,401
Other	—	827,860	20,575	—	—	—	848,435	23,808
Restricted cash	—	15,109,070	—	—	—	—	15,109,070	15,671,358
Due from other funds	—	—	—	—	—	—	—	2,476,002
Due from other governments	2,157,992	213,512	375,277	92,497	214,008	—	3,053,286	3,304,681
Total assets	\$ 3,208,274	17,357,955	395,852	105,399	421,259	228,871	21,717,610	22,281,221
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	\$ 506,268	118,182	3,874	33,642	425,082	—	1,087,048	220,258
Due to other funds	2,264,027	102,300	392,998	68,557	—	—	2,827,882	2,893,457
Other current liabilities	—	987,009	—	—	—	—	987,009	1,350,424
Deferred revenue	476,482	818,110	—	—	—	—	1,294,592	383,554
Total liabilities	3,246,777	2,025,601	396,872	102,199	425,082	—	6,196,531	4,847,693
Fund balances (deficit):								
Reserved for encumbrances	869,836	173,804	721,240	467,280	2,233,541	—	4,465,701	2,640,306
Unreserved:								
Designated for capital projects	2,953,376	15,109,070	—	—	—	—	18,062,446	15,913,908
Undesignated	(3,861,715)	49,480	(722,260)	(464,080)	(2,237,364)	228,871	(7,007,068)	(1,120,686)
Total fund balances (deficit)	(38,503)	15,332,354	(1,020)	3,200	(3,823)	228,871	15,521,079	17,433,528
Total liabilities and fund balances	\$ 3,208,274	17,357,955	395,852	105,399	421,259	228,871	21,717,610	22,281,221

NOTE: The negative unreserved, undesignated fund balances in the Street Improvements, Building and Other Improvements, Storm Drainage, and Park Improvements Funds arise 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 \$2,787,500, \$995,766, \$1,114,602, and \$2,232,688, respectively, and, if recorded, would reduce the negative undesignated fund balance to \$(1,074,215), \$273,506, \$650,522, and \$(4,676), respectively.

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, 2001
With Comparative Totals For June 30, 2000

	Street Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Revolving Public Improvements	Totals	
							2001	2000
Revenues:								
Taxes	\$ —	4,136,636	—	—	—	—	4,136,636	4,515,063
Intergovernmental	699,970	—	115,443	190,668	693,781	—	1,699,862	4,604,300
Charges for services	600,880	—	—	—	—	—	600,880	404,285
Interest	(144,373)	1,122,860	—	—	—	15,177	993,664	503,911
Other	—	—	24,197	—	—	—	24,197	162,895
Total revenues	1,156,477	5,259,496	139,640	190,668	693,781	15,177	7,455,239	10,190,454
Expenditures:								
Capital outlay	1,591,172	15,573,034	351,142	446,968	714,496	—	18,676,812	16,026,290
Debt service – principal	—	2,480,000	—	—	—	—	2,480,000	2,990,000
Debt service – interest	—	1,785,124	—	—	—	—	1,785,124	876,702
Total expenditures	1,591,172	19,838,158	351,142	446,968	714,496	—	22,941,936	19,892,992
Excess (deficiency) of revenues over expenditures	(434,695)	(14,578,662)	(211,502)	(256,300)	(20,715)	15,177	(15,486,697)	(9,702,538)
Other financing sources (uses):								
Bond proceeds	—	12,815,000	—	—	—	—	12,815,000	17,445,000
Operating transfers in	266,647	4,084	211,502	256,300	20,715	—	759,248	1,696,643
Operating transfers out	—	—	—	—	—	—	—	(133)
Total other financing sources	266,647	12,819,084	211,502	256,300	20,715	—	13,574,248	19,141,510
Excess (deficiency) of revenues and other sources over expenditures and other uses	(168,048)	(1,759,578)	—	—	—	15,177	(1,912,449)	9,438,972
Fund balances (deficit), July 1	129,545	17,091,932	(1,020)	3,200	(3,823)	213,694	17,433,528	7,994,556
Fund balances (deficit), June 30	\$ (38,503)	15,332,354	(1,020)	3,200	(3,823)	228,871	15,521,079	17,433,528

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 was established to account for the public service of collection and conveyance of storm water runoff generated in the City and areas outside the city limits. Because of the absence of a revenue source to fund this activity, all expenditures necessary to provide such services are accounted for in the General Fund, including but not limited to, administration, operations, maintenance, financing, and related debt service.

CITY OF INDEPENDENCE, MISSOURI

All Enterprise Funds

Combining Balance Sheet

June 30, 2001

With Comparative Totals For June 30, 2000

Assets	Power and Light	Water	Sanitary Sewer	Storm Water	Totals	
					2001	2000
Current assets:						
Pooled assets and investments	\$ 32,243,345	22,076,093	9,318,020	—	63,637,458	48,091,682
Receivables:						
Accounts (net of allowance of \$427,045, \$52,110, and \$66,580, respectively)	4,365,560	1,156,651	1,038,056	—	6,560,267	6,729,804
Unbilled revenue	5,321,005	762,951	793,834	—	6,877,790	6,580,419
Special assessment principal and accrued interest	—	134,273	98,543	—	232,816	232,816
Accrued interest	724,625	315,248	137,860	—	1,177,733	1,256,720
Other	—	124,108	—	—	124,108	124,108
Total receivables	10,411,190	2,493,231	2,068,293	—	14,972,714	14,923,867
Due from other funds	102,300	—	36,419	—	138,719	1,758,080
Inventory, at average cost	8,127,079	782,073	53,784	—	8,962,936	8,702,063
Prepaid expenses and other current assets	501,138	7,631	—	—	508,769	41,538
Total current assets	51,385,052	25,359,028	11,476,516	—	88,220,596	73,517,230
Restricted assets	1,010,498	709,049	145,477	—	1,865,024	19,723,836
Property, plant, and equipment:						
Utility plant in service	237,539,523	72,474,917	82,472,438	—	392,486,878	365,497,071
Acquisition adjustment	2,755,569	12,547,766	—	—	15,303,335	15,303,335
Construction in progress	17,731,094	2,369,491	6,042,023	—	26,142,608	24,965,153
Nonutility property	—	40,014	46,368	—	86,382	86,382
	258,026,186	87,432,188	88,560,829	—	434,019,203	405,851,941
Less accumulated depreciation	127,742,289	20,326,601	34,012,790	—	182,081,680	173,815,429
Net property, plant, and equipment	130,283,897	67,105,587	54,548,039	—	251,937,523	232,036,512
Advances to other funds	—	—	—	—	—	25,000
Deferred charges:						
Deferred debt issue costs	1,468,214	997,230	26,287	—	2,491,731	2,661,326
Prepaid employee benefits	1,088,530	206,629	206,278	—	1,501,437	1,642,688
Prepaid coal contract	331,500	—	—	—	331,500	—
Preliminary survey charges and other	—	—	—	—	—	129,391
Total assets	\$ 185,567,691	94,377,523	66,402,597	—	346,347,811	329,735,983

(Continued)

Schedule 7 (Cont'd)

Liabilities and Fund Equity	Power and Light	Water	Sanitary Sewer	Storm Water	Totals	
					2001	2000
Current liabilities:						
Accounts and contracts payable	\$ 4,757,183	631,796	252,526	—	5,641,505	5,557,289
Accrued expenses	544,306	342,860	247,291	—	1,134,457	2,830,457
Compensated absences	986,413	309,169	200,427	—	1,496,009	1,470,010
Due to other funds	—	—	—	—	—	1,634,137
Other current liabilities	—	282,586	45,321	—	327,907	283,066
Total current liabilities	6,287,902	1,566,411	745,565	—	8,599,878	11,774,959
Liabilities payable from restricted assets:						
Customer deposits	767,343	209,049	145,477	—	1,121,869	1,055,587
Interest on long-term debt	103,572	258,626	—	—	362,198	372,796
Current maturities of revenue bonds	1,675,000	985,000	—	—	2,660,000	2,495,000
Current maturities of loan payable	—	—	545,000	—	545,000	520,000
Total liabilities payable from restricted assets	2,545,915	1,452,675	690,477	—	4,689,067	4,443,383
Long-term liabilities:						
Revenue bonds payable	23,868,673	33,265,000	—	—	57,133,673	59,650,731
Loan payable	—	—	575,000	—	575,000	1,120,000
Capital lease obligations	—	—	—	—	—	125,476
Compensated absences	2,496,355	894,762	499,410	—	3,890,527	3,853,109
Advances from other funds	—	—	—	—	—	25,000
Total long-term liabilities	26,365,028	34,159,762	1,074,410	—	61,599,200	64,774,316
Deferred credits – advances for construction	—	183,550	—	—	183,550	389,310
Total liabilities	35,198,845	37,362,398	2,510,452	—	75,071,695	81,381,968
Fund equity:						
Contributed capital	1,672,570	15,199,601	34,478,939	—	51,351,110	45,357,862
Retained earnings:						
Reserved for revenue bond retirement	—	500,000	—	—	500,000	500,000
Unreserved	148,696,276	41,315,524	29,413,206	—	219,425,006	202,496,153
Total retained earnings	148,696,276	41,815,524	29,413,206	—	219,925,006	202,996,153
Total fund equity	150,368,846	57,015,125	63,892,145	—	271,276,116	248,354,015
Total liabilities and fund equity	\$ 185,567,691	94,377,523	66,402,597	—	346,347,811	329,735,983

