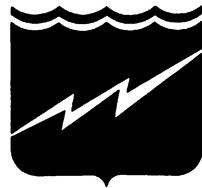


**Kansas City Board of Public Utilities
Comprehensive Annual**

**Financial Report
For
Year Ended
December 31, 2002**



**An Enterprise Fund of the Unified
Government of Wyandotte County/
Kansas City, Kansas**

Prepared by:

**Office of Accounting
Office of Public Affairs**

**Kansas City Board of Public Utilities
Kansas City, Kansas**

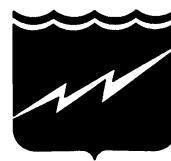
**2002 Comprehensive Annual
Financial Report**

2002 Board of Directors

**President Robert L. Milan, Sr.
Vice President Loretta M. Colombel
Secretary Mary L. Gonzales**

**James S. Head
John M. Pettey**

**General Manager
E. Leon Daggett**



Board of Public Utilities of Kansas City, Kansas

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**Kansas City,
Board of Public Utilities**

540 MINNESOTA AVENUE • KANSAS CITY, KANSAS 66101 • (913) 573-9000

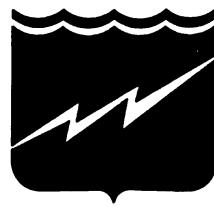
April 30, 2003

To the Board of Directors and Citizens of the Kansas City Board of Public Utilities:

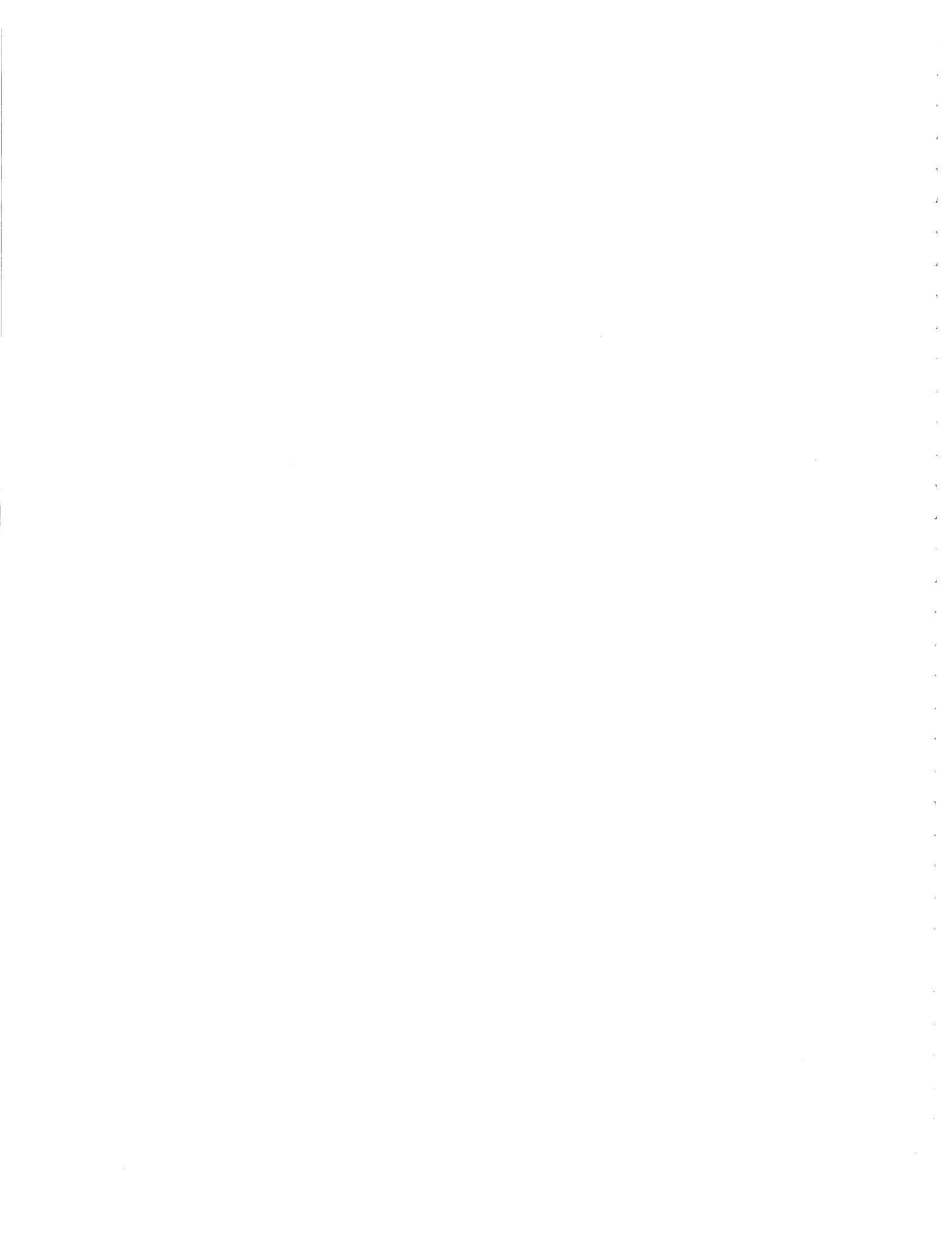
The Kansas City Board of Public Utilities' 2002 Comprehensive Annual Financial Report (CAFR) is a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. We hereby issue the CAFR for the fiscal year ended December 31, 2002.

The CAFR was prepared by the office of Accounting and is designed and presented in a manner to assist the reader in understanding its content. The report consists of three primary sections:

- The introductory section includes the Board President's message, the General Manager's message, this letter of transmittal, a copy of last year's Government Finance Officers Association (GFOA) Certificate of Achievement in financial reporting, and the Board of Public Utilities Organizational Chart.
- The financial section contains the Management Discussion and Analysis, and the combined financial statements for the BPU. The combined financial statements provide a summary and overview of the financial position and results of operations of all the BPU's funds and account groups.
- The statistical section contains relevant statistical data including historical summaries of the level of expenses, revenues, and bond debt. The section also contains some general and demographic statistical information.



Introductory Section



PRESIDENT'S MESSAGE

In 2002, the publicly elected Board of Directors of the Kansas City Board of Public Utilities (BPU) continued to represent the ratepayers of the community by making sound fiscal and administrative policy decisions. Throughout the year, the Board worked with the management team to review pending utility projects, as well as far-reaching strategies to provide needed capacities and services to ensure a solid financial future.

The Board held public hearings on major financial decisions, such as rate adjustments and examining the benefits of entering into long-term debt for capital improvement projects. In June, the Board approved increases in both electric and water rates, effective July 1, 2002. These increases were needed to offset rising costs because of inflation, higher maintenance expenses and to recover from the costs of unexpected events beyond the utility's control. The Board also approved long-term financing with low interest rates from the state for improvements in the BPU Water Division.

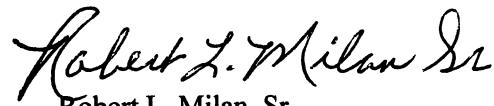
Again in 2002, the utility was successful in its economic development incentives and rates, benefiting the entire community. New retail businesses in the western portion of our county are bringing millions of people to our area and accelerating the related growth of other businesses and residential communities. New construction, renovation of existing businesses and a solid industrial base continue in the eastern sector of the county, as well. Downtown, one block has a whole new look: BPU's new administration building is located alongside a new Hilton Garden Inn and renovated Jack Reardon Convention Center, along with a new parking garage. Incentives for expanding businesses, school districts, and faith-based housing projects also bring new revenue to the utility, while expanding the tax base for the whole community.

The Board wishes to thank the General Manager and BPU employees for their dedication and hard work in 2002. We were particularly proud of our employees and contractors when a crippling major ice storm hit the Kansas City area on January 29. Our crews worked nights, days and weekends for 13 days to restore power to our customers in an efficient and safe manner.

We are also proud of the community service performed by BPU employees. The BPU Annual Charity Golf Tournament raised \$24,000 to help local children through the Garner Institute, the BPU Employee Council's United Way employee campaign and corporate giving set another record of \$255,740, and the Council's car show contributed \$8,000 for SmartStart Kansas. In addition, BPU Checkered Flag Charities funded \$65,000 to seven local nonprofit programs, and the utility's Summer Youth Program helped thousands of local youth learn important job skills while earning wages.

In addition, the utility provides a public service to the community by supplying electricity and water at no charge to city government buildings and facilities. BPU also provides maintenance services for city streetlights, traffic signals and fire hydrants, and billing services for trash pick-up, sewer service and Payment in Lieu of Taxes (PILOT). For 2002, the value of these services was approximately \$21.8 million.

2002 was a challenging, yet successful year for BPU. The Board's policy decisions in 2002 prepared us for a sound financial position in 2003 and beyond. We look forward to another successful year, serving our customers and playing a significant role in the communities we serve.



Robert L. Milan, Sr.
President
April 30, 2003

The Board of Directors

The Board of Directors is composed of six members, three of whom are elected at large and three of who are elected by district. During 2002 one of the at-large positions was vacated due to a members resignation. Every two years three members are elected for four-year terms. The Board chooses a president, vice president, and secretary from its own membership. The Board meets twice a month, on the first and third Wednesdays. Members receive a monthly salary of \$250. The treasurer of the Unified Government of Wyandotte County/Kansas City, Kansas is the ex-officio treasurer of the Board. The Board is charged with the duty to hire a General Manager, who serves as BPU's chief executive officer, and who administers the day-to-day operations of the utility.



Robert L. Milan, Sr.
President and Member,
First District
Elected 1991-1995
Re-elected 1995-1999
Re-elected 1999-2003

Mr. Milan also served as President of the Board from 1995 to 1997. He worked at the U.S. Department of Labor for 32 years, retiring as a Federal Representative. He is active in the Northeast Optimist Club and NAACP. In 2001 he served as State President of AARP. He is also past President of AFGE Local No. 1748, a government employees' union, and served as Secretary of the Kansas City, Kansas-Wyandotte County Port Authority. A native of Kansas City, Kansas, he owned Milan's Roller Arena and Bowling establishment for many years. Mr. Milan is a Sumner High School graduate and attended Kansas City Kansas Community College, The University of Kansas, Donnelly College, the University of Colorado, Temple University and Pioneer College.



Loretta M. Colombel
Vice President and
Member,
Second District
Appointed 1998-1999
Elected 1999-2001
Re-elected 2001-2005

Ms. Colombel previously owned a small business in downtown Kansas City, Kansas, and also worked for the Liveable Neighborhoods Task Force as a neighborhood organizer. She serves on the Policy Makers' Council of the American Public Power Association. In 2001 Ms. Colombel graduated from the FBI's Citizens' Academy. She is past President and co-founder of Wyandotte Countians Against Crime, a former neighborhood

The Board of Directors – continued

organizer for the Regional Prevention Center, and a member of the Kansas City Kansas Chamber of Commerce Board of Directors. She attended Bishop Ward High School before moving to New Orleans, where she graduated from East Jefferson High School and attended Tulane University.



**Mary L. Gonzales
Secretary and
Member at Large
Elected 2001-2005**

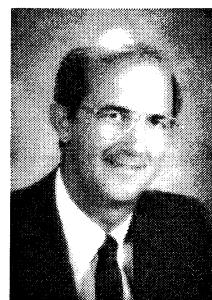
Ms. Gonzales is an eighth grade language arts teacher at Piper Middle School. A graduate of Leadership 2000, she also served as District 5 Coordinator in efforts to consolidate the Wyandotte County government, and has served on the advisory boards of the State Avenue YMCA and the Wyandotte County Library. In addition, she is President of Delta Kappa Gamma International Educational Society. Ms. Gonzales has a Bachelor of Arts degree in Education from the University of Montevallo in Montevallo, Alabama, and a Master's degree from Emporia State University.



**James S. Head
Member at Large
Appointed 2000-2001
Elected 2001-2003**

Mr. Head is a retired Certified Public Accountant. During the majority of his career, he worked in accounting firms, for the last 12 years as a partner and shareholder in Cochran, Head & Co., a local CPA firm. He was also a Controller for five years for a large mechanical contractor and then

Controller for a large drywall distribution company. Mr. Head served as President of the Board of the Kansas City, Kansas Rotary Club, and was also elected to the Board of Directors of the Kansas City Kansas Area Chamber of Commerce. In addition, the Kansas Governor appointed him to the Kansas State Board of Accountancy where he served for six years, including two years as Chairman. Mr. Head received Bachelor of Science and Bachelor of Arts degrees in Accounting from Pittsburg State University, and also served four years in the U.S. Navy.



