



**2011 Kansas City Board of Public Utilities
Comprehensive Annual Report for Year Ended December 31, 2011**

**An Enterprise Fund of the Unified Government of Wyandotte County/Kansas City, Kansas
Prepared by: Office of Accounting & Office of Public Affairs**



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About the Cover

Row 1 Left: BPU Electric Operations Division / Underground Distribution
Staff Member: Kevin Flora

Row 1 Right: BPU Water Operations Division / Water Distribution
Staff Members: Lou Ramirez and Mike Malone

Row 2, Left: BPU Electric Operations Division / Overhead Distribution
Staff: Members: Brian McCully, Mike Fergus, and Jeremiah Waldeck

Row 2, Right: BPU Electric Operations Division / Electric Metering
Staff Member: Steve Grinter

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

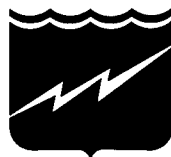
**Comprehensive Annual
Financial Report
For Year Ended
December 31, 2011**

2011 Board of Directors

**President – Terry Eidson
Vice President – David Alvey
Secretary – Mary L. Gonzales**

**Robert L. Milan, Sr.
Loretta M. Colombel
Jeff Bryant**

**General Manager
Don L. Gray**



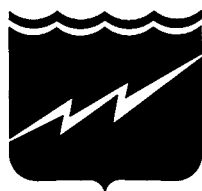
**Kansas City Board of Public Utilities
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2011**

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	6
President's Message.....	7
Board of Directors Profiles - 2011	9
General Manager's Message.....	11
Senior Management Profiles - 2011.....	14
Organization Chart.....	16
FINANCIAL SECTION	
Independent Auditors' Report.....	17
Management's Discussion and Analysis.....	19
Basic Financial Statements	
Balance Sheets	26
Statements of Revenues, Expenses and Changes in Net Assets.....	28
Statements of Cash Flows	29
Notes to Basic Financial Statements	30
Required Supplementary Information	
Schedule 1 – Schedule of Funding Progress - Pension.....	58
Schedule 2 – Schedule of Funding Progress - Postretirement	59
Supplementary Information	
Schedule 3 – Combining Balance Sheets	60
Schedule 4 – Combining Schedule of Revenues, Expenses and Changes in Net Assets	62
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	63
STATISTICAL SECTION (Unaudited)	
Table of Contents.....	65
Financial Trends	
Net Assets by Component.....	66
Combined Operating Statements.....	67
Revenue Capacity	
Electric Utility System Sales.....	68
Water Utility Sales.....	69
Debt Capacity	
Utility System Revenue Bonded Indebtedness.....	70
Debt Maturity Schedules.....	71

	Page
Demographic and Economic Information	
Electric Load Statistics in Kilowatts	74
Principal Customers	75
Employee Data.....	76
Demographic and Economic Statistics.....	77
Principal Employers.....	78
Operating Information	
Electric Rate Schedules.....	79
Water Rate Schedules	81
Water Operating Indicators	82
Staffing By Division	83

INTRODUCTORY SECTION





May 23, 2012

Members of the Board of Directors
Kansas City Board of Public Utilities

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Kansas City Board of Public Utilities for the fiscal year ended December 31, 2011. 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 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, the financial statements present fairly, in all material respects, the financial position of the BPU as of December 31, 2011 and 2010, and the results of BPU's operations and cash flows for the years then ended in conformity with U. S. generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The report consists of management's representation concerning the finances of the Board of Public Utilities. As a result, responsibility for this report for the fiscal year ended 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 is 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (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.

Profile

The Utility System is comprised of the electric and water utilities and is, by statute and charter ordinance, under the operational control and administration of the Board of Directors for the BPU. The Unified Government of Wyandotte County/KCK, as authorized by state statutes, reserves the right to incur debt on behalf of the BPU. However, the statutes vest the BPU with exclusive day-to-day control of the Utility System. The Utility presently serves approximately 65,000 electric customers and 50,000 water customers.

The Electric Utility has two electric power generating stations and five power purchase agreements to provide the capacity and energy needed by its retail customers. The generating stations are the Nearman Creek Power Station ("Nearman Station") and the Quindaro Power Station ("Quindaro Station").

The Nearman Station has two units. The first is a coal-fired steam electric generating station. Commercial operation of Nearman coal-fired unit began in 1981. The second unit is a simple cycle combustion turbine which can be fired on either natural-gas or No. 2 fuel oil. The combustion turbine plant, known as the Nearman CT4, functions as a peaking plant and was placed in service during the February of 2006.

The Quindaro Station has five units. The coal-fired steam generating facility consists of two units, each having a single coal-fired steam generating boiler and a turbine generation unit. Commercial operation of such units began in 1966 and 1971. In addition, the Quindaro Station also has three combustion turbines, which function as peaking units. The units were placed in commercial operation in 1969, 1974 and 1977, respectively and are designed to burn No. 2 fuel oil. One of the units is also designed to burn natural gas.

The Utility generating stations are interconnected by a network of 161 kV and 69 kV transmission lines. The Utility's transmission and distribution network includes 61.20 miles of 161 kV line, 60.03 miles of 69 kV line, and 2,677.91 miles of overhead line and 313.70 miles of underground cable. The system has 28 electric distribution substations and four industrial substations. The Utility is interconnected with two other area utilities, Kansas City Power & Light and Westar Energy.

The Utility System is a member of the Southwest Power Pool. Membership in the Southwest Power Pool facilitates emergency transfers and use of the Pool's transmission tariff for transfers of power throughout the south central portion of the United States.

The Utility has contracts with the Southwestern Power Administration (SPA) entitling the Utility to annually purchase 38.6 mW of hydroelectric peaking capacity, and 5 mW of hydroelectric power from the Western Area Power Administration (WAPA). The Utility also has entered into two Renewable Energy Purchase Agreements. BPU's agreement with TradeWind Energy is to receive 25% of the energy output of Phase 1 of the Smoky Hills Wind Farm. The wind farm was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties in Kansas. In 2009, BPU entered into an agreement with Oak Grove Power Producers to provide gas from a landfill in Arcadia, Kansas. In November 2010, the BPU entered into a contract with the Bowersock Mills & Power Company ("Bowersock") to purchase the capacity and energy of an existing 2.15 MW run of the river hydroelectric facility on the Kansas River in Lawrence, Kansas and 4.70 MW of capacity from an expansion of Bowersock's existing hydroelectric facilities. Lastly, BPU has an agreement with Tenaska Power Services Company to both purchase and market excess wholesale energy for BPU.

The Water Utility serves approximately 50,000 water customers in the service area of approximately 152 square miles. This service area includes Kansas City, Kansas, Edwardsville, southern Leavenworth County, parts of Bonner Springs and a small section of northern Johnson County. BPU's current average day and maximum day are approximately 30 million gallons per day (MGD) and 40 MGD, respectively. The water utility utilizes the state-of-the-art Nearman Water Treatment Plant to draw water from an aquifer below the Missouri River via two horizontal collector wells. These wells are each capable of supplying over 40 million gallons of raw water per day. The Nearman Water Treatment Plant became fully operational in August 2000. The plant is a conventional water treatment facility with a firm capacity of 54 MGD. Through the process of riverbed filtration, the Nearman Water Treatment Plant horizontal collector wells supply water from the aquifer, which is hydraulically connected to the Missouri River. A 24 MGD sand-ballasted sedimentation basin was completed in 2007. A new Polymer feed system was completed in 2010 and helped to optimize the process. Additional projects that

were recently completed include a 2 MG elevated tank; 6 MG reservoir and 48 inch transmission main; and improvements to the Argentine pump station control system.

The Water distribution system consists of a network of underground mains, reservoirs, and a series of booster district systems. The water transmission network consists of 72.5 miles of primary and trunk lines ranging in size from 24 to 48 inches. From these mains, water is delivered through a system of 900 miles of secondary water mains. The Utility has approximately 32.5 million gallons of water stored in reservoirs and elevated tanks at various locations. There are five booster-pumping stations, which increase water pressure to higher elevations.

Mission Statement

BPU's mission statement is to focus on the needs of our customers, to improve the quality of life in our community while promoting safe, reliable and sustainable utilities.

Economic Conditions and Outlook

The Unified Government is the government for both Wyandotte County and the City of Kansas City, KS. Wyandotte County accounts for a large number of manufacturing, transportation and distribution, including rail, and health care jobs in the metropolitan area. Many of these jobs are high paying and contribute to the positive statistics regarding gross payroll and gross sales. Development remains an important priority for the Unified Government.

The County of Wyandotte County covers 155.7 square miles. It is located on the eastern border of the State and, along with three other Kansas counties and eight Missouri counties, comprise the Kansas City Metropolitan Statistical Area with a population of approximately 1.8 million.

According to the 2010 U. S. Census Bureau, Wyandotte County's population was 157,505. Compared to population trends in the prior decades, the current estimates indicate a more stable population. The median age is 33 versus a national average of 34 years. Approximately, 34.5 percent of the population is greater than 45 years old.

In recent years, efforts have been directed toward the development of a 1,600-acre tract of land, located directly northwest of the intersection of Interstate Highways I-70 and I-435. The Unified Government successfully lobbied for special state legislation establishing the boundaries of the Tourism District, now named Village West. State authorized Sales Tax Revenue Bonds (STAR Bonds) were used to fund eligible costs within the district for land acquisition, site improvements, streets, utilities, and landscaping. The Unified Government attracted the Kansas Speedway as the economic catalyst for development of this tract using the STAR Bond financing incentive. The speedway project, totaling more than \$280 million, is a 1.5-mile tri-oval on approximately 1,100 acres of land, with 72 luxury hospitality suites and grandstand seating for 82,000. Joining Kansas Speedway at Village West are major destination retailers and entertainment businesses that attracted approximately 10 million visitors and shoppers in 2010. The initial anchor businesses and attractions include: Cabela's, Nebraska Furniture Mart, Great Wolf Lodge and Resort and Community America Ballpark, home of the Northern League's Kansas City T-Bones, an independent, minor league baseball team.

On March 30, 2011, Kansas City, Kansas was selected from 1,100 other applicants to be the pilot community that will bring ultra high-speed broadband Internet access to the region. BPU staff played a critical role securing this partnership between Google and the Unified Government (UG), helping create a new data superhighway that will help our community grow. Google Fiber

will deliver 1 gigabit Internet speeds – that’s roughly 20,000 times faster than dial-up and more than 100 times faster than a typical broadband connection. Google plans to offer service beginning in 2012.

Adjacent to Kansas University Medical Center a \$39 million mixed-use economic development project has begun construction this past spring. During the first week of April 2011, the existing Sun Inn Hotel was demolished to make way for this project. Plans for this development include approximately 10,000 square feet of first-floor retail space and, on the second through fourth floors, an 83-room Holiday Inn Express & Suites. Construction began in the fall of 2011. This area is attractive for new retail development due to the area’s dense resident population and the proximity to the KU Medical Center and Hospital. This area draws more than 10,000 persons daily.

Major Initiatives

The Board of Public Utilities is currently investing in significant capital improvements to update and improve service to our customers. Projects underway include a new 4 million gallon storage reservoir, as well as electric substation and transmission improvements in the Wolcott and Fairfax areas. Also, the installation of smart meters and the Advanced Metering Infrastructure (AMI) system for both electric and water is expected to help reduced operating expenses, improved customer service, and increased energy conservation.

The Wolcott substation and the Piper West 161kV transmission line will support new development. These new assets will help ensure reliable service to the Kansas Speedway /Village West Tourism District and the new residential housing surrounding the western portion of the county. Several major developments have recently opened near the Kansas Speedway Tourism District which include; a \$147 million, 18,000 seat capacity soccer stadium for the Kansas City MLS franchise, Sporting Kansas City Soccer Club, Hollywood Casino overlooking Turn 2 at the Kansas Speedway located near soccer stadium. In addition, Construction has begun on an office complex near I-435 and State Avenue that will house an estimated 4,000 employees who will work for the Cerner Co., a medical software company.

The electric utility is also working to upgrade the Fiberglass Substation to increase distribution capacity and improve service to the Fairfax Industrial customers. In 2010, General Motors added a third shift creating an additional 900 jobs and announced they would spend a total of \$136 million to get the Fairfax plant ready for the next-generation Chevy Malibu and a hybrid version of the Buick LaCrosse. Recently, Kellogg’s Snack Division, also located in the Fairfax Industrial Park, underwent a \$33 million expansion to manufacture three new product lines.

The new 4 million gallon water reservoir is underway which will provide additional levels of storage redundancy to meet industry design standards for water treatment plants, community water supply needs, and improve operating efficiency. It will provide additional water storage for summer maximum day and peak hour demands. It also provides a source of supply for BPU’s Nearman Power Plant cooling tower and for a black start in the event of a major black out event.

In October, 2010, The Board of Public Utilities Board approved a proposal to modify electric rates by approximately 7% annually through 2013, and the water rates by approximately 8% in 2010 and 2011 and 7.5% in 2012 and 2013. The increase would result in an overall increase in combined electric and water revenues over 2009 base rates by approximately 7.2% in 2010 and 2011 and 7.1% in 2012 and 2013. Also included was an approval to implement an Environmental Surcharge Rider (ESC) which would recover the BPU’s capital investment in projects that are

required to meet federal, state or local environmental regulations. The Board also approved changes to the Energy Rate Component (ERC) rider which included reducing the ERC periods from six months to three months. An additional tariff was created for an electric heating rate for the residential class. The rate increases would support a 4 year plan to restore cash reserves and debt service coverage and support a 5 year \$378.9 million dollar capital plan.

Long Term Financial Planning

BPU's goals for the future include meeting the needs of the community as development continues within the county. BPU utilizes a five-year capital improvement program to prioritize projects, which will be scheduled over a number of years as financial resources are available. The electric capital improvement plan identifies approximately \$320.0 million in generation, transmission, and distribution projects; of which \$40 million is for environmental upgrades to two coal fired plants. Approximately \$206.5 of the \$320.0 million is expected to be bond financed. The water capital improvement plan identifies approximately \$58.9 million in projects, of which \$45.2 million are projected to be bond financed.

On May 4, 2011, the Board of Public Utilities issued Utility Improvement and Refunding Revenue Bonds in the amount of \$90 million for improvements to the Electric and Water utility systems.

GFOA Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (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, 2010. This was the thirtieth consecutive year that the BPU received this prestigious award.

In order to be awarded a Certificate of Achievement, BPU must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this 2011 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate for the thirty-first consecutive year.

Acknowledgements

In closing, I would like to thank the Accounting staff for their efforts in preparing and providing the financial information. Special thanks to David Mehlhaff, Public Affairs Officer, in coordinating the comments for the President's and General Manager's messages.

Respectfully submitted,



Lori C. Austin
Manager of Accounting & Finance/
Chief Financial Officer
May 23, 2012

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kansas City

Board of Public Utilities

Kansas

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

December 31, 2010

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.



Linda C. Dandison

President

Jeffrey R. Emer

Executive Director

PRESIDENT'S MESSAGE

For more than 100 years, the BPU has provided quality utility service to the community and residents of Wyandotte County. While times have changed, BPU's primary mission remains the same as it has always been, offering quality dependable services at the lowest possible price.

Despite various economic and industry challenges, BPU achieved a number of important initiatives and milestones in 2011 that continued its customer-service focus and ensured that it remains one of the top ranked municipal utilities in the nation. This includes, among others things,

- The Google Fiber Project – Kansas City, Kansas was selected from 1,100 other applicants to be the pilot community that will bring ultra high-speed broadband Internet access to the region. BPU staff played a critical role securing this partnership between Google and the Unified Government (UG), helping create a new data superhighway that will help our community grow.
- Additional Hydroelectric Capabilities – BPU expanded its commitment to renewable energy resources by partnering with and participating in a groundbreaking event for the new Bowersock Mills hydroelectric powerhouse on the Kansas River in Lawrence, KS. BPU will purchase 7 MW of hydroelectric power over the next 25 years, enough to supply electricity to 3,300 homes in Wyandotte County, while reducing overall CO2 emissions by more than 44,000 tons.
- Energy Smart Home Program – In partnership with the State of Kansas and the Unified Government (UG), BPU utilized federal monies to create a low-cost financing program for residents or businesses wanting to install new energy efficient improvements in their homes or at work. Hundreds of customers expressed interest and participated in this program intended to promote long-term energy conservation.
- Implementation of Advanced Metering Infrastructure (AMI) and Advanced Meter Reading (AMR) capabilities to centralize control and monitoring of “smart” utility meters, allowing for reduced operating expenses and better customer service.
- Promotion of energy efficiency initiatives that encourage customers to use energy and water more efficiently and effectively, and implementing demand side management and demand response programs designed to reduce energy consumption.
- Focusing on improved customer service, open and transparent communications, and reliability.

In 2011, BPU and its employees continued their on-going efforts to improve internal efficiencies and reduce costs for ratepayers, assist and support community partners and governmental units, meet and prepare for future customer growth, maintain customer service excellence, and expand communications and outreach initiatives with BPU customers.

BPU continued focusing on sound financial practices to improving cash flow and day's cash-on-hand, as well as ensuring appropriate debt coverage. In recognition of its financial soundness, Standard and Poor's and Fitch Ratings Service both assigned BPU A+ revenue bond ratings and a Stable outlook projection to BPU in 2011.

The utility remains committed to providing reliable and affordable utility services to our customers, while improving the quality of life in Wyandotte County. Working with the community and its customers, BPU looks forward to another 100 years of quality utility service to the region.

Sincerely,

A handwritten signature in cursive script that reads "Terry Eidson".

Terry Eidson
Board President
May 23, 2012



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Board of Directors – 2011

The Board of Directors is composed of six members, three of whom are elected at large and three of whom are elected by district. 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 \$950. 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.



Terry Eidson
President
Member, at Large
Elected 2007-2011
Re-Elected 2011-2015

Mr. Eidson is a life-long resident of Wyandotte County and local business leader. He and his wife Aileen have owned and operated Eidson's Florist and Travel for 42 years.

Mr. Eidson attended Washington High School, Kansas City Kansas Community College and the University of Kansas. He served four years in the Kansas Air National Guard, and worked as an elementary school teacher before taking over the family business in 1970. He has served in leadership roles in various industry organizations, and has been on the board of directors of the Wyandotte County Fair, the KCK Chamber of Commerce, the KCK YMCA and Children and Family Services. He has served on the board of directors of two local banks, Wyandotte County Bank and First Community Bank for over 30 years.



David Alvey
Vice President
Member at Large
Elected 2009-2013

Mr. Alvey is the fifth generation of his family

to live in Wyandotte County. He is the Dean of Students of Rockhurst High School. Mr. Alvey also served on the Planning and Zoning Commission of the Unified Government. He taught U.S. history at Rockhurst High School and served as Program Director of the Student Support Program in Marin County, California.

Mr. Alvey graduated from Savior of the World High School and attended Rockhurst College before graduating Summa Cum Laude in Philosophy and Letters from St. Louis University.



Mary L. Gonzales
Secretary
Member at Large
Elected 2001-2005
Re-elected 2005-2009
Re-elected 2009-2013

Ms. Gonzales served as President from 2005 to 2007. She also served previously as Vice President and Secretary of the Board.

Ms. Gonzales retired from teaching school in 2006 after a 33-year career. For many of those years she was an eighth-grade language arts teacher at Piper Middle School.