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings

Year Ended June 30, 2001

With Comparative Totals For Year Ended June 30, 2000

	Power and Light	Water	Sanitary Sewer	Storm Water	Totals	
					2001	2000
Operating revenues:						
Sale of electric energy and services	\$ 79,381,987	—	—	—	79,381,987	67,741,998
Sale of water	—	14,925,210	—	—	14,925,210	15,073,939
Sanitary sewerage charges	—	—	12,884,435	—	12,884,435	12,654,387
Other operating revenue	323,066	102,351	(16,666)	—	408,751	393,131
Total operating revenues	79,705,053	15,027,561	12,867,769	—	107,600,383	95,863,455
Operating expenses:						
Production fuel	9,530,673	—	—	—	9,530,673	6,095,461
Purchased power	24,595,056	—	—	—	24,595,056	20,958,476
Production	7,180,113	3,285,209	—	—	10,465,322	9,947,629
Transmission and distribution	7,080,902	2,712,398	—	—	9,793,300	10,028,717
Customer service	2,467,467	939,158	—	—	3,406,625	3,361,149
General and administrative	5,980,190	2,807,996	2,016,552	—	10,804,738	10,436,403
Sewerage pumping and treatment	—	—	2,425,675	—	2,425,675	2,155,578
Maintenance	—	—	1,364,787	—	1,364,787	1,445,004
Intermunicipal agreements	—	—	2,907,468	—	2,907,468	2,931,500
Depreciation and amortization	6,888,195	1,751,716	2,065,328	3,123	10,708,362	10,071,446
Payroll taxes	784,080	273,367	178,978	—	1,236,425	1,164,743
Payments to General Fund in lieu of taxes	7,543,970	898,924	1,064,473	—	9,507,367	8,430,063
Other	—	60,840	—	—	60,840	58,560
Total operating expenses	72,050,646	12,729,608	12,023,261	3,123	96,806,638	87,084,729
Operating income (loss)	7,654,407	2,297,953	844,508	(3,123)	10,793,745	8,778,726
Nonoperating revenues (expenses):						
Interest income	2,259,951	1,239,734	740,043	—	4,239,728	4,441,310
Interest expense	(1,450,632)	(1,561,920)	(74,643)	—	(3,087,195)	(3,209,232)
Other	—	—	244,546	—	244,546	164,356
Administrative fees for revenue bonds and certificates of participation	—	(25,364)	—	—	(25,364)	(8,009)
Amortization of debt issue costs	(91,414)	(65,037)	(14,444)	—	(170,895)	(176,218)
Total nonoperating revenues (expenses)	717,905	(412,587)	895,502	—	1,200,820	1,212,207
Income (loss) before operating transfers	8,372,312	1,885,366	1,740,010	(3,123)	11,994,565	9,990,933
Operating transfers in	897,657	58,503	176,003	—	1,132,163	—
Operating transfers out	—	—	—	—	—	(29,852)
Net income (loss)	9,269,969	1,943,869	1,916,013	(3,123)	13,126,728	9,961,081
Add credit arising from transfer of depreciation on contributed assets to contributed capital	88,510	219,374	1,075,553	—	1,383,437	1,315,634
Transferred to retained earnings	9,358,479	2,163,243	2,991,566	(3,123)	14,510,165	11,276,715
Retained earnings, as previously reported, July 1	139,337,797	39,652,281	25,059,646	(1,053,571)	202,996,153	191,719,438
Correction of error (note 7)	—	—	2,418,688	—	2,418,688	—
Retained earnings, July 1, as restated	139,337,797	39,652,281	27,478,334	(1,053,571)	205,414,841	191,719,438
Residual equity transfer	—	—	(1,056,694)	1,056,694	—	—
Retained earnings, end of year	\$ 148,696,276	41,815,524	29,413,206	—	219,925,006	202,996,153

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Enterprise Funds

Combining Statement of Cash Flows

Year Ended June 30, 2001

	<u>Power and Light</u>	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating activities:					
Operating income (loss)	\$ 7,654,407	2,297,953	844,508	(3,123)	10,793,745
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	6,888,195	1,751,716	2,065,328	3,123	10,708,362
Other revenue	—	—	244,546	—	244,546
Changes in assets and liabilities:					
Receivables	(121,314)	62,943	(69,463)	—	(127,834)
Due from other funds	329,200	179,353	79,114	—	587,667
Inventory	(409,426)	89,161	59,392	—	(260,873)
Prepaid expenses and other current assets	(466,739)	(492)	—	—	(467,231)
Prepaid employee benefits	115,553	29,331	(3,633)	—	141,251
Prepaid coal contract	(331,500)	—	—	—	(331,500)
Preliminary survey charges and other	—	—	129,391	—	129,391
Accounts and contracts payable	422,700	(174,439)	(164,045)	—	84,216
Accrued expenses	794	36,377	(1,733,171)	—	(1,696,000)
Compensated absences	21,235	17,189	(12,425)	—	25,999
Due to other funds	(568,928)	(12,762)	(20,753)	—	(602,443)
Other current liabilities	—	41,092	3,749	—	44,841
Customer deposits	31,705	22,258	12,319	—	66,282
Net cash provided by operating activities	<u>13,565,882</u>	<u>4,339,680</u>	<u>1,434,857</u>	<u>—</u>	<u>19,340,419</u>
Capital and related financing activities:					
Advances for construction	—	97,735	—	—	97,735
Principal paid on revenue bonds and note payable	(1,595,000)	(900,000)	(520,000)	—	(3,015,000)
Interest paid on debt	(1,456,130)	(1,567,020)	(74,643)	—	(3,097,793)
Additions of property, plant, and equipment	(15,263,357)	(2,682,542)	(5,286,789)	—	(23,232,688)
Net cash used in capital and related financing activities	<u>(18,314,487)</u>	<u>(5,051,827)</u>	<u>(5,881,432)</u>	<u>—</u>	<u>(29,247,746)</u>
Noncapital financing activities – operating transfers in	<u>897,657</u>	<u>58,503</u>	<u>176,003</u>	<u>—</u>	<u>1,132,163</u>
Investing activities:					
Purchases of investments	(34,742,930)	(19,193,654)	(7,537,690)	—	(61,474,274)
Maturities of investments	32,750,756	20,720,290	7,470,583	—	60,941,629
Interest and dividends on investments	208,800	3,176,643	687,743	—	4,073,186
Net cash provided by (used in) investing activities	<u>(1,783,374)</u>	<u>4,703,279</u>	<u>620,636</u>	<u>—</u>	<u>3,540,541</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,634,322)</u>	<u>4,049,635</u>	<u>(3,649,936)</u>	<u>—</u>	<u>(5,234,623)</u>
Cash and cash equivalents, July 1	<u>11,996,115</u>	<u>3,547,264</u>	<u>5,575,743</u>	<u>—</u>	<u>21,119,122</u>
Cash and cash equivalents, June 30	6,361,793	7,596,899	1,925,807	—	15,884,499
Investments with original maturities greater than ninety days	<u>26,892,050</u>	<u>15,188,243</u>	<u>7,537,690</u>	<u>—</u>	<u>49,617,983</u>
Cash and investments	<u>\$ 33,253,843</u>	<u>22,785,142</u>	<u>9,463,497</u>	<u>—</u>	<u>65,502,482</u>
Noncash capital and related financing activities – contributed capital	<u>\$ 148,416</u>	<u>861,374</u>	<u>6,366,895</u>	<u>—</u>	<u>7,376,685</u>
Components of cash and short-term investments at end of fiscal year:					
Unrestricted	\$ 32,243,345	22,076,093	9,318,020	—	63,637,458
Restricted	1,010,498	709,049	145,477	—	1,865,024
	<u>\$ 33,253,843</u>	<u>22,785,142</u>	<u>9,463,497</u>	<u>—</u>	<u>65,502,482</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Power and Light Fund