**John M. Pettey
Member,
First District
Elected 1995-1999
Re-elected 1999-2003**

Mr. Pettey served as President of the Board in 2001-2002. A life-long resident of the Turner area, Mr. Pettey is the owner of Huggins Insurance Agency in Argentine. In addition, he was an officer of the Wyandotte County Park Board, member and past President of the Argentine Activities Association, the Argentine Breakfast Club and the Independent Insurance Agents of Kansas City, Kansas. He attended Ottawa University and Washburn University.



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GENERAL MANAGER'S MESSAGE

In 2002, the Kansas City Board of Public Utilities continued to do what it does best: provide our customers with reliable, efficient electric and water services at reasonable rates. I want to thank our management team for an outstanding year of controlling expenses, exploring new and better ways to serve our customers, and planning for the future. As a result of their efforts and the forward-looking policy decisions of our board, we are in outstanding financial condition.

The year 2002 brought many opportunities and improvements to the utility. The extensive Cost of Service Studies completed last spring for both the electric and water divisions gave us vital substantiation of our current costs, and also helped us look forward to examine long-range needs and expenses. Taking advantage of low interest rates, last summer we entered into a forward refunding transaction of our Series 1994 bonds. This transaction provided an up-front payment of approximately \$7.8 million that is being used for system capital improvements.

Other major developments in 2002 are summarized below.

- In January, a new Electric Rate Stabilization Rider became effective, establishing a fund to recover unanticipated major expenses. We expect to collect more than \$23 million for deferred expenses over a three-year period.
- After holding public hearings in June, our board approved increases in both electric and water rates, effective July 1, 2002. These increases were needed to offset rising costs because of inflation, higher maintenance expenses and to provide funds for needed capital improvement projects. We also established a Power Production Review Committee to study issues related to production costs and rate design.
- In 2002 BPU received outstanding ratings from the national bond rating houses. Our utility system bonds for both electric and water debt were rated A+ from Fitch Ratings, A+ from Standard & Poor's, and A1 from Moody's Investors Service.
- The economic development that BPU initiated several years ago that resulted in Kansas Speedway locating in our county continues to pay back a multitude of benefits. The Speedway itself brings in approximately \$150 million to the area each year. Near the Speedway, Cabela's Outfitters opened in August. Between August and the end of the year, more than two million people visited Cabela's, making it the top tourist attraction in Kansas. Nebraska Furniture Mart's 712,000-square-foot store will open in the fall; it is expected to attract comparable numbers. These and other businesses and housing developments throughout the county are increasing utility revenues while also boosting our area's economy.
- The current and anticipated growth of our community has led to enhancements in our Electric Operations. In the western segment of our service area, we are upgrading an existing substation, and plans are underway to build a new substation that will provide reliable power to that growing area. In the Northeast, a yearlong capital improvement project to provide a higher voltage distribution system will significantly reduce the number of outages and overloads in the summer months.

General Manager's Message, continued

- In order to supply reliable power to our customers, several capital improvements were undertaken in the power plants of the Electric Division. These included overhaul and rotor replacement on the combustion turbines, replacement of boiler tubing, rebuilding an air heater, and lowering the intake pumps in order to reach the lower river level. In addition, we initiated a comprehensive power supply plan that analyzes our options, considers financing alternatives and determines the impact on rates.
- In the Water Division, the two-year-old Nearman Water Treatment Plant has met and exceeded its performance standards. As part of the Division's long-range planning efforts, we are working to close down and convert the old Quindaro Water Treatment Plant to the Nearman facility. Three capital improvement projects are required for that conversion. BPU was able to take advantage of low-interest federal loans administered by the State of Kansas to finance these projects. Besides providing quality water service to our current retail and wholesale customers, we plan to increase our wholesale water sales to neighboring water districts over the long term.
- As with most utilities, security has been stepped up at all BPU facilities. New equipment, procedures and advanced monitoring capabilities were begun in 2002. In addition, BPU received a federal EPA grant for a water system vulnerability assessment. Information in the resulting report is being used to improve the safety and security of our water system and to enhance our ability to respond to emergency situations.
- In September 2002, BPU staff moved into a new administration building. The 100,000-square-foot building and parking garage share a downtown block with a new hotel and renovated convention center. The four-story building houses 150 employees, and was designed to offer easy access and better parking for employees and customers. The number of customers coming to the new building has increased by approximately 30 percent compared to the former location.

As a public utility, BPU is part of the community--our customers are also our owners. Our board members are publicly elected, and our board meetings are open to the public. Most BPU employees live in the county where we provide services, and the utility's revenues stay in the community. We pledge to continue to provide safe, reliable and efficient delivery of our services to customers in a financially prudent and fiscally responsible manner.

I want to thank our employees for an outstanding year. We have again fulfilled our mission: To be the utility of choice and the workplace of choice, while improving the quality of life in the communities we serve.



E. Leon Daggett
General Manager
April 30, 2003

Senior Management

E. Leon Daggett General Manager

Mr. Daggett has been a manager in the electric utility business for thirty-nine years, with twenty-seven years of management in the public sector. He managed public power systems in three cities in Ohio (Bryan, Hamilton, and Westerville) before coming to Kansas City seven years ago.

Mr. Daggett has a Bachelor of Science degree in Business Administration from Saint Francis University in Fort Wayne, Indiana.

For seven years, he served as a member of the Board of Directors of the American Public Power Association (APPA). In 1999, Mr. Daggett received APPA's Donovan Individual Achievement Award, given annually to a public power leader who has made a great individual contribution to the electric utility industry and to public power.

He is past Chairman of the Board of the Kansas City Kansas Area Chamber of Commerce, and on the Board of Directors of Kansas Municipal Utilities and of BPU Checkered Flag Charities. He also served as one of two public power members of the State of Kansas Retail Wheeling Task Force.

Bernard A. Cevera Manager - Electric Division

Mr. Cevera was appointed Manager of the Electric Division in 1999. He has twenty years of power supply and marketing experience with both municipal and investor-owned electric utilities. His experience includes electric utility engineering, management, operations, system planning, power pooling and supply side studies, transmission access and interconnection agreement development and negotiations, and competitive supply planning for joint action agencies and municipal and investor-owned utilities. Before coming to BPU he was the

Marketing Manager for Cargill-Alliant, LLC in Minneapolis, Minnesota. At Cargill his responsibilities included business development activities in the U.S. power supply field, with power risk management services and fuel input/power output work activities to maximize the value of generation units and power contracts. He also developed contracts for municipals, electric cooperatives, small/mid-size investor-owned utilities and selected industrial customers.

Mr. Cevera has a Bachelor of Science in Business Administration from Ohio State University in Columbus. He currently represents BPU as their designated representative for the United States Environmental Protection Agency, serves on the Western Fuels Association, Inc. Board of Directors, holds the office of Secretary/Treasurer of Western Fuels Service Corporation, Inc., and is Vice-President of Liberty Coal Company, LLC and President of Western Fuels – Illinois, Inc.

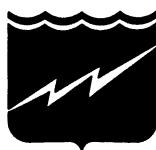
Donald L. Gray Manager - Water Division

Mr. Gray was appointed Assistant General Manager of the Water Division in 1999 after serving as "Acting Manager" since 1998. A thirty-two year veteran, he began his career as a chemist before his promotion in 1985 to Director of Water Processing. He has authored and presented papers on water quality and treatment and, rehabilitation projects during the 1993 Missouri River flood.

Mr. Gray has a Bachelor of Science degree in Microbiology from Kansas State University, a Bachelor of Science in Chemistry from Rockhurst College, and a MBA from St. Mary College. He was the recipient of the 1989 American Water Works Association-Kansas Section Operator Meritorious Service Award. He has served on the Kansas Section Board for four years and is currently Chair of the Section.

Executive Staff and Department Heads

Susan J. Allen Public Affairs Officer	Garry R. McClarlan, Acting Director Information Services
Lori C. Austin, Director Accounting	Patrick J. Morrill, Director Electrical Engineering
Laurie D. Brough, Director Records Management	Anthony R. Pike, Manager Electric Operations
O. Leon Burtnett, Director Electric System Control	George A. Powell, Director Economic Development & Retail Sales
Patrick J. Cassidy, Director Environmental Services	Dong T. Quach, Director Electric Production Maintenance
Marc D. Conklin General Counsel / Staff Attorney	Stephen F. Rehm, Director Electric Transmission & Distribution
Darrell D. Dorsey, Manager Electric Production	Lanny L. Uden, Director Civil Engineering
James A. Epp, Director Water Systems Control	Nanette M. Wolf Purchasing Agent
John D. Frick, Director Electric Production Engineering	Carl A. Wolfe, Director Customer Services
Joseph W. Jarsulic, Director Marketing & Interconnected Operations	Rick Yarnell, Director Internal Audit and Performance Assurance
William F. Kamm, Director Production Supply Services	Frank W. Yau, Director Water Processing
Donald W. Kerns, Director Water Distribution	



FINANCE REPORT OVERVIEW

The Kansas City Board of Public Utilities of Kansas City, Kansas (BPU) is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas charged by Kansas Statute with the responsibility for the daily management, operation, maintenance and control of the Unified Government of Wyandotte County/Kansas City, Kansas's electric and water facilities. By Kansas Statutes, the BPU's operational control and administration is under a six-member elected Board of Directors who appoints the General Manager to administer the day-to-day operations of the combined utility system. The Board of Directors serve four-year staggered terms, with three board members elected every two years. Three of the board members are elected by district and the remaining board members are elected at large. However, the Unified Government of Wyandotte County/Kansas City, Kansas possesses the corporate powers that would otherwise distinguish the BPU as being legally separate from the Unified Government of Wyandotte County/Kansas City, Kansas. The accompanying combined financial statements include only those operations related to the municipal electric and water utilities.

Responsibility for this report for the fiscal year ended December 31, 2002 with respect to both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BPU. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the BPU. All disclosures necessary to enable the reader to gain an understanding of the BPU's financial activities have been included.

The BPU's financial statements have been audited by KPMG, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BPU for the fiscal year ended December 31, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. KPMG concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the BPU's financial statements for the fiscal year ended December 31, 2002 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Employees' Retirement Pension Plan, established for the employees of the BPU, is a separate legal entity. The financial statements of the Employees' Retirement Pension Plan are not included in the accompanying combined financial statements, but can be obtained from the Board of Pension Trustees of the Retirement Pension Plan of the Kansas City Board of Public Utilities.

BPU Financial Controls and Performance

Internal Controls

Management of the BPU is responsible for establishing and maintaining internal controls to ensure that the assets of the BPU are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; (2) the evaluation of costs and benefits requires estimates and judgment by management.

Budgeting Controls

The BPU maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget approved by the elected Board, the BPU's governing body. The BPU is required to adopt an annual budget. The annual budget includes the fiscal year operating plan as well as a multi-year Capital Improvements Program. The level of budgetary control is established by cost centers and by resource expense line item activity. In certain cases, however, cost center budgets may be changed during the year under the following circumstances:

- Essential programs: If a program is essential for the operations of the BPU or so urgently needed that implementation cannot be delayed.
- Required programs: If a program is needed to maintain the BPU's activities at current levels of performance or required by the obligation to serve.

Financial Guidelines

The BPU maintains accountability of its financial performance through the use of financial responsibility statements guidelines as adopted by the Board. The following guidelines are to be used in the planning and development of the annual budget for the Kansas City Board of Public Utilities. These guidelines are developed according to the current financial policies; the current rate hearing stipulation agreements with our industrial customers; compliance with current bond indenture requirements; and in accordance with good and prudent financial planning and budget processes and recommended policies of the Government Finance Officers Association.

In addition to the financial responsibility statements in the current outstanding bond documents, the BPU annually reviews its financial assumptions and guidelines to ensure conformance with statement indenture requirements and good business practices. The major financial guidelines include:

BPU Financial Controls and Performance - continued

- **Debt Service Coverage Ratios** – The BPU establishes a debt ratio that is consistent with the current provisions in the bond indenture document. This debt service ratio is a measure of the adequacy of cash to pay debt service and is the minimum amount necessary to prevent bond default. It should be considered a target for revenues needed by the Utility for its funding purposes in any given year.

The BPU must maintain debt coverage of 1.2 to meet the coverage requirement imposed by the bond indenture and demonstrate that Net Revenues be at least 120 percent of the Maximum Annual Debt Service.

BPU also has a mandatory provision in its bond indentures for a debt service trigger when debt coverage is at 1.3 times or below the annual debt service payment amounts.