Besides her BPU Board and other community activities, she serves on the Board of Directors of El Centro and City Vision Ministries. She also is active in the Ball Family Center Charter Advisory Council of the YMCA, and is a member of the American Public Power Association and the American Water Works Association.

A graduate of Leadership 2000, she was also District 5 Coordinator in the successful effort to consolidate the Wyandotte County/city governments, and served on the advisory board of the Wyandotte County Library. In addition, she is past 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 in Curriculum and Instruction from Emporia State University.

Board of Directors – 2011 – (continued)



Robert L. Milan, Sr.
Member, First District
Elected 1991-1995
Re-elected 1995-1999
Re-elected 1999-2003
Re-elected 2003-2007
Re-elected 2007-2011
Re-elected 2011-2015

Mr. Milan also served as President of the Board from 1995 to 1997, in 2002-2003, and in 2007-2008. In 2007, BPU recognized Mr. Milan's dedication to the utility by naming a new Water Division facility in his honor, the Robert L. Milan, Sr. Pump Station and Reservoir.

Mr. Milan 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 past President of AFGE Local No. 1748, a government employees' union, and served as Secretary of the Kansas City, Kansas-Wyandotte County Port Authority. Mr. Milan is also a past Vice President of Turner House Inc.

Mr. Milan received the Annual Community Leadership Award from Saint Peter Christian Methodist Episcopal Church in 2007. The Kansas City Globe selected him as one of the 100 Most Influential People in 1998, and Grinter Heights Neighborhood Association voted him "Man of the Year" in 1993. He received the E.A. Freeman Humanitarian Award from the NAACP, KCK branch in 2003. Mr. Milan also received the Distinguished Service Award from the TWA Black Caucus in 1982.

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 extension, Donnelly College, the University of Colorado, Temple University and Pioneer College.



Loretta M. Colombel
Member, Second District
Appointed 1998-1999
Elected 1999-2001
Re-elected 2001-2005
Re-elected 2005-2009
Re-elected 2009-2013

Ms. Colombel served as President of the Board in 2009-2010. In 2002, she was appointed to the Policy Makers' Council of the American Public Power Association's (APPA) and served as the organization's chair in 2007-2008.

In 2001 Ms. Colombel graduated from the FBI's Citizen's Academy. She is past President and co-founder of Wyandotte Countians Against Crime (WCAC), a former neighborhood organizer for the Regional Prevention Center, and was a member of Kansas City Kansas Chamber of Commerce Board of Directors. She owned a small business in downtown Kansas City, Kansas for several years, and also worked for Liveable Neighborhoods Task Force as a neighborhood organizer.

She attended Bishop Ward High School before moving to New Orleans, where she graduated from East Jefferson High School and attended Tulane University.



Jeff Bryant
Member, Third District
Elected 2011-2015

Mr. Bryant is the Estimator and Job and Cost Analyst for Plastic Packaging Technologies in Kansas City, Kansas. He has been with the company for nearly 30 years serving in a variety of roles.

He is a graduate of Turner High School and attended Donnelly College. He and his wife Crystal raised their three children: Amanda, Jeffery and Derek in the Turner School District. He is a Leadership 2000 Class graduate and represents Plastic Packaging at any KCK Chamber of Commerce activities.

GENERAL MANAGER'S MESSAGE

For the last 100 years, the Kansas City Board of Public Utilities (BPU) has been providing quality water and electric utility services to the community and residents of Wyandotte County.

Today, BPU services nearly 65,000 commercial, industrial, and residential customers over a 130 sq. mile area. While times have changed, BPU's primary mission remains the same as it has always been, offering quality dependable services at the lowest possible price.

BPU continues to be recognized as one of the top public utilities in the nation. A recipient of the industry's "Gold" Award for its water system, BPU has also received the Directors Award of Recognition from The Partnership for Safe Water; a national initiative developed by the Environmental Protection Agency (EPA), and was voted as having the Best Tasting Water in the State of Kansas.

BPU successfully implemented a number of strategic initiatives in 2011, while accomplishing key financial, capital, strategic, and communications goals and objectives. This included, among other things:

- Working with community leaders, the Unified Government, business and not-for-profits to promote growth and progress throughout Wyandotte County
- Reviewing key utility benchmarks to monitor and improve overall organizational performance
- Ensuring adequate/appropriate manpower and personnel capabilities to meet future and existing growth needs
- Reorganizing the utility's customer service department, including expanded promotion of online bill-pay and service capabilities
- Facilitated financing and implementation of capital electric and water projects to meet the current and future utility needs of Wyandotte County, while ensuring timetable and cost control measurements. Projects included:
- Upgrading East Fairfax Substation to increase electric distribution capacity, reduce system losses, and improve service to Fairfax Commercial and Industrial Customers

- Completing the Wolcott substation and the Piper/Wolcott 161 kV transmission line to supply redundant energy to Piper substation, support growth of Western Wyandotte County, and provide an additional intertie with KCP&L's transmission lines
- Overhaul of the Quindaro Power Plant Turbine/Generator
- Addition of Low Nox burners at the Nearman and Quindaro power plants to meet environmental requirements
- Implementing the Automated Meter Information system
- Evaluating and planning for additional base-load generation capabilities and/or purchase power agreements.
- Reviewed long-term Strategic Planning efforts with key managers and Board involvement
- Meeting and exceeding all EPA and KDHE Safe Drinking Water Regulations and Continue Partnership for Safe Drinking Water programs
- Improving operation of water system by working with UG on street improvement projects and performing key planned maintenance activities.
- Maintain sound financial practices that show improvement in cash flow and day's cash on hand and appropriate debt coverage

BPU was once again recognized nationally in 2011 as one of the safest and most reliable utilities in the country – receiving the industry's Reliable Public Power Provider (RP3) award. Our publicly-owned utility was one of only 82 of the more than 2,000 public utilities nationwide to receive this award, which was a testament to the hard work and customer focus of BPU's employees.

In addition, Standard and Poor's and Fitch Ratings Service both assigned BPU A+ revenue bond ratings and a Stable outlook projection in 2011. Recognizing the utility's financial performance and other key metrics, the ratings help the utility by allowing it to finance current and future capital improvement projects at competitive rates. The utility continued working to control spending and focus on internal efficiencies, building up its financial reserves to meet and exceed industry standards.

BPU continues working today to meet the electric and water needs of the community tomorrow. While challenges remain for the community and the utility, BPU associates have accomplished much and will continue to do so.

BPU continually strives to remain one of the top-ranked public utilities in the country, and its associates and Board remains committed to improving the quality of life in the communities we serve – in 2011 and beyond.

For more information about BPU, please visit our Web site at www.bpu.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Don L. Gray". The signature is fluid and cursive, with a long horizontal stroke at the end.

Don L. Gray
General Manager
May 23, 2012

Senior Management – 2011

Don L. Gray General Manager

Don Gray has worked at BPU for over 41 years. Before being appointed General Manager of the utility in 2006, he was Manager of Water Operations.

In the late 1990s he led the research, design and construction of the Nearman Water Treatment Plant with its state-of-the-art horizontal collector well, the largest alluvial well of its kind in the U.S. The plant opened in 2000. He has also served on various task forces and committees at the utility, including the Leadership Team for the BPU Strategic Plan.

In 2005, Mr. Gray was awarded the prestigious George Warren Fuller Award from the American Water Works Association (AWWA). The award recognizes Mr. Gray's long career and management of the BPU Water Utility and his leadership role in AWWA. Recently Mr. Gray was the recipient of The Richard Porter Service Award from the Kansas Section of the American Water Works Association.

This prestigious industry award recognized him for his leadership and commitment to the public water profession and the community it serves.

He also serves on the board of the Kansas City Kansas Chamber of Commerce and is Co-Chair of the Chamber's Economic Infrastructure Committee. He is also a member of the American Public Power Association and Kansas Municipal Utilities.

Eighteen years ago Mr. Gray turned his favorite recreational activity into a way to aid local children when he helped establish the BPU Charity Golf Tournament. Since then the tournament has raised over \$400,000 for various children's charities in Wyandotte County.

Mr. Gray has bachelor's degrees in chemistry and microbiology. In 2003 he earned his M.B.A. from the University of St. Mary. Gray lives in Kansas City, Kansas.

**Robert D. Adam, Acting Manager
Electric Supply**

**Lori C. Austin, Manager
Accounting and Finance/CFO**

**James A. Epp, Manager
Water Operations and Acting Chief
Administrative Officer**

**Johnetta M. Hinson, Manager
Customer Services**

**William A. Johnson, Manager
Electric Operations**

**Dong T. Quach, Acting Manager
Electric Production**

**Nanette M. Wolf, Manager
Purchasing and Supply**

Executive Staff and Department Heads 2011

Laurie D. Brough, Director
Administrative Services

Patrick J. Cassidy, Director
Environmental Services

William R. Cobb, Acting Director
Electric Production Maintenance

Samuel W. Deleon, Director
Human Resources

John D. Frick, Director
Electric Production Engineering

Stephen E. Green, Director
Water Distribution

Durward M. Johnson, Director
Water Processing

Brian D. Laverack, Director
Network Operations

David E. Mehlhaff
Public Affairs Officer

Patrick J. Morrill, Director
Electrical Engineering

Philip B. Musser, Director
Electric Transmission & Distribution

Hoang H. Nguyen, Director
Electric Production Operations

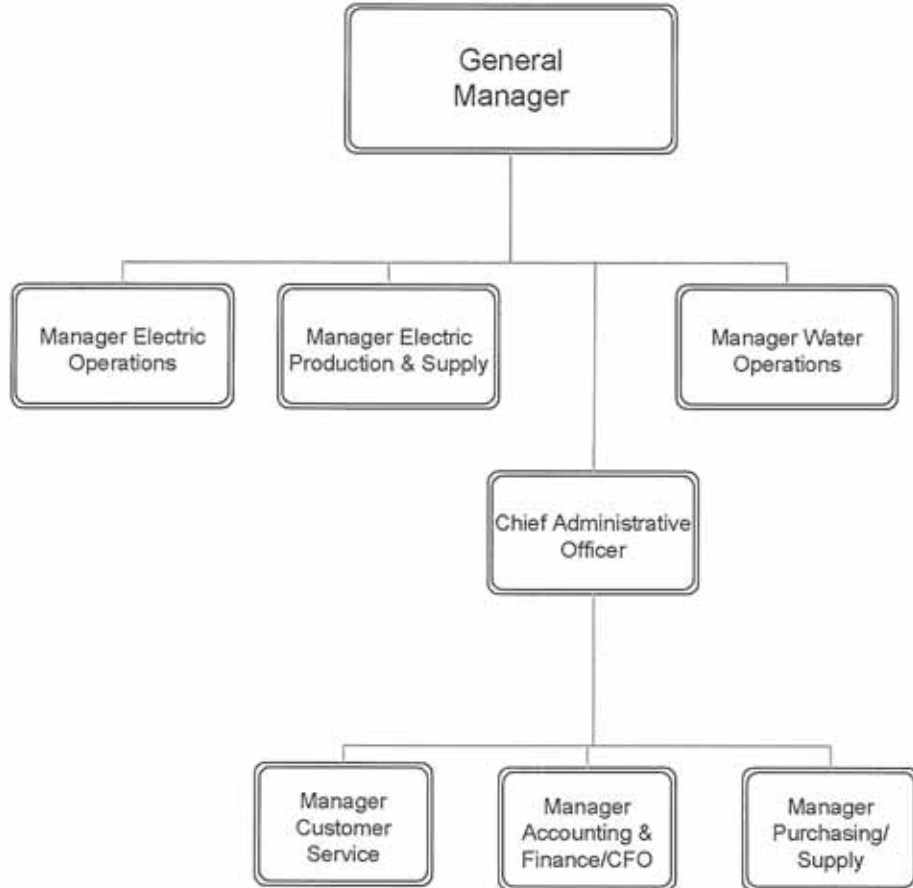
Randal J. Otting, Director
Accounting

Paul M. Pausick, Director
Information Technology

Chris D. Stewart, Director
Civil Engineering



Kansas City Board of Public Utilities 2011 Organizational Chart

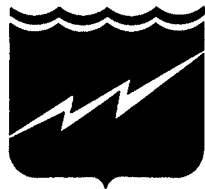


Accounting Civil Engineering Construction / O & M Customer Service Electric Metering & Services Electric Production Engineering Electric Production Maintenance Electric Production Operations Electric System Control Electric Transmission & Distribution	Electrical Engineering Employee Relations Employment Environmental Services Grounds Maintenance Information Technology Marketing Operations OH / UG Lines Planning Production Support Services	Purchasing Radio / Telecom & Cable Stores Street Lights Substations Traffic Signal Transportation Water Distribution Water Processing Water System Support
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FINANCIAL SECTION





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

Independent Auditors' Report

The Board of Directors
Board of Public Utilities:

We have audited the accompanying balance sheets of the Board of Public Utilities of Kansas City, Kansas (the BPU) as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide* (the Guide); and the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BPU's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements present only the BPU enterprise fund and do not purport to, and do not, present fairly the financial position of the Unified Government of Wyandotte County, Kansas City, Kansas as of December 31, 2011 and 2010, and the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Public Utilities of Kansas City, Kansas as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2012 on our consideration of the BPU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



The accompanying management's discussion and analysis on pages 19 through 25 and schedules of funding progress on pages 58 and 59 are not a required part of the financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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 the information.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional combining information on pages 60 to 62 is presented for the purpose of additional analysis and is not a required part of the financial statements. This additional combining information is the responsibility of the BPU's management. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

KPMG LLP

Kansas City, Missouri
May 23, 2012

BOARD OF PUBLIC UTILITIES
Management's Discussion and Analysis
December 31, 2011 and 2010

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board of Public Utilities of Kansas City, Kansas (BPU's) financial statements. The BPU's financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. The last report contains other supplementary information in addition to the financial statements.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the BPU's finances in a manner similar to a private-sector business.

The balance sheet presents information on BPU's assets and liabilities, with the difference between the two reported as net assets. Over time, increases/decreases in net assets may serve as a useful indicator of whether the financial position of the BPU is improving/deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how BPU's net assets changed during the most recent fiscal year. All changes in net assets are reported as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the BPU's progress in funding its obligation to provide pension and postretirement benefits to its employees.

The combining statements for the BPU's electric and water utilities are presented immediately following the required supplemental information.

The BPU is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas (Unified Government).

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's discussion and analysis of the BPU's financial report presents the discussion and analysis of the BPU's financial performance for the years ended December 31, 2011, 2010, and 2009. This analysis should be read in conjunction with the financial statements and notes thereto.

BOARD OF PUBLIC UTILITIES
Management's Discussion and Analysis
December 31, 2011 and 2010

The following tables summarize the financial condition and operations of the BPU as of and for the three years ended December 31, 2011:

Balance Sheet Summary			
Assets	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital assets, net	\$ 706,397,621	678,544,095	689,463,474
Current assets	122,286,370	112,618,650	103,573,718
Other noncurrent assets	90,981,105	46,948,255	50,670,407
	<u>\$ 919,665,096</u>	<u>838,111,000</u>	<u>843,707,599</u>
Liabilities and Net Assets			
Noncurrent liabilities	\$ 445,941,840	378,632,840	397,341,546
Current liabilities	67,014,202	52,729,788	56,430,139
Net assets:			
Invested in capital assets, net of related debt	336,969,219	331,826,542	337,549,624
Restricted	97,519,802	50,980,822	55,170,663
Unrestricted	<u>(27,779,967)</u>	<u>23,941,008</u>	<u>(2,784,373)</u>
	<u>\$ 919,665,096</u>	<u>838,111,000</u>	<u>843,707,599</u>

BOARD OF PUBLIC UTILITIES
Management's Discussion and Analysis
December 31, 2011 and 2010

Statements of Revenues, Expenses, and Changes in Net Assets Summary

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:			
Residential	\$ 79,631,157	72,383,530	67,889,344
Commercial	88,910,745	74,233,899	76,989,419
Industrial	43,860,628	44,277,063	45,520,902
Other	31,057,374	33,932,880	32,001,538
Deferred energy rate component	—	12,332,254	(12,332,254)
Payment-in-lieu of taxes	28,303,139	27,831,160	21,540,269
Total operating revenues	<u>271,763,043</u>	<u>264,990,786</u>	<u>231,609,218</u>
Operating expenses:			
Fuel	55,657,743	46,978,748	55,908,459
Purchased power	21,450,645	17,546,696	16,578,449
Production	43,971,405	39,921,775	43,575,355
Transmission and distribution	41,157,088	37,287,338	34,548,626
General and administrative	30,376,612	29,900,838	34,518,980
Depreciation and amortization	32,380,345	31,705,944	31,986,166
Total operating expenses	<u>224,993,838</u>	<u>203,341,339</u>	<u>217,116,035</u>
Operating income	<u>46,769,205</u>	<u>61,649,447</u>	<u>14,493,183</u>
Nonoperating income (expense):			
Interest income	704,533	262,206	346,110
Interest expense	(20,032,824)	(18,223,785)	(19,057,478)
Payment-in-lieu of taxes	(28,303,139)	(27,831,160)	(21,540,269)
Other	763,859	654,862	1,107,000
Total nonoperating expense, net	<u>(46,867,571)</u>	<u>(45,137,877)</u>	<u>(39,144,637)</u>
Contributions and transfers:			
Contributions from developers and others	59,048	300,888	209,965
Change in net assets	(39,318)	16,812,458	(24,441,489)
Net assets, beginning of year	<u>406,748,372</u>	<u>389,935,914</u>	<u>414,377,403</u>
Net assets, end of year	<u>\$ 406,709,054</u>	<u>406,748,372</u>	<u>389,935,914</u>
Total revenue	\$ 273,231,435	265,907,854	233,062,328
Total expense	\$ 273,329,801	249,396,284	257,713,782

BOARD OF PUBLIC UTILITIES
Management's Discussion and Analysis
December 31, 2011 and 2010

Financial Highlights

2011 Compared to 2010

The board of directors for the BPU approved increases in electric and water rates charged to customers as well as an Environmental Surcharge and revised the Energy Rate Component (ERC) rider. Electric rates were approved for implementation and to be increased 7% in 2011 and 7% in each of the next two years. Water rates were approved for implementation and to be increased 8% in 2011 and 7.5% in each of the next two years.

- Net capital assets increased by \$27.9 million in 2011.
- Debt service coverage ratio for 2011 decreased to 2.07 times in comparison with 2.78 for the year ended 2010.
- Other noncurrent assets increased by \$44.1 million in 2011; this increase is primarily related to the outstanding construction funds related to the 2011 bond issuance.
- Noncurrent liabilities increased by \$67.3 million during 2011; the increase is primarily related to the issuance of the 2011 Revenue Bonds.
- Net assets decreased by \$39,318 during 2011.

In 2011, the BPU issued \$90.0 million of Utility System Revenue bonds. The bond proceeds will be used to finance improvements primarily for environmental upgrades to existing power generation stations and installation of automated meter reading (AMR) and Advanced Metering Infrastructure (AMI) for both electric and water utilities.

In 2011, the BPU's operations performed above budget in overall revenues. The BPU's revenues were approximately \$271.8 million, with the Electric Utility recognizing revenues of \$228.4 million and the Water Utility recognizing revenues of \$43.4 million. The average number of customer accounts remained stable from the prior year.