Years Ended June 30, 2001 and 2000

	2001			2000		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 6,857,159			3,463,533
Gas			1,943,160			1,996,737
Oil			730,354			635,191
Total production fuel			9,530,673			6,095,461
Purchased power:						
Purchased energy			16,110,018			11,763,608
Purchased capacity (net)			7,895,296			8,632,500
Border customers			28,386			26,528
Control and dispatching			561,356			535,840
Total purchased power			24,595,056			20,958,476
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 411,141	447,062	858,203	408,154	468,954	877,108
Steam	564,025	1,448,663	2,012,688	619,772	915,678	1,535,450
Electric	614,902	231,619	846,521	475,433	203,588	679,021
Structures and improvements	—	178,642	178,642	—	303,001	303,001
Miscellaneous	899,888	690,067	1,589,955	887,549	605,091	1,492,640
	2,489,956	2,996,053	5,486,009	2,390,908	2,496,312	4,887,220
Missouri City Station:						
Supervision and engineering	24,959	5,196	30,155	19,777	22,610	42,387
Steam	248,757	213,111	461,868	211,348	274,300	485,648
Electric	256,763	77,265	334,028	207,991	127,906	335,897
Structures and improvements	—	39,690	39,690	—	111,075	111,075
Miscellaneous	168,204	292,571	460,775	106,692	276,898	383,590
	698,683	627,833	1,326,516	545,808	812,789	1,358,597
Combustion Turbine Station:						
Supervision and engineering	—	564	564	—	500	500
Generation expenses	485	278,899	279,384	918	136,460	137,378
Structures and improvements	—	54,322	54,322	—	40,349	40,349
Miscellaneous	10,963	22,355	33,318	4,249	16,425	20,674
	11,448	356,140	367,588	5,167	193,734	198,901
Total production (other)	\$ 3,200,087	3,980,026	7,180,113	\$ 2,941,883	3,502,835	6,444,718
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 125,187	12,487	137,674	123,290	11,465	134,755
Overhead expenses	7,498	2,794	10,292	28,921	1,305	30,226
Station expenses	31,566	201,937	233,503	41,258	280,021	321,279
Wheeling charges	7,506	—	7,506	604,928	—	604,928
Underground line expense	—	750	750	142	445	587
Miscellaneous	—	260	260	—	—	—
Total transmission	\$ 171,757	218,228	389,985	798,539	293,236	1,091,775

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Power and Light Fund

Years Ended June 30, 2001 and 2000

	2001			2000		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	\$ 80,862	37,475	118,337	82,363	34,404	116,767
Overhead lines	631,167	2,326,024	2,957,191	576,003	2,552,490	3,128,493
Station expenses	199,858	69,907	269,765	248,043	91,172	339,215
Street lights and traffic signals	207,671	435,120	642,791	136,447	436,573	573,020
Meters	141,149	428,113	569,262	166,356	395,488	561,844
Customer installations	4,141	—	4,141	1,194	—	1,194
Underground lines	498,491	416,450	914,941	585,141	379,588	964,729
Dispatching communication	569,954	—	569,954	541,108	—	541,108
Line transformers	—	112,873	112,873	—	148,191	148,191
Miscellaneous	411,448	120,214	531,662	334,040	158,750	492,790
Total distribution	<u>2,744,741</u>	<u>3,946,176</u>	<u>6,690,917</u>	<u>2,670,695</u>	<u>4,196,656</u>	<u>6,867,351</u>
Total transmission and distribution	\$ <u>2,916,498</u>	<u>4,164,404</u>	<u>7,080,902</u>	\$ <u>3,469,234</u>	<u>4,489,892</u>	<u>7,959,126</u>
Customer service:						
Supervision			177,541			180,273
Meter reading			576,885			587,786
Customer records and collections			1,160,215			1,218,644
Provisions for doubtful accounts			413,495			303,535
Miscellaneous			139,331			122,792
Total customer service			<u>2,467,467</u>			<u>2,413,030</u>
General and administrative:						
Salaries			587,820			689,546
Office supplies			192,264			181,883
Insurance			431,447			423,746
Injuries and damage			407,974			375,745
Employee benefits			2,539,342			2,267,865
Outside services			1,148,968			1,220,699
Miscellaneous			717,220			675,427
Administrative expenses – transfers			(44,845)			(47,049)
Total general and administrative			<u>5,980,190</u>			<u>5,787,862</u>
Depreciation and amortization			6,888,195			6,546,375
Payroll taxes			784,080			732,187
Payments to General Fund in lieu of taxes			7,543,970			6,468,776
Total operating expenses			<u>\$ 72,050,646</u>			<u>\$ 63,406,011</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in Fixed Assets – Power and Light Fund

Year Ended June 30, 2001

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Property, plant, and equipment:				
Production plant	\$ 117,997,917	3,067,377	239,865	120,825,429
Transmission plant	21,818,211	1,082,242	520	22,899,933
Distribution plant	66,674,487	10,880,431	419,556	77,135,362
General plant	<u>15,917,777</u>	<u>3,118,659</u>	<u>2,357,637</u>	<u>16,678,799</u>
Utility plant in service	222,408,392	18,148,709	3,017,578	237,539,523
Acquisition adjustment	2,755,569	—	—	2,755,569
Construction in progress	<u>19,859,912</u>	<u>—</u>	<u>2,128,818</u>	<u>17,731,094</u>
	245,023,873	18,148,709	5,146,396	258,026,186
Total accumulated depreciation	<u>123,263,554</u>	<u>7,364,045</u>	<u>2,885,310</u>	<u>127,742,289</u>
Net property, plant, and equipment	<u>\$ 121,760,319</u>	<u>10,784,664</u>	<u>2,261,086</u>	<u>130,283,897</u>

Depreciation and amortization for the years ended 2001 and 2000 were allocated as follows:

	<u>2001</u>	<u>2000</u>
Expense	\$ 6,888,195	6,546,375
Capitalized as construction in progress and other	<u>475,850</u>	<u>394,002</u>
	<u>\$ 7,364,045</u>	<u>6,940,377</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year Ended June 30, 2001

	<u>Beginning of Year</u>	<u>End of Year</u>	<u>Revenue</u>	<u>KWH</u>
Sale of electric energy:				
Metered:				
Residential	48,653	48,956	\$ 41,144,348	500,560,076
Small general services	2,773	2,821	2,749,530	27,006,134
General services–space heating	2	2	1,555	26,072
Large general services	1,644	1,608	22,348,429	323,252,765
Large general services–prime voltage	13	11	1,383,684	23,104,966
Large general services–space heating	2	2	9,642	140,046
Total electric general services	51	51	2,760,303	45,446,760
Schools, churches, and hospitals	284	282	2,619,524	35,929,597
Schools, churches, and hospitals, all electric	5	5	129,516	2,120,157
Large power services	6	7	2,145,793	41,569,620
Interruptible services	1	1	241,711	4,131,936
Sewer pumping	7	6	182,548	1,861,130
City traffic signals	59	61	67,796	522,843
Wholesale (border customers)	—	—	109,537	5,320,975
Wholesale (interchange)	—	—	850,808	24,954,000
Capacity sale	—	—	445,500	—
	<u>53,500</u>	<u>53,813</u>	77,190,224	1,035,947,077
Unmetered:				
Private security lighting	1,442	1,464	237,778	1,214,321
City public street lighting	10,813	10,921	757,979	8,490,718
	<u>12,255</u>	<u>12,385</u>	995,757	9,705,039
Increase in unbilled revenue			325,922	3,783,900
Other operating revenue			1,193,150	—
Transmission and distribution operating losses			<u>\$ 79,705,053</u>	<u>1,049,436,016</u>
Net generation				346,345,592
Wholesale power purchased				771,804,706
Unintentional interchange				301,000
Net generation and power purchased				<u>1,118,451,298</u>
Retail energy sales				1,019,161,041
Wholesale (border customers) sales				30,274,975
Power and light usage (building and substations)				1,565,075
Net disposition				<u>1,051,001,091</u>
Transmission and distribution operating losses				<u>67,450,207</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Water Fund

Years Ended June 30, 2001 and 2000

	2001			2000		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 17,784	—	17,784	17,584	130	17,714
Labor and expenses	184,326	—	184,326	170,336	—	170,336
Structures and improvements	—	54,264	54,264	—	37,615	37,615
Miscellaneous	—	259,096	259,096	—	122,212	122,212
Total source of supply	202,110	313,360	515,470	187,920	159,957	347,877
Power and pumping:						
Supervision and engineering	27,641	20,092	47,733	25,362	9,093	34,455
Fuel/power purchased	1,059,654	—	1,059,654	961,018	—	961,018
Labor and expenses	163,743	—	163,743	152,458	—	152,458
Structures and improvements	—	7,788	7,788	—	4,700	4,700
Miscellaneous	—	14,527	14,527	—	52,213	52,213
Total power and pumping	1,251,038	42,407	1,293,445	1,138,838	66,006	1,204,844
Water treatment:						
Supervision and engineering	32,174	14,490	46,664	29,739	12,391	42,130
Chemicals	579,129	—	579,129	593,686	—	593,686
Labor and expenses	559,952	—	559,952	462,362	—	462,362
Structures and improvements	—	18,120	18,120	—	303,332	303,332
Miscellaneous	—	272,429	272,429	—	548,680	548,680
Total water treatment	1,171,255	305,039	1,476,294	1,085,787	864,403	1,950,190
Total production	\$ 2,624,403	660,806	3,285,209	\$ 2,412,545	1,090,366	3,502,911
Transmission and distribution:						
Supervision and engineering	\$ 48,662	102,365	151,027	50,440	101,797	152,237
Storage facilities	13,959	178,280	192,239	13,643	129,315	142,958
Transmission and distribution lines	442,513	717,720	1,160,233	327,932	468,337	796,269
Meters	171,232	145,216	316,448	171,318	123,294	294,612
Customer installations	62,060	—	62,060	47,787	—	47,787
Services	—	282,308	282,308	—	162,873	162,873
Hydrants	—	47,747	47,747	—	34,496	34,496
Miscellaneous	364,132	136,204	500,336	332,634	105,725	438,359
Total transmission and distribution	\$ 1,102,558	1,609,840	2,712,398	\$ 943,754	1,125,837	2,069,591