- **Rate Stabilization Fund** – The 2002 Financial Statements have assets, which are designated for a Rate Stabilization Fund. A Rate Stabilization Fund is needed to offset major changes in revenues and expenses including weather conditions and unanticipated spending requirements. As of December 31, 2002, the Rate Stabilization Fund had a balance of \$9.975 million.
- **Improvement and Emergency Fund** – The BPU's financial statements include a combined utility reserve of \$1.5 million to fund emergency related capital improvement costs. This reserve account allows the BPU to fund capital improvements in cases of major replacement needs and/or emergency disasters.

Cash Management

The BPU has a comprehensive cash and investment management program. Various investment restrictions are contained in the indenture and ordinance authorizing the revenue bonds of the BPU utility system, along with statutory restrictions contained in state law. These restrictions basically identify the type of investments that may be authorized and do not restrict the BPU to various terms. The BPU prepares an annual cash flow worksheet, and a 90-day cash worksheet, all of which aids the BPU in making the best investment decisions and has helped in short and long range planning. Through these procedures, the BPU has been able to out-perform the 91-day T-bill rate.

Risk Management

The BPU has a comprehensive risk management program. This program includes coverage as provided for in the following policies: (1) Property/Boiler "All Risk," (2) Comprehensive Crime (Employee Dishonesty), (3) Special Fuels or User Bond, (4) Umbrella Liability, (5) Excess Workers' Compensation, (6) Public Official and Employee Liability, (7) Travel, and (8) Automobile Insurance. The risk management program is in compliance with the Trust Indenture of the outstanding bonds.

GFOA Certificate of Achievement Award

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kansas City Board of Public Utilities for its comprehensive annual financial report for the year ended December 31, 2001. This was the twenty-first consecutive year that the BPU received this prestigious award.

In order to be awarded a Certificate of Achievement, the BPU must publish an easily readable and efficiently organized annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. We believe this 2002 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. We are therefore submitting it to the GFOA to determine its eligibility for a certificate for the twenty-second consecutive year.

In closing, I would like to thank the Accounting staff for their efforts in preparing and providing the financial information. Special thanks to Susan Allen, Public Affairs Officer, in coordinating the comments for the President's and General Manager's Messages with the other divisions.

Respectfully submitted,



Lori C. Austin
Acting Manager of Accounting & Finance/CFO
April 30, 2003

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Board of Public Utilities,
Kansas City, Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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

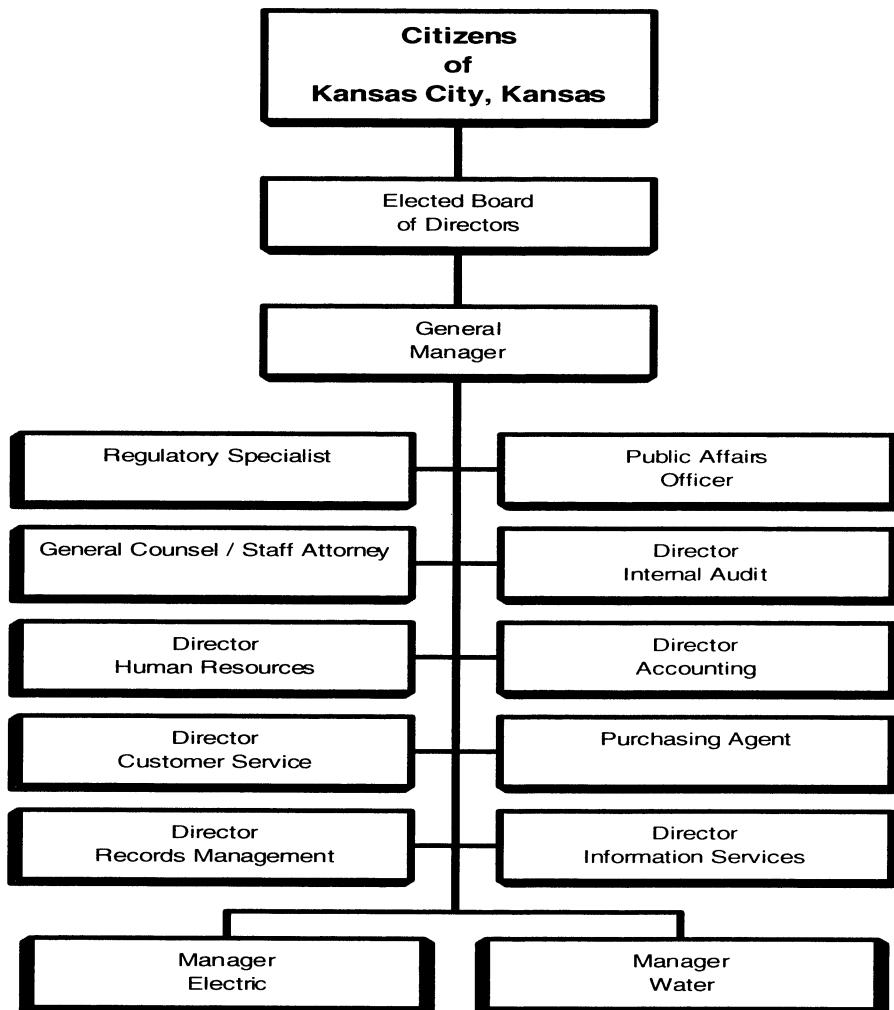


President

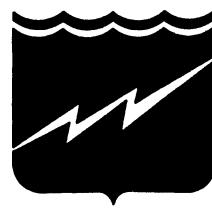


Executive Director

Kansas City Board of Public Utilities 2002 Organizational Chart



- Claims Administration
- Common Plant Maintenance
- Construction / O&M
- Economic Development
- Electric Metering
- Electric System Control
- Electrical Engineering
- Environmental Services
- Fuels Management
- Grounds Maintenance
- OH / UG Lines
- Planning
- Power Production
- Production Support Services
- Radio / Telecom & Cable
- Retail Services
- Stores
- Street Lights
- Substations
- Traffic Signal
- Transportation
- Civil Engineering
- Distribution
- Drafting
- Mapping
- Processing
- Purification
- Water System Support



Financial Section

Independent Auditors' Report

To the Board of Directors of the
Board of Public Utilities:

We have audited the accompanying balance sheet of the Board of Public Utilities of Kansas City, Kansas (the BPU) as of December 31, 2002 and the related statement of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the BPU's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* (the Guide) and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the BPU as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1(b) to the financial statements, effective January 1, 2002, the BPU adopted the provisions of Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 17 through 20 and required supplementary information on page 42 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional combining information on pages 44 to 46 is presented for the purpose of additional analysis of the basic financial statements rather than to present the financial position and results of operations of the individual departments, and is not a required part of the basic financial statements. This additional combining information is the responsibility of the BPU's management. Such information has been subject to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2003, on our consideration of the BPU'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

April 4, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Kansas City Board of Public Utilities (the BPU) is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas (Unified Government). The BPU operates as an Enterprise Fund consisting of electric and water departments. This discussion and analysis of the financial performance of BPU provides an overview of BPU's financial activities for the fiscal year ended December 31, 2002.

The electric and water departments are reflected as an Enterprise Fund on the Unified Government's financial statements consisting of the Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows. This Management Discussion and Analysis of the BPU's financial report presents our discussion and analysis of the BPU's financial performance for the year that ended December 31, 2002. This analysis should be read in conjunction with the financial statements and notes thereto.

The following table summarizes the financial condition and operations of the BPU for 2002 as of and for the year ended December 31, 2002 (amounts in thousands):

Condensed Balance Sheet

	Assets
Capital assets, net	\$ 553,616
Current assets	106,161
Noncurrent assets	<u>67,275</u>
	<u>\$ 727,052</u>
	Liabilities and Net Assets
Long-term debt	\$ 277,316
Deferred credits	31,729
Current liabilities	46,701
Net assets	<u>371,306</u>
	<u>\$ 727,052</u>

**Condensed Statement of Revenues, Expenses and
Changes in Net Assets**

Operating revenues	\$ 191,352
Operating expenses	<u>157,353</u>
Operating income	33,999
Nonoperating income (expenses)	<u>(13,792)</u>
Contributions and transfers	<u>(12,900)</u>
 Increase in net assets	 <u>\$ 7,307</u>

Financial Highlights

- Net capital assets increased \$25 million in 2002, an increase of 4.7 percent over 2001.
- Debt service coverage ratio increased to 2.21 times in comparison to 1.84 for the year ended 2001.
- The BPU entered into a forward refunding transaction of the Series 1994 bonds. The transaction provided an up front payment of approximately \$7.8 million which will be used for system capital improvements.
- The BPU approved electric and water rate increases in July 2002. Residential electric customer rates increased by 8 percent in 2002 and an additional 4 percent in July 2003. Industrial and commercial electric customer rates increased by 7.3 – 7.9 percent in 2002. Water rates increased with a \$3 monthly customer charge and a 6 percent volumetric increase.
- Net assets increased by \$7.3 million during 2002.

In 2002, the BPU's operations performed above budget in overall revenues. The BPU's revenues from operations were approximately \$191 million with the electric department recognizing revenues of \$159 million and the water department recognizing revenues of \$32 million. Revenues reflect the rate increase implemented in 2002 as well as one third of deferred expenses from the prior years that amounts to \$8.3 million. The average number of customer accounts did not increase significantly from the prior year.

The BPU's total operating revenue increased over 2001 by approximately \$19 million. This increase is attributable to both the rate increases and increased volumes. Electric volumes increased over 2001 due to a greater number of cooling degree-days than in 2001. Water revenues also increased significantly due to weather. The summer of 2002 experienced approximately 18 inches less rainfall as compared to 2001 increasing summer water usage. In comparison to the 2002-revised budgeted revenue, the BPU collected approximately 102 percent of the budgeted revenue. The revised budget reflected the rate increase that was effective July 1, 2002.

Operating expenses for 2002 were approximately \$157 million. The electric department represents \$135 million, while the water department had \$22 million in operating expenses. The largest component of operating expenses is production, fuel and purchased power expense. Overall in 2002, production, fuel and purchased power costs were lower than in the previous year by \$545,000 and under budget by \$2.4 million. This decrease is a result of lower than anticipated fuel costs and a combination of less power purchased and a lower market price compared to the previous year. BPU's power supply mix for fiscal year 2002 was 81 percent coal, 12 percent net power purchases, 6 percent gas and 1 percent oil.

In other operating expenses the majority of the increase from 2002 to 2001 was the purchased power deferred costs amortization of \$8.3 million. The collection of the deferred expense began in January 2002 and will continue until 2004. The operating expense increase in comparison to budget was the result of higher than anticipated property insurance and security costs.

In 2002, the BPU adopted GASB Statement No. 33 (GASB 33) Accounting and Financial Reporting for Nonexchange Transactions. Adoption of this standard impacted how the BPU accounts for contributions in aid of construction from developers. Following adoption, these contributions are recognized as contributions on the statement of revenues, expenses and changes in net assets, with a corresponding increase to capital assets. In 2002, developers contributed fixed assets, namely water main extensions, worth approximately \$380,000 to BPU. Beginning net assets have been restated for the impact of contributions made in prior periods. These contributions, net of accumulated depreciation, amounted to approximately \$4.3 million. In addition the BPU made a transfer to the Unified Government for payment-in-lieu of tax (PILOT) in the amount of \$13.3 million in comparison to \$8.9 million in 2001. The increase was a result of the PILOT percentage increasing from 5.9 percent to 7.9 percent of gross operating revenues beginning in 2002 and the additional revenue generated from the BPU's rate increase effective July 2002.

For 2002, net assets increased by \$7.3 million over 2001 in comparison to a budgeted net increase of \$2.1 million and a 2001 net decrease of \$1.8 million.

Capital Assets and Debt Administration

Capital Assets

Net capital assets increased \$25 million in 2002, an increase of 7 percent for the BPU. One of the largest components of the increase is the construction and completion of the administration building totaling \$17 million. Additional work in the electric department consists of the Quindaro power plant combustion turbine #3 rotor replacement for \$1.8 million and the combustion turbine #2 overhaul for \$700,000. Construction work at the Nearman power plant continued with the replacement of boiler tubing in a portion of the plant at a cost of approximately \$2.6 million and an air heater rebuild costing \$1.2 million.

The water department improvements include the K-32 bridge main replacement at a cost of \$525,000 and various main extensions and replacements in the amount of \$700,000. An additional component was the BPU's contributions in aid of construction from developers for water main extensions of \$3.6 million in prior years and the current years contribution of approximately \$380,000, which is now recognized through the adoption of GASB 33.