Electric and water rates were revised to be increased in January 2011 to accomplish the following:

- Improve BPU operating reserves and financial metrics needed to maintain BPU's credit rating
- Improve cash flow
- Support capital improvements
- Funding of known environmental mandates

The BPU's total operating revenue increased by approximately \$6.8 million to \$271.8 million in 2011. The Electric Utility experienced increased electric sales of \$2.5 million compared to 2010. The increase can be attributed to the 7% rate increase that was implemented in January. The Water Utility experienced increased water sales of \$4.3 million compared to 2010. The increase in water sales was principally due to seasonably warm summer period and an 8% rate increase that was also implemented in January. In addition, payment-in-lieu of taxes (PILOT) decreased to 11.9% from 12.8% in 2011. In comparison to the 2011 budgeted revenue, overall, the BPU collected 98% of the projected Energy and Water sales and 94% of total Operating Revenue.

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2011 and 2010

Operating expenses for 2011 and 2010 were approximately \$225.0 million and \$203.3 million, respectively. The Electric Utility represented \$194.3 million and \$174.5 million for 2011 and 2010, respectively, while the Water Utility represented \$30.7 million and \$28.8 million for 2011 and 2010, respectively, in operating expenses. The largest component of operating expenses is production, fuel, and purchased power expense. Overall, in 2011, production, fuel, and purchased power costs increased by \$16.6 million, which was \$7.7 million under the 2011 budget. In 2011, the BPU deferred \$3.7 million in expenses due to the under collection of the ERC. In 2010, the BPU deferred \$5.5 million in expenses due to the under collection of the ERC. The BPU's power supply mix for fiscal years 2011 and 2010 was 65% and 67% coal, 28% and 25% net power purchases, 5% and 5% gas, and 2% and 3% oil, respectively.

2010 Compared to 2009

- The board of directors for the BPU approved increases in electric and water rates charged to customers as well as an Environmental Surcharge and revised the ERC. Electric rates were approved for implementation and to be increased 7% in 2011 and 7% in each of the next two years. Water rates were approved for implementation and to be increased 8% in 2011 and 7.5% in each of the next two years.
- Net capital assets decreased by \$10.9 million in 2010.
- Debt service coverage ratio for 2010 increased to 2.78 times in comparison with 1.39 for the year ended 2009.
- Other noncurrent assets decreased by \$3.7 million in 2010; this decrease is primarily related to the outstanding construction funds related to the 2009 bond issuance.
- Noncurrent liabilities decreased by \$18.7 million during 2010; the decrease is primarily related to the payment of principal and interest during the current period.
- Net assets increased by \$16.8 million during 2010.

In 2010, the BPU issued \$32.2 million of Utility System Refunding Revenue bonds. The bond proceeds were used to refund all of the 1992 Current Interest Bonds (\$1,150,000), all of the 1999 System Revenue Bonds (\$15,975,000), and a portion of the 1998 System Revenue Bonds (\$15,565,000).

In 2010, the BPU's operations performed above budget in overall revenues. The BPU's revenues were approximately \$265 million, with the Electric Utility recognizing revenues of \$225.9 million and the Water Utility recognizing revenues of \$39.1 million. The average number of customer accounts remained stable from the prior year.

Electric and water rates were revised to be increased in July 2010 to accomplish the following:

- Improve BPU operating reserves and financial metrics needed to maintain BPU's credit rating
- Improve cash flow
- Support capital improvements

The BPU's total operating revenue increased by approximately \$33.4 million to \$265.0 million in 2010. The Electric Utility experienced increased electric sales of \$29.0 million compared to 2009. The increase can be attributed to the 7% rate increase that was implemented in July. In addition, approximately \$12.3 million in

BOARD OF PUBLIC UTILITIES
Management's Discussion and Analysis
December 31, 2011 and 2010

revenue was recognized due to the over collection of the ERC in 2009. The Water Utility experienced increased water sales of \$4.4 million compared to 2009. The increase in water sales was principally due to seasonably warm summer period and an 8% rate increase that was also implemented in July. In addition, PILOT increased to 12.8% from 9.9% in 2010. In comparison to the 2010 budgeted revenue, overall, the BPU collected 105% of the projected revenue.

Operating expenses for 2010 and 2009 were approximately \$203.3 million and \$217.1 million, respectively. The Electric Utility represented \$174.5 million and \$187.3 million for 2010 and 2009, respectively, while the Water Utility represented \$28.8 million and \$29.8 million for 2010 and 2009, respectively, in operating expenses. The largest component of operating expenses is production, fuel, and purchased power expense. Overall, in 2010, production, fuel, and purchased power costs decreased by \$11.6 million, which was \$1.2 million under the 2010 budget. In 2010, the BPU deferred \$5.5 million in expenses due to the under collection of the ERC. In 2009, the BPU recognized \$6.7 million of deferred expenses from the 2008 under collection of the ERC. The BPU's power supply mix for fiscal years 2010 and 2009 was 67% and 70% coal, 25% and 25% net power purchases, 5% and 3% gas, and 3% and 2% oil, respectively.

Capital Assets and Debt Administration

Capital Assets

2011 Compared to 2010

Net capital assets increase by \$27.9 million in 2011. Capital asset additions were offset by approximately \$32.4 million of depreciation and amortization expense.

Refer to note 4 to the financial statements for additional information.

2010 Compared to 2009

Net capital assets decreased by \$10.9 million in 2010. Capital asset additions were offset by approximately \$31.7 million of depreciation and amortization expense.

Refer to note 4 to the financial statements for additional information.

Debt Administration

2011 Compared to 2010

Noncurrent liabilities outstanding as of December 31, 2011 and 2010 were \$445.9 million and \$378.6 million, respectively. In 2011, the BPU issued \$90.0 million of Utility System Revenue bonds. The bond proceeds will be used to finance improvements primarily for environmental upgrades to existing power generation stations and installation of automated meter reading (AMR) and Advanced Metering Infrastructure (AMI) for both electric and water utilities.

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 operating revenues be at least 120% of the maximum annual debt service.

BOARD OF PUBLIC UTILITIES
Management's Discussion and Analysis
December 31, 2011 and 2010

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

As of December 31, 2011 and 2010, the BPU had debt coverage of 2.07 times and 2.78 times, respectively.

In 2011, the BPU's utility system bonds for both electric and water debt are rated A+ from both Fitch and Standard and Poor's Rating Services and A2 from Moody's Investors Service. The interest rate on the BPU's outstanding debt ranges from 2.0% to 5.95%. Interest on debt expense, net of amounts capitalized, for 2011 and 2010 was \$20.0 million and \$18.2 million, respectively.

Refer to note 5 to the financial statements for additional information.

2010 Compared to 2009

Noncurrent liabilities outstanding as of December 31, 2011 and 2010 were \$378.6 million and \$397.3 million, respectively. In 2010, the BPU issued approximately \$32.2 million of Utility System Refunding Revenue Bonds. The bond proceeds were used to refund all of the 1992 Current Interest Bonds (\$1,150,000), all of the 1999 System Revenue Bonds (\$15,975,000), and a portion of the 1998 System Revenue Bonds (\$15,565,000).

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 operating revenues be at least 120% of the maximum annual debt service. The BPU also has a mandatory provision in its bond indentures for a debt service trigger when debt coverage is 1.3 times or below the annual debt service payment amounts.

As of December 31, 2011 and 2010, the BPU had debt coverage of 2.78 times and 1.39 times, respectively. The increase in debt coverage for 2010 was the recognition of \$12.3 million in revenues from the over collection of the 2009 ERC, and the increase in the PILOT rate assessed by the Unified Government of Wyandotte County.

The BPU's utility system bonds for both electric and water debt are rated A+ from both Fitch and Standard and Poor's Rating Services and A2 from Moody's Investors Service. The interest rate on the BPU's outstanding debt ranges from 3.0% to 5.95%. Interest on debt expense, net of amounts capitalized, for 2010 and 2009 was \$18.2 million and \$19.1 million, respectively.

Refer to note 5 to the financial statements for additional information.

BOARD OF PUBLIC UTILITIES

Balance Sheets

December 31, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Noncurrent assets:		
Capital assets:		
Property, plant, and equipment	\$ 1,317,613,369	1,283,384,053
Less accumulated depreciation	<u>(658,891,038)</u>	<u>(630,354,194)</u>
Plant in service, net	658,722,331	653,029,859
Construction work in progress	<u>47,675,290</u>	<u>25,514,236</u>
Capital assets, net	<u>706,397,621</u>	<u>678,544,095</u>
Restricted assets:		
Cash and cash equivalents	13,861,768	3,801,703
Investments	<u>66,557,487</u>	<u>32,259,235</u>
Total restricted assets	80,419,255	36,060,938
Debt issue costs, net	7,022,931	6,725,255
System development costs, net	857,325	944,149
Regulatory assets	<u>2,681,594</u>	<u>3,217,913</u>
Total noncurrent assets	<u>797,378,726</u>	<u>725,492,350</u>
Current assets:		
Cash and cash equivalents	26,269,750	6,525,943
Investments	—	17,553,784
Cash and cash equivalents – restricted	7,015,656	6,291,042
Investments – restricted	13,473,707	11,974,564
Accounts receivable – customers and other	27,302,179	25,282,742
Accounts receivable – unbilled	10,234,699	8,840,950
Allowance for doubtful accounts	<u>(3,946,328)</u>	<u>(2,852,695)</u>
Inventories	36,854,300	32,335,848
Regulatory assets	3,653,387	5,475,074
Prepayments and other current assets	<u>1,429,020</u>	<u>1,191,398</u>
Total current assets	<u>122,286,370</u>	<u>112,618,650</u>
Total assets	<u>\$ 919,665,096</u>	<u>838,111,000</u>

BOARD OF PUBLIC UTILITIES

Balance Sheets

December 31, 2011 and 2010

Liabilities and Net Assets	2011	2010
Net assets:		
Invested in capital assets, net of related debt	\$ 336,969,219	331,826,542
Restricted – debt service	97,519,802	50,980,822
Unrestricted	(27,779,967)	23,941,008
Total net assets	406,709,054	406,748,372
Liabilities:		
Noncurrent liabilities:		
Long-term debt – revenue bonds	412,779,001	346,258,417
Government loans	18,701,155	19,645,748
Capital lease obligations	—	74,989
Total long-term debt and capital lease obligations	431,480,156	365,979,154
Postretirement benefit obligation	2,740,484	2,799,867
Reserve for compensated absences	4,610,998	3,972,000
Pension obligation	7,110,202	5,881,819
Total noncurrent liabilities	445,941,840	378,632,840
Current liabilities:		
Current maturities of revenue bonds	15,680,000	13,935,000
Current maturities of government loans	1,112,511	1,071,373
Current maturities of capital lease obligations	74,989	292,964
Accrued interest	6,954,866	5,936,848
Customer deposits	3,388,815	3,345,722
Accounts payable	27,176,795	14,109,588
Payroll and payroll taxes	2,188,617	2,915,485
Accrued claims payable	5,648,501	6,048,592
Other accrued liabilities	2,796,852	3,087,405
Payment-in-lieu of taxes	1,992,256	1,986,811
Total current liabilities	67,014,202	52,729,788
Total liabilities	512,956,042	431,362,628
Total liabilities and net assets	\$ 919,665,096	838,111,000

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Residential	\$ 79,631,157	72,383,530
Commercial	88,910,745	74,233,899
Industrial	43,860,628	44,277,063
Other	31,057,374	33,932,880
Deferred energy rate component	—	12,332,254
Payment-in-lieu of taxes	28,303,139	27,831,160
Total operating revenues	<u>271,763,043</u>	<u>264,990,786</u>
Operating expenses:		
Fuel	55,657,743	46,978,748
Purchased power	21,450,645	17,546,696
Production	43,971,405	39,921,775
Transmission and distribution	41,157,088	37,287,338
General and administrative	30,376,612	29,900,838
Depreciation and amortization	32,380,345	31,705,944
Total operating expenses	<u>224,993,838</u>	<u>203,341,339</u>
Operating income	<u>46,769,205</u>	<u>61,649,447</u>
Nonoperating income (expense):		
Interest income	704,533	262,206
Interest expense	(20,032,824)	(18,223,785)
Payment-in-lieu of taxes	(28,303,139)	(27,831,160)
Other	763,859	654,862
Total nonoperating expense, net	<u>(46,867,571)</u>	<u>(45,137,877)</u>
Income (loss) before contributions and transfers	(98,366)	16,511,570
Contributions and transfers:		
Contributions from developers and others	59,048	300,888
Change in net assets	(39,318)	16,812,458
Net assets, beginning of year	<u>406,748,372</u>	<u>389,935,914</u>
Net assets, end of year	\$ <u>406,709,054</u>	<u>406,748,372</u>

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES
 Statements of Cash Flows
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers	\$ 263,361,147	241,869,897
Payments to suppliers	(126,588,855)	(109,171,636)
Payments to employees	(58,826,396)	(53,929,096)
Net cash provided by operating activities	<u>77,945,896</u>	<u>78,769,165</u>
Cash flows used in noncapital financing activities – payment-in-lieu of taxes	(28,297,694)	(27,332,887)
Cash flows from capital and related financing activities:		
Purchases of property, plant, and equipment	(58,330,329)	(17,970,666)
Payments on capital leases	(292,963)	(282,090)
Issuance of revenue bonds	92,784,737	33,460,668
System development costs	(494,459)	(834,158)
Accounts payable related to capital activities	10,750,740	(88,162)
Increase in debt issue cost	(586,191)	(306,993)
Payments on revenue bonds	(24,330,000)	(40,641,515)
Payments on government loans	(903,455)	(1,035,122)
Issuance of government loans	—	41,343
Interest paid on utility system debt	(21,342,630)	(25,531,709)
Net cash used in capital and related financing activities	<u>(2,744,550)</u>	<u>(53,188,404)</u>
Cash flows from investing activities:		
Purchases of investments	(165,316,052)	(96,210,526)
Proceeds from sales and maturities of investments	147,072,442	78,360,691
Interest received	1,868,444	262,205
Net cash used in investing activities	<u>(16,375,166)</u>	<u>(17,587,630)</u>
Net increase (decrease) in cash and cash equivalents	30,528,486	(19,339,756)
Cash and cash equivalents, beginning of year	16,618,688	35,958,444
Cash and cash equivalents, end of year	<u>\$ 47,147,174</u>	<u>16,618,688</u>
Components of cash and cash equivalents at end of fiscal year:		
Restricted	\$ 20,877,424	10,092,745
Unrestricted	26,269,750	6,525,943
	<u>\$ 47,147,174</u>	<u>16,618,688</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 46,769,205	61,649,447
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	32,380,345	31,705,945
Changes in noncash assets and noncash liabilities:		
Accounts receivable – customers and other, net	(2,319,491)	(2,512,665)
Inventories	(4,518,452)	1,572,746
Prepayments and other current assets	(237,622)	(743,933)
Customer deposits	43,093	75,311
Accounts payable	2,316,467	1,749,161
Payroll and payroll-related liabilities	(87,868)	(520,449)
Accrued claims payable	(400,091)	101,793
Other accrued liabilities	(290,553)	481,836
Deferred fuel costs and deferred purchased power	1,821,687	(17,807,328)
Pension obligation	1,228,383	1,310,424
Other noncurrent assets, net	1,240,793	1,706,877
Net cash provided by operating activities	<u>\$ 77,945,896</u>	<u>78,769,165</u>
Supplemental noncash disclosures:		
Contributions of capital assets from developers	\$ 59,048	300,888

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(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 63,000 electric and 50,000 water customers.

Under Charter Ordinance of the Unified Government of Wyandotte County, Kansas City, Kansas (the Unified Government), 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.

(b) Basis of Accounting

The BPU accounts for the water and electric utility as an enterprise fund. Significant interdepartmental accounts, including interdepartmental sales, have been eliminated. BPU uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board (GASB). The BPU also has the option of following subsequent private-sector guidance, subject to this same limitation but does not follow the guidance. In accordance with U.S. generally accepted accounting principles for rate regulated enterprises, certain costs or credits may be recorded as deferred charges or credits when it is probable that future rates established by the Board permit recovery of specific costs or require these credits to be returned to ratepayers. The BPU has applied the provision of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*.

Revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenue includes activities that have characteristics of exchange transactions, including charges for services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as grants, subsidies, and investment income. Operating expenses include the cost of service, payroll, administrative expenses, contractual services, and depreciation. All expenses not meeting the above criteria are classified as nonoperating.

(c) 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 disclosures 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. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts, fixed assets, inventory, investments, and notes receivable; and reserves for employee benefit

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

obligations, environmental liabilities, and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Investments held by the Employee's Retirement Pension Plan of the BPU are reported at estimated fair value. Securities traded on a national or international exchange, which comprise a substantial majority of total investments, are valued at the last reported sales price at current exchange rates. Investments in real estate investment funds are recorded at market values based upon annual appraisals.

(d) Revenue Recognition

Operating revenues are recognized when electric and water services are delivered to customers. Payment-in-lieu of taxes represent amounts billed and collected by the BPU on behalf of the Unified Government. The BPU remits all such amounts to the Unified Government.

Meters are read and bills are rendered on a cycle basis. Unbilled revenue represents services delivered to customers and not billed at the end of a period. Management accrues estimated delivered amounts each period.

As required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, operating revenues reported in the statements of revenues, expenses, and changes in net assets are shown net of discounts and estimated allowances for doubtful accounts.

In July 2010, base rates for electric and water services were increased by about 7% and 8%, respectively. The board of directors also approved electric and water rate increases for 2011, 2012, and 2013. Electric rates were approved to be increased by 7% in each year and water rates were approved to be increased by 7.5% in 2012 and 2013. In addition, the board of directors adopted an environmental surcharge and made revisions to the Energy Rate Component (ERC).

(e) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased. Current restricted assets are assets that are scheduled to be disbursed within the year.

(f) Capital Assets

Capital assets are stated at cost to acquire or cost to construct. These costs include payroll-related costs, including pensions and other fringe benefits. When capital assets are disposed, the net book value of assets 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. Contributions from developers and others are stated at fair market value at the date donated.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(g) 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 2011 and 2010:

	Composite rates	Useful lives (in years)
Production plant	1.67% – 4.00%	25 – 75
Transmission and distribution	1.67% – 6.67%	15 – 75
General plant	2.27% – 10.00%	10 – 44

(h) Interest Capitalization

Interest costs incurred to finance construction work in progress net of interest income from tax-exempt bonds are capitalized. The BPU capitalized \$1.2 million in 2011 and \$1.7 million in 2010.

(i) Accounts Receivable

An estimate is made for the provision for uncollectible accounts based on an analysis of the aged accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon management's evaluation of customer credit risks. Allowances for doubtful accounts totaled \$3.9 million and \$2.9 million at December 31, 2011 and 2010, respectively.

(j) Inventories

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

	2011	2010
Fuel	\$ 13,941,445	10,305,063
Material and supplies	22,912,855	22,030,785
Total	\$ 36,854,300	32,335,848

(k) Investments

Investments consist of deposits, repurchase agreements, certificates of deposit, money market funds, and U.S. Treasury securities, which are recorded at estimated fair value as determined by market prices. BPU's investment policies are governed by the BPU's Charter Ordinance, management policies, and statutes established by the State of Kansas. Securities are held by BPU's safekeeping agent. Cash deposits are held with banks insured by Federal Deposit Insurance Corporation (FDIC) and acceptable collateral is maintained for amounts above FDIC limits, equal to or greater than 102% of the funds deposited at all times.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(l) Brushy Creek Coal Company and Liberty Coal Company

The BPU holds an indirect 50% interest in Brushy Creek Coal Company (BCCC) and a 50% indirect interest in Liberty Coal Company (Liberty). The other 50% interest is indirectly owned by the City of Sikeston, Missouri (Sikeston). BCCC was the owner and operator of a coal mine and related equipment located in Illinois. BCCC discontinued mining operations in 1997. BCCC did not have material operations during the years ended December 31, 2011 and 2010. Upon cessation of operations at BCCC, the BPU became contractually responsible for 50% of asset retirement obligations and for 50% of certain postretirement benefits to mine workers. At December 31, 2011 and 2010, the BPU has recorded an estimated liability of \$2.8 million and \$3.2 million, respectively, within accrued claims payable for its estimated remaining share of these obligations. Funding provided for these obligations was \$360,000 and \$850,000 in 2011 and 2010, respectively.