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Expenses – Water Fund

Years Ended June 30, 2001 and 2000

	2001			2000		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Customer service:						
Customer accounting paid and collecting:						
Supervision			\$ 131,066			124,088
Meter reading			700,146			667,966
Customer records			847			19,716
Provision for uncollectible amounts			30,290			62,828
Total customer accounting paid and collecting			862,349			874,598
Sales promotion – expenses			76,809			73,521
Total customer service			939,158			948,119
General and administrative:						
Salaries			454,976			447,044
Office supplies and expense			289,535			293,284
Insurance			—			—
Injuries and damages			219,340			214,867
Employee benefits			939,551			845,428
Outside services			825,543			938,869
Miscellaneous			79,051			139,996
Total general and administrative			2,807,996			2,879,488
Depreciation and amortization			1,751,716			1,706,619
Payroll taxes			273,367			256,225
Payments to General Fund in lieu of taxes			898,924			911,346
Other			60,840			58,560
Total operating expenses			\$ 12,729,608			12,332,859

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in Fixed Assets – Water Fund

Year Ended June 30, 2001

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Property, plant, and equipment:				
Production plant:				
Source of supply	\$ 6,726,206	37,410	—	6,763,616
Pumping plant	4,689,664	109,750	31,518	4,767,896
Water treatment plant	11,576,586	357,612	82,903	11,851,295
Transmission and distribution equipment	42,393,587	1,879,414	119,251	44,153,750
General plant	4,575,564	515,624	152,828	4,938,360
	<u>69,961,607</u>	<u>2,899,810</u>	<u>386,500</u>	<u>72,474,917</u>
Utility plant in service	69,961,607	2,899,810	386,500	72,474,917
Acquisition adjustment	12,547,766	—	—	12,547,766
Construction in progress	1,578,211	791,280	—	2,369,491
Nonutility property	40,014	—	—	40,014
	<u>84,127,598</u>	<u>3,691,090</u>	<u>386,500</u>	<u>87,432,188</u>
Total accumulated depreciation and amortization	<u>18,814,211</u>	<u>1,915,207</u>	<u>402,817</u>	<u>20,326,601</u>
Net property, plant, and equipment	<u>\$ 65,313,387</u>	<u>1,775,883</u>	<u>(16,317)</u>	<u>67,105,587</u>

Depreciation and amortization for the years ended 2001 and 2000 were allocated as follows:

	<u>2001</u>	<u>2000</u>
Expenses	\$ 1,751,716	1,706,619
Capitalized as construction in progress and other	<u>163,491</u>	<u>186,726</u>
	<u>\$ 1,915,207</u>	<u>1,893,345</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year Ended June 30, 2001

	Number of Customers		Revenue	MGS*
	Beginning of Year	End of Year		
Sale of water:				
Residential	42,558	42,832	\$ 7,552,382	3,187,628
Commercial	2,749	2,763	2,032,338	943,195
Industrial	8	7	215,619	188,229
Public authority	58	56	124,919	64,231
Resale	13	13	4,165,235	4,424,543
Private fire protection	263	274	42,886	—
Public fire protection	—	—	565,561	—
	<u>45,649</u>	<u>45,945</u>	14,698,940	<u>8,807,826</u>
Increase in unbilled revenue			(11,885)	
Other operating revenue			<u>238,155</u>	
Total operating revenue			<u>\$ 14,925,210</u>	
Thousands of gallons pumped --				
Courtney Bend Plant			10,188,108	
Less total sales			<u>8,807,826</u>	
Unaccounted for water			<u>1,380,282</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, 2001

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Property, plant, and equipment:				
Collection plant	\$ 49,635,590	9,657,053	—	59,292,643
Pumping plant	4,817,283	24,916	4,665	4,837,534
Treatment and disposal plant	14,482,939	35,131	20,755	14,497,315
General plant	<u>3,851,405</u>	<u>320,113</u>	<u>326,572</u>	<u>3,844,946</u>
Utility plant in service	72,787,217	10,037,213	351,992	82,472,438
Construction in progress	3,527,030	2,514,993	—	6,042,023
Nonutility property	<u>46,368</u>	<u>—</u>	<u>—</u>	<u>46,368</u>
	76,360,615	12,552,206	351,992	88,560,829
Total accumulated depreciation	<u>31,400,932</u>	<u>2,792,730</u>	<u>180,872</u>	<u>34,012,790</u>
Net property, plant, and equipment	<u>\$ 44,959,683</u>	<u>9,759,476</u>	<u>171,120</u>	<u>54,548,039</u>

Depreciation charges for the years ended June 30, 2001 and 2000 were allocated as follows:

	<u>2001</u>	<u>2000</u>
Expense	<u>\$ 2,065,328</u>	<u>1,795,116</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year Ended June 30, 2001

	Number of Customers		Revenue	CCF*
	Beginning of Year	End Year		
Sale of sanitary sewer services:				
Residential	38,712	39,034	\$ 8,015,061	2,959,300
Commercial:				
Base	3,482	3,453	3,246,359	1,930,595
Surcharge	—	—	778,286	—
Contract waste treatment	—	—	336,586	—
Intermunicipal agreements:				
Sugar Creek	—	—	332,704	—
Kansas City	—	—	65,985	—
Lee's Summit	—	—	7,137	—
	<u>42,194</u>	<u>42,487</u>	12,782,118	<u>4,889,895</u>
Other operating revenue			102,317	
Increase in unbilled revenue			<u>(16,666)</u>	
Total operating revenue			<u>\$ 12,867,769</u>	

* Hundred cubic feet.

See accompanying independent auditors' report.

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.

EMPLOYEE BENEFITS

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

STAYWELL HEALTH CARE

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

CITY OF INDEPENDENCE, MISSOURI

All Internal Service Funds

Combining Balance Sheet

June 30, 2001

With Comparative Totals For June 30, 2000

Assets	Central Garage	Employee Benefits	Staywell Health Care	Totals	
				2001	2000
Current assets:					
Pooled cash and investments	\$ 75,638	1,228,337	56,027	1,360,002	3,863,730
Accounts receivable	—	—	852,015	852,015	—
Accrued interest receivable	—	17,242	—	17,242	20,275
Due from other funds	228	—	—	228	515
Inventory, at average cost	89,825	—	—	89,825	97,565
Total current assets	<u>165,691</u>	<u>1,245,579</u>	<u>908,042</u>	<u>2,319,312</u>	<u>3,982,085</u>
Property, plant, and equipment	317,298	—	—	317,298	417,447
Less accumulated depreciation	<u>210,747</u>	<u>—</u>	<u>—</u>	<u>210,747</u>	<u>290,566</u>
Net property, plant, and equipment	<u>106,551</u>	<u>—</u>	<u>—</u>	<u>106,551</u>	<u>126,881</u>
Total assets	<u>\$ 272,242</u>	<u>1,245,579</u>	<u>908,042</u>	<u>2,425,863</u>	<u>4,108,966</u>
Liabilities and Fund Equity					
Current liabilities:					
Accounts and contracts payable	\$ 10,912	—	—	10,912	20,120
Accrued expenses	11,230	—	—	11,230	10,360
Compensated absences – current	32,746	—	—	32,746	1,598
Other current liabilities – medical self-insurance claims	—	—	735,315	735,315	597,882
Total current liabilities	54,888	—	735,315	790,203	629,960
Employee benefits payable	—	1,438,899	—	1,438,899	1,406,728
Compensated absences – long-term	46,170	—	—	46,170	73,188
Total liabilities	101,058	1,438,899	735,315	2,275,272	2,109,876
Fund equity – retained earnings (deficit)	<u>171,184</u>	<u>(193,320)</u>	<u>172,727</u>	<u>150,591</u>	<u>1,999,090</u>
Total liabilities and fund equity	<u>\$ 272,242</u>	<u>1,245,579</u>	<u>908,042</u>	<u>2,425,863</u>	<u>4,108,966</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Internal Service Funds

Combining Statement of Revenues, Expenses, and
Changes in Retained Earnings (Deficit)Year Ended June 30, 2001
With Comparative Totals For June 30, 2000