Debt Administration

Debt outstanding at year-end 2002 was \$258 million, an increase of \$26 million. Of the \$26 million, \$17 million was for construction and completion of the administration building in downtown Kansas City, Kansas. The remainder was used to provide for electric and water department capital improvements through the upfront payment as a result of the 2004 Forward Refunding transaction. Some of the electric department projects funded by debt include replacing boiler tubing at the Nearman Creek power plant, the overhaul of the combustion turbine at the Quindaro power plant, upgrading the distribution system in the Northeast area of Kansas City, Kansas to help reduce the number of outages and overloads in the summer months. The water department improvements funded by debt include the K-32 Bridge main replacement and the Central system 24" East/West crosstie, both estimated at \$1.2 million each.

The BPU maintains a debt ratio that is consistent with the current provisions in the bond indenture document. This debt service ratio is a measure of the adequacy of cash to pay debt service and is the minimum amount necessary to prevent bond default. The BPU must maintain debt coverage of 1.2. The coverage requirement imposed by the bond indenture is that net revenues be at least 120 percent of the maximum annual debt service. BPU also has a mandatory provision in its bond indentures for a debt service trigger when debt coverage is at least 1.3 times or below the annual debt service payment amounts.

As of December 31, 2002, the BPU had debt coverage of 2.21 times in comparison to 1.84 as of year-end 2001.

The BPU's utility system bonds for both electric and water debt are rated A+ from Fitch Ratings, A+ from Standard and Poor's Rating Services and A1 from Moody's Investors Service. BPU's average bond fixed rates range from 4.92 percent to 6.21 percent.



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BOARD OF PUBLIC UTILITIES

Balance Sheet

December 31, 2002

Assets

Capital assets:

Property, plant and equipment	\$ 973,753,755
Less accumulated depreciation	<u>(451,918,274)</u>
Plant in service, net	521,835,481
Construction work in progress	<u>31,780,298</u>
Capital assets, net	<u>553,615,779</u>

Current assets:

Cash and cash equivalents	22,448,860
Investments	23,930,465
Accounts receivable – customers and other	27,194,718
Accounts receivable – unbilled	7,833,603
Allowance for doubtful accounts	(2,341,191)
Inventories	22,602,455
Prepayments and other current assets	<u>4,491,860</u>
Total current assets	<u>106,160,770</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents	12,993,978
Investments	<u>10,123,544</u>
Total restricted assets	<u>23,117,522</u>

Prepaid pension

9,141,342

Prepaid freight costs

1,946,153

Debt issue costs

6,538,657

System development costs

2,855,074

Deferred debits:

Miner OPEB and mine reclamation costs 8,724,157

Purchased power costs 14,952,134

Total noncurrent assets 67,275,039

Total assets \$ 727,051,588

(Continued)

BOARD OF PUBLIC UTILITIES

Balance Sheet

December 31, 2002

Liabilities:

Long-term debt – revenue bonds:	
Principal	\$ 239,529,922
Liability for future refunding	9,375,000
Accreted interest	25,768,041
Capital lease obligations	<u>2,642,765</u>
Total long-term debt	<u>277,315,728</u>
Deferred credits:	
Miner OPEB and mine reclamation costs	9,617,638
Postretirement benefits	16,406,391
Other deferred credits	<u>5,704,936</u>
Total deferred credits	<u>31,728,965</u>
Current liabilities:	
Current maturities of revenue bonds	9,917,086
Current maturities of capital lease obligations	1,526,420
Interest on revenue bonds	4,200,700
Customer deposits	2,415,954
Accounts payable	14,353,765
Payroll and payroll taxes	8,105,867
Accrued claims payable	1,768,126
Other accrued liabilities	3,344,701
Payment-in-lieu of taxes	<u>1,068,539</u>
Total current liabilities	<u>46,701,158</u>
Total liabilities	<u>355,745,851</u>
Net assets:	
Invested in capital assets, net of related debt	274,231,565
Restricted	16,500,868
Unrestricted	<u>80,573,304</u>
Total net assets	<u>371,305,737</u>
Total liabilities and net assets	<u>\$ 727,051,588</u>

See accompanying notes to basic financial statements.

BOARD OF PUBLIC UTILITIES

Statement of Revenues, Expenses and Changes in Net Assets

Year ended December 31, 2002

Operating revenues:

Residential	\$ 55,658,407
Commercial	54,097,395
Industrial	35,230,555
Other	33,085,511
Payment-in-lieu of taxes revenues	<u>13,279,641</u>
 Total operating revenues	 <u>191,351,509</u>

Operating expenses:

Fuel	28,083,712
Purchased power	14,519,878
Production	28,971,607
Transmission and distribution	22,111,731
Engineering	1,579,548
General and administrative	29,209,649
Depreciation and amortization	24,622,061
Purchased power costs amortization	<u>8,254,930</u>
 Total operating expenses	 <u>157,353,116</u>
 Operating income	 <u>33,998,393</u>

Nonoperating income (expense):

Interest on investments	2,071,515
Interest on debt	(15,464,289)
Other	(398,956)
 Total nonoperating expense	 <u>(13,791,730)</u>
 Income before contributions and transfers	 <u>20,206,663</u>

Contributions and transfers (to) from:

Payment-in-lieu of taxes	(13,279,641)
Contributions from developers and others	<u>379,843</u>
 Change in net assets	 <u>7,306,865</u>
 Net assets, beginning of year (as restated)	 <u>363,998,872</u>
 Net assets, end of year	 <u>\$ 371,305,737</u>

See accompanying notes to basic financial statements.

BOARD OF PUBLIC UTILITIES

Statement of Cash Flows

Year ended December 31, 2002

Cash flows from operating activities:

Receipts from customers	\$ 206,508,403
Payments to suppliers	(95,334,066)
Payments to employees	(43,976,514)
	<u>67,197,823</u>
Net cash provided by operating activities	<u>67,197,823</u>

Cash flows from noncapital financing activities: Payment-in-lieu of taxes

Cash flows from capital and related financing activities:

Purchases of property, plant and equipment	(26,191,729)
System development costs	(1,140,922)
Proceeds from forward refunding of debt	7,823,798
Payments on capital lease	(1,451,493)
Payments on revenue bonds	(9,400,404)
Interest paid on utility system debt	<u>(18,083,615)</u>
	<u>(48,444,365)</u>
Net cash used in capital and related financing activities	<u>(48,444,365)</u>

Cash flows from investing activities:

Purchases of investments	(120,091,956)
Proceeds from sales and maturities of investments	111,199,613
Interest received	2,071,515
Payments received on notes receivable	<u>79,044</u>
	<u>(6,741,784)</u>
Net cash used in investing activities	<u>(6,741,784)</u>

Net decrease in cash and cash equivalents

Cash and cash equivalents at beginning of year	36,710,805
Cash and cash equivalents at end of year	<u>35,442,838</u>
	<u>35,442,838</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 33,998,393
Adjustments to reconcile operating income to net cash provided by operating activities:	

Depreciation and amortization	24,622,061
Provision for doubtful accounts	1,033,596
Other	(398,956)
	<u>24,622,061</u>
Changes in noncash assets and noncash liabilities:	

Accounts receivable	(7,939,741)
Inventories	(762,355)
Prepayments	(873,518)
Customer deposits	(294,785)
Accounts payable	(521,218)
Payroll and payroll taxes payable	246,081
Accrued claims payable	350,587
Other accrued liabilities	(37,792)
Payment-in-lieu of taxes	453,515
Other deferred, net	<u>17,321,955</u>
	<u>17,321,955</u>
Net cash provided by operating activities	<u>67,197,823</u>

Supplemental noncash disclosures:

Issuance of debt for building	17,240,799
Contributions of capital assets from developers	379,843
Accounting change	3,637,039

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Board of Public Utilities of Kansas City, Kansas (the BPU) consists of the municipal electric and water utility, which provide services to approximately 66,000 electric and 52,000 water customers.

Under Charter Ordinance of the Unified Government of Wyandotte County, Kansas City, Kansas (the Unified Government) pursuant to the Unified Government's constitutional home rule, the BPU is an administrative agency of the Unified Government and, as such, is a part of the Unified Government's primary government. However, the BPU's operational and administrative control is under a six-member elected board of directors (the Board). The accompanying financial statements represent the combination of only those operations related to the Unified Government's electric and water utility. The Employees' Retirement Pension Plan, established for the employees of the BPU, is a separate legal entity. The financial statements of the Employees' Retirement Pension Plan are not included in the accompanying financial statements.

The financial statements also include the BPU's proportionate share of its 50% interest in Brushy Creek Coal Company (BCCC) and its 50% interest in Liberty Coal Company (Liberty). BCCC is owned indirectly through Western Fuels-Illinois (WFI), a Wyoming nonprofit organization that operates as a cooperative. The Class B (nonvoting) stock of WFI is indirectly owned 50% by the Unified Government (on behalf of the BPU) with the remaining 50% interest owned by the City of Sikeston, Missouri (Sikeston). The Class A (voting) stock is owned by Western Fuels Association (WFA), a Wyoming nonprofit corporation that operates as a cooperative and has 18 members. The BPU is a member of the WFA and has representation on the WFA board of directors. Liberty is owned indirectly through Cities Trust. The equal beneficiaries of the trust are BPU and Sikeston.

The WFI board of directors consists of one representative from each of BPU, Sikeston, and WFA. The BPU's 50% interest in WFI's assets, liabilities, and operations are included in the accompanying financial statements. WFI did not have material operations during the year ended December 31, 2002.

Liberty, a Colorado limited liability company, was formed for the purpose of retrofitting the existing BCCC mine. WFI owns the land and coal at the mine and has assigned these interests along with related equipment to Liberty. As of December 31, 2001, Liberty was in the development stage. Liberty commenced commercial operations in 2002.

(b) Basis of Accounting

The BPU accounts for the water and electric utility as an Enterprise Fund. Significant inter-department accounts, including inter-department sales, have been eliminated. The BPU accounts for its transactions on the flow of economic resources measurement focus and uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In reporting its financial activity, the BPU applies all applicable Governmental Accounting Standards Board (GASB) statements and interpretations and Financial Accounting Standards Board (FASB) statements and interpretations issued prior to November 30, 1989, except for those that conflict with or contradict GASB pronouncements. No pronouncements of

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

the FASB issued after November 30, 1989 have been applied. In accordance with accounting principles generally accepted in the United States of America for rate regulated enterprises, certain costs or credits may be recorded as deferred charges or credits when it is probable, based on historical precedents and Board resolutions, that future rates established by the Board will recover or return such costs or credits. The BPU follows the uniform system of accounts as prescribed by the Federal Energy Regulatory Commission and FASB Statement No. 71, *Accounting For the Effects of Certain Types of Regulation*.

Effective January 1, 2002, the BPU adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Adoption of GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets or balance sheet, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.
- Restricted – consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Effective January 1, 2002, the BPU changed its method of accounting and adopted GASB Statement No. 33 (GASB), *Accounting and Financial Reporting for Nonexchange Transactions*. This statement establishes accounting and financial reporting standards over the recording of nonexchange transactions involving cash and financial capital resources. These transactions include the BPU's contributions in aid of construction transactions, which represent facilities, or cash payments for facilities, received from developers who receive benefit for such facilities. These consist primarily of water distribution systems. As a result of the adoption of GASB 33, contributions in aid of construction are now recognized as contributions and capital assets. In accordance with accounting principles generally accepted in the United States, the impact of contributions made to the BPU prior to January 1, 2002 has been recognized within net assets beginning of year (as restated). This amounted to \$3.6 million, net of related depreciation expense. In 2002, the BPU recognized contributions of \$379,843 related to 2002 contributions in aid of construction.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(c) Revenue Recognition

Operating revenues include revenues from the provision and delivery of electricity and water to customers. Payments-in-lieu of taxes are classified as operating revenue as these amounts are collected from customers through a supplemental rate rider. Operating expenses consist of costs incurred through the provision and delivery of electricity and water to customers.

Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period.

As required by GASB Statement No. 34, operating revenues reported in the statement of revenues, expenses and changes in net assets are shown net of discounts and estimated allowances for bad debts. Discounts and allowances totaled \$1,033,596 in fiscal year 2002.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statement of cash flows include all highly liquid investments (including restricted assets) with an original maturity of three months or less.

(e) Capital Assets

Capital assets are stated at actual purchased cost or cost of construction. These costs include payroll-related costs, including pensions, and other fringe benefits. The book cost of units retired plus the cost of removal, less salvage, is charged against accumulated depreciation with no gain or loss recognized. Repairs and maintenance are charged to maintenance expense.

(f) Depreciation

The BPU depreciates plant and equipment on a composite basis over their estimated useful lives on a straight-line basis. The following composite depreciation rates were used for 2002:

Production plant	1.67%	–	4.00%
Transmission and distribution	1.67%	–	6.67%
General plant	2.27%	–	10.00%

(g) Interest Capitalization

Interest costs incurred to finance construction work in progress are included in the rate base and are not capitalized.