The amounts recorded for the BPU's portion of the asset retirement obligation and the miners' benefits require significant judgment and involve a number of estimates. The BPU has recorded its estimated obligations for each of these items using information currently available to management. These estimates could change significantly over time.

Liberty, a Colorado limited liability company, was formed in 2002 for the purpose of opening a new mine. Western Fuels Illinois, through its ownership of BCCC, owns the land and coal at the mine and has assigned these interests, along with related equipment through a lease agreement, to Liberty. On July 13, 2006, Liberty indefinitely suspended operations. Liberty filed for bankruptcy protection on November 29, 2006 under Chapter 7 of the bankruptcy code. The bankruptcy plan contemplates a liquidation of assets. The bankruptcy trustee is currently evaluating various strategic options, which include, but are not limited to, pursuing potential buyers for Liberty's assets. There can be no assurances that such a buyer will be identified or a sales transaction will be completed.

Based upon information currently available to the BPU, management estimates that claims from Liberty's creditors will exceed its assets. BPU, after consultation with outside legal counsel, believes that in the event the liquidation of Liberty's assets does not provide sufficient funds to satisfy Liberty's outstanding obligations, the unpaid creditors have no recourse to seek amounts from the BPU. In May 2008, the bankruptcy trustee filed a complaint against several defendants, including the BPU, seeking \$4 million to pay the remaining unsecured liabilities. The Bankruptcy Court granted a summary judgment in favor of the BPU and the other defendants. In December 2010, all parties entered into a Settlement Agreement.

On January 27, 2011, the United States Bankruptcy Court for the Southern District of Illinois issued an Order approving the settlement in Adv. No. 08-04045, Frazier v. Sikeston Board of Municipal Utilities, et al. The BPU will continue to monitor the bankruptcy proceedings, which are in progress. Management does not believe the ultimate outcome of this matter will materially impact the BPU's financial condition or results of operations.

(m) Customer Deposits

Customer deposits are moneys that have been collected from customers that are held by the BPU until the customer either terminates their service or the customer is in good credit standing with the

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

BPU for 12 months. The funds are held in an interest-bearing account; after 12 months, the deposit, plus interest, is credited back to the customer.

(n) Deferred Charges and Amortization

Costs incurred in the development of computer systems are deferred and amortized over the useful lives of the systems, which are estimated to be three to five years. Debt issuance costs are amortized using the effective-interest method over the lives of the related debt.

As discussed in note 1(b), the BPU is subject to the provisions of FASB ASC Topic 980, *Regulated Operations*. Regulatory assets and liabilities are amortized over a set period of time corresponding to the time period permitted and authorized by the Board.

As discussed in note 1(l), the BPU's 50% interest in the future unfunded obligations for retiree medical and mine reclamation costs related to the BCCC mine is included in accrued claims payable in the accompanying balance sheets. These costs have been built into a rate study and are being amortized over 10 years.

(o) Vacation and Sick Leave

Under the terms of the BPU's personnel policy, employees are granted vacation and sick leave. 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 of vacation hours for bargaining unit employees and 120 hours for nonbargaining employees. The liability for accumulated vacation of \$1,155,000 and \$1,123,000 includes current vacation of \$242,800 and \$372,400 at December 31, 2011 and 2010, respectively, which are included in reserve for compensated absences and payroll and payroll tax liabilities in the accompanying balance sheets. 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 of \$4,670,000 and \$4,809,000 includes current sick leave of \$971,200 and \$1,587,600 at December 31, 2011 and 2010, respectively, which is included in reserve for compensated absences and payroll and payroll taxes in the accompanying balance sheets.

		2011			
		Beginning balance	Additions	Reductions	Ending balance
Sick leave	\$	4,809,000	832,200	(971,200)	4,670,000
Vacation		1,123,000	274,800	(242,800)	1,155,000

		2010			
		Beginning balance	Additions	Reductions	Ending balance
Sick leave	\$	5,405,000	991,600	(1,587,600)	4,809,000
Vacation		1,205,000	290,400	(372,400)	1,123,000

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(p) *Net Assets*

In the financial statements, equity is displayed in three components as follows:

- Invested in capital assets, net of related debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is generally the BPU's policy to use restricted resources first, then unrestricted resources as they are needed.
- Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(q) *New Accounting Pronouncements*

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62). GASB No. 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 included in: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements. The statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, which eliminates the election for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with GASB pronouncements. This statement becomes effective in 2012. The BPU does not believe this statement will have a material impact on its 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, U.S. Treasury notes, and U.S. Agency notes. All deposits with banks are collateralized at 102% of market value, as required by the BPU's Cash and Investment Policy and Kansas state statute, less insured amounts.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

The following represents the BPU's total cash and investments at December 31, 2011 and 2010:

	2011	2010
Cash and certificates of deposit (CDs)	\$ 1,037,469	250,737
U.S. Treasury	—	19,053,784
Repurchase agreements	31,552,075	11,051,690
U.S. agency	78,597,093	44,126,005
Money market funds	15,991,731	3,924,055
Total cash and investments	\$ 127,178,368	78,406,271

Cash and investments are included in the following balance sheet accounts at December 31, 2011 and 2010:

	2011	2010
Current assets:		
Cash and cash equivalents	\$ 26,269,750	6,525,943
Investments	—	17,553,784
Cash and cash equivalents – restricted	7,015,656	6,291,042
Investments – restricted	13,473,707	11,974,564
Noncurrent assets:		
Cash and cash equivalents	13,861,768	3,801,703
Investments	66,557,487	32,259,235
	\$ 127,178,368	78,406,271

(a) Deposits and Investments

The BPU maintains a cash and investment program to pay for operating and capital requirements as well as for debt service requirements. The investment program consists of deposits, repurchase agreements, certificates of deposit, and U.S. Treasury securities. Other investments using U.S. agency and money market fund securities for the debt service program are managed by the bond trustee. Nearly all maturities of securities were less than one year. At December 31, 2011 and 2010, the bank balance and certificates of deposit were \$1,037,469 and \$250,737, respectively, which were covered by federal depository insurance or collateral held in safekeeping in the BPU's name.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

The fair values, as determined by market prices, of the BPU's cash and investments at December 31, 2011 are as follows:

Investment type	Fair value	Investment maturities		
		Less than 6 months	6 – 12 months	Greater than 12 months
Cash and CDs	\$ 1,037,469	1,037,469	—	—
Repurchase agreements	31,552,075	30,121,095	—	1,430,980
U.S. agency	78,597,093	56,093,484	19,647,401	2,856,208
U.S. Treasury bills	—	—	—	—
Money market funds	15,991,731	15,991,731	—	—
Total	<u>\$ 127,178,368</u>	<u>103,243,779</u>	<u>19,647,401</u>	<u>4,287,188</u>

The fair values, as determined by market prices, of the BPU's cash and investments at December 31, 2010 are as follows:

Investment type	Fair value	Investment maturities		
		Less than 6 months	6 – 12 months	Greater than 12 months
Cash and CDs	\$ 250,737	250,737	—	—
Repurchase agreements	11,051,690	9,620,929	—	1,430,761
U.S. agency	44,126,005	38,657,868	5,468,137	—
U.S. Treasury bills	19,053,784	19,053,784	—	—
Money market funds	3,924,055	3,924,055	—	—
Total	<u>\$ 78,406,271</u>	<u>71,507,373</u>	<u>5,468,137</u>	<u>1,430,761</u>

Investment Policy

The BPU has an investment policy that regulates investments in securities that have objectives of safety of principal, liquidity with all investments in U.S. dollars, and investment returns optimized within the constraints of safety and liquidity. Eligible securities are specific to Kansas state statutes and the BPU's bond indenture agreements. All securities owned by the BPU are in conformance with the investment policy.

Credit Risk

Credit risk is the risk that an entity will not be able to honor its commitments in the event of liquidation. The BPU manages credit risk by requiring all investments, including the use of any external investment pools and money market mutual funds, be AAA rated or better by nationally recognized rating agencies. All securities held by the BPU meet the credit quality objective.

Custody Risk

Custody risk is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in the

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

possession of an outside party. The BPU believes it has no custodial risk. All securities are registered in the name of the BPU and held by a third-party safekeeping agent. Investments in money market mutual funds are not exposed to custodial risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The BPU has a concentration of credit risk where it holds more than 5% of its investment portfolio in any one security issuer other than U.S. Treasury securities and in investment pools. The following U.S. agency securities held in safekeeping by the BPU's bond trustee are in excess of 5% of total investments as of December 31, 2011:

<u>Issuer</u>	<u>Rating</u>	<u>Amount</u>	<u>Percentage of total portfolio</u>
Federal National Mortgage Association	AAA	\$ 29,862,924	23.48%
Federal Home Loan Bank	AAA	28,676,818	22.55
Federal Home Loan Mortgage Corporation	AAA	18,203,421	14.31

The following U.S. agency securities held in safekeeping by the BPU's bond trustee are in excess of 5% of total investments as of December 31, 2010:

<u>Issuer</u>	<u>Rating</u>	<u>Amount</u>	<u>Percentage of total portfolio</u>
Federal National Mortgage Association	AAA	\$ 37,482,985	47.81%
Federal Home Loan Bank	AAA	6,643,021	8.47

Interest Rate Risk

Interest rate risk is the risk that the fair value of the BPU's investments will decrease as a result of the increase in interest rates. The BPU investment policy requires the minimization of the risk of market value change. This is accomplished by structuring the investment portfolio so that fixed income securities mature to meet cash requirements for debt service and other disbursement requirements for ongoing operations and by keeping maturities short.

Derivatives

The BPU has not use derivative instruments historically. Contracts containing derivatives, such as our coal procurement and other commodity purchase contracts are routinely evaluated and amounts purchased have been used by the BPU in producing power and qualify as normal purchases.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(b) Nonrestricted Designated Assets

Certain cash and investment amounts have been designated by Board policy for specific purposes as follows:

	<u>2011</u>	<u>2010</u>
Economic development fund	\$ 393,000	384,000
Capital debt reduction	3,540,000	3,540,000
Reserve for liability insurance	2,100,000	2,100,000
Rate stabilization fund	11,906,273	11,906,273
System development reserve	4,699,747	4,258,613
Total	<u>\$ 22,639,020</u>	<u>22,188,886</u>

(3) Restricted Assets

Restricted assets were held in the following funds at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Debt service fund	\$ 17,100,548	14,919,883
Customer deposits	3,388,815	3,345,723
Construction funds	78,919,255	34,560,938
Improvement and emergency fund	1,500,000	1,500,000
Total restricted assets	<u>\$ 100,908,618</u>	<u>54,326,544</u>

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

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(4) Capital Assets

Capital asset activity for the year ended December 31, 2011 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Electric:					
Production plant	\$ 556,039,511	4,967,607	(10,500)	4,718	561,001,336
Transmission and distribution	294,704,972	24,055,445	(744,142)	—	318,016,275
General plant	<u>117,237,489</u>	<u>1,892,067</u>	<u>(203,866)</u>	<u>74,495</u>	<u>119,000,185</u>
Total electric	<u>967,981,972</u>	<u>30,915,119</u>	<u>(958,508)</u>	<u>79,213</u>	<u>998,017,796</u>
Water:					
Production plant	130,116,520	397,634	(7,000)	2,057	130,509,211
Transmission and distribution	142,468,991	4,604,683	(1,676,102)	2,399	145,399,971
General plant	<u>42,816,570</u>	<u>957,684</u>	<u>(88,145)</u>	<u>282</u>	<u>43,686,391</u>
Total water	<u>315,402,081</u>	<u>5,960,001</u>	<u>(1,771,247)</u>	<u>4,738</u>	<u>319,595,573</u>
Property, plant, and equipment	1,283,384,053	36,875,120	(2,729,755)	83,951	1,317,613,369
Construction work in progress – not depreciable	<u>25,514,236</u>	<u>58,977,160</u>	—	<u>(36,816,106)</u>	<u>47,675,290</u>
Total capital assets	<u>1,308,898,289</u>	<u>95,852,280</u>	<u>(2,729,755)</u>	<u>(36,732,155)</u>	<u>1,365,288,659</u>
Less accumulated depreciation:					
Electric:					
Production plant	304,277,477	12,520,823	(10,500)	(21)	316,787,779
Transmission and distribution	174,183,632	8,478,130	(756,179)	21	181,905,604
General plant	<u>55,860,880</u>	<u>4,212,920</u>	<u>(203,866)</u>		<u>59,869,934</u>
Total electric	<u>534,321,989</u>	<u>25,211,873</u>	<u>(970,545)</u>	—	<u>558,563,317</u>
Water:					
Production plant	37,445,816	2,654,003	(7,000)		40,092,819
Transmission and distribution	32,699,306	2,400,637	(1,676,102)	—	33,423,841
General plant	<u>25,887,083</u>	<u>1,012,123</u>	<u>(88,145)</u>		<u>26,811,061</u>
Total water	<u>96,032,205</u>	<u>6,066,763</u>	<u>(1,771,247)</u>	—	<u>100,327,721</u>
Combined total	<u>630,354,194</u>	<u>31,278,636</u>	<u>(2,741,792)</u>	—	<u>658,891,038</u>
Capital assets, net	\$ <u>678,544,095</u>	<u>64,573,644</u>	<u>12,037</u>	<u>(36,732,155)</u>	<u>706,397,621</u>

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

Capital asset activity for the year ended December 31, 2010 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Electric:					
Production plant	\$ 543,735,484	12,804,027	(500,000)	—	556,039,511
Transmission and distribution	283,113,438	12,490,112	(593,893)	(304,685)	294,704,972
General plant	115,410,944	1,825,083	—	1,462	117,237,489
Total electric	<u>942,259,866</u>	<u>27,119,222</u>	<u>(1,093,893)</u>	<u>(303,223)</u>	<u>967,981,972</u>
Water:					
Production plant	121,671,136	8,445,384	—	—	130,116,520
Transmission and distribution	133,984,559	9,058,197	(507,609)	(66,156)	142,468,991
General plant	42,490,143	325,739	—	688	42,816,570
Total water	<u>298,145,838</u>	<u>17,829,320</u>	<u>(507,609)</u>	<u>(65,468)</u>	<u>315,402,081</u>
Property, plant, and equipment	1,240,405,704	44,948,542	(1,601,502)	(368,691)	1,283,384,053
Construction work in progress – not depreciable	50,558,951	19,459,870	—	(44,504,585)	25,514,236
Total capital assets	<u>1,290,964,655</u>	<u>64,408,412</u>	<u>(1,601,502)</u>	<u>(44,873,276)</u>	<u>1,308,898,289</u>
Less accumulated depreciation:					
Electric:					
Production plant	292,537,120	12,240,357	(500,000)	—	304,277,477
Transmission and distribution	166,531,776	8,245,749	(593,893)	—	174,183,632
General plant	51,618,773	4,242,107	—	—	55,860,880
Total electric	<u>510,687,669</u>	<u>24,728,213</u>	<u>(1,093,893)</u>	<u>—</u>	<u>534,321,989</u>
Water:					
Production plant	35,067,215	2,378,601	—	—	37,445,816
Transmission and distribution	30,937,273	2,269,642	(507,609)	—	32,699,306
General plant	24,809,024	1,078,059	—	—	25,887,083
Total water	<u>90,813,512</u>	<u>5,726,302</u>	<u>(507,609)</u>	<u>—</u>	<u>96,032,205</u>
Combined total	<u>601,501,181</u>	<u>30,454,515</u>	<u>(1,601,502)</u>	<u>—</u>	<u>630,354,194</u>
Capital assets, net	\$ <u>689,463,474</u>	<u>33,953,897</u>	<u>—</u>	<u>(44,873,276)</u>	<u>678,544,095</u>

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(5) Long-Term Debt

The BPU's indebtedness as of December 31, 2011 consists of the following obligations:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due in one year</u>
Revenue bonds:					
1998	\$ 21,820,000	—	(10,395,000)	11,425,000	—
2001	11,895,000	—	(820,000)	11,075,000	860,000
2004 refunding	123,390,000	—	(8,445,000)	114,945,000	8,930,000
2004B	109,790,000	—	(1,235,000)	108,555,000	1,245,000
2009A	56,345,000	—	(1,290,000)	55,055,000	1,355,000
2010 refunding	32,190,000	—	(2,145,000)	30,045,000	2,265,000
2011	—	90,000,000	—	90,000,000	1,025,000
	<u>355,430,000</u>	<u>90,000,000</u>	<u>(24,330,000)</u>	<u>421,100,000</u>	<u>15,680,000</u>
Less unamortized loss on refunding	(181,141)	—	30,588	(150,553)	
Unamortized premium	5,084,111	2,865,528	(314,037)	7,635,602	
Unamortized discount	<u>(139,553)</u>	<u>—</u>	<u>13,505</u>	<u>(126,048)</u>	
Total revenue bonds	360,193,417	92,865,528	(24,599,944)	428,459,001	
Capital leases	367,952	—	(292,963)	74,989	74,989
Government loans	<u>20,717,121</u>	<u>—</u>	<u>(903,455)</u>	<u>19,813,666</u>	<u>1,112,511</u>
	<u>\$ 381,278,490</u>	<u>92,865,528</u>	<u>(25,796,362)</u>	<u>448,347,656</u>	<u>16,867,500</u>

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

The BPU's indebtedness as of December 31, 2010 consists of the following obligations:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due in one year</u>
Revenue bonds:					
1992*	\$ 3,591,515	—	(3,591,515)	—	—
1998	38,720,000	—	(16,900,000)	21,820,000	—
1999	16,475,000	—	(16,475,000)	—	—
2001	12,675,000	—	(780,000)	11,895,000	820,000
2004 refunding	123,905,000	—	(515,000)	123,390,000	8,445,000
2004B	110,940,000	—	(1,150,000)	109,790,000	1,235,000
2009A	57,575,000	—	(1,230,000)	56,345,000	1,290,000
2010 refunding	—	32,190,000	—	32,190,000	2,145,000
	<u>363,881,515</u>	<u>32,190,000</u>	<u>(40,641,515)</u>	<u>355,430,000</u>	<u>13,935,000</u>
Less unamortized loss on refunding	(620,475)	—	439,334	(181,141)	
Unamortized premium	4,571,779	916,780	(404,448)	5,084,111	
Unamortized discount	(343,046)	—	203,493	(139,553)	
Total revenue bonds	<u>367,489,773</u>	<u>33,106,780</u>	<u>(40,403,136)</u>	<u>360,193,417</u>	
Capital leases	650,042	—	(282,090)	367,952	292,964
Government loans	21,710,900	41,343	(1,035,122)	20,717,121	1,071,373
	<u>\$ 389,850,715</u>	<u>33,148,123</u>	<u>(41,720,348)</u>	<u>381,278,490</u>	<u>15,299,337</u>

* Excludes accreted interest

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

Details of utility system revenue bonds outstanding at December 31, 2011 and 2010 are as follows:

<u>Revenue bonds</u>	<u>Interest rate</u>	<u>Original amount</u>	<u>Maturity</u>	<u>2011</u>	<u>2010</u>
1998 Series	4.00 – 5.25	\$ 81,375,000	9-01-2028	\$ 11,425,000	21,820,000
2001 Series	4.00 – 5.95	17,170,000	5-01-2021	11,075,000	11,895,000
2004 Refunding	5.60 – 5.65	126,005,000	9-01-2023	114,945,000	123,390,000
2004B	3.00 – 5.00	115,535,000	9-01-2032	108,555,000	109,790,000
2009A	4.73 – 5.30	57,575,000	9-01-2034	55,055,000	56,345,000
2010 Refunding	4.40 – 4.72	32,190,000	9-01-2028	30,045,000	32,190,000
2011 Series	2.00 – 5.20	90,000,000	9-01-2036	90,000,000	—
Subtotal				421,100,000	355,430,000
Unamortized loss on refunding				(150,553)	(181,140)
Current maturities				(15,680,000)	(13,935,000)
Unamortized premium				7,635,602	5,084,110
Unamortized discount				(126,048)	(139,553)
Total utility system revenue bonds, excluding current maturities				<u>\$ 412,779,001</u>	<u>346,258,417</u>

Interest on portions of the outstanding utility system revenue bonds is payable on a semiannual basis. As of December 31, 2011 and 2010, the BPU was in compliance with all required debt covenant ratios.