	Central Garage	Employee Benefits	Staywell Health Care	Totals	
				2001	2000
Operating revenues:					
Repairs and maintenance charges	\$ 1,272,313	—	—	1,272,313	1,126,988
Premiums	—	—	8,196,540	8,196,540	6,770,993
Total operating revenues	<u>1,272,313</u>	<u>—</u>	<u>8,196,540</u>	<u>9,468,853</u>	<u>7,897,981</u>
Operating expenses:					
Public works	1,231,983	—	—	1,231,983	1,099,563
Health care plan expenses	—	—	9,239,968	9,239,968	7,698,620
Depreciation and amortization	5,504	—	—	5,504	11,514
Total operating expenses	<u>1,237,487</u>	<u>—</u>	<u>9,239,968</u>	<u>10,477,455</u>	<u>8,809,697</u>
Operating income (loss)	34,826	—	(1,043,428)	(1,008,602)	(911,716)
Nonoperating revenues – interest income	<u>3,647</u>	<u>130,879</u>	<u>90,825</u>	<u>225,351</u>	<u>230,720</u>
Income (loss) before operating transfers	38,473	130,879	(952,603)	(783,251)	(680,996)
Operating transfers in	—	52,728	—	52,728	52,728
Operating transfers out	—	(1,117,976)	—	(1,117,976)	—
Net income (loss)	38,473	(934,369)	(952,603)	(1,848,499)	(628,268)
Retained earnings, July 1	<u>132,711</u>	<u>741,049</u>	<u>1,125,330</u>	<u>1,999,090</u>	<u>2,627,358</u>
Retained earnings (deficit), June 30	<u>\$ 171,184</u>	<u>(193,320)</u>	<u>172,727</u>	<u>150,591</u>	<u>1,999,090</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

All Internal Service Funds

Combining Statement of Cash Flows

Year Ended June 30, 2001

	<u>Central Garage</u>	<u>Employee Benefits</u>	<u>Staywell Health Care</u>	<u>Total</u>
Operating activities:				
Operating income (loss)	\$ 34,826	—	(1,043,428)	(1,008,602)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:				
Depreciation and amortization	5,504	—	—	5,504
Changes in assets and liabilities:				
Accounts receivable	—	—	(852,015)	(852,015)
Accrued interest	—	3,033	—	3,033
Inventory	7,740	—	—	7,740
Due from other funds	287	—	—	287
Account and contracts payable	(9,208)	—	—	(9,208)
Accrued expenses	870	—	—	870
Compensated absences	4,130	—	—	4,130
Employee benefits payable	—	32,171	—	32,171
Other current liabilities – medical self- insurance claims payable	—	—	137,433	137,433
Net cash provided by (used in) operating activities	<u>44,149</u>	<u>35,204</u>	<u>(1,758,010)</u>	<u>(1,678,657)</u>
Capital and related financing activities – acquisition and construction of capital assets	<u>14,826</u>	<u>—</u>	<u>—</u>	<u>14,826</u>
Noncapital financing activities:				
Operating transfer in	—	52,728	—	52,728
Operating transfer out	—	(1,117,976)	—	(1,117,976)
Net cash used in noncapital financing activities	<u>—</u>	<u>(1,065,248)</u>	<u>—</u>	<u>(1,065,248)</u>
Investing activities – interest and dividends on investments	<u>3,647</u>	<u>130,879</u>	<u>90,825</u>	<u>225,351</u>
Net increase (decrease) in cash and cash equivalents	62,622	(899,165)	(1,667,185)	(2,503,728)
Cash and cash equivalents, July 1	<u>13,016</u>	<u>2,127,502</u>	<u>1,723,212</u>	<u>3,863,730</u>
Cash and cash equivalents, June 30	<u>\$ 75,638</u>	<u>1,228,337</u>	<u>56,027</u>	<u>1,360,002</u>

See accompanying independent auditors' report.

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.

Truman Memorial Building Restoration Fund

This fund is used to account for the restoration of the Truman Memorial Building.

Mayor's Benefit Fund

This fund is used to account for donations to the Mayor's Benefit Fund.

AGENCY FUND

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

Trust and Agency Funds

Combining Balance Sheet

June 30, 2001

With Comparative Totals For June 30, 2000

	Non- expendable Trust Fund Waggoner Memorial	Expendable Trust Funds			Agency Fund Flexible Benefit Plan	Totals	
		Miscellaneous Expendable Trust	Truman Memorial Building Restoration Fund	Mayor's Benefit Fund		2001	2000
Assets and Other Debits							
Pooled cash and investments	\$ 12,606	75,315	5,727	65	18,027	111,740	105,145
Accrued interest	—	497	—	—	—	497	1,160
Total assets and other debits	\$ 12,606	75,812	5,727	65	18,027	112,237	106,305
Liabilities, Fund Equity, and Other Credits							
Liabilities:							
Accounts and contracts payable	\$ —	246	—	—	—	246	1,060
Other current liabilities	—	—	—	—	18,027	18,027	4,870
Due to other funds	—	—	—	—	—	—	10,648
Total liabilities	—	246	—	—	18,027	18,273	16,578
Fund balances:							
Reserved for encumbrances	—	7,946	—	—	—	7,946	2,684
Unreserved:							
Designated for charitable contributions	—	67,620	—	—	—	67,620	69,852
Designated for capital projects	5,000	—	—	—	—	5,000	5,000
Undesignated	7,606	—	5,727	65	—	13,398	12,191
Total fund balances	12,606	75,566	5,727	65	—	93,964	89,727
Total liabilities, fund equity, and other credits	\$ 12,606	75,812	5,727	65	18,027	112,237	106,305

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Expendable Trust Funds

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

Year Ended June 30, 2001
With Comparative Totals For June 30, 2000

	Miscellaneous Expendable Trust	Truman Memorial Building Restoration Fund	Mayor's Benefit Fund	Totals	
				2001	2000
Revenues:					
Charges for services	\$ 19,841	—	—	19,841	18,019
Interest	4,348	367	4	4,719	8,386
Other	2,082	—	—	2,082	46,788
Total revenues	<u>26,271</u>	<u>367</u>	<u>4</u>	<u>26,642</u>	<u>73,193</u>
Expenditures:					
Community development	23,241	—	—	23,241	111,303
Other	—	—	—	—	3,000
Total expenditures	<u>23,241</u>	<u>—</u>	<u>—</u>	<u>23,241</u>	<u>114,303</u>
Excess of revenues over (under) expenditures	3,030	367	4	3,401	(41,110)
Fund balances, July 1	<u>72,536</u>	<u>5,360</u>	<u>61</u>	<u>77,957</u>	<u>119,067</u>
Fund balances, June 30	<u>\$ 75,566</u>	<u>5,727</u>	<u>65</u>	<u>81,358</u>	<u>77,957</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Agency Fund

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2001

<u>Flexible Benefit Plan Fund</u>	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2001</u>
Assets:				
Pooled cash and investments	\$ <u>15,518</u>	<u>38,771</u>	<u>36,262</u>	<u>18,027</u>
Liabilities:				
Other current liabilities	\$ 4,871	205,214	192,058	18,027
Due to other funds	<u>10,647</u>	<u>—</u>	<u>10,647</u>	<u>—</u>
	<u>\$ 15,518</u>	<u>205,214</u>	<u>202,705</u>	<u>18,027</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, 2001

With Comparative Figures For June 30, 2000

	<u>2001</u>	<u>2000</u>
General fixed assets:		
Land	\$ 10,588,288	10,617,336
Buildings	9,631,819	9,682,318
Building improvements	2,646,575	—
Improvements other than buildings	1,036,871	2,429,500
Office furniture and equipment	889,435	2,754,838
Computer equipment	853,333	—
Mobile equipment	13,262,550	11,425,738
Other equipment	2,148,186	2,404,691
	<u>\$ 41,057,057</u>	<u>39,314,421</u>
Investments in general fixed assets:		
Current operations:		
General Fund	\$ 18,725,060	16,557,616
Tourism Fund	—	55,256
Federal grants	3,517,071	3,455,279
State grants	494,561	528,561
General obligation bonds	126,794	126,794
Acquired prior to June 30, 1984	16,616,535	17,870,626
Other	1,577,036	720,289
	<u>\$ 41,057,057</u>	<u>39,314,421</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of General Fixed Assets by Function and Activity