(h) Accounts Receivable

An estimate is made for the provision for uncollectible accounts based on an analysis of the aging of accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon the credit risks of significant parties.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(i) Inventories

Inventories are stated at the lower of average cost or market (net realizable value) and consist of the following:

Fuel	\$ 4,859,699
Material and supplies	<u>17,742,756</u>
Total	<u><u>\$ 22,602,455</u></u>

(j) Prepaid Freight Costs

At December 31, 2002, prepaid freight cost of approximately \$2,595,000 is presented as prepayments in the balance sheet. The BPU amortizes the prepayment as a component of fuel costs over the life of the agreements on a straight-line basis.

(k) Deferred Charges and Amortization

Costs incurred in the development of computer systems are deferred and amortized over the useful life of the systems, which are estimated to be three to five years. Debt issuance costs are amortized over the life of the bonds.

As discussed in note 1(b), the BPU follows FASB Statement No. 71. Costs incurred due to unusual events that interrupted normal operations were deferred as purchased power. These costs will be amortized over a set period of time corresponding to the term of the new rates. A rate stabilization rider was approved by the Board in December 2001, which authorized the amortization of the purchased power costs beginning January 1, 2002. These costs are being amortized over a three-year period.

As discussed in note 1(a) the BPU includes its 50% indirect interest in the assets, liabilities, and operations of BCCC in the financial statements of the BPU. The BPU's 50% interest in the future unfunded obligations for retiree medical and mine reclamation costs related to the BCCC mine are included in Miner OPEB and mine reclamation costs in the accompanying balance sheet. These costs are intended to be recovered through the operations of the Liberty mine or alternatively will be built into a future rate study and will be amortized over a set period of time corresponding to the new rates.

(l) Vacation and Sick Leave

Under the terms of the BPU's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days. Employees may carry over, from year-to-year, a maximum of 80 hours for vacation hours earned after 1997. The liability for accumulated vacation of approximately \$971,000 at December 31, 2002 has been accrued and is included in payroll and payroll taxes in the accompanying balance sheet. Sick leave can be accrued up to 1,760 hours. Employees who resign with at least 15 years of service are paid for 75% of accumulated sick leave. All employees are paid for accumulated sick leave upon retirement or death. The liability for accrued sick leave is included in payroll and payroll taxes in the accompanying balance sheet at approximately \$5,900,000 at December 31, 2002 representing the

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

estimated amounts to be paid in future years to current employees for services rendered through such dates.

(m) *Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The BPU has not recorded any impairments of long-lived assets in 2002.

(n) *Estimates and Assumptions*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Revisions for these estimates are reflected in future period financial statements.

(2) Cash and Investments

Kansas State Statutes authorize the BPU, with certain restrictions, to invest in open accounts, time deposits, certificates of deposit, and United States Treasury notes. All deposits with banks are collateralized at 102% of market value as required by the BPU's Cash and Investment Policy and State Statute, less insured amounts.

(a) *Cash*

At December 31, 2002, the carrying amount of the BPU's deposits, including certificates of deposit, was \$14,224,896 and the bank balance was \$20,247,878. Of the bank balance, \$500,000 was insured by federal depository insurance, \$13,325,000 was held at the Federal Reserve in book entry form under a joint custody arrangement with the BPU, \$4,922,878 was held by UMB Bank acting as the BPU's third-party safekeeping agent, and \$1,500,000 was covered by a banker's surety bond held by a third-party bank in the BPU's name. Additional cash balances consist of debt securities with maturities of three months or less. Investments of \$29,961,168 were held in the Kansas Municipal Investment Pool (shown as cash and cash equivalents) and are not categorized since they do not exist in physical form. Investments in treasuries of \$14,017,205 were held by UMB Bank, N.A. (the BPU's third-party safekeeping agent) in the BPU's name. The fair value of the Kansas Municipal Investment Pool was the same as the value of the pool shares.

(b) *Investments*

At December 31, 2002, the BPU's bond reserves of \$10,123,544 were held with outside entities in investment pools not evidenced by securities that exist in physical or book entry form and are not categorized. Deposits and investments are shown on the balance sheet at fair value.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(c) Designated Assets

Certain cash and investment amounts have been designated by Board policy for specific purposes that are not restricted and are as follows:

Economic development fund	\$ 1,086,767
Capital debt reduction	16,200,000
Reserve for liability insurance	2,100,000
Rate stabilization fund	<u>9,975,000</u>
 Total	 <u>\$ 29,361,767</u>

(3) Restricted Assets

Restricted assets were held in the following funds at December 31, 2002:

Debt Service Fund	\$ 12,819,048
Construction Fund	6,532,520
Customer Deposits	2,415,954
Improvement and Emergency Fund	<u>1,350,000</u>
 Total restricted assets	 <u>\$ 23,117,522</u>

The BPU is permitted to invest restricted funds in specified types of investments in accordance with their investment policy until the time such funds are required to be disbursed for their designated purposes.

(4) Capital Assets

Capital asset activity for the year ended December 31, 2002 is as follows:

	Balance December 31, 2001	Increases	Decreases	Transfers/ adjustments	Balance December 31, 2002
Property, plant and equipment	\$ 910,138,980	24,897,778	(2,313,404)	41,030,401	973,753,755
Construction work in process – not depreciable	<u>48,025,556</u>	<u>26,952,004</u>	<u>(2,166,861)</u>	<u>(41,030,401)</u>	<u>31,780,298</u>
 Total capital assets	 958,164,536	 51,849,782	 (4,480,265)	 —	 1,005,534,053
Less accumulated depreciation	<u>(429,271,220)</u>	<u>(23,820,699)</u>	<u>1,176,542</u>	<u>(2,897)</u>	<u>(451,918,274)</u>
 Net capital assets	 <u>\$ 528,893,316</u>	 <u>28,029,083</u>	 <u>(3,303,723)</u>	 <u>(2,897)</u>	 <u>553,615,779</u>

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(5) Long-term debt

The following is a summary of changes in long-term debt for the year ended December 31, 2002:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount Due In One Year</u>
Revenue Bond Series:					
1991	\$ 7,717,490	—	(3,990,404)	3,727,086	3,727,086
1992	23,657,749	—	(330,000)	23,327,749	350,000
1994	118,640,000	—	—	118,640,000	—
1998	72,575,000	—	(3,955,000)	68,620,000	4,130,000
1999	22,975,000	—	(1,125,000)	21,850,000	1,150,000
2001	—	17,170,000	—	17,170,000	560,000
	<u>245,565,239</u>	<u>17,170,000</u>	<u>(9,400,404)</u>	<u>253,334,835</u>	<u>9,917,086</u>
Future forward refunding	—	9,375,000	—	9,375,000	
Less unamortized loss on refunding	(4,534,082)	—	578,639	(3,955,443)	
Unamortized premium	270,145	339,773	(37,858)	572,060	
Unamortized discount	(266,404)	(268,974)	30,934	(504,444)	
	<u>\$ 241,034,898</u>	<u>26,615,799</u>	<u>(8,828,689)</u>	<u>258,822,008</u>	

Details of utility system revenue bonds outstanding at December 31, 2002 are as follows:

<u>Revenue bonds</u>	<u>Interest rate</u>	<u>Original amount</u>	<u>Maturity</u>	<u>2002</u>
1991 Series	5.600 – 6.800%	67,479,000	9-01-03	\$ 3,727,086
1992 Series	4.700 – 6.900%	80,445,000	9-01-16	23,327,749
1994 Series	6.250 – 6.400%	159,225,000	9-01-23	118,640,000
1998 Series	4.000 – 5.250%	81,375,000	9-01-28	68,620,000
1999 Series	5.000 – 5.950%	25,320,005	9-01-28	21,850,000
2001 Series	4.000 – 5.950%	17,170,000	5-01-21	<u>17,170,000</u>
Subtotal				<u>253,334,835</u>
Unamortized loss on refunding				(3,955,443)
Current maturities				(9,917,086)
Unamortized premium				572,060
Unamortized discount				<u>(504,444)</u>
Total utility system revenue bonds				<u>\$ 239,529,922</u>

Interest on portions of the Series 1991, 1992, 1994, 1998, 1999, and 2001 utility system revenue bonds are payable on a semi-annual basis. Interest on portions of the Series 1991 and 1992 utility system revenue bonds is payable at various dates through maturity. As of December 31, 2002, the BPU was in compliance with all required debt covenant ratios.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

During 2002 the BPU entered into a forward refunding transaction for the 1994 series debt and received approximately \$7,824,000 in cash, net of related costs. The BPU is required under the transaction to retire the 1994 series debt in August 2004 through the issuance of a new series of debt at that time. The new series will bear interest at the rate of 5.65% and is payable over 20 years beginning August of 2004.

The debt service to maturity on the outstanding BPU revenue bonds as of December 31, 2002, is summarized in the following table:

Bond Years Ending December 31	Principal	Interest (including accrued)
2003	\$ 9,917,086	17,595,699
2004	10,049,266	17,078,145
2005	10,072,918	17,021,233
2006	9,255,591	16,930,691
2007	9,357,986	16,828,373
2008-2012	41,891,988	70,780,142
2013-2017	58,055,000	40,257,575
2018-2022	74,155,000	21,437,393
2023-2027	27,345,000	3,820,966
2028	3,235,000	162,761
	\$ 253,334,835	221,912,978

The utility system revenue bond indebtedness require special reserves and accounts, as follows:

Account	Authorized expenditure
Debt service and reserve	Paying current principal and interest on bonds.
Construction	Acquiring, constructing and installing capital improvements.
Improvement and emergency	Financing major renewals, repairs and replacements and extraordinary or unforeseen expenditures.

The utility system revenue bond debt service and reserve account is held in escrow in a bank acting as Trustee for the BPU. The utility system revenue bond indentures also provide for a bond reserve account to be held by the Trustee for the future payments of principal and interest in the event that the net revenues of the utility system are less than or equal to 130% of the maximum annual debt service on the bonds. All amounts are reported on the accompanying balance sheet as restricted assets.

The current indentures also require the BPU to establish rates and collect charges sufficient to pay the operating, maintenance and debt service costs of the utilities, to maintain the accounts listed above, and to provide net operating income, before depreciation and payment-in-lieu of taxes, of at least 120% of the maximum annual debt service due on the outstanding bonds. All of the BPU's utility plant facilities are pledged under the terms of the indentures. The BPU was in compliance with the provisions of the utility system revenue bond requirements at December 31, 2002.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

In prior years, the BPU completed an “in substance” defeasance of utility system revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liability for the defeased bonds are included in the BPU’s financial statements. At December 31, 2002, outstanding utility system revenue bonds in the amount of \$72,074,829 are considered substantively defeased.

(6) Capital Lease Obligations

The BPU entered into a lease-purchase agreement for capital equipment for the Nearman water treatment facility, Cayenta customer billing system and a power plant coal dozer. At December 31, 2001 net present value of minimum lease payments was \$5,620,678. During the year the BPU added an additional capital lease representing \$271,110 and made payments of \$1,722,603. At December 31, 2002 net present value of minimum lease payments was \$4,169,185. Future lease payments under these leases are summarized as follows:

Year ending December 31:

2003	\$ 1,689,151
2004	1,071,684
2005	1,001,358
2006	<u>751,018</u>
Total minimum lease payments	4,513,211
Amounts representing interest at 4.47% – 5.25%	<u>344,026</u>
Present value of net minimum lease payments	<u>\$ 4,169,185</u>

(7) Payment-In-Lieu of Taxes

The BPU is exempt from federal and state income taxes and local property taxes because it is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas. However, the BPU is required by a Charter Ordinance to pay a percentage of gross operating revenues to the Unified Government. The Charter Ordinance established a range of 5.0 to 15.0%. Currently, the payment-in-lieu of tax is established at 7.9%, which amounted to approximately \$13,280,000 during 2002 as payment-in-lieu of taxes (PILOT). The PILOT is collected by the BPU through incorporation in the rates as a supplemental rate rider.

In addition to these payments to the Unified Government, the BPU also contributes free services to the Unified Government, such as street lighting, fire hydrant services, traffic signals and collection of the Unified Government sewer and trash charges. These service contributions approximated \$8,568,000, or 4.4%, of total revenue for 2002.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(8) Commitments and Contingencies

(a) Power Sales Agreements

In 1982 and 1983, the BPU entered into power agreements with the Kansas Municipal Energy Agency (KMEA) and the City of Columbia, Missouri (Columbia). The agreements entitle KMEA and Columbia to purchase 15.86% and 8.51%, respectively, of the net available capacity of the BPU's Nearman power station. The power agreements obligate KMEA and Columbia to pay a demand charge for kilowatts purchased, a fuel charge, operation and maintenance charges, and the PILOT for their respective power purchases. Total revenue from the power sales agreements for the years ended December 31, 2002, was approximately \$8,568,318 and is included in other revenues in the accompanying statement of revenues, expenses and changes net assets.