The debt service to maturity on the outstanding BPU revenue bonds as of December 31, 2011 is as follows:

<u>Bond year(s) ending December 31:</u>	<u>Principal</u>	<u>Interest (including accreted)</u>
2012	\$ 15,680,000	21,129,851
2013	15,355,000	20,402,499
2014	17,160,000	19,583,621
2015	18,020,000	18,721,526
2016	18,905,000	17,829,059
2017 – 2021	109,250,000	74,358,271
2022 – 2026	87,565,000	46,987,424
2027 – 2031	90,790,000	25,754,237
2032 – 2036	48,375,000	5,780,725
	<u>\$ 421,100,000</u>	<u>250,547,213</u>

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

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

<u>Account</u>	<u>Authorized expenditure</u>
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 sheets as restricted assets.

The current indentures also require the BPU to establish utility rates and collect fees 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.

Total indebtedness also includes government loans, which represent the amounts borrowed from Kansas Department of Health and Environment for the purpose of Water capital improvements to be repaid in installments over 20 years ending 2027.

The debt service to maturity on the outstanding BPU government loans as of December 31, 2011 is as follows:

	<u>Principal</u>	<u>Interest (including accrued)</u>
Year(s) ending December 31:		
2012	\$ 1,112,511	671,967
2013	1,155,230	633,178
2014	1,199,592	592,898
2015	1,245,660	551,069
2016	1,293,499	507,630
2017 – 2021	7,252,026	1,825,790
2022 – 2026	6,244,232	525,774
2027 – 2030	310,916	5,052
	<u>\$ 19,813,666</u>	<u>5,313,358</u>

BPU has pledged specific revenue streams to secure the repayment of certain outstanding debt issuances. The corresponding debt issuances are for utility system revenue bonds and the purpose of the debt is for

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

utility improvements. The following table lists those revenues, the amount and term of pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year, and the approximate percentage of the revenue stream that has been committed:

<u>Type revenue pledged</u>	<u>Amount of pledge</u>	<u>Term of commitment</u>	<u>Percentage of revenue pledged</u>	<u>Principal and interest for the year ended 2011</u>	<u>Pledged revenue recognized for the year ended 2011</u>
Electric and water operating revenue	\$ 671,647,213	Through 2036	11.9%	\$ 32,481,143	38,977,372

(6) Capital Lease Obligations

The BPU is obligated under capital leases for software, which expire at various dates during the next three years. At December 31, 2011 and 2010, the gross amount of plant and equipment and related accumulated amortization recorded under capital leases was as follows:

	<u>2011</u>	<u>2010</u>
Software	\$ 831,251	831,251
Less accumulated amortization	756,262	463,298
	<u>\$ 74,989</u>	<u>367,953</u>

At December 31, 2011, the net present value of minimum lease payments on capital lease obligations was \$74,989, all of which, related to capital software leases. Future lease payments under these capital leases are as follows:

Year ending December 31:	
2012	\$ <u>75,701</u>
Total minimum lease payments	75,701
Amounts representing interest at 3.8%	<u>712</u>
Present value of net minimum lease payments	<u>\$ 74,989</u>

(7) Regulatory Assets and Liabilities

The BPU is subject to the provisions of FASB ASC Topic 980, *Regulated Operations*, and has recorded assets and liabilities on its balance sheet resulting from the effects of the rate-making process, which would not be recorded under U.S. generally accepted accounting principles for nonregulated entities. Regulatory assets represent costs incurred that have been deferred because future recovery in customer rates is probable. Regulatory liabilities generally represent probable future reductions in revenue or refunds to

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

customers. Management regularly assesses whether regulatory assets and liabilities are probable of future recovery or refund. If recovery or refund of regulatory assets or liabilities is not approved by the Board, which is authorized to approve rates charged to customers or is no longer deemed probable, these regulatory assets or liabilities are recognized in the current period results of operations. Additionally, these factors could result in an impairment of utility plant assets if the cost of the assets could not be expected to be recovered in customer rates. Regulatory assets as of December 31, 2011 and 2010 are as follows:

	<u>Amortization ending</u>		<u>2011</u>	<u>2010</u>
Regulatory assets:				
Miner benefits and mine reclamation costs	2016	\$	2,681,594	3,217,913
Fuel and purchased power costs	2012		<u>3,653,387</u>	<u>5,475,074</u>
Total regulatory assets		\$	<u><u>6,334,981</u></u>	<u><u>8,692,987</u></u>

BPU has an energy adjustment rate rider (ERC). Estimated retail tariffs are set to recover estimated fuel costs such as coal, natural gas, and purchased power. The ERC allows differences between these estimates and actual fuel and purchased power costs to be deferred as a regulatory asset or liability depending on the nature of the variance between estimated and actual costs incurred.

(8) Payment-in-Lieu of Taxes (PILOT) and Community Contributions

The BPU is exempt from federal and state income taxes and local property taxes because it is an administrative agency of the Unified Government. 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% – 15.0%. The payment-in-lieu of tax was established at 11.9% in 2011 and 12.8% in 2010, which amounted to \$28,303,139 and \$27,831,160 during 2011 and 2010, respectively, of PILOT. The PILOT is billed and collected by the BPU by a supplemental rate rider. Effective January 1, 2012, the PILOT decreased to 10.9% of gross revenues.

In addition to these payments to the Unified Government, the BPU also contributes services to the Unified Government, such as street lighting, fire hydrant services, traffic signals, and collection of the Unified Government sewer and trash charges at no charge. These service contributions approximated \$14,640,310 and \$13,676,122, or 6.0% and 5.2% of total operating revenue, for 2011 and 2010, respectively.

(9) 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. The power sales agreement with KMEA expires in 2022 and the power sales agreement with Columbia terminates in 2023 or the deactivation of Unit

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

No. 1 of the Nearman Station. Total revenue from the power sales agreements for the years ended December 31, 2011 and 2010 was approximately \$13,543,828 and \$13,949,430, respectively, and is included in other revenues in the statements of revenues, expenses, and changes in net assets.

On November 1, 2006, BPU entered into an agreement with Tenaska Power Services Company (Tenaska) to both purchase and market excess wholesale energy for BPU. The BPU's wholesale purchases and sales through Tenaska for the years ended December 31, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Purchased power	\$ 7,210,270	5,870,032
Wholesale sales	25,194	421,026

On December 21, 2006, the BPU entered into a Renewable Energy Purchase Agreement with TradeWind Energy to receive 25% of the energy output of Phase 1 of the Smoky Hills Wind Farm. This contract is a 20-year fixed price contract for 25% of the output of 100.8 MW of turbines as well as the Renewable Energy Credits associated with the output. The wind farm, which was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties in Kansas, began commercial operation in January 2008. Total power purchased under this agreement was \$4,013,669 and \$3,962,693 in 2011 and 2010, respectively.

(b) Coal Contracts

The BPU purchases coal for the Nearman and Quindaro 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 delivery of the coal to the Nearman Station and Quindaro Station is covered by contracts between WFA and the Union Pacific Railroad. This contract expires December 31, 2012. The cost to deliver the coal is established from a base price and is adjusted by indices set out in the contract.

The coal is purchased through a contract between WFA and the BPU, which continues through December 31, 2017. The purchase price of the coal is based on WFA's cost of acquiring and delivering coal. Contracted coal purchases for the Nearman and Quindaro Stations are approximately \$44,600,000, \$53,300,000 and \$56,000,000 for 2012, 2013 and 2014, respectively. Any additional coal required will be bought on the spot market.

The BPU has determined these coal contracts to be excluded from the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as these are normal purchase contracts.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(c) *Employees' Retirement Pension Plan*

Plan Description

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 Pension Trustees of the 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's payroll for the years ended December 31, 2011 and 2010 was approximately \$50,254,000 and \$49,254,000, respectively, of which approximately \$49,923,000 and \$48,886,000, respectively, was payroll of plan participants.

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 compensation multiplied by the years of credited service through December 31, 2003 and 1.8% of their average compensation multiplied by the years of credited service after December 31, 2003 (Tier 1). Average annual compensation is defined as actual compensation paid, including overtime, but excluding workers' compensation, severance pay, and bonuses, averaged over the three 12-month periods (not necessarily consecutive periods) out of the last 120 months that produce the highest average. On January 1 of each year after retirement, the monthly benefit is increased by 3.0%, prorated for the number of months in the first retirement year. The Plan also provides death benefits. It is a governmental plan and, therefore, not subject to the Employee Retirement Income Security Act of 1974. Because the Plan has established a Board of Pension Trustees in accordance with Kansas state statutes, neither the BPU nor the Unified Government 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 Pension Board adopted a new plan design (Tier 2) for members hired on or after January 1, 2010. The new plan design is a career average defined benefit plan. As of January 1, 2011, there were 19 members in Tier 2. For Tier 2 employees, normal retirement is defined as age 65 with completion of 5 years of creditable service, or age 60 with 30 years of creditable service. The pension is equal to 1.5% of the sum of the member's pensionable wages during each year. Before attaining age 65 with 5 years of creditable service or age 60 with 30 years of creditable service, a member can receive an early retirement benefit at age 55 with 10 years of creditable service.

Funding Policy

Funding is provided by contributions from plan members and the BPU based on rates established by the Board of Pension Trustees.

Total contributions were \$8,484,528 for the year ended December 31, 2011. Of the total contributions in 2011, the BPU contributed \$4,242,264 (8.5% of current covered payroll in 2011) and the plan participants contributed \$4,242,264 (8.5% of current covered payroll for 2011). The annual pension cost is net of employee contributions.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

There were 712 retirees and beneficiaries currently receiving benefits as of January 1, 2011. The Plan uses the accrual basis of accounting. Investments are reported at fair value. Securities traded on a national or international exchange, which comprise a substantial majority of total investments, are valued at the last reported sales price at current exchange rates.

	Three-year trend information		
	Annual pension cost	Percentage of annual pension cost contributed	Net pension obligation
Fiscal year ended:			
December 31, 2009	\$ 7,530,892	43.75%	\$ 4,571,395
December 31, 2010	5,465,187	76.02	5,881,819
December 31, 2011	5,475,506	77.47	7,110,202

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, 2011
Actuarial cost method	Entry Age Normal
Tier 1:	
Amortization method	Level percent of pay (closed)
Remaining amortization period	28 years
Tier 2:	
Amortization method	Level percent of pay (open)
Amortization period	30 years
Asset valuation method	Average adjusted asset method
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate assumption	3.25

Projected salary increase based on age as follows:

Age	Salary scale
25	6.5%
70	4.5

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

The annual pension cost and net pension obligation as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 5,342,906	5,351,899	7,522,575
Interest on net pension obligation	470,157	365,712	26,847
Adjustment to annual required contribution	<u>(337,557)</u>	<u>(252,424)</u>	<u>(18,530)</u>
Annual pension cost	5,475,506	5,465,187	7,530,892
Contributions made	<u>4,242,264</u>	<u>4,154,763</u>	<u>3,295,076</u>
Increase in net pension obligation	(1,233,242)	(1,310,424)	(4,235,816)
Net pension obligation, beginning of year	<u>(5,881,819)</u>	<u>(4,571,395)</u>	<u>(335,579)</u>
Net pension obligation, end of year	<u>\$ (7,115,061)</u>	<u>(5,881,819)</u>	<u>(4,571,395)</u>

Funding Status and Funding Progress

The funding progress schedule as of January 1, 2011 and 2010 is as follows (dollars in millions):

Actuarial valuation date, January 1	Actuarial asset value	Actuarial accrued liability (AAL)	Funded ratio	Unfunded (overfunded) AAL (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2009	\$ 410.9	432.8	94.9%	\$ 21.9	50.1	43.7%
2010	427.6	448.6	95.3	21.0	49.4	42.5
2011	443.2	471.6	94.0	28.4	47.6	59.7

Actuarial Methods and Assumptions

An asset-smoothing method is used in the actuarial valuation process. Gains/losses on the market value of assets are recognized equally over an eight-year period. Gains and losses are calculated based on the excess (shortfall) of the actual market value of assets compared to the expected value of assets had the actuarial assumed rate been met exactly.

The Plan is funded through equal BPU and member contributions for future service benefits.

The balance of the actuarial present value of service retirement pensions, plus death benefits and termination benefits to the level of employee contributions, plus an allowance for expenses is funded through future BPU and member contributions related to annual compensation. The actuarial contribution rate for these benefits is funded by the entry-age method.

In addition to depending upon the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

investment earnings by the fund, rates of mortality among active and retired employees, and rates of termination from employment.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) Postretirement Healthcare Benefits

Plan Description

The BPU provides certain postemployment healthcare and life insurance benefits to eligible retirees and their dependents in accordance with provisions established by the BPU's Board. The plan is a single-employer defined benefit healthcare plan administered by the BPU. The plan does not issue separate financial statements. Employees are given a 90-day window to retire with medical coverage at ages 55 and above with 7 consecutive years of service. The retiree plan is a comprehensive major medical plan with a \$100 deductible per individual or \$200 per family. For individuals, the plan pays 80% of the next \$12,500 of allowable charges and 100% thereafter for the remainder of that calendar year. For families, the plan pays 80% of the next \$25,000 of allowable charges and 100% thereafter for the remainder of that calendar year. The plan has a lifetime maximum of \$750,000. Benefits cease at the first of the month that the retired employee attains age 65 or death. Spouse benefits end at the first of the month that the retired employee attains age 65, the end of the month of the retiree's death, or on the date of the spouse's death. Retirees are not required to contribute toward the cost of the postretirement benefits. There were 470 participants eligible to receive benefits under this plan as of December 31, 2011.

Funding Policy

The contribution requirements of plan members and the BPU are established and can be amended by the BPU's Board. Contributions are made to the plan based on a pay-as-you-go basis. For the years ended December 31, 2011 and 2010, the BPU paid \$3,356,329 and \$3,232,258, respectively, for retirees.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

The BPU's annual Other Postemployment Benefits (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The BPU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-2011 are as follows:

	Annual OPEB expense	Annual OPEB contributed	Net OPEB
Fiscal year ended:			
December 31, 2009	\$ 3,419,261	86%	\$ 2,284,170
December 31, 2010	3,486,959	93	2,538,871
December 31, 2011	3,325,413	101	2,507,955

The following table shows the components of BPU's annual OPEB expense for the year, the amount actually contributed to the plan, and changes in the BPU's net OPEB obligation:

	2011	2010	2009
Normal costs	\$ 1,430,180	1,678,567	1,647,543
Amortization payment	1,933,080	1,812,126	1,774,669
Annual required contribution (ARC)	3,363,260	3,490,693	3,422,212
Amortization of net OPEB obligation	(158,443)	(95,101)	(75,130)
Interest on net OPEB obligation	120,596	91,367	72,179
Total OPEB expense	3,325,413	3,486,959	3,419,261
Annual employer contribution	3,356,329	3,232,258	2,939,578
Change in OPEB obligation	(30,916)	254,701	479,683
Net OPEB obligation – beginning of year	2,538,871	2,284,170	1,804,487
Net OPEB obligation – end of year	\$ 2,507,955	2,538,871	2,284,170

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Actuarial accrued liability (AAL)	\$ 45,974,980	42,092,535
Actuarial value of plan assets	—	—
Unfunded actuarial accrued liability (UAAL)	45,974,980	42,092,535
Funded ratio	—%	—%
Covered payroll	\$ 49,923,000	48,886,000
UAAL as a percentage of covered payroll	92.10%	86.10%

Actuarial Methods and Assumptions

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan member to that point. The actuarial methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. The valuation of the liabilities is based on a closed group. In the actuarial valuation as of December 31, 2011, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.75% discount rate and an annual healthcare cost trend of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 7 years. The projected salary increase is 2.5%. The unfunded actuarial accrued liability is being amortized over 20 years as a level percentage of payrolls.

(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 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 claim 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 healthcare claims and is responsible for the first \$500,000

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

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, 2011 and 2010, the BPU has established a liability of \$2,820,000 and \$2,860,000, respectively, 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. The total amount of claims and judgments is expected to become due within one year. Changes in the claims liability for 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Beginning accruals	\$ 2,860,000	2,394,000
Additional accruals	11,079,429	9,954,275
Charges for claim payments	<u>(11,119,429)</u>	<u>(9,488,275)</u>
Ending accruals	<u>\$ 2,820,000</u>	<u>2,860,000</u>

(f) Environmental Compliance

The BPU is subject to substantial regulation of air emissions and control equipment under federal, state, and county environmental laws and regulations. Nationwide, utilities with coal-fired generating units have been under heavy scrutiny and enforcement by the U.S. Environmental Protection Agency (EPA) and Department of Justice for matters related to permitting of modifications to those coal-fired units. This is referred to as "new source review permitting."

In 2007, the BPU received from the EPA a Clean Air Act section 114 information request seeking information about the types of projects that have been the subject of new source review permitting investigations. BPU responded to the information request. On November 25, 2008, the BPU received a Notice of Violation of certain Clean Air Act regulations with respect to new source review permitting matters. On December 19, 2008, the BPU received a supplemental Clean Air Act Section 114 information request to the 2007 information request. BPU has responded to the supplemental information request. The BPU has evaluated the EPA findings and has had preliminary discussions with the EPA regarding the Notice of Violation. At this time, the EPA has not filed a lawsuit. Management does not know the impact that these alleged violations of the Clean Air Act regulations will have on the BPU; however, the BPU could be subject to fines and/or penalties and the amounts of any such fines and/or penalties could be material. The Notice of Violation states such fines and/or penalties could be as much as \$25,000 to \$32,500 per day (depending upon when the violation occurred) commencing from date of the violation. The EPA alleges that such Clean Air Act violations at the Nearman Station commenced in 1994 and at the Quindaro Station in 2001. The BPU could also be required to make material capital expenditures for air pollution control equipment as a result of resolution of the alleged violations, which could cost hundreds of millions of dollars. The EPA has issued notices to many utilities alleging violation of new source review permitting. To date, the settlements of those notices have included penalties much less than \$25,000 to \$32,500 per day but have included requirements for significant capital expenditures for air pollution control

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

equipment. BPU is not presently able to evaluate what, if any, liability might be imposed and has not accrued anything for this possible obligation.