June 30, 2001

Function and Activity	Total	Land	Buildings	Building Improvements	Improvements Other than Buildings	Computer Equipment	Office Furniture and Equipment	Mobile Equipment	Other Equipment
General government:									
City Hall	\$ 4,119,856	745,972	1,930,192	1,443,692	—	—	—	—	—
Police Building	1,985,305	255,000	1,730,305	—	—	—	—	—	—
City Clerk	104,993	—	—	—	—	—	104,993	—	—
City Manager	109,519	—	—	—	—	29,313	—	—	80,206
National Frontier Trails Center	27,109	—	—	—	—	—	21,086	—	6,023
Computer Services	759,814	—	—	102,740	—	638,584	18,490	—	—
Law Department	6,036	—	—	6,036	—	—	—	—	—
Finance Department	68,541	—	—	—	—	14,495	36,856	17,190	—
Personnel Department	30,952	—	—	23,728	—	—	7,224	—	—
Total general government	7,212,125	1,000,972	3,660,497	1,576,196	—	682,392	188,649	17,190	86,229
Public safety:									
Police Department	4,304,488	46,423	—	451,711	—	138,296	480,784	2,390,901	796,373
Fire Department	6,804,014	—	1,895,421	197,783	—	5,425	71,127	4,106,480	527,778
Planning Department	302,308	—	—	—	—	5,869	16,701	238,161	41,577
Emergency Department	48,998	—	—	—	—	—	5,489	—	43,509
Total public safety	11,459,808	46,423	1,895,421	649,494	—	149,590	574,101	6,735,542	1,409,237
Public works:									
Engineering	550,559	—	—	—	—	21,351	31,804	414,767	82,637
Maintenance	4,154,691	—	138,422	—	71,548	—	—	3,542,978	401,743
Storm sewer	837,696	—	—	—	14,415	—	5,163	818,118	—
Total public works	5,542,946	—	138,422	—	85,963	21,351	36,967	4,775,863	484,380
Health and welfare:									
Health Department	173,536	—	—	57,927	—	—	—	109,260	6,349
Animal Control	300,423	—	120,000	26,100	7,068	—	8,800	100,228	38,227
Cemetery	181,344	—	—	—	—	—	—	169,949	11,395
Total health and welfare	655,303	—	120,000	84,027	7,068	—	8,800	379,437	55,971
Culture and recreation:									
Park maintenance	1,682,546	25,000	388,471	—	—	—	5,314	1,197,872	65,889
Recreation	655,358	27,500	59,666	336,858	—	—	56,456	128,398	46,480
Tourism	1,346,897	1,036,555	310,342	—	—	—	—	—	—
Total culture and recreation	3,684,801	1,089,055	758,479	336,858	—	—	61,770	1,326,270	112,369
Public use facilities	6,415,383	2,412,543	3,059,000	—	943,840	—	—	—	—
Other	6,086,691	6,039,295	—	—	—	—	19,148	28,248	—
Total general fixed assets allocated to function	\$ 41,057,057	10,588,288	9,631,819	2,646,575	1,036,871	853,333	889,435	13,262,550	2,148,186

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Changes in General Fixed Assets by
Function and Activity

Year Ended June 30, 2001

<u>Function and Activity</u>	<u>General Fixed Assets July 1, 2000</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>General Fixed Assets June 30, 2001</u>
General government:				
City Hall	\$ 3,473,835	647,271	1,250	4,119,856
Police Building	2,008,241	—	22,936	1,985,305
City Council	31,922	—	31,922	—
City Clerk	125,125	—	20,132	104,993
City Manager	132,522	13,338	36,341	109,519
National Frontier Trails Center	65,190	6,023	44,104	27,109
Computer Services	823,089	119,818	183,093	759,814
Municipal Court	12,469	—	12,469	—
Law Department	20,407	—	14,371	6,036
Finance Department	144,917	8,944	85,320	68,541
Personnel Department	28,411	23,728	21,187	30,952
Total general government	<u>6,866,128</u>	<u>819,122</u>	<u>473,125</u>	<u>7,212,125</u>
Public safety:				
Police Department	3,868,355	1,055,347	619,214	4,304,488
Fire Department	6,041,522	1,067,229	304,737	6,804,014
Planning Department	397,872	36,473	132,037	302,308
Emergency Department	259,748	5,489	216,239	48,998
Total public safety	<u>10,567,497</u>	<u>2,164,538</u>	<u>1,272,227</u>	<u>11,459,808</u>
Public works:				
Engineering	692,572	90,866	232,879	550,559
Maintenance	4,226,858	197,012	269,179	4,154,691
Storm sewer	86,882	750,814	—	837,696
Total public works	<u>5,006,312</u>	<u>1,038,692</u>	<u>502,058</u>	<u>5,542,946</u>
Health and welfare:				
Health Department	167,554	73,111	67,129	173,536
Animal Control	302,589	26,100	28,266	300,423
Cemetery	214,783	—	33,439	181,344
Total health and welfare	<u>684,926</u>	<u>99,211</u>	<u>128,834</u>	<u>655,303</u>
Culture and recreation:				
Park maintenance	1,668,410	242,184	228,048	1,682,546
Recreation	379,181	353,734	77,557	655,358
Tourism	1,356,882	5,000	14,985	1,346,897
Total culture and recreation	<u>3,404,473</u>	<u>600,918</u>	<u>320,590</u>	<u>3,684,801</u>
Public use facilities				
Other	6,544,158	96,837	225,612	6,415,383
	6,240,927	—	154,236	6,086,691
	<u>\$ 39,314,421</u>	<u>4,819,318</u>	<u>3,076,682</u>	<u>41,057,057</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.

CITY OF INDEPENDENCE, MISSOURI

Schedule of General Long-Term Debt

June 30, 2001

With Comparative Figures For June 30, 2000

	<u>2001</u>	<u>2000</u>
Other debits – amount to be provided for retirement of general long-term debt	\$ <u>51,056,912</u>	<u>42,535,319</u>
General obligation TIF bonds payable	\$ —	2,095,000
TIF loan payable	36,845,000	24,415,000
Revenue bonds payable	1,705,000	530,000
Capital lease obligations	2,130,126	1,700,639
Compensated absences	10,183,466	10,054,696
Employee benefits payable	<u>193,320</u>	<u>3,739,984</u>
	<u>\$ 51,056,912</u>	<u>42,535,319</u>

See accompanying independent auditors' report.

STATISTICAL DATA

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

Table 1

General Governmental Expenditures by Function

	<i>Total (a)</i>	<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>
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	2,847,386	4,640,616	897,767
1998	47,785,172	5,354,047	24,506,016	5,374,067	1,089,234	2,008,489	3,667,406	4,915,430	870,483
1999	56,573,493	5,628,079	28,603,191	6,847,093	1,214,950	2,480,903	1,500,797	9,106,887	1,191,593
2000	59,473,658	6,021,065	30,360,187	5,976,941	1,175,739	3,465,943	1,365,055	9,851,478	1,257,250
2001	\$67,100,116	\$6,343,908	\$29,136,004	\$6,867,407	\$1,292,388	\$4,017,361	\$3,998,820	\$14,790,457	\$653,771

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>
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	6,277,620	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	30,829,229	2,299,681	7,541,534	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
1999	54,886,711	36,487,057	2,476,897	8,874,403	759,449	3,070,849	2,666,064	257,496	294,496
2000	61,959,137	42,114,482	2,928,678	9,211,550	955,414	2,889,644	2,997,092	340,558	521,719
2001	\$69,548,524	\$49,089,980	\$3,532,316	\$8,943,578	\$1,061,734	\$2,757,884	\$3,010,798	\$572,570	\$579,664

a) Represents General Fund and Special Revenue Funds. Excludes other financing sources (uses.)

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

c) Interfund Charges for Support Services .

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

Table 3

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

<i>Year Ended June 30</i>	<i>Net Current Tax Levy</i>	<i>Current Tax Collections</i>	<i>Percent of Levy Collected</i>	<i>Delinquent Tax Collections</i>	<i>Total Tax Collections</i>	<i>Total Collections as Percent of Net Current Tax Levy</i>	<i>Outstanding Delinquent Taxes</i>	<i>Outstanding Delinquent Taxes as Percent of Net Current Tax Levy</i>
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%	262,809	4,346,646	101.03%	487,022	11.32%
1994	4,389,816	4,137,260	94.25%	226,048	4,363,308	99.40%	419,170	9.55%
1995	4,388,141	4,233,148	96.47%	303,406	4,536,554	103.38%	270,757	6.17%
1996	4,539,910	4,203,803	92.60%	169,654	4,373,457	96.33%	437,210	9.63%
1997	4,724,273	4,460,502	94.42%	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%
1999	5,034,573	4,856,639	96.47%	336,502	5,193,141	103.15%	293,246	5.82%
2000	5,385,674	5,135,996	95.36%	137,931	5,273,927	97.93%	404,993	7.52%
2001	\$5,599,902	\$5,253,285	93.81%	\$207,869	\$5,461,154	97.52%	\$543,741	9.71%

Table 4

City of Independence, Missouri
Assessed and Estimated Actual Values of Taxable Property

<i>As of January 1,</i>	<i>Real Property</i>	<i>Personal Property</i>	<i>Railroad & Utilities</i>	<i>Total Assessed Value</i>	<i>Total Fair Market Value</i>	<i>Percentage of Fair Market Value</i>
1992	\$560,409,211	\$154,940,380	\$10,762,026	\$726,111,617	\$3,019,304,070	28.43%
1993	571,503,140	148,486,975	11,576,125	731,566,240	3,053,283,900	28.06%
1994	577,338,830	167,228,728	12,043,452	756,611,010	3,140,795,489	28.67%
1995	607,752,380	189,899,506	12,836,118	810,488,004	3,356,232,605	29.09%
1996	613,435,010	203,408,373	13,270,911	830,114,294	3,421,971,510	29.53%
1997	656,083,710	217,040,179	12,224,657	885,348,546	3,668,020,926	29.35%
1998	663,252,770	220,203,155	9,949,439	893,405,364	3,689,437,915	29.50%
1999	729,733,570	230,747,110	4,617,427	965,098,107	4,096,490,672	23.56%
2000	742,563,735	230,747,110	4,617,427	977,928,272	4,240,368,802	23.06%
2001	\$796,406,449	\$240,711,303	\$5,668,715	\$1,042,786,467	\$4,489,104,191	23.23%