In December 1997 the Kaw Station was placed in cold standby because it was no longer economical to operate. The price spikes for purchased power in 1998 resulted in the BPU entering into a three-year agreement with Utilicorp United, Inc. and Missouri Public Service to reopen the Station and sell capacity and power to them during the months from June through September of each contract year. Only natural gas was to be used for generation. The contract began June 1, 1999 and called for monthly payments for capacity and reimbursement for fuel as well as a service charge for each megawatt produced. During 2002 the capacity charge was collected each month until the contract ended on May 31. A total of \$1,725,000 was billed for these five months. The Kaw station has been used for the BPU's summer capacity and generation since the contract has ended.

On March 1, 2000, BPU entered into an agreement with The Energy Authority (TEA) to both purchase and market excess wholesale energy for BPU. BPU purchased \$9,718,632 for the year ended December 31, 2002 and sold \$2,649,728 wholesale energy for the year ended December 31, 2002.

(b) Coal Contracts

The BPU purchases all coal for its electric generating stations through contracts with Western Fuels Association (WFA) and affiliates. WFA, in turn, contracts with coal producers and railroads to meet its coal supply and delivery commitments to the BPU. The BPU is required to pay all costs incurred by WFA in acquiring and delivering the coal as well as a per ton management cost.

The BPU has an agreement with WFA for the purchase of coal for the BPU's Nearman Creek power station. The BPU guarantees the performance by WFA of each and every obligation imposed under the provisions of a coal purchase agreement, as such obligations related to coal delivered or deliverable to the BPU's Nearman power station. Under provisions of the agreement, WFA is obligated to purchase for the Nearman power station a minimum of 840,000 to 1,200,000 tons per year through December 31, 2017. The purchase price of the coal is based on WFA's cost of acquiring and delivering coal. Such costs are computed from a base amount, adjusted for certain variations in cost of production from the base amount as described in the supply agreement, and are subject to renegotiation at the end of each 48-month period.

The delivery of the coal to Nearman is covered by contracts WFA has with the Union Pacific and the Burlington Northern Railroads. These contracts expire December 31, 2006 however WFA has agreed that the Union Pacific Railroad will participate in deliveries to Nearman until December 31, 2017.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

The cost to deliver the coal is established through a base price which is adjusted twice yearly by indices set out in the transportation contracts.

The coal requirements for Quindaro and Kaw Stations are covered under an agreement with WFA. The agreement was part of a larger commitment to acquire coal from the Brushy Creek Coal Mine. This contract continues as long as costs are incurred to WFA in meeting its obligations to the BPU. Existing contracts expired December 31, 2002. Beginning 2003 a new contract with PG&E Energy Trading-Power L.P. was in effect. The contract is a three-year contract to sell coal at a price which is set each year.

In December 1979, the BPU together with another municipal electric utility (Sikeston, Missouri) entered into a coal supply agreement with a WFA subsidiary, Western Fuels-Illinois (Western-Illinois), to supply the coal needs of its Kaw and Quindaro power stations. The coal purchase agreement with Western-Illinois provided that 50% of the annual base production of the coal mined at Western-Illinois Brushy Creek Mine be reserved for the BPU in return for 50% of the payment of the total cost of Western-Illinois in acquiring coal reserves and constructing the mine. The agreement also requires that in the event the southern Illinois mine is shut down, the BPU will pay 50% of the fixed costs associated with the debt service of the mine and 50% of the costs associated with either maintaining the safety and operational readiness of the mine, or 50% of the closing and reclamation costs if the shut-down is intended to be permanent. The debt for coal reserves and mine construction was paid off in 1997. The BPU did not exercise an option available in 1997 to extend taking Brushy Creek coal for an additional 10 years. In addition to the closing and reclamation costs, the BPU is obligated to fund its share of the future obligations for retired miners' health care, black lung reserve, and workers' compensation claims. The BCCC mine was closed in 1999. WFI continues to be obligated for costs associated with the mine closing and reclamation costs and is required to fund future obligations for retired miners' healthcare, black lung reserve, and workers compensation claims. The future unfunded obligations for retiree medical and mine reclamation costs of \$9,617,638 are included in Miner OPEB and mine reclamation costs in the accompanying balance sheet at December 31, 2002. The BPU has recognized a deferred debit of \$8,724,157 for accounts expected to be recovered through rates if operations of the Mine are unable to fund the obligations.

The BPU purchased approximately 1.67 million tons of coal during 2002. Quindaro burned approximately 600,000 tons and Nearman burned approximately 1.07 million tons.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(c) Employees' Retirement Pension Plan

The Employees' Retirement Pension Plan (the Plan) of the BPU is a single employer, contributory defined benefit pension plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the Board of the Pension Trustees of the Employees' Retirement Pension Plan. The Plan is governed by State Statutes which in essence provide for the establishment of a Board of Pension Trustees and provides authorization for the Plan to take control and custody of all assets, property, and funds presently held, controlled and in the possession of the Plan's Board of Pension Trustees. The BPU does not act in a fiduciary or Trustee capacity for the Plan and, as such, the Plan's financial activities are not reported in the BPU's financial statements. The BPU's total payroll for the year ended December 31, 2002 was approximately \$39,053,000, of which approximately \$37,875,000, was payroll of Plan participants.

All full-time BPU employees who are 30 years of age or older are eligible to participate in the Plan. Benefits vest after five years of service or at age 55, whichever comes first.

BPU employees who retire at or after age 55 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.2% of their average salary multiplied by the years of credited service. On January 1 of each year after retirement, the monthly benefit is increased by 3%, prorated for the number of months in the first retirement year. The Plan also provides death benefits. The benefit provisions and all other requirements are established by State Statutes.

Funding is provided by contributions from Plan members and the BPU based on rates negotiated between the BPU and its employees.

Members contributed 5.5% of their annual compensation. The BPU contributes an amount that matches the member contributions plus an amount calculated by the Plan's actuary to amortize the net past service liability over no more than the remaining portion of the 40-year period that began January 1, 1970.

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

Total contributions were \$4,629,311 for the year ended December 31, 2002. Of the total contributions, the BPU contributed \$2,540,610 in 2002 (6.7% of current covered payroll in 2002), and the Plan participants contributed \$2,088,701 in 2002 (5.5% of current covered payroll for 2002).

Three-Year Trend Information

Fiscal year ending	Annual pension cost	Percentage of APC contributed	Net pension obligation (asset)
December 31, 2000	\$ 649,876	374.1	(9,147,256)
December 31, 2001	2,733,745	88.8	(8,841,423)
December 31, 2002	2,240,691	113.4	(9,141,342)

The information presented in the required supplementary information was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2002
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	Forty years beginning January 1, 1970
Asset valuation method	Average adjusted asset method
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increase based on age as follows:	
	Age
	30
	40
	70
	Salary scale
	7.5%
	6.0%
	4.5%

The annual pension cost and net pension asset as of January 1, 2002 is as follows:

Annual required contribution	\$ 2,518,182
Interest on net pension obligation	(707,313)
Adjustment to annual required contribution	<u>429,822</u>
Annual pension cost	2,240,691
Contributions made	<u>2,540,610</u>
Increase in net pension asset	299,919
Net pension asset, beginning of year	<u>8,841,423</u>
Net pension asset, end of year	<u>\$ 9,141,342</u>

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(d) Postretirement Health Care Benefits

The BPU, under its own authority, provides postretirement medical benefits to retired employees and their dependents. These benefits are funded as claims are incurred.

Employees are given a 90-day window to retire with medical coverage at ages 55 and above with 10 years of service. The retiree plan is a comprehensive major medical plan with a \$100 deductible per individual or \$200 per family. The plan pays 80% of the next \$12,500 of allowable charges and 100% thereafter. The plan has a lifetime maximum of \$250,000.

Benefits cease at the earlier of the date the retired employee attains age 65 or death. Spouse benefits end at the earlier of the date the spouse attains age 65, the date the employee attains age 65, or the spouse's death.

Retirees are not required to contribute toward the cost of the postretirement benefits. There are 205 participants eligible to receive benefits under this plan as of January 1, 2002.

Change in benefit obligation:

Postretirement benefit obligation at January 1	\$ 24,339,603
Service cost	978,257
Interest cost	1,663,922
Benefits paid	(1,003,702)
Plan Improvement	998,819
Actuarial gain	<u>(730,399)</u>
Postretirement benefit obligation at December 31	\$ <u>26,246,500</u>

Change in plan assets:

Fair value of plan assets at January 1	\$ —
Fair value of plan assets at December 31	—
Funded status	26,246,500
Unrecognized net transition (obligation)	(11,005,564)
Unrecognized prior service cost	(1,655,867)
Unrecognized net gain	<u>2,821,322</u>
Postretirement benefit liability at December 31	\$ <u>16,406,391</u>

The discount rate was 6.5% in 2002.

Components of net periodic postretirement benefit cost:

Service cost	\$ 978,257
Interest cost	1,663,922
Amortization of transition obligation	846,582
Amortization of prior service cost	<u>155,452</u>
Net periodic postretirement benefit cost	\$ <u>3,644,213</u>

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

	1% point increase	1% point decrease
Effect on total of service and interest cost component	\$ 289,205	(253,714)
Effect on postretirement benefit obligation	2,401,555	(2,136,465)

(e) Risk Management

The BPU is exposed to various risks of loss related to tort claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The BPU is also subject to various laws and regulations with respect to environmental matters such as air and water quality. The effect of any future changes in environmental laws and/or regulations cannot be estimated. However, compliance with such changes may necessitate substantial expenditures.

The BPU is self-insured for workers' compensation, healthcare, certain general liability claims and a portion of the automobile and small vehicle fleet. The BPU is responsible for the first \$350,000 of a workers' compensation claims per employee/per occurrence, and workers' compensation claims greater than \$350,000, and up to \$35,000,000 per employee/per occurrence are fully insured. The BPU is essentially 100% self insured for health care claims and is responsible for the first \$500,000 of general liability and automobile insurance claims. In addition any general liability or automobile claims greater than \$35,000,000 are the responsibility of BPU. Settlements did not exceed insurance coverage for the past three years. At December 31, 2002, the BPU has established a \$1,768,126 liability, which is based on estimates of the amounts needed to pay prior and current year claims. The liability is based on the requirement that a liability for claims incurred prior to the balance sheet date be recorded if information related to such claims is available prior to the issuance of the financial statements and the amount of loss can be reasonably estimated. Changes in the claims liability for 2002 and 2001 is as follows:

	2002	2001
Beginning balance	\$ 1,417,539	1,656,071
Additions	9,056,712	8,663,575
Payments	<u>(8,706,125)</u>	<u>(8,902,107)</u>
Ending balance	<u><u>\$ 1,768,126</u></u>	<u><u>1,417,539</u></u>

BOARD OF PUBLIC UTILITIES

Notes to Basic Financial Statements

December 31, 2002

(9) Principal Customers

Electric and water charges to the BPU's five largest retail customers and four largest wholesale customers expressed as a percentage of total operating revenues for the year ended December 31, 2002 were as follows:

Retail customers:	
Ownes-Corning Fiberglass	3.2%
General Motors Corporation	2.7%
Certain Teed Corporation	2.6%
Proctor & Gamble	1.9%
Johnson County Water District No. 1	1.9%
 Total principal retail customers	 12.3%
Wholesale customers:	
Kansas Municipal Energy Authority	2.4%
City of Columbia, Missouri	2.3%
The Energy Authority	1.5%
Aquila, Inc.	0.9%
 Total principal wholesale customers	 7.1%
 Principal customers	 19.4%

(10) Subsequent Events

Subsequent to year end the BPU entered into two loan agreements with the State of Kansas. The loans are going to be used to finance the future construction of a horizontal collector well, 34,500 linear feet of 48-inch concrete water pipe. The loan agreements are subject to state and federal funds availability and may not exceed approximately \$8.4 million and \$5.3 million with interest rates of 3.91% and 3.89%, respectively. The loans mature over a 20-year period beginning February 2005.