The federal Clean Air Act makes provision for citizens to file suit against regulated entities for failure to comply with certain provision of the Clean Air Act or with permits issued under the Clean Air Act. Citizen suits are filed with some regularity against utilities with coal-fired generating units by various national and local groups.

On April 2, 2012, the BPU received an email and press release stating that the Kansas Chapter of the Sierra Club intends to sue the BPU for alleged violations of opacity emissions limits in the Clean Air Act Title V permits for the Quindaro and Nearman plants. The Sierra Club has not provided the formal notice required under the Clean Air Act, but has indicated that it expects to provide formal notice, which will identify the alleged violations with more specificity. Opacity requirements in the Title V permits generally require that opacity of greater than 20% is prohibited except during specified events and conditions and except when permission for excess opacity is obtained prior to an event. Management will evaluate any lawsuit that may be filed by the Sierra Club when we get access to specific allegation that may be asserted. At this time it is not possible to know how much, if any, exposure may be associated with any assertions that might be made.

(g) Other Legal Matters

In the normal course of business, the BPU is subject to various lawsuits, actions, proceedings, claims, and other matters asserted under laws and regulations. Management believes the amounts provided in the financial statements, as prescribed by generally accepted accounting principles (GAAP), are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in the BPU's financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2011 cannot be reasonably determined.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2011 and 2010

(10) Principal Customers

Electric and water charges to the BPU's five largest retail customers and three largest wholesale customers expressed as a percentage of total operating revenues for the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Principal retail customers:		
General Motors Corporation	4.1%	3.9%
Certain Teed Corporation	2.8	2.0
Owens Corning	2.2	3.2
Griffin Wheel	2.1	1.7
Waterone of Johnson County	1.9	—
Procter & Gamble Co.	—	1.6
Total principal retail customers	<u>13.1</u>	<u>12.4</u>
Principal wholesale customers:		
Kansas Municipal Energy Authority	2.8%	3.0%
City of Columbia, Missouri	2.7	2.9
Southwest Power Pool	2.4	3.3
Total principal wholesale customers	<u>7.9</u>	<u>9.2</u>
Principal customers	<u>21.0%</u>	<u>21.6%</u>

BOARD OF PUBLIC UTILITIES
 Required Supplementary Information
 Schedule of Funding Progress – Pension
 December 31, 2011
 (Dollars in millions)

(Unaudited – See accompanying independent auditors' report)

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
2009	\$ 410.9	432.8	94.9%	\$ 21.9	50.1	43.7%
2010	427.6	448.6	95.3	21.0	49.4	42.5
2011	443.2	471.6	94.0	28.4	47.6	59.7

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, 2011
Actuarial cost method	Entry age
Amortization method	Level percent of pay
Remaining amortization period	Tier 1 - 28 years (closed), Tier 2 - 30 years, (open)
Asset valuation method	Average adjusted asset method

Actuarial assumptions:

Investment rate of return	8.00%
Inflation rate assumption	3.25

Projected salary increase based on age as follows:

Age (in years)	Salary scale
25	6.5%
70	4.5

See accompanying independent auditors' report.

BOARD OF PUBLIC UTILITIES
 Required Supplementary Information
 Schedule of Funding Progress – Postretirement

December 31, 2011

(Dollars in millions)

(Unaudited – See accompanying independent auditors' report)

Actuarial valuation date, January 1	Actuarial value of assets	Actuarial accrued liability (AAL)	Funded ratio	Unfunded AAL	Covered payroll	UAAAL as a percentage of covered payroll
2010	\$ —	43.5	—%	43.5	49.3	88.2%
2011	—	42.1	—	42.1	48.9	86.1
2012	—	46.0	—	46.0	49.9	92.2

The actuarial assumptions included a 4.75% discount rate and an annual healthcare cost trend of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 7 years. The projected salary increase is 2.5%. The unfunded actuarial accrued liability is being amortized over 20 years as a level percent of payroll.

See accompanying independent auditors' report.

BOARD OF PUBLIC UTILITIES

Combining Balance Sheets

December 31, 2011 and 2010

	Electric		Water		Total Utility	
	2011	2010	2011	2010	2011	2010
Noncurrent assets:						
Capital assets:						
Property, plant, and equipment	\$ 998,017,796	967,981,972	319,595,573	315,402,081	1,317,613,369	1,283,384,053
Less accumulated depreciation	(558,563,317)	(534,321,989)	(100,327,721)	(96,032,205)	(658,891,038)	(630,354,194)
Plant in service, net	439,454,479	433,659,983	219,267,852	219,369,876	658,722,331	653,029,859
Construction work in progress	33,475,941	17,305,855	14,199,349	8,208,381	47,675,290	25,514,236
Capital assets, net	472,930,420	450,965,838	233,467,201	227,578,257	706,397,621	678,544,095
Restricted assets:						
Cash and cash equivalents	12,036,562	3,801,703	1,825,206	—	13,861,768	3,801,703
Investments	56,371,531	32,109,235	10,185,956	150,000	66,557,487	32,259,235
Total restricted assets	68,408,093	35,910,938	12,011,162	150,000	80,419,255	36,060,938
Debt issue costs	5,527,003	5,347,777	1,495,928	1,377,478	7,022,931	6,725,255
System development costs	661,000	659,382	196,325	284,767	857,325	944,149
Regulatory assets	2,681,594	3,217,913	—	—	2,681,594	3,217,913
Total noncurrent assets	550,208,110	496,101,848	247,170,616	229,390,502	797,378,726	725,492,350
Current assets:						
Cash and cash equivalents	13,965,430	1,656,314	12,304,320	4,869,629	26,269,750	6,525,943
Investments	—	10,262,686	—	7,291,098	—	17,553,784
Cash and cash equivalents – restricted	5,592,810	5,035,024	1,422,846	1,256,018	7,015,656	6,291,042
Investments – restricted	10,254,920	9,120,490	3,218,787	2,854,074	13,473,707	11,974,564
Accounts receivable – customers and other	23,330,086	21,538,196	3,972,093	3,744,546	27,302,179	25,282,742
Accounts receivable – unbilled	8,440,200	7,237,871	1,794,499	1,603,079	10,234,699	8,840,950
Allowance for doubtful accounts	(3,440,185)	(2,338,374)	(506,143)	(514,321)	(3,946,328)	(2,852,695)
Inventories	34,945,910	30,867,332	1,908,390	1,468,516	36,854,300	32,335,848
Regulatory assets	3,653,387	5,475,074	—	—	3,653,387	5,475,074
Prepayments and other current assets	1,287,885	1,056,916	141,135	134,482	1,429,020	1,191,398
Total current assets	98,030,443	89,911,529	24,255,927	22,707,121	122,286,370	112,618,650
Total assets	\$ 648,238,553	586,013,377	271,426,543	252,097,623	919,665,096	838,111,000

BOARD OF PUBLIC UTILITIES

Combining Balance Sheets

December 31, 2011 and 2010

	Electric		Water		Total Utility	
	2011	2010	2011	2010	2011	2010
Net assets:						
Invested in capital assets, net of related debt	\$ 217,167,055	217,040,727	119,802,164	114,785,815	336,969,219	331,826,542
Restricted – debt service	81,364,833	47,241,397	16,154,969	3,739,425	97,519,802	50,980,822
Unrestricted	28,804	37,188,224	(27,808,771)	(13,247,216)	(27,779,967)	23,941,008
Total net assets	<u>298,560,692</u>	<u>301,470,348</u>	<u>108,148,362</u>	<u>105,278,024</u>	<u>406,709,054</u>	<u>406,748,372</u>
Liabilities:						
Noncurrent liabilities:						
Long-term debt – revenue bonds	311,230,760	257,972,700	101,548,241	88,285,717	412,779,001	346,258,417
Government loans	—	—	18,701,155	19,645,748	18,701,155	19,645,748
Capital lease obligations	—	41,994	—	32,995	—	74,989
Total long-term debt and capital lease obligations	<u>311,230,760</u>	<u>258,014,694</u>	<u>120,249,396</u>	<u>107,964,460</u>	<u>431,480,156</u>	<u>365,979,154</u>
Postretirement benefit obligation	2,082,070	2,179,777	658,414	620,090	2,740,484	2,799,867
Reserve for compensated absences	4,011,569	3,455,640	599,429	516,360	4,610,998	3,972,000
Pension obligation	6,189,664	5,120,971	920,538	760,848	7,110,202	5,881,819
Noncurrent liabilities	<u>323,514,063</u>	<u>268,771,082</u>	<u>122,427,777</u>	<u>109,861,758</u>	<u>445,941,840</u>	<u>378,632,840</u>
Current liabilities:						
Current maturities of revenue bonds	11,548,703	10,307,294	4,131,297	3,627,706	15,680,000	13,935,000
Current maturities of government loans	—	—	1,112,511	1,071,373	1,112,511	1,071,373
Current maturities of capital lease obligations	41,994	164,060	32,995	128,904	74,989	292,964
Accrued interest	5,272,727	4,460,723	1,682,139	1,476,125	6,954,866	5,936,848
Customer deposits	2,890,990	2,825,055	497,825	520,667	3,388,815	3,345,722
Accounts payable	23,522,146	13,114,303	3,654,649	995,285	27,176,795	14,109,588
Payroll and payroll taxes	1,150,385	2,126,404	1,038,232	789,081	2,188,617	2,915,485
Accrued claims payable	5,413,496	5,750,778	235,005	297,814	5,648,501	6,048,592
Other accrued liabilities	2,735,004	3,023,826	61,848	63,579	2,796,852	3,087,405
Payment-in-lieu of taxes	1,688,255	1,664,986	304,001	321,825	1,992,256	1,986,811
Interdepartmental balances	(28,099,902)	(27,665,482)	28,099,902	27,665,482	—	—
Total current liabilities	<u>26,163,798</u>	<u>15,771,947</u>	<u>40,850,404</u>	<u>36,957,841</u>	<u>67,014,202</u>	<u>52,729,788</u>
Total liabilities	<u>349,677,861</u>	<u>284,543,029</u>	<u>163,278,181</u>	<u>146,819,599</u>	<u>512,956,042</u>	<u>431,362,628</u>
Total liabilities and net assets	<u>\$ 648,238,553</u>	<u>\$ 586,013,377</u>	<u>\$ 271,426,543</u>	<u>\$ 252,097,623</u>	<u>\$ 919,665,096</u>	<u>\$ 838,111,000</u>

See accompanying independent auditors' report.

BOARD OF PUBLIC UTILITIES
Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Years ended December 31, 2011 and 2010

	Electric		Water		Total Utility	
	2011	2010	2011	2010	2011	2010
Operating revenues:						
Residential	\$ 58,399,854	53,468,956	21,231,303	18,914,574	79,631,157	72,383,530
Commercial	79,123,112	65,639,995	9,787,633	8,593,904	88,910,745	74,233,899
Industrial	39,556,941	40,758,341	4,303,687	3,518,722	43,860,628	44,277,063
Other	27,524,859	30,228,256	3,532,515	3,704,624	31,057,374	33,932,880
Deferred Energy Rate Component	—	12,332,254	—	—	—	12,332,254
Payment-in-lieu of taxes	23,761,662	23,489,376	4,541,477	4,341,784	28,303,139	27,831,160
Total operating revenues	228,366,428	225,917,178	43,396,615	39,073,608	271,763,043	264,990,786
Operating expenses:						
Fuel	55,657,743	46,978,748	—	—	55,657,743	46,978,748
Purchased power	21,450,645	17,546,696	—	—	21,450,645	17,546,696
Production	38,754,009	35,308,792	5,217,396	4,612,983	43,971,405	39,921,775
Transmission and distribution	29,027,540	26,149,444	12,129,548	11,137,894	41,157,088	37,287,338
General and administrative	23,606,442	23,115,222	6,770,170	6,785,616	30,376,612	29,900,838
Depreciation and amortization	25,798,226	25,404,744	6,582,119	6,301,200	32,380,345	31,705,944
Total operating expenses	194,294,605	174,503,646	30,699,233	28,837,693	224,993,838	203,341,339
Operating income	34,071,823	51,413,532	12,697,382	10,235,915	46,769,205	61,649,447
Nonoperating income (expense):						
Interest income	519,982	230,647	184,551	31,559	704,533	262,206
Interest expense	(14,466,894)	(13,378,497)	(5,565,930)	(4,845,288)	(20,032,824)	(18,223,785)
Payment-in-lieu of taxes	(23,761,662)	(23,489,376)	(4,541,477)	(4,341,784)	(28,303,139)	(27,831,160)
Other	727,095	712,899	36,764	(58,037)	763,859	654,862
Total nonoperating expense, net	(36,981,479)	(35,924,327)	(9,886,092)	(9,213,550)	(46,867,571)	(45,137,877)
Income (loss) before contributions and transfers	(2,909,656)	15,489,205	2,811,290	1,022,365	(98,366)	16,511,570
Contributions and transfers:						
Contributions from developers and others	—	—	59,048	300,888	59,048	300,888
Change in net assets	(2,909,656)	15,489,205	2,870,338	1,323,253	(39,318)	16,812,458
Net assets, beginning of year	301,470,348	285,981,143	105,278,024	103,954,771	406,748,372	389,935,914
Net assets, end of year	\$ 298,560,692	301,470,348	108,148,362	105,278,024	406,709,054	406,748,372

See accompanying independent auditors' report.



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

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in accordance with *Government Auditing Standards***

The Board of Directors
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, 2011, and have issued our report thereon dated May 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered BPU's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BPU's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the BPU's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BPU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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("KPMG International"), a Swiss entity.



This report is intended solely for the information and use of management, the Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

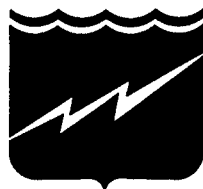
KPMG LLP

Kansas City, Missouri
May 23, 2012

STATISTICAL SECTION

(Unaudited)

Financial Trends
Revenue Capacity
Debt Capacity
Demographic and Economic Information
Operating Information





Statistical Section (Unaudited)

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the utility's overall financial health.

<i>Contents</i>	Page
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time.	66
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the utility's most significant local revenue source.	68
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the utility's current levels of outstanding debt and the utility's ability to issue additional debt in the future.	70
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities take place.	74
<u>Operating Information</u> These schedules contain service and infrastructure data to help the readers understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	79



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Financial Trends





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Net Assets By Component
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Assets Invested in Capital Assets, net of related Debt:										
Capital assets, net of depreciation	\$ 553,615,779	\$ 563,037,948	\$ 601,673,285	\$ 662,002,748	\$ 691,579,477	\$ 693,985,594	\$ 694,016,598	\$ 689,463,474	\$ 678,544,095	\$ 706,397,621
Blonds and notes payable:										
Principal, long term	(239,529,922)	(229,933,073)	(355,025,906)	(334,304,196)	(334,102,885)	(314,495,795)	(208,110,760)	(321,601,392)	(311,697,479)	(333,859,746)
Government Loans				(15,930,490)	(19,666,793)	(22,713,283)	(21,693,505)	(20,657,540)	(19,645,745)	(18,701,155)
Capital Leases	(2,642,765)	(3,682,429)	(7,607,539)	(4,869,869)	(1,637,646)	(187,071)	(650,043)	(367,952)	(74,999)	-
Principal, current	(9,917,086)	(10,049,266)	(12,955,205)	(10,825,592)	(10,952,980)	(9,958,763)	(6,236,709)	(7,951,515)	(13,935,000)	(15,680,000)
Government Loans, current				(1,145,392)	(854,415)	(976,882)	(1,014,400)	(1,053,360)	(1,021,373)	(1,112,511)
Capital Leases, current	(1,526,420)	(1,534,509)	(3,169,641)	(3,095,489)	(1,704,964)	(1,550,355)	(368,879)	(282,091)	(292,964)	(74,989)
Blond proceeds for construction (impent) (B)	9,372,000	9,372,000	99,503,451	60,732,997	19,609,783	-	-	-	-	-
Net Assets Invested in Capital Assets, net of Debt:	\$ 309,374,586	\$ 337,193,671	\$ 332,968,445	\$ 352,164,517	\$ 352,320,171	\$ 344,102,801	\$ 355,442,301	\$ 337,549,623	\$ 331,826,542	\$ 336,969,220
Restricted Net Assets (A)										
Blond covenant requirements	\$ 20,701,568	\$ 17,426,577	\$ 115,468,360	\$ 78,532,304	\$ 37,190,172	\$ 4,546,694	\$ 15,308,357	\$ 55,170,663	\$ 50,980,822	\$ 97,519,802
Blond proceeds designated for project construction (B)	-	-	-	-	-	-	-	-	-	-
Blond proceeds designated for project construction (B)	-	-	(99,343,514)	(60,732,997)	(19,609,783)	-	-	(37,936,865)	(34,560,938)	(78,919,255)
Funds segregated under City Ordinance due to	2,413,954	2,348,361	2,396,176	2,894,830	3,219,427	3,442,049	3,446,669	3,270,411	3,345,722	3,388,815
Liability for customer deposits	(2,413,954)	(2,348,361)	(2,396,176)	(2,894,830)	(3,219,427)	(3,442,049)	(3,446,669)	(3,270,411)	(3,345,722)	(3,388,815)
Total Restricted Net Assets	\$ 20,701,568	\$ 17,426,577	\$ 16,124,846	\$ 17,299,307	\$ 17,580,389	\$ 4,546,694	\$ 15,308,357	\$ 55,170,663	\$ 50,980,822	\$ 97,519,802
Unrestricted net assets										
Other designated funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve funds	-	-	-	-	-	-	-	-	-	-
Funds held for future improvements	-	-	-	-	-	-	-	-	-	-
Project construction accounts	-	-	-	-	-	-	-	-	-	-
Unrestricted - Other	41,229,583	30,287,213	35,547,989	(335,638)	13,831,492	61,896,774	43,426,745	(2,784,373)	23,941,008	(27,779,907)
Total Unrestricted Net Assets	\$ 41,229,583	\$ 30,287,213	\$ 35,547,989	\$ (335,638)	\$ 13,831,492	\$ 61,896,774	\$ 43,426,745	\$ (2,784,373)	\$ 23,941,008	\$ (27,779,907)
Total Net Assets	\$ 371,205,737	\$ 374,887,461	\$ 374,641,280	\$ 369,628,186	\$ 380,732,652	\$ 410,546,179	\$ 414,377,403	\$ 389,035,914	\$ 406,748,372	\$ 406,709,054

Footnote A
Per Question 95 of "Guide to Implementation of GASB Statement 34 on Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" (Implementation Guide), restricted net assets should be reported when constraints placed on net asset use are either:
a. Externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments.
b. Imposed by law through constitutional provisions or enabling legislation.
The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions or through formal due process.

Footnote B
Per the Implementation Guide, if there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the "calculation of invested in capital assets, net of debt", ... The unspent portion of the debt would be included in the calculation of net assets restricted for capital projects.