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

<i>For Assessed Valuations As of January 1,</i>	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CITY TAX RATES: (1)										
General	\$0.510	\$0.510	\$0.520	\$0.520	\$0.530	\$0.520	\$0.520	\$0.510	\$0.510	\$0.510
Public Health & Recreation	0.220	0.220	0.230	0.230	0.240	0.240	0.240	0.240	0.240	0.240
Debt Service	0.040	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total City Tax Rate	0.770	0.770	0.750	0.750	0.770	0.760	0.760	0.750	0.750	0.750
METROPOLITAN JUNIOR COLLEGE				0.220	0.220	0.220	0.220	0.330	0.230	0.230
INDEPENDENCE SCHOOL DISTRICT (3)	3.380	3.300	3.300	3.350	3.990	4.040	4.290	4.290	4.460	4.460
COUNTY TAX RATES: (2)										
County	0.540	0.540	0.500	0.510	0.500	0.530	0.530	0.550	0.560	0.560
Mid-Continent Public Library	0.310	0.310	0.310	0.330	0.330	0.330	0.330	0.330	0.330	0.330
Handicap	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Mental Health	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
Total County Tax Rate	1.063	1.063	1.023	1.053	1.043	1.073	1.073	1.093	1.103	1.103
STATE:	0.030									
Total Tax Rate For All Overlapping Governments	\$5.243	\$5.163	\$5.103	\$5.403	\$6.053	\$6.123	\$6.373	\$6.493	\$6.573	\$6.573

(1) The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$.40 per \$100 assessed valuation. There is no limit on the levy rates for General Debt and Interest.

(2) County Tax Breakdown for current year.

Health & Welfare Fund	\$0.16
General Fund	0.17
Road & Bridge Fund	0.14
Park Fund	0.09
	<u>\$0.56</u>

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

Fort Osage Reorganized #1	\$4.42	Blue Springs Reorganized #4	\$4.60
Kansas City School District	\$4.95		

NOTE 1): Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property.

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

Table 6

City of Independence, Missouri

Special Assessment Collections

<i>Year Ended June 30,</i>	<i>Special Assessment Billings</i>	<i>Assessments Collected (1)</i>		<i>Total Outstanding Assessments</i>
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
1999	349,400	179,739		810,799
2000	550,231	134,440	(2)	1,226,590
2001	\$740,996	\$140,314	(2)	\$1,827,272

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

(2) Includes \$207,209 held in escrow.

Table 7

<p style="text-align: center;">City of Independence, Missouri</p> <p style="text-align: center;">Ratio of Net General Bonded Debt to Assessed Value</p> <p style="text-align: center;">and Net Bonded Debt per Capita</p>							
<i>Year Ended June 30,</i>	<i>Estimated Population</i>	<i>Assessed Value</i>	<i>General Obligation Bonded Debt</i>	<i>Less Debt Service Funds</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt Per Capita</i>
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	-	-	-	-	-
1999	116,155	965,098,107	-	-	-	-	-
2000	116,867	977,928,272	-	-	-	-	-
2001	113,288	\$1,042,786,467	-	-	-	-	-

Table 8

City of Independence, Missouri

Computation of Legal Debt Margin

June 30, 2001

Assessed Value at January 1, 2001: *

Jackson County		\$1,042,751,357
Clay County		<u>35,110</u>
		<u>\$1,042,786,467</u>

Constitutional Debt Limit ** (20% of Assessed Value)	\$208,557,293
---	---------------

Total Bonded Debt	\$49,793,673
-------------------	--------------

Less:

Water Utility Bonds	\$24,250,000	
Electric Utility Bonds	<u>25,543,673</u>	
		<u>49,793,673</u>

Total General Obligation Debt	0
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Less: Debt Service Fund Balance	<u>0</u>
---------------------------------	----------

Applicable Debt Limit	<u>0</u>
-----------------------	----------

Legal Debt Margin	<u>\$208,557,293</u>
--------------------------	-----------------------------

* All Tangible Property.

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

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

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

Table 9

City of Independence, Missouri
Computation of Direct and Overlapping Debt
June 30, 2001

<i>Jurisdiction</i>	<i>General Obligation Bond Issues Outstanding</i>	<i>Amount Available Debt Service Funds</i>	<i>Net Debt Outstanding</i>	<i>Percentage Applicable to City of Independence</i>	<i>Amount Applicable to City of Independence</i>
City of Independence	---	---	---	---	---
Jackson County	-	-	-	0.0%	-
Jackson County School Districts:					
Metropolitan Junior College	\$ -	-	-	0.00%	-
Independence	80,000,000	-	80,000,000	100.00%	80,000,000
Kansas City	-	-	-	0.00%	-
Blue Springs Reorganized #4	83,600,000	7,150,928	76,449,072	21.78%	16,650,608
Fort Osage Reorganized #1	13,919,673	0	13,919,673	12.50%	1,739,959
	<u>\$177,519,673</u>	<u>\$7,150,928</u>	<u>\$170,368,745</u>		<u>\$98,390,567</u>

Table 10

City of Independence, Missouri
Ratio of Annual Debt Service Expenditures for General Bonded Debt
To Total General Governmental Expenditures

	<i>Year Ended June 30</i>									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Bond Retirements:										
23 Street Right-of-Way										
1968 Street										
1969 Street										
1974 Street	\$965,000	\$1,015,000	\$1,055,000	0	0	0	0	0	0	0
1968 Fire										
1969 Fire										
1974 Fire	35,000	35,000	35,000							
1968 Sewer										
1969 Sewer										
1972 Police Bldg.	135,000	0	0	0	0	0	0	0	0	0
Total Bond Requirements:	\$1,135,000	\$1,050,000	\$1,090,000	\$0						
Interest and Agent Fees	\$163,832	\$107,945	\$55,445	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	\$1,298,832	\$1,157,945	\$1,145,445	\$0						
Total General Governmental Expenditures (a)	\$39,547,789	\$39,369,718	\$40,060,595	\$45,452,685	\$43,976,403	\$44,874,496	\$47,785,172	\$56,573,493	\$59,473,658	\$67,100,116
Ratio of Debt Service to General Governmental Expenditures	3.28%	2.94%	2.86%	0.00%						

(a) Represents General Fund and Special Revenue Funds.

Table 11

City of Independence, Missouri
Revenue Bond Coverage - Power & Light Revenue Bonds

Year Ended June 30,	Gross Revenue	Current Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1992	\$58,192,507	\$38,620,694	\$19,571,813	\$680,000	\$2,584,515	\$3,264,515	6.00
1993	55,155,224	39,522,251	15,632,973	725,000	2,538,275	3,263,275	4.79
1994	58,624,361	40,787,834	17,836,527	895,000	2,364,893	3,259,893	5.47
1995	58,748,836	41,427,298	17,321,538	920,000	2,341,335	3,261,335	5.31
1996	62,980,774	43,122,409	19,858,365	980,000	2,271,559	3,251,559	6.11
1997	61,774,504	41,624,569	20,149,935	1,045,000	2,208,240	3,253,240	6.19
1998	67,552,096	44,766,098	22,785,998	1,115,000	2,134,615	3,249,615	7.01
1999	69,173,245	46,068,740	23,104,505	1,090,000	2,005,463	3,095,463	7.46
2000	70,349,124	50,390,860	19,958,264	1,535,000	1,384,760	2,919,760	6.84
2001	\$81,965,004	\$57,618,481	\$24,346,523	\$1,595,000	\$1,308,835	\$2,903,835	8.38

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

Table 12

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

Year Ended June 30,	Gross Revenue	Current Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (2)	Total	
1992	\$14,690,187	\$6,961,755	\$7,728,432	\$500,000	\$1,823,393	\$2,323,393	3.33
1993	13,951,496	6,676,822	7,274,674	550,000	1,303,142	1,853,142	3.93
1994	13,615,001	7,213,855	6,401,146	600,000	1,145,287	1,745,287	3.67
1995	14,678,604	7,693,996	6,984,608	650,000	1,656,007	2,306,007	3.03
1996	15,798,683	9,629,563	6,169,120	700,000	1,590,965	2,290,965	2.69
1997	15,342,158	8,547,276	6,794,882	750,000	1,557,884	2,307,884	2.94
1998	15,814,097	8,162,749	7,651,348	800,000	1,555,705	2,355,705	3.25
1999	15,400,654	9,664,783	5,735,871	900,000	1,510,313	2,410,313	2.38
2000	16,656,302	9,656,336	6,999,966	850,000	1,596,133	2,446,133	2.86
2001	\$16,267,295	\$10,018,126	\$6,999,966	\$900,000	\$1,567,020	\$2,467,020	2.84