BOARD OF PUBLIC UTILITIES
Required Supplementary Information
Schedule of Funding Progress
December 31, 2002

Schedule 1

<i>(Dollars in millions)</i>							
Actuarial valuation date, January 1	Actuarial value of assets	Actuarial Accrued Liability (AAL)	Funded ratio	Unfunded (overfunded) AAL (UAAL)	Covered payroll	UAAL as a percentage of covered payroll	
2000	\$ 291.5	215.0	135.6	(76.5)	34.5	(221.7)%	
2001	321.5	255.6	125.8	(65.9)	35.3	(186.7)%	
2002	341.7	275.5	124.0	(66.2)	37.7	(175.6)%	



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Schedule 2
BOARD OF PUBLIC UTILITIES

Combining Balance Sheet

December 31, 2002

	Electric	Water	Total utility
Capital assets:			
Property, plant and equipment	\$ 754,053,573	219,700,182	973,753,755
Less accumulated depreciation	<u>(385,395,413)</u>	<u>(66,522,861)</u>	<u>(451,918,274)</u>
Plant in service, net	368,658,160	153,177,321	521,835,481
Construction work in progress	<u>26,935,627</u>	<u>4,844,671</u>	<u>31,780,298</u>
Capital assets, net	<u>395,593,787</u>	<u>158,021,992</u>	<u>553,615,779</u>
Current assets:			
Cash and cash equivalents	17,884,661	4,564,199	22,448,860
Investments	16,751,325	7,179,140	23,930,465
Accounts receivable – customers and other	34,399,741	3,761,001	26,834,428
Accounts receivable – unbilled	6,455,735	1,377,868	7,833,603
Allowance for doubtful accounts	(1,537,188)	(804,003)	(2,341,191)
Inventories	21,347,968	1,254,487	22,602,455
Prepayments and other current assets	<u>4,190,184</u>	<u>301,676</u>	<u>4,491,860</u>
Total current assets	<u>99,492,426</u>	<u>17,634,368</u>	<u>105,800,480</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	8,527,497	4,466,481	12,993,978
Investments	<u>6,967,540</u>	<u>3,156,004</u>	<u>10,123,544</u>
Total restricted assets	15,495,037	7,622,485	23,117,522
Prepaid pension	6,894,512	2,246,830	9,141,342
Prepaid freight costs	1,946,153	—	1,946,153
Debt issue costs	4,772,281	1,766,376	6,538,657
System development costs	2,085,942	769,132	2,855,074
Notes receivable	360,290	—	360,290
Deferred debits:			
Miner OPEB and mine reclamation costs	8,724,157	—	8,724,157
Purchased power costs	<u>14,952,134</u>	<u>—</u>	<u>14,952,134</u>
Total noncurrent assets	<u>55,230,506</u>	<u>12,404,823</u>	<u>67,635,329</u>
Total assets	<u>\$ 550,316,719</u>	<u>188,061,183</u>	<u>727,051,588</u>

See accompanying independent auditors' report.

(Continued)

BOARD OF PUBLIC UTILITIES

Combining Balance Sheet

December 31, 2002

	<u>Electric</u>	<u>Water</u>	<u>Total utility</u>
Liabilities:			
Long-term debt – revenue bonds:			
Principal	\$ 157,547,897	81,982,025	239,529,922
Liability for future refunding	5,564,889	3,810,111	9,375,000
Accreted interest	21,470,366	4,297,675	25,768,041
Capital lease obligations	<u>1,357,639</u>	<u>1,285,126</u>	<u>2,642,765</u>
Total long-term debt	<u>185,940,791</u>	<u>91,374,937</u>	<u>277,315,728</u>
Deferred credits:			
Miner OPEB and mine reclamation costs	9,617,638	—	9,617,638
Postretirement benefits	12,725,675	3,680,716	16,406,391
Other deferred credits	<u>5,704,936</u>	<u>—</u>	<u>5,704,936</u>
Total deferred credits	<u>28,048,249</u>	<u>3,680,716</u>	<u>31,728,965</u>
Current liabilities:			
Current maturities of revenue bonds	8,170,533	1,746,553	9,917,086
Current maturities of capital lease obligations	682,295	844,125	1,526,420
Interest on revenue bonds	2,766,921	1,433,779	4,200,700
Customer deposits	2,148,618	267,336	2,415,954
Accounts payable	13,571,994	12,108,085	14,353,765
Payroll and payroll taxes	6,597,365	1,508,502	8,105,867
Accrued claims payable	1,264,921	503,205	1,768,126
Other accrued liabilities	3,344,701	—	3,344,701
Payment-in-lieu of taxes	<u>873,023</u>	<u>195,516</u>	<u>1,068,539</u>
Total current liabilities	<u>39,420,371</u>	<u>18,607,101</u>	<u>46,701,158</u>
Total liabilities	<u>253,409,411</u>	<u>113,662,754</u>	<u>355,745,851</u>
Net assets			
Invested in capital assets, net of related debt	206,365,057	67,866,508	274,231,565
Restricted	10,579,498	5,921,370	16,500,868
Unrestricted	<u>79,962,753</u>	<u>610,551</u>	<u>80,573,304</u>
Total net assets	<u>296,907,308</u>	<u>74,398,429</u>	<u>371,305,737</u>
Total liabilities and net assets	<u>\$ 550,316,719</u>	<u>188,061,183</u>	<u>727,051,588</u>

Interfund payables and receivables of \$11,326,314 at December 31, 2002 have been eliminated in the combined totals.

See accompanying independent auditors' report.

BOARD OF PUBLIC UTILITIES

Combining Statement of Revenues Expenses and Changes in Net Assets

Year ended December 31, 2002

	Electric	Water	Total utility
Operating revenues:			
Residential	\$ 38,983,941	16,674,466	55,658,407
Commercial	46,567,615	7,529,780	54,097,395
Industrial	31,940,593	3,289,962	35,230,555
Other	30,605,161	2,480,350	33,085,511
Payment-in-lieu of taxes revenues	10,966,580	2,313,061	13,279,641
Total operating revenues	159,063,890	32,287,619	191,351,509
Operating expenses:			
Fuel	28,083,712	—	28,083,712
Purchased power	14,519,878	—	14,519,878
Production	24,033,202	4,938,405	28,971,607
Transmission and distribution	16,749,179	5,362,552	22,111,731
Engineering	476,906	1,102,642	1,579,548
General and administrative	23,280,894	5,928,755	29,209,649
Depreciation and amortization	19,923,777	4,698,284	24,622,061
Purchased power costs amortization	8,254,930	—	8,254,930
Total operating expenses	135,322,478	22,030,638	157,353,116
Operating income	23,741,412	10,256,981	33,998,393
Nonoperating income (expense):			
Interest on investments	1,631,164	440,351	2,071,515
Interest on debt	(11,179,671)	(4,284,618)	(15,464,289)
Other	(284,905)	(114,051)	(398,956)
Total nonoperating expense	(9,833,412)	(3,958,318)	(13,791,730)
Income before contributions and transfers	13,908,000	6,298,663	20,206,663
Contributions and transfers (to) from:			
Payment-in-lieu of taxes expenses	(10,966,580)	(2,313,061)	(13,279,641)
Contributions from developers and other	—	379,843	379,843
Change in net assets	2,941,420	4,365,445	7,306,865
Net assets, beginning of year (as restated)	293,965,888	70,032,984	363,998,872
Net assets, end of year	\$ 296,907,308	74,398,429	371,305,737

See accompanying independent auditors' report.

**Independent Auditors' Report on Compliance and on Internal
Control over Financial Reporting Based upon the Audit Performed in
Accordance with *Government Audit Standards***

To the Board of Directors of the
Board of Public Utilities:

We have audited the financial statements of the Board of Public Utilities of Kansas City, Kansas (the BPU) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 4, 2003. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the BPU's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the BPU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relations to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the BPU's internal control over financial reporting and its operation that we consider to be material weaknesses.

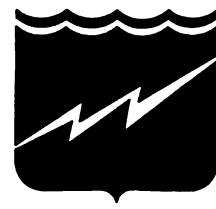
This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

April 4, 2003



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**Statistical Section
(Unaudited)**

Combined Operating Expenses Last Ten Fiscal Years

Fiscal Year	(1) Production	Transmission and Distribution	(2) Customer Service	(3) General And Administrative	(4) PILOT	Depreciation and Amortization	(5) Payroll Taxes	(6) Purchased Power Amort.	Total
1993	\$70,069,370	\$14,445,660	\$3,930,802	\$17,758,579	\$8,221,638	\$21,594,598	\$2,766,147	-	\$138,786,794
1994	66,917,137	15,267,906	3,835,193	18,508,010	8,105,731	22,409,674	2,723,981	-	137,767,632
1995	72,404,744	15,718,599	4,194,694	19,128,809	8,422,238	23,869,650	2,894,721	-	146,633,455
1996	74,560,684	13,445,267	3,837,816	19,697,429	8,795,457	21,401,779	2,909,082	-	144,647,514
1997	68,284,772	12,289,720	3,422,609	19,199,056	8,835,558	22,290,872	2,489,175	-	136,811,762
1998	65,502,745	15,716,379	3,975,202	20,881,929	8,715,470	22,048,354	2,507,119	-	139,347,198
1999	73,573,271	19,309,273	6,331,772	20,521,994	10,494,909	23,160,282	-	-	153,391,501
2000	70,843,348	26,841,255	-	25,876,489	9,567,512	24,415,475	-	-	157,544,079
2001	71,995,460	26,421,663	-	28,952,585	8,914,184	24,441,114	-	-	160,725,006
2002	71,575,197	23,691,279	-	29,209,649	-	24,622,061	-	8,254,930	157,353,116

Footnotes:

- (1) Includes fuel, purchased power and production.
- (2) Included in general and administrative, in 2000.
- (3) Includes general and administrative and provision for doubtful accounts.
- (4) Payments in lieu of taxes.
- (5) Payroll taxes distributed to department's expense.
- (6) GASB No. 34 implemented. Pilot removed from operating expenses and purchased power costs amortization added.

Summary of Combined Statement of Revenues, Expenses and Changes in Net Assets

Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Income/Expense	Income (Loss) Before Extraordinary Item	Extraordinary Item (1)	Cumulative Effect of Changes in Accounting Principles (2)	Pilot (3)	Change in Net Assets
1993	\$147,571,440	\$138,786,794	\$8,784,646	\$9,069,472	\$(284,826)	-	-	-	\$(284,826)
1994	145,490,999	137,767,632	7,723,367	10,649,534	(2,926,167)	-	-	-	(2,926,167)
1995	151,172,027	146,633,455	4,538,572	13,988,841	(9,450,269)	-	-	-	(9,450,269)
1996	157,871,007	144,647,514	13,223,493	14,060,912	(837,419)	-	-	-	(837,419)
1997	158,590,777	136,811,762	21,779,015	12,539,136	9,239,879	9,226,413	-	-	18,466,292
1998	157,589,819	139,347,198	18,242,621	12,840,087	5,402,534	-	3,643,778	-	9,046,312
1999	171,636,967	153,391,501	18,484,170	12,769,673	5,714,497	-	-	-	5,475,793
2000	172,162,933	157,544,079	14,618,854	14,565,071	-	-	-	-	53,783
2001	172,707,167	160,725,006	11,982,161	13,784,463	-	-	-	-	(1,802,302)
2002	191,351,509	157,353,116	33,998,393	13,791,730	20,206,663	-	379,843	(13,279,641)	7,306,865

Footnotes:

- (1) Extraordinary items:
 - 1992 – gain (loss) on early extinguishment of long-term debt.
 - 1997 – gain from the receipt of flood-related insurance proceeds.
- (2) 1998 – Cumulative effect of accounting change due to the implementation of GASB No. 27.
- (3) 2002 – GASB No. 34 Implemented