Combined Operating Statements
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues										
Residential	\$ 55,658,407	\$ 57,348,480	\$ 56,004,311	\$ 61,506,345	\$ 71,900,832	\$ 69,103,742	\$ 69,179,353	\$ 67,889,344	\$ 72,383,530	\$ 79,631,157
Commercial	54,097,395	58,249,726	59,862,702	63,594,092	79,590,974	75,088,103	77,719,820	76,989,419	74,233,899	88,910,745
Industrial	35,230,555	35,871,154	39,962,991	44,366,530	55,822,224	44,340,186	46,366,895	45,520,902	44,277,063	43,860,628
Other	33,085,511	36,149,276	36,904,391	36,153,183	33,221,762	40,250,336	45,392,688	32,001,538	33,932,880	31,057,374
Deferred Energy Rate Component	-	-	-	-	-	-	-	(12,332,254)	12,332,254	-
Payment-in-lieu of taxes	13,279,641	13,916,680	14,673,298	16,325,334	18,374,439	17,230,192	17,562,272	21,540,269	27,831,160	28,303,139
Total Operating Revenues	191,351,509	201,535,316	207,407,693	221,945,484	258,910,231	246,012,559	256,221,028	231,609,218	264,990,786	271,763,043
Operating Expenses										
Production	(1)	71,575,197	74,595,079	85,103,214	92,375,693	118,999,005	108,022,193	124,590,074	104,447,219	121,079,793
Transmission & Distribution		23,691,279	28,687,267	28,456,949	29,926,086	31,680,256	36,188,822	34,655,585	37,287,338	41,157,088
General and Administrative		29,209,649	33,467,227	34,398,271	40,942,490	31,056,425	36,197,159	34,518,980	29,900,838	30,376,612
Depreciation & Amortization		24,622,061	24,472,383	23,369,264	28,545,254	30,550,474	31,703,397	31,291,634	31,705,944	32,380,345
Purchased Power Amortization		8,254,930	8,676,326	6,275,808	-	-	-	-	-	-
Total Operating Expense	157,353,116	169,898,282	177,603,506	191,789,523	212,286,160	212,111,571	221,502,605	217,116,035	203,341,339	224,993,838
Operating Income	33,998,393	31,637,034	29,804,187	30,155,961	46,624,071	33,900,988	34,718,423	14,493,183	61,649,447	46,769,205
Interest Income/(Expense)	(13,791,730)	(15,304,953)	(15,812,321)	(19,965,452)	(15,549,762)	(15,663,027)	(14,791,096)	(17,604,368)	(17,306,717)	(18,564,432)
Payment-in-lieu of taxes	(13,279,641)	(13,916,680)	(14,673,298)	(16,325,334)	(18,374,439)	(17,230,192)	(17,562,272)	(21,540,269)	(27,831,160)	(28,303,139)
Nonoperating Income/(Expense)	(27,071,371)	(29,221,633)	(30,485,619)	(36,290,786)	(33,924,201)	(32,893,219)	(32,353,368)	(39,144,637)	(45,137,877)	(46,867,571)
Income/Loss	6,927,022	2,415,401	(681,432)	(6,134,825)	12,699,870	1,007,769	2,365,055	(24,651,454)	16,511,570	(98,366)
Contributions	379,843	1,166,323	275,314	1,281,668	1,403,996	880,873	1,466,171	209,965	300,888	59,048
Change In Net Assets	\$ 7,306,865	\$ 3,581,724	\$ (406,118)	\$ (4,853,157)	\$ 14,103,866	\$ 1,888,642	\$ 3,831,226	\$ (24,441,489)	\$ 16,812,458	\$ (39,318)

Footnotes:

- (1) Includes fuel, purchased power and production.
- (2) Purchased power costs amortization added beginning in 2002.
- (3) Includes other non operating income.
- (4) 2005 - Recognized Loss on Disposal of Assets.
- (5) Adoption of GASB 33 and GASB 34 beginning in 2002.

Revenue Capacity





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ELECTRIC UTILITY SYSTEMS SALES
LAST TEN FISCAL YEARS

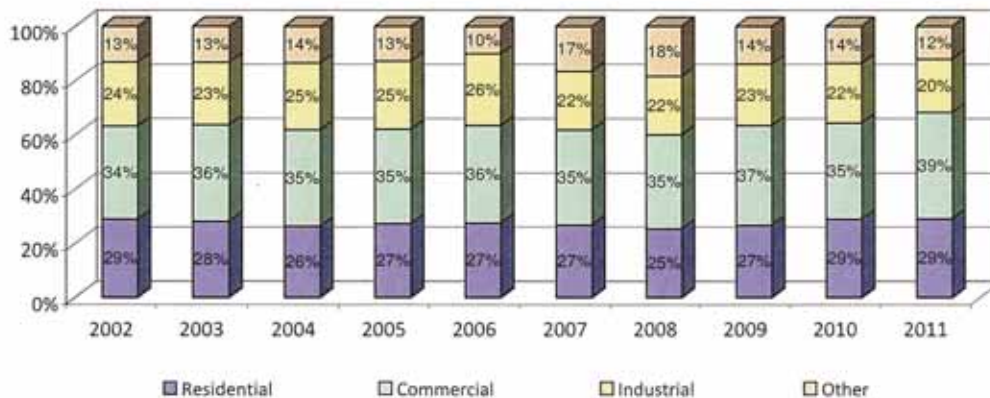
	Residential					Commercial				
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2002	\$ 39,210,218	568,700,840	57,795	9,840	\$ 678.44	\$ 46,848,425	806,031,040	7,147	112,779	\$ 6,554.98
2003	\$ 39,717,885	525,368,930	60,523	8,680	\$ 656.24	\$ 50,243,742	814,699,133	7,870	103,520	\$ 6,384.21
2004	\$ 38,679,186	521,556,432	57,563	9,061	\$ 671.95	\$ 52,158,752	834,722,758	6,651	125,503	\$ 7,842.24
2005	\$ 44,116,173	549,989,717	57,486	9,567	\$ 767.42	\$ 56,254,173	846,528,035	6,672	126,878	\$ 8,431.38
2006	\$ 54,131,458	562,349,076	57,500	9,780	\$ 941.42	\$ 71,126,503	910,094,493	6,733	135,169	\$ 10,563.86
2007	\$ 50,728,377	569,938,677	57,267	9,952	\$ 885.82	\$ 66,484,533	896,367,753	6,799	131,838	\$ 9,778.58
2008	\$ 50,853,676	544,166,628	57,187	9,516	\$ 889.25	\$ 69,292,240	856,957,838	6,905	124,107	\$ 10,035.08
2009	\$ 49,968,396	536,644,287	56,907	9,430	\$ 878.07	\$ 69,038,969	864,936,202	6,952	124,415	\$ 9,930.81
2010	\$ 53,468,956	609,507,300	56,357	10,815	\$ 948.75	\$ 65,639,995	880,896,928	6,905	127,574	\$ 9,506.15
2011	\$ 58,399,854	593,262,827	56,297	10,538	\$ 1,037.35	\$ 79,123,112	947,700,453	6,782	139,738	\$ 11,666.63

	Industrial					Other				
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2002	\$ 32,125,988	822,335,834	115	7,150,746	\$ 279,356.42	\$ 17,997,722	425,479,947	246	1,729,593	\$ 73,161.47
2003	\$ 32,624,899	814,756,414	106	7,686,381	\$ 307,782.07	\$ 18,797,472	520,060,228	250	2,080,241	\$ 75,189.89
2004	\$ 36,365,066	904,499,429	98	9,229,586	\$ 371,072.10	\$ 19,858,369	585,014,156	223	2,623,382	\$ 89,050.98
2005	\$ 40,788,506	920,894,297	99	9,301,963	\$ 412,005.11	\$ 20,708,393	572,925,408	224	2,557,703	\$ 92,448.18
2006	\$ 52,357,554	897,258,438	94	9,545,303	\$ 556,995.26	\$ 19,978,877	457,359,735	242	1,889,916	\$ 82,557.34
2007	\$ 41,001,666	759,651,447	94	8,081,398	\$ 436,187.94	\$ 31,468,641	502,448,866	225	2,233,106	\$ 139,860.63
2008	\$ 43,507,292	742,247,845	94	7,896,254	\$ 462,843.53	\$ 36,760,714	482,736,551	222	2,174,489	\$ 165,588.80
2009	\$ 42,666,801	689,322,900	94	7,333,222	\$ 453,902.14	\$ 26,074,666	419,910,237	232	1,809,958	\$ 112,390.80
2010	\$ 40,758,341	751,421,546	94	7,993,846	\$ 433,599.38	\$ 25,318,233	417,673,813	233	1,792,591	\$ 108,661.94
2011	\$ 39,556,941	617,010,984	94	6,563,947	\$ 420,818.52	\$ 24,325,345	375,029,948	203	1,847,438	\$ 119,829.29

*Other includes Schools, Wholesale Sales, Highway Lighting and Public Authorities

	Total				
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2002	\$ 136,182,353	2,622,547,661	65,303	40,160	\$ 2,085.39
2003	\$ 141,383,998	2,674,884,705	68,749	38,908	\$ 2,056.52
2004	\$ 147,061,373	2,845,792,775	64,535	44,097	\$ 2,278.78
2005	\$ 161,867,245	2,890,337,457	64,481	44,825	\$ 2,510.31
2006	\$ 197,594,392	2,827,061,742	64,569	43,784	\$ 3,060.21
2007	\$ 189,683,217	2,728,406,743	64,385	42,376	\$ 2,946.08
2008	\$ 200,413,922	2,626,108,862	64,408	40,773	\$ 3,111.63
2009	\$ 187,748,832	2,510,813,626	64,185	39,118	\$ 2,925.12
2010	\$ 185,185,525	2,659,499,587	63,589	41,823	\$ 2,912.23
2011	\$ 201,405,252	2,533,004,212	63,376	39,968	\$ 3,177.94

Percentage of Electric Utility Sales

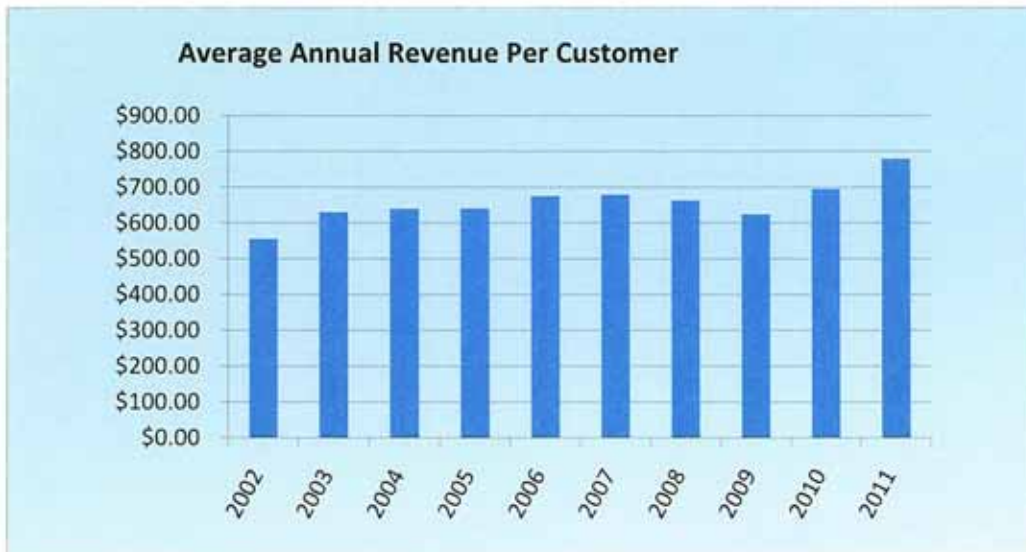


BPU Water Sales

Last Ten Fiscal Years

Fiscal Year	Gallons Pumped	Gallons Sold	Operating Revenue	Average Number of Customers	Average Revenue Per Customer
2002	11,229,470,000	7,264,262,588	\$ 28,768,379	51,802	\$555.35
2003	11,755,190,000	7,156,918,604	\$ 32,081,858	50,900	\$630.29
2004	12,513,350,000	7,088,525,972	\$ 32,281,307	50,451	\$639.85
2005	13,179,970,000	7,314,650,112	\$ 32,672,356	50,988	\$640.79
2006	12,754,110,000	7,317,225,371	\$ 34,270,444	50,765	\$675.08
2007	11,387,530,000	7,000,978,000	\$ 34,445,314	50,691	\$679.52
2008	11,703,670,000	6,260,264,000	\$ 33,488,102	50,530	\$662.74
2009	10,867,240,000	6,015,566,000	\$ 31,545,660	50,483	\$624.88
2010	11,088,290,000	6,422,126,000	\$ 34,731,824	49,987	\$694.82
2011	11,435,840,000	6,662,349,000	\$ 38,855,138	49,833	\$779.71

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



Debt Capacity





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BPU
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 (3)	Debt Service			Coverage (4)
					Principal (3)	Interest (3)	Total (3)	
2002	\$ 194,836,463	\$ 133,764,651	\$ 61,071,812	\$ 27,512,785	253,334,835	221,912,978	475,247,813	2.21
2003	\$ 202,691,757	\$ 145,425,897	\$ 57,265,860	\$ 27,127,411	243,417,749	204,317,279	447,735,028	2.11
2004	\$ 212,478,539	\$ 154,234,239	\$ 58,244,300	\$ 32,509,058	354,939,934	236,670,413	591,610,347	1.79
2005	\$ 229,794,624	\$ 163,244,271	\$ 66,550,353	\$ 34,463,496	360,731,614	284,858,425	645,590,039	1.93
2006	\$ 262,047,645	\$ 181,735,688	\$ 80,311,957	\$ 34,463,496	354,426,183	265,065,016	619,491,199	2.33
2007	\$ 249,572,589	\$ 180,408,175	\$ 69,164,414	\$ 33,557,926	346,692,157	242,696,750	589,388,907	2.06
2008	\$ 259,099,083	\$ 191,646,089	\$ 67,452,994	\$ 33,557,926	335,751,130	220,158,825	555,909,955	2.01
2009	\$ 233,062,328	\$ 185,129,869	\$ 47,932,459	\$ 34,270,503	385,592,415	243,196,901	628,789,316	1.39
2010	\$ 265,907,854	\$ 171,635,396	\$ 94,272,458	\$ 33,934,990	376,147,121	214,362,010	590,509,131	2.78
2011	\$ 273,231,435	\$ 192,613,493	\$ 80,617,942	\$ 38,594,328	440,913,666	255,860,571	696,774,237	2.07

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

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

(2) Total operating expenses exclusive of depreciation and amortization.

(3) Beginning in 2004 the maximum outstanding annual debt service and debt service includes the payments required for the government loans.

(4) Current Year Net Revenue Available for Debt Service divided by Maximum Outstanding Annual Debt Service

**BPU
Debt Maturity Schedules - Unaudited**

Combined

Year	1998 Issue - Refunding Debt Service Bonds		2001 Issue Industrial Revenue Bonds		2004 Issue - Refunding Debt Service Bonds		2004B Issue - Revenue Debt Service Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011		257,053	820,000	594,000	8,445,000	6,965,530	1,235,000	5,418,644
2012		514,125	860,000	552,000	8,930,000	6,488,388	1,245,000	5,375,419
2013		514,125	905,000	507,875	9,435,000	5,983,843	1,310,000	5,330,288
2014		514,125	960,000	456,450	9,955,000	5,450,765	1,370,000	5,281,163
2015		514,125	1,015,000	397,200	7,245,000	4,888,308	1,785,000	5,231,500
2016		514,125	1,075,000	339,875	7,655,000	4,478,965	1,865,000	5,142,250
2017		514,125	1,130,000	284,750	8,635,000	4,046,458	2,195,000	5,049,000
2018		514,125	1,190,000	228,750	9,130,000	3,558,580	2,275,000	4,939,250
2019		514,125	1,250,000	165,750	9,640,000	3,042,735	2,400,000	4,825,500
2020		514,125	1,310,000	101,750	10,180,000	2,498,075	2,505,000	4,705,500
2021		514,125	1,380,000	34,500	10,765,000	1,922,905	2,610,000	4,580,250
2022		514,125			11,385,000	1,314,683	1,370,000	4,449,750
2023	2,895,000	514,125			12,010,000	672,560	1,425,000	4,381,250
2024	1,560,000	383,850					7,820,000	4,310,000
2025	1,630,000	313,650					8,210,000	3,919,000
2026	1,700,000	240,300					8,620,000	3,508,500
2027	1,780,000	163,800					9,050,000	3,077,500
2028	1,860,000	83,700					9,500,000	2,625,000
2029							9,980,000	2,150,000
2030							10,475,000	1,651,000
2031							11,000,000	1,127,250
2032							11,545,000	577,250
2033								
2034								
2035								
2036								
Total	11,425,000	7,611,863	11,895,000	3,660,900	123,390,000	51,311,793	109,790,000	87,655,263

Year	2009A Issue - Revenue Debt Service Bonds		2010 Issue Refunding Bond		2011 Issue Bond		KDHE Loan #1		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service Fee
2011	1,290,000	2,827,975	2,145,000	1,309,250		1,193,682	505,023	323,250	31,780
2012	1,355,000	2,763,475	2,265,000	1,223,451	1,025,000	4,212,994	524,962	305,095	29,995
2013	1,420,000	2,695,725	2,285,000	1,178,150		4,192,494	545,689	286,224	28,140
2014	1,490,000	2,624,725	2,410,000	1,063,900	975,000	4,192,494	567,234	266,608	26,211
2015	1,535,000	2,583,750	3,330,000	943,400	3,110,000	4,163,244	589,629	246,217	24,207
2016	1,610,000	2,507,000	3,510,000	778,900	3,190,000	4,069,944	612,909	225,021	22,123
2017	1,690,000	2,426,500	2,875,000	671,600	3,255,000	3,958,294	637,108	202,988	19,957
2018	1,775,000	2,342,000	2,980,000	570,975	3,365,000	3,850,644	662,263	180,085	17,705
2019	1,865,000	2,253,250	825,000	451,775	5,780,000	3,709,219	688,410	156,278	15,364
2020	1,955,000	2,160,000	890,000	416,775	6,060,000	3,420,219	715,590	131,531	12,931
2021	2,055,000	2,062,250	825,000	383,175	6,360,000	3,117,219	743,843	105,807	10,402
2022	2,155,000	1,959,500	960,000	343,863	4,670,000	2,799,219	773,212	79,067	7,773
2023	2,265,000	1,851,750	995,000	303,063	2,220,000	2,555,719	803,740	51,272	5,041
2024	2,380,000	1,738,500	1,055,000	260,775	995,000	2,444,719	835,473	22,379	2,200
2025	2,500,000	1,619,500	1,115,000	213,300	1,785,000	2,403,675			
2026	2,625,000	1,494,500	1,170,000	163,125	1,870,000	2,314,425			
2027	2,755,000	1,363,250	1,200,000	110,475	2,300,000	2,220,925			
2028	2,890,000	1,225,500	1,255,000	58,475	2,735,000	2,105,925			
2029	3,035,000	1,081,000			6,120,000	1,969,175			
2030	3,190,000	929,250			6,415,000	1,678,475			
2031	3,355,000	761,775			1,895,000	1,373,763			
2032	3,530,000	585,638			1,990,000	1,283,750			
2033	3,715,000	400,313			6,980,000	1,184,250			
2034	3,910,000	205,275			7,330,000	835,250			
2035					4,570,000	468,750			
2036					4,805,000	240,250			
Total	56,345,000	42,462,400	32,190,000	10,442,426	90,000,000	65,968,713	9,205,084	2,581,821	253,831