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

Table 13

City of Independence, Missouri

Revenue Bond Coverage - Sanitary Sewer Revenue Bonds

<i>Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Current Expenses (1)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1992	\$8,226,992	\$6,958,935	\$1,268,057	--	--	--	--
1993	8,120,465	7,350,947	769,518	--	--	--	--
1994	7,634,369	7,987,449	(353,080)	--	--	--	--
1995	8,318,756	6,814,676	1,504,080	--	--	--	--
1996	10,030,225	7,406,757	2,623,468	--	--	--	--
1997	11,949,809	7,924,753	4,025,056	--	--	--	--
1998	12,397,234	7,699,724	4,697,510	--	--	--	--
1999	13,208,379	8,504,860	4,703,519	--	--	--	--
2000	13,463,695	8,477,466	4,986,229	--	--	--	--
2001	\$13,852,358	\$8,893,489	\$4,958,869	--	--	--	--

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

Table 14

City of Independence, Missouri

Demographic Statistics

<i>Year Ended June 30,</i>	<i>Population (1)</i>	<i>Median Household Income (2)</i>	<i>Median Age (2)</i>	<i>School Enrollment</i>	<i>Unem- ployment Rate (3)</i>
1992	113,165	\$27,885	34.0	15,486	5.70%
1993	113,561	28,320	34.4	15,357	5.80%
1994	113,802	28,306	35.6	15,464	4.50%
1995	113,761	30,369	34.5	16,286	4.20%
1996	114,931	31,395	34.9	15,821	4.20%
1997	115,531	32,970	35.2	15,667	3.30%
1998	115,851	34,544	35	16,746	3.70%
1999	116,115	32,776	35	16,361	2.90%
2000	116,867	32,776	35	16,361	2.90%
2001	113,288	\$40,462	36.16	15,302	2.90%

Sources:

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

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

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

Table 15

City of Independence

Construction Permits

Year Ended Dec 31,	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>	
	Number of Permits	Value	Number of Permits	Value
1991	362	\$19,647,711	270	\$21,702,631
1992	301	18,158,880	307	22,299,100
1993	344	20,983,812	347	32,023,555
1994	335	36,501,212	322	30,979,437
1995	263	21,953,940	324	34,898,729
1996	368	41,951,212	780	32,781,341
1997	290	46,214,864	732	41,552,561
1998	370	36,386,117	751	\$47,477,592
1999	282	72,399,536	616	\$40,362,632
2000	219	\$61,394,644	647	\$43,799,753

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

Table 16

City of Independence Missouri

Principal Property Taxpayers

June 30, 2001

<i>Taxpayer</i>	<i>Type of Business</i>	<i>2001 Assessed Valuation (1)</i>	<i>Percent of Total Assessed Valuation</i>
Simon Property Group LP	Retail	\$16,468,551	1.58 %
Community Center Two, LLC	Retail	8,821,175	0.85
Space Center of Kansas City	Warehouse	7,986,435	0.77
Southern Union Railroad	Utility	4,856,878	0.47
POB Apollo Independence	Retail	3,840,000	0.37
Independence Apartments	Housing	3,675,082	0.35
Independence Regional	Hospital	2,464,000	0.24
Butler Real Estate	Real Estate	2,293,891	0.22
Wal Mart	Retail	2,240,000	0.21
Noland Fashion Square	Retail	2,156,820	0.21
Subtotal		\$54,802,832	5.26
Taxpayers not listed		987,983,635	94.74
TOTAL		\$1,042,786,467	100.00 %

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

Table 17

City of Independence, Missouri

Miscellaneous Statistical Data

June 30, 2001

Governmental Structure

Date of Organization:	1827	Current Statistics:	
Date of Incorporation:	1849	Population	113,288
Charter Adopted:	December 5, 1961	Households	47,390
Form of Government:	Council/Manager	Registered Voters	67,614
Current Number of Employees	1,174		

City Facilities and Services

Utilities:

Electric Power

Number of power stations	5
Number of customers	53,813
Daily average use (Mwh)	2,981
Maximum daily use (Mwh)	5,432
Peak Hourly Use (MW)	295.0
Miles of T&D Circuits	776.0

Sanitary Sewer System

Miles of sewer mains	515
Number of customers	42,530
Number of treatment plants	1
Daily average treatment (in MGD)	11.5
Maximum daily capacity of treatment (in MGD)	18.0

Water System

Miles of water mains	688
Number of customers	45,945
Number of fire hydrants	3,908
Daily average consumption (in millions of gallons)	28
Maximum daily pumpage (in millions of gallons)	39

Fire Protection:

Stations	10
Employees	175
Vehicles	42

Police Protection:

Stations	2
Employees	287
Vehicles	109

Streets:

Total area (sq. mi.)	78
Paved miles	580

Recreation:

<u>Parks:</u>	
Acreage	724
Number	41
Community Centers	1
Fitness Centers	1
Ball Fields	54

Nongovernmental Services and Facilities

Education:

Elementary and High School Enrollment	15,302
Elementary schools	21
Junior High (Middle) Schools	4
High Schools	4
Pre-school and Kindergartens	14
Parochial and Private	13
Teachers	1,083
Administrators	87
Colleges	2

Hotels/Motels

No. of Rooms	1006
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Transportation:

Bus systems (operated by KCATA)	1
Taxi services	3

Communications: (served by)

Daily Newspapers	2
Radio Stations	38
TV Stations	9

Hospitals

Number	2
Bed space	569

Bank/Credit Union Facilities

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Table 18

City of Independence
Schedule of Insurance
June 30, 2001

<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
1. Hartford Steam Boiler Zurich American a) All risk property insurance on building and contents. Replacement cost coverage basis.	STA410102 PBM2994187-01	7/1/2002 7/1/2002	All risk including property damage, flood, earthquake, transit, expediting, hazardous material cleanup, extra expense and automatic coverage.	\$200,000,000	\$150,075 \$119,917
2. Hartford Steam Boiler Zurich American b) Boiler and Machinery coverage of listed equipment. Most covered items fall under Power and Light Department.	STA410102 PBM2994187-01	7/1/2002 7/1/2002	Boiler & Machinery coverage including expediting, ammonia containment, water damage, hazardous materials, business interruption.	\$75,000,000	\$81,434 \$81,434
3. Missouri Public Entity Management Liability insurance coverage for law enforcement liability, general liability, public official errors and omission liability and automotive liability.	1038	1/1/2002	Automobile liability claims Law enforcement liability claims General liability claims Public officials liability claims	\$2,000,000 per occurrence	\$261,243
SIRPRO - Kemper Excess Liability	NUAB160408-00	1/1/2002	Coverage for claims not covered by Missouri's Sovereign Immunity Statute	\$10,000,000	\$34,000
4. National Union Fire Excess Worker's Compensation and Employer's Liability Insurance	415-99-19	4/25/2002	Loss by on-the-job injury of employees	\$10,000,000	\$19,988
5. Western Surety Company	69137880	6/15/2001	Public Officials Bonds	\$50,000-City Mgr. \$50,000 Pur. Agnt. \$400,000-Fin. Dir.	\$1,864 (3 year premium)

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Table 18

City of Independence
Schedule of Insurance
June 30, 2001

<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
6. Hartford Insurance Co.	37BPEAT836	6/15/2004	Public employees blanket bond & 3-D crime policy	\$500,000	\$7,863 (3 year premium)
7. Monumental Life	ML1004337	7/1/2002	Reinsurance for Staywell Plan Specific stoploss @ \$125,000 Aggr. Att. Point @ \$10,629,815	See risk covered	\$279,005
8. Nation's Bank		Continuous	Escrow Account-Worker's Compensation	\$225,000	\$350
9. Highmark Life Insurance Co.	907872	9/1/2001	Life Insurance coverage for each employee. Also covers for accidental death, disability and dismemberment.	\$150,000/person	\$.38/\$1,000 of Annual Salary
10. Staywell Health Care Plan		Continuous	Self-Insured Health Care Plan	Various limits	Cost varies per emp.
11. National Flood Insurance Program	FL2-0347-59221	12/22/2001	Flood Insurance coverage for Hock Creek Pumping Station	\$292,800	\$2,667
12. HealthNet HMO		Continuous	Health plan for enrolled employees.	Various limits	Cost varies per emp.

Table 18

City of Independence
Schedule of Insurance
June 30, 2001

<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
13. Humana Health Care Plan		9/30/2001	Health plan for enrolled employees.	Various limits	Cost varies per emp.
14. Delta Dental of Missouri		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
15. United Dental Care		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
16. The Hartford	GLT-32710	9/1/2001	Long term disability insurance.	60% of Individual employees' salary.	\$0.168/100 of annual salaries.