Electric Utility System Sales

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Customer Class</u>	<u>By Customer Class (Dollars)</u>	<u>By Customer Class (Kwh)</u>	<u>Average Number of Customer Services</u>	<u>Average kWh/Customer-Residential Services</u>	<u>Average Revenue/Customer-Residential Sales</u>
1993	Residential	\$30,481,363	474,656,517	59,047	8,039	\$516.22
	Commercial	42,728,904	748,628,929	6,581		
	Industrial	30,363,433	726,015,515	131		
	Other	16,644,613	475,417,901	243		
	<u>Total</u>	<u>\$120,218,313</u>	<u>2,424,718,862</u>	<u>66,002</u>		
1994	Residential	\$31,134,107	490,564,851	58,900	8,329	\$528.59
	Commercial	42,266,542	749,646,795	6,536		
	Industrial	29,549,948	736,222,093	121		
	Other	14,648,207	411,138,065	279		
	<u>Total</u>	<u>\$117,598,804</u>	<u>2,387,571,804</u>	<u>65,836</u>		
1995	Residential	\$32,646,847	505,071,369	58,688	8,606	\$556.28
	Commercial	44,305,497	766,785,594	6,726		
	Industrial	29,659,524	742,405,084	119		
	Other	15,456,065	460,368,416	281		
	<u>Total</u>	<u>\$122,067,933</u>	<u>2,474,630,463</u>	<u>65,814</u>		
1996	Residential	\$33,271,238	498,538,396	58,269	8,556	\$570.99
	Commercial	46,019,271	775,978,310	6,759		
	Industrial	31,650,292	776,176,356	113		
	Other	16,073,483	484,150,030	283		
	<u>Total</u>	<u>\$127,014,284</u>	<u>2,534,843,092</u>	<u>65,424</u>		
1997	Residential	\$32,986,130	511,298,713	58,146	8,793	\$567.30
	Commercial	45,014,107	800,421,375	6,916		
	Industrial	30,831,664	798,687,616	112		
	Other	20,180,892	557,044,676	292		
	<u>Total</u>	<u>\$129,012,793</u>	<u>2,667,452,380</u>	<u>65,466</u>		
1998	Residential	\$34,171,258	543,913,298	57,856	9,401	\$590.63
	Commercial	44,291,825	820,089,166	6,786		
	Industrial	28,826,377	803,311,850	115		
	Other	15,510,134	570,028,372	289		
	<u>Total</u>	<u>\$122,799,594</u>	<u>2,737,342,686</u>	<u>65,046</u>		

Electric Utility System Sales - Continued

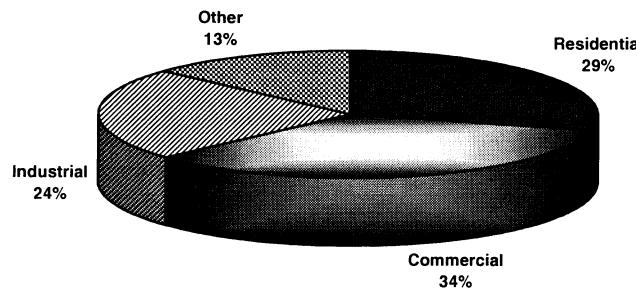
Last Ten Fiscal Years

1999	Residential	\$32,756,697	507,320,403	57,673	8,797	\$567.97
	Commercial	44,516,785	816,154,726	6,891		
	Industrial	31,666,051	854,696,057	119		
	Other	24,246,571	414,335,800	264		
	Total	<u>\$133,186,104</u>	<u>2,592,506,986</u>	<u>64,875</u>		
2000	Residential	\$35,705,004	545,307,672	57,956	9,409	\$613.34
	Commercial	45,193,739	822,626,899	6,892		
	Industrial	29,639,364	803,136,767	115		
	Other	23,947,011	288,171,475	262		
	Total	<u>\$134,485,118</u>	<u>2,459,242,813</u>	<u>65,225</u>		
2001	Residential	\$35,377,550	550,869,096	57,846	9,518	\$611.26
	Commercial	44,657,134	802,679,313	6,943		
	Industrial	30,762,177	817,758,956	118		
	Other	22,615,413	519,123,634	252		
	Total	<u>\$133,412,274</u>	<u>2,690,430,999</u>	<u>65,159</u>		
2002	Residential	\$39,210,218	568,700,840	57,795	9,840	\$678.44
	Commercial	46,848,425	806,031,040	7,147		
	Industrial	32,125,988	822,335,834	115		
	Other	17,997,722	425,479,947	246		
	Total	<u>\$136,182,353</u>	<u>2,622,547,661</u>	<u>65,303</u>		

Footnote:

(1) Other does not include forfeited discounts, miscellaneous services and rent from electric property.

(2) Kwh excludes Internal BPU department use and electric services provided



Electric Load Statistics in Kilowatts Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Generated</u>	<u>Purchased</u>	<u>Interchanged</u>	<u>Total Kilowatts Available</u>	<u>Maximum System Gross Demand</u>	<u>Maximum Net Capability</u>
1993	2,332,611,000	289,672,000	(410,846,000)	2,211,437,000	452,000	619,000
1994	2,260,548,600	325,021,000	(351,105,300)	2,234,464,300	420,000	610,000
1995	2,407,044,600	264,215,000	(415,988,700)	2,255,270,900	453,000	610,000
1996	2,366,353,000	384,941,000	(413,962,000)	2,337,332,000	462,000	617,000
1997	2,592,129,000	234,559,000	(471,962,000)	2,354,726,000	479,000	617,000
1998	2,520,730,000	387,224,000	(449,881,000)	2,442,491,000	493,000	635,000
1999	2,253,112,000	574,679,000	(369,264,000)	2,444,730,100	495,000	645,000
2000	2,574,410,000	435,834,000	(528,562,000)	2,464,880,800	494,000	645,000
2001	2,448,006,000	498,885,000	(480,901,000)	2,448,988,800	496,000	591,000
2002	2,419,119,000	440,956,700	(377,928,000)	2,482,147,700	479,000	591,000

NOTES: Generated amounts are net of system usage.

Purchased amounts are net of borderline.

Interchanged amounts include sales for resale which reduces total kilowatts available.

Water Sales Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gallons Pumped</u>	<u>Gallons Sold</u>	<u>Operating Revenue</u>	<u>Average Number of Customer Services</u>	<u>Average Revenue Per Customer</u>
1993	10,036,071,000	6,777,799,119	\$17,421,689	52,718	\$330.47
1994	10,211,549,000	6,815,970,666	17,958,353	52,537	341.82
1995	9,920,494,000	6,797,471,692	18,835,089	52,562	358.34
1996	9,593,513,000	6,673,013,468	20,194,575	52,295	386.16
1997	9,749,000,000	6,826,856,872	20,742,426	52,161	397.66
1998	9,341,580,000	6,806,521,744	22,918,120	51,879	441.76
1999	10,210,008,000	7,027,892,344	24,908,017	51,727	481.53
2000	10,468,487,000	7,082,452,212	24,924,356	52,021	479.13
2001	10,292,669,000	7,135,029,880	24,837,663	51,882	478.73
2002	11,213,910,000	7,264,262,588	28,768,379	51,793	555.45

NOTE: Gallons sold excludes internal BPU department use and water services provided to the Unified Government of Wyandotte County/Kansas City, Kansas.

Utility System Revenue Bonded Indebtedness Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Current Year Net Revenue Available for Debt Service	Maximum Outstanding Annual Debt Service	Coverage
1993	\$143,272,977	\$108,970,558	\$34,302,419	\$19,778,928	1.73
1994	150,352,933	107,252,227	43,100,706	19,238,869	2.24
1995	154,250,514	114,341,567	39,908,947	19,238,869	2.07
1996	160,261,014	114,450,279	45,810,735	19,974,670	2.29
1997	162,591,583	105,685,332	56,906,251	19,974,670	2.85
1998	161,070,333	108,583,374	52,486,959	23,762,894	2.21
1999	174,920,936	119,736,307	55,184,629	26,142,132	2.11
2000	177,972,709	123,631,092	54,341,617	26,142,132	2.01
2001	175,399,140	127,369,706	48,029,434	26,142,132	1.84
2002	194,836,463	133,764,651	60,864,327	27,512,785	2.21

FOOTNOTES:

The most restrictive bond ordinance provides for a historical net revenue coverage at 120 percent of the Maximum Outstanding Annual Debt Service.

(1) Total operating revenues, interest on investments (excluding Construction Fund) and other.

(2) Total operating expenses exclusive of depreciation and amortization and Payment In Lieu Of Taxes payments
Gross revenues excludes payments in lieu of taxes prior to 1994.

Utility System Plant Additions Last Ten Fiscal Years

Fiscal Year	Electric	Water	Total
1993	\$19,959,832	\$9,006,322	\$28,966,154
1994	24,226,095	17,306,263	41,532,358
1995	30,907,582	13,054,783	43,962,365
1996	16,379,696	2,951,263	19,330,959
1997	7,981,083	7,059,762	15,040,845
1998	17,798,552	17,315,640	35,114,192
1999	34,217,766	34,237,699	68,455,465
2000	16,590,921	2,688,813	19,279,734
2001	19,481,720	5,091,476	24,573,196
2002	20,953,383	5,238,346	26,191,729

***Utility Plant Additions Total taken from Statement of Cash Flows**

Principal Electric and Water Customers
Years Ended December 31, 2002 and 2001

2002	
Principal Customers	Type of Business Activity
Armour Swift-Eckrich, Inc.	Food Manufacturer
CertainTeed Corporation	Insulation Manufacturer
Constar Plastics	Manufacturer of Plastic Containers
General Motors Corporation	Auto Production
Griffin Wheel	Railroad Wheel Manufacturer
KCK Unified School Districe #500	Public School System
Owens Corning Fiberglass	Insulation Manufacturer
Procter and Gamble Manufacturing Co.	Cleaning Products Manufacturer
University of Kansas Medical Center	Hospital
Water District No. 1 of Johnson County, Kansas	Water District

Wholesale Contracts	
Kansas Municipal Energy Agency	Electric
The City of Columbia, Missouri	Electric
Landel Water District	Water
Leavenworth County Rural Water District	Water
Suburban Water Inc	Water

2001	
Principal Customers	Type of Business Activity
Armour Swift-Eckrich, Inc.	Food Manufacturer
Burlington Northern Sante Fe Railway	Railroad
CertainTeed Corporation	Insulation Manufacturer
Colgate-Palmolive Co.	Soap Manufacturer
General Motors Corporation	Auto Production
Griffin Wheel	Railroad Wheel Manufacturer
Owens Corning Fiberglass	Insulation Manufacturer
Procter and Gamble Manufacturing Co.	Cleaning Products Manufacturer
University of Kansas Medical Center	Hospital
Water District No. 1 of Johnson County, Kansas	Water District

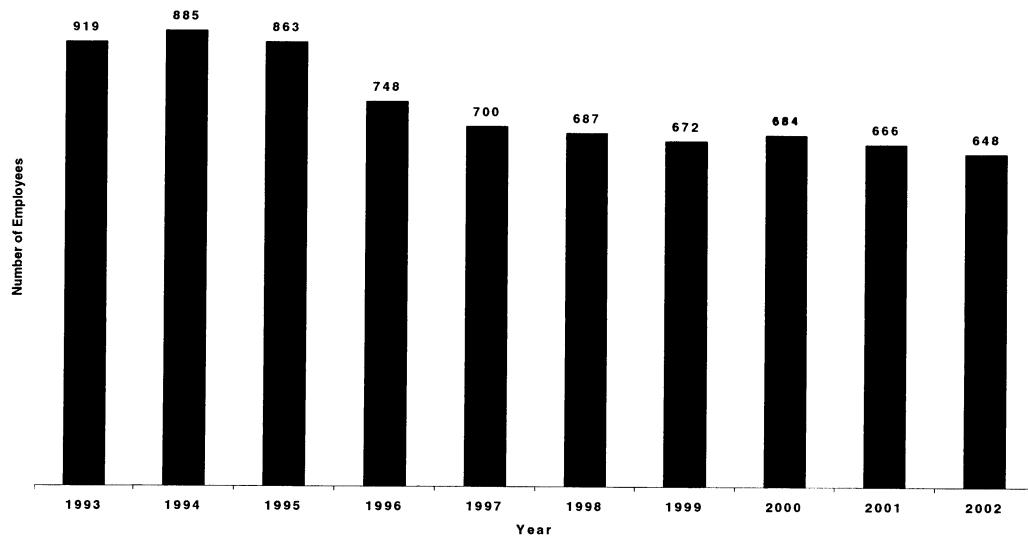
Wholesale Contracts	
Kansas Municipal Energy Agency	Electric
The City of Columbia, Missouri	Electric
Landel Water District	Water
Leavenworth County Rural Water District	Water

Employee Data Last Ten Fiscal Years

Fiscal Year	Salaries	Employee Benefits and Payroll Taxes (2)	Total Salary And Benefits	Number of Employees As of December 31, (1)
1993	\$38,016,080	\$20,439,072	\$52,340,230	863
1994	37,985,734	19,842,346	51,654,258	885
1995	40,013,515	21,446,750	54,723,058	863
1996	40,026,851	22,367,642	53,639,287	748
1997	33,175,897	20,480,272	50,265,692	700
1998	34,143,728	18,373,497	52,517,225	687
1999	35,160,663	18,594,549	53,755,212	672
2000	36,302,707	19,860,821	56,163,528	684
2001	38,158,783	19,585,515	57,744,298	666
2002	39,052,813	21,746,015	60,798,828	648

1. Excludes temporary employees and employees on long-term disability
2. Includes compensated absences that are also included in salaries.

Number of Employees at December 31 Last Ten Fiscal Years





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