Year	KDHE Loan #2			KDHE Loan #3			Total Service Fee	Total PAI		
	Principal	Interest	Service Fee	Principal	Interest	Service Fee		Principal	Interest	Total
2011	211,834	134,636	13,311	354,516	251,433	27,077	72,169	15,006,373	19,275,461	34,281,835
2012	220,155	127,064	12,563	367,394	239,807	25,825	68,384	16,792,511	21,801,818	38,594,328
2013	228,802	119,195	11,785	380,739	227,759	24,528	64,453	16,510,230	21,035,677	37,545,907
2014	237,789	111,017	10,976	394,569	215,274	23,183	60,371	18,359,592	20,176,519	38,536,111
2015	247,129	102,517	10,136	408,901	202,335	21,790	56,132	19,265,660	19,272,595	38,538,255
2016	256,836	93,684	9,263	423,754	188,926	20,346	51,731	20,198,499	18,336,689	38,535,188
2017	266,924	84,503	8,355	439,147	175,030	18,849	47,161	21,123,179	17,413,247	38,536,426
2018	277,408	74,962	7,412	455,098	160,630	17,299	42,415	22,109,769	16,428,000	38,537,770
2019	288,304	65,046	6,431	471,629	145,706	15,691	37,467	23,208,344	15,329,384	38,537,728
2020	299,629	54,741	5,412	488,761	130,240	14,026	32,370	24,403,979	14,134,956	38,538,935
2021	311,397	44,031	4,353	506,514	114,212	12,300	27,056	25,856,755	12,878,474	38,535,229
2022	323,629	32,900	3,253	524,913	97,602	10,511	21,537	22,341,753	11,590,709	33,932,462
2023	336,340	21,333	2,109	543,980	80,389	8,657	15,807	23,494,060	10,431,460	33,925,520
2024	349,551	9,310	921	563,740	62,551	6,736	9,857	15,558,764	9,232,084	24,790,848
2025				584,217	44,064	4,745	4,745	15,824,217	8,513,189	24,337,406
2026				605,438	24,906	2,682	2,682	16,590,438	7,745,756	24,336,194
2027				310,916	5,052	544	544	17,395,916	6,941,002	24,336,919
2028								18,240,000	6,096,600	24,336,600
2029								19,135,000	5,200,175	24,335,175
2030								20,080,000	4,258,725	24,338,725
2031								16,250,000	3,262,788	19,512,788
2032								17,065,000	2,446,638	19,511,638
2033								10,695,000	1,584,563	12,279,563
2034								11,240,000	1,040,525	12,280,525
2035								4,570,000	468,750	5,038,750
2036								4,805,000	240,250	5,045,250
Total	3,855,729	1,074,940	106,280	7,824,226	2,365,916	254,791	614,901	455,920,039	275,136,034	731,056,073

BPU
Debt Maturity Schedules - Unaudited

Electric System

Year	2001 Issue Industrial Revenue Bonds		2004 Issue - Refunding Debt Service Bonds		2004B Issue - Revenue Debt Service Bonds		2009A Issue - Revenue Debt Service Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	713,400	516,780	6,333,750	5,224,148	1,049,750	4,605,847	1,223,694	2,682,617
2012	749,200	480,240	6,697,500	4,866,291	1,058,250	4,569,106	1,285,353	2,621,432
2013	787,350	441,851	7,076,250	4,487,882	1,113,500	4,530,744	1,347,012	2,557,165
2014	835,200	397,112	7,466,250	4,088,074	1,164,500	4,488,988	1,413,414	2,489,814
2015	883,050	345,564	5,433,750	3,666,231	1,517,250	4,446,775	1,456,101	2,450,945
2016	935,250	295,691	5,741,250	3,359,224	1,585,250	4,370,913	1,527,246	2,378,140
2017	983,100	247,733	6,476,250	3,034,843	1,865,750	4,291,650	1,603,134	2,301,778
2018	1,035,300	197,273	6,847,500	2,668,935	1,933,750	4,198,363	1,683,765	2,221,621
2019	1,087,500	144,203	7,230,000	2,282,051	2,040,000	4,101,675	1,769,139	2,137,433
2020	1,139,700	88,523	7,635,000	1,873,556	2,129,250	3,999,675	1,854,513	2,048,976
2021	1,200,600	30,015	8,073,750	1,442,179	2,218,500	3,893,213	1,949,373	1,956,250
2022			8,523,750	986,012	1,164,500	3,782,288	2,044,233	1,858,782
2023			9,007,500	504,420	1,211,250	3,724,063	2,148,579	1,756,570
2024					6,647,000	3,663,500	2,257,668	1,649,141
2025					6,978,500	3,331,150	2,371,500	1,536,258
2026					7,327,000	2,982,225	2,490,075	1,417,683
2027					7,692,500	2,615,875	2,613,393	1,293,179
2028					8,075,000	2,231,250	2,741,454	1,162,509
2029					8,483,000	1,827,500	2,879,001	1,025,437
2030					8,903,750	1,403,350	3,026,034	881,487
2031					9,350,000	958,163	3,182,553	722,620
2032					9,813,250	490,663	3,348,558	555,536
2033							3,524,049	379,736
2034							3,709,026	194,724
2035								
2036								
Total	10,348,650	3,184,983	92,542,500	38,483,844	93,321,500	74,506,973	53,448,867	40,279,833

Year	2010 Issue Refunding Bond		2011 Issue Bond		Total P&I		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2011	986,700	602,255		835,577	10,307,294	14,467,224	24,774,518
2012	1,041,900	562,787	717,500	2,949,096	11,548,703	16,048,952	27,597,655
2013	1,051,100	541,949		2,934,746	11,375,212	15,494,337	26,869,549
2014	1,108,600	489,394	682,500	2,934,746	12,670,464	14,888,127	27,558,591
2015	1,531,800	433,964	2,177,000	2,914,271	12,998,951	14,257,750	27,256,701
2016	1,614,600	357,374	2,233,000	2,848,961	13,636,596	13,610,302	27,246,898
2017	1,322,500	308,936	2,278,500	2,770,806	14,529,234	12,955,745	27,484,979
2018	1,370,800	262,649	2,355,500	2,702,451	15,226,615	12,251,290	27,477,905
2019	379,500	207,817	4,046,000	2,596,453	16,552,139	11,469,631	28,021,770
2020	409,400	192,637	4,242,000	2,394,153	17,409,863	10,597,519	28,007,382
2021	425,500	176,261	4,452,000	2,182,053	18,319,723	9,679,970	27,999,693
2022	441,600	158,177	3,409,000	1,959,453	15,583,083	8,744,711	24,327,794
2023	457,700	139,409	1,554,000	1,789,003	14,379,029	7,913,464	22,292,493
2024	485,300	119,957	696,500	1,711,303	10,086,468	7,143,901	17,230,369
2025	512,900	98,118	1,249,500	1,682,573	11,112,400	6,648,098	17,760,498
2026	538,200	75,038	1,309,000	1,620,098	11,664,275	6,095,043	17,759,318
2027	552,000	50,819	1,610,000	1,554,648	12,467,893	5,514,520	17,982,413
2028	577,300	25,979	1,914,500	1,474,148	13,308,254	4,893,885	18,202,139
2029			4,284,000	1,378,423	15,646,001	4,231,359	19,877,360
2030			4,490,500	1,174,933	16,420,284	3,459,769	19,880,053
2031			1,326,500	961,634	13,859,053	2,642,416	16,501,469
2032			1,393,000	898,625	14,554,808	1,944,823	16,499,631
2033			4,886,000	828,975	8,410,049	1,208,711	9,618,760
2034			5,131,000	584,675	8,840,026	779,399	9,619,425
2035			3,199,000	328,125	3,199,000	328,125	3,527,125
2036			3,472,600	168,175	3,472,600	168,175	3,640,775
Total	14,807,400	4,803,516	63,109,100	46,178,099	327,578,017	207,437,248	535,015,265

BPU
Debt Maturity Schedules - Unaudited

Water System

Year	1998 Issue - Refunding Debt Service Bonds		2001 Issue Industrial Revenue Bonds		2004 Issue - Refunding Debt Service Bonds		2004B Issue - Revenue Debt Service Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011		257,063	106,600	77,220	2,111,250	1,741,383	185,250	812,797
2012		514,125	111,800	71,760	2,232,500	1,622,097	186,750	806,313
2013		514,125	117,650	66,024	2,358,750	1,495,961	196,500	799,543
2014		514,125	124,800	59,339	2,488,750	1,362,691	205,500	792,174
2015		514,125	131,950	51,636	1,811,250	1,222,077	267,750	784,725
2016		514,125	139,750	44,184	1,913,750	1,119,741	279,750	771,338
2017		514,125	146,900	37,018	2,158,750	1,011,614	329,250	757,350
2018		514,125	154,700	29,478	2,282,500	889,645	341,250	740,888
2019		514,125	162,500	21,548	2,410,000	760,684	360,000	723,825
2020		514,125	170,300	13,228	2,545,000	624,519	375,750	705,825
2021		514,125	179,400	4,485	2,691,250	480,726	391,500	687,038
2022		514,125			2,841,250	328,671	205,500	667,463
2023	2,895,000	514,125			3,002,500	168,140	213,750	657,188
2024	1,560,000	383,850					1,173,000	646,500
2025	1,630,000	313,650					1,231,500	587,850
2026	1,700,000	240,300					1,293,000	526,275
2027	1,780,000	163,800					1,357,500	461,625
2028	1,860,000	83,700					1,425,000	393,750
2029							1,497,000	322,500
2030							1,571,250	247,650
2031							1,650,000	169,088
2032							1,731,750	86,588
2033								
2034								
2035								
2036								
Total	11,425,000	7,611,863	1,546,350	475,917	30,847,500	12,827,948	16,468,500	13,148,289

Year	2009A Issue - Revenue Debt Service Bonds		2010 Issue Refunding Bond		2011 Issue Bond		KDHE Loan #1		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service Fee
2011	66,306	145,358	1,158,300	706,995		358,104	505,023	323,250	31,780
2012	69,647	142,043	1,223,100	660,664	307,500	1,263,898	524,962	305,095	29,995
2013	72,988	138,560	1,233,900	636,201		1,257,748	545,689	286,224	28,140
2014	76,586	134,911	1,301,400	574,506	292,500	1,257,748	567,234	266,608	26,211
2015	78,899	132,805	1,798,200	509,436	933,000	1,248,973	589,629	246,217	24,207
2016	82,754	128,860	1,895,400	419,526	957,000	1,220,983	612,909	225,021	22,123
2017	86,896	124,722	1,552,500	362,664	976,500	1,187,488	637,108	202,988	19,957
2018	91,235	120,379	1,609,200	308,327	1,009,500	1,158,193	662,263	180,085	17,705
2019	95,861	115,817	445,500	243,959	1,734,000	1,112,766	688,410	156,278	15,364
2020	100,487	111,024	480,600	226,139	1,818,000	1,026,066	715,590	131,531	12,931
2021	105,627	106,000	499,500	206,915	1,908,000	935,166	743,843	105,807	10,402
2022	110,767	100,718	518,400	185,686	1,461,000	839,766	773,212	79,067	7,773
2023	116,421	95,180	537,300	163,654	666,000	766,718	803,740	51,272	5,041
2024	122,332	89,359	569,700	140,819	298,500	733,416	835,473	22,379	2,200
2025	128,500	83,242	602,100	115,182	535,500	721,103			
2026	134,925	76,817	631,800	88,088	561,000	694,328			
2027	141,607	70,071	648,000	59,657	690,000	666,278			
2028	148,546	62,991	677,700	30,497	820,500	631,778			
2029	155,999	55,563			1,636,000	590,753			
2030	163,966	47,763			1,924,500	503,543			
2031	172,447	39,155			568,500	412,129			
2032	181,442	30,102			597,000	385,125			
2033	190,951	20,576			2,094,000	355,275			
2034	200,974	10,551			2,199,000	250,575			
2035					1,371,000	140,625			
2036					1,332,400	72,075			
Total	2,896,133	2,182,567	17,382,600	5,638,910	26,890,900	19,790,614	9,205,084	2,581,821	253,831

Year	KDHE Loan #2			KDHE Loan #3			Total	Total P&I		
	Principal	Interest	Service Fee	Principal	Interest	Service Fee	Service Fee	Principal	Interest	Total
2011	211,634	134,636	13,311	354,516	251,433	27,077	72,169	4,699,079	4,808,237	9,507,317
2012	220,155	127,064	12,563	367,394	239,807	25,825	68,384	5,243,808	5,752,866	10,996,673
2013	228,802	119,195	11,785	380,739	227,759	24,528	64,453	5,135,018	5,541,340	10,676,358
2014	237,789	111,017	10,976	394,569	215,274	23,183	60,371	5,689,128	5,288,392	10,977,520
2015	247,129	102,517	10,136	408,901	202,335	21,790	56,132	6,266,709	5,014,845	11,281,554
2016	256,836	93,684	9,263	423,754	188,926	20,346	51,731	6,561,903	4,726,387	11,288,290
2017	266,924	84,503	8,355	439,147	175,030	18,849	47,161	6,593,945	4,457,502	11,051,447
2018	277,408	74,962	7,412	455,098	160,630	17,299	42,415	6,883,154	4,176,710	11,059,864
2019	288,304	65,046	6,431	471,629	145,706	15,691	37,887	6,656,205	3,859,753	10,515,957
2020	299,629	54,741	5,412	488,761	130,240	14,026	32,370	6,994,116	3,537,436	10,531,553
2021	311,397	44,031	4,353	506,514	114,212	12,300	27,056	7,337,032	3,198,504	10,535,536
2022	323,629	32,900	3,253	524,913	97,602	10,511	21,537	6,708,670	2,845,998	9,604,668
2023	336,340	21,333	2,109	543,980	80,389	8,657	15,807	9,115,031	2,517,995	11,633,026
2024	349,551	9,310	921	563,740	62,551	6,736	9,857	5,472,296	2,088,183	7,560,479
2025				584,217	44,064	4,745	4,745	4,711,817	1,865,091	6,576,908
2026				605,438	24,906	2,682	2,682	4,926,163	1,650,714	6,576,876
2027				310,916	5,052	544	544	4,928,023	1,426,482	6,354,506
2028								4,931,748	1,202,715	6,134,461
2029								3,488,999	968,816	4,457,815
2030								3,659,716	798,956	4,458,672
2031								2,390,947	620,371	3,011,318
2032								2,510,192	501,814	3,012,006
2033								2,284,951	375,851	2,660,802
2034								2,399,974	261,126	2,661,100
2035								1,371,000	140,625	1,511,625
2036								1,332,400	72,075	1,404,475
Total	3,855,729	1,074,940	106,280	7,824,226	2,365,916	254,791	614,901	128,342,022	67,658,785	196,040,808

Demographic and Economic Information





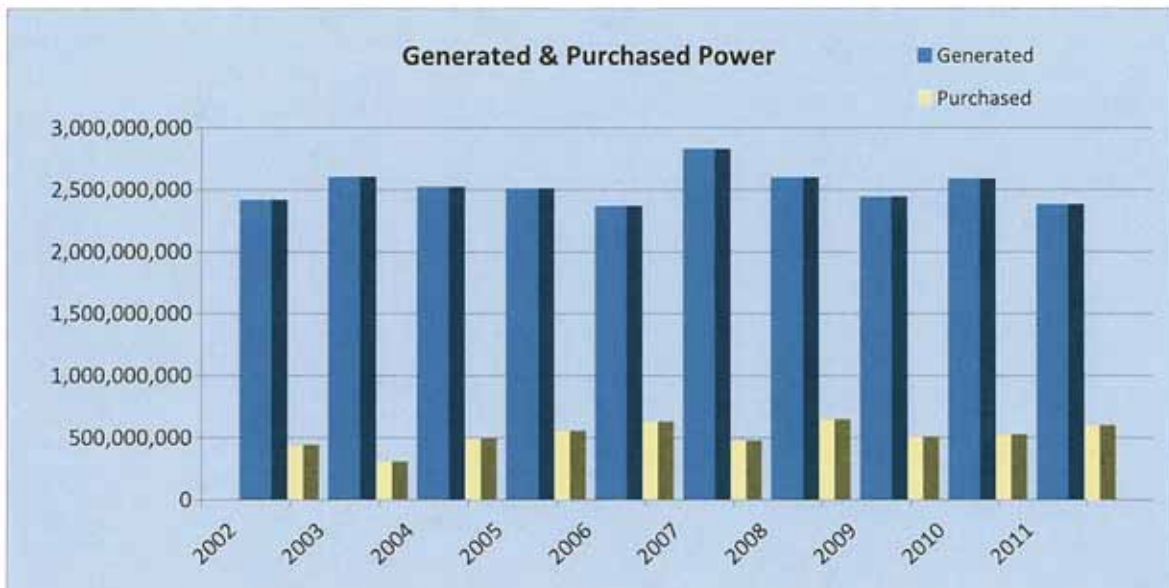
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Electric Load Statistics in Kilowatts

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 kW</u>	<u>Maximum Net Capability</u>
2002	2,419,119,000	440,956,700	-377,928,000	2,482,147,700	479,000	591,000
2003	2,604,283,000	307,766,300	-441,378,000	2,470,671,300	520,000	606,000
2004	2,524,179,000	493,322,600	-515,878,000	2,501,623,600	490,000	619,000
2005	2,511,552,000	555,384,500	-455,827,000	2,611,109,500	501,000	553,000
2006	2,368,434,000	627,907,900	-357,109,000	2,639,232,900	529,000	579,000
2007	2,830,038,000	476,192,000	-719,077,000	2,587,153,000	512,000	611,000
2008	2,599,420,000	646,850,000	-733,169,000	2,513,101,000	492,000	611,000
2009	2,444,808,000	505,584,800	-575,205,000	2,375,187,800	471,000	593,500
2010	2,590,447,000	525,043,000	-585,246,000	2,530,244,000	501,000	632,500
2011	2,382,961,000	596,205,000	-513,891,000	2,465,275,000	502,000	599,300

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.



PRINCIPAL CUSTOMERS (Ten year history)

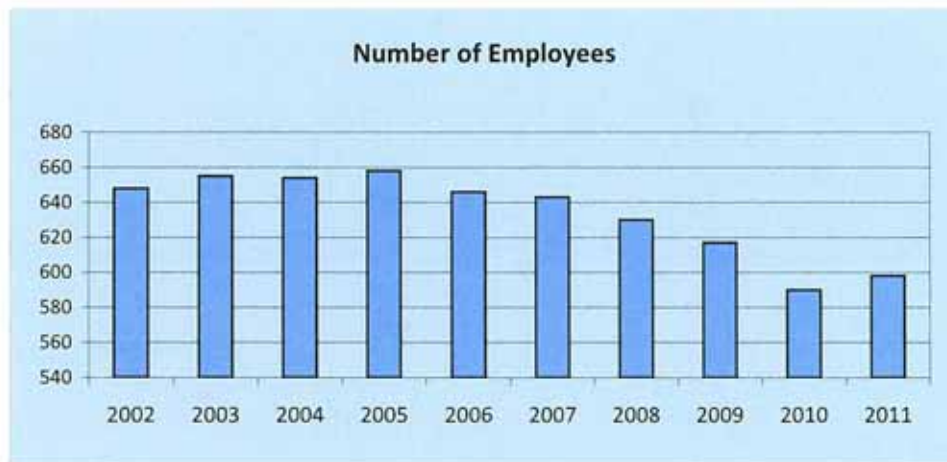
<u>2002</u>		<u>Revenue</u>	<u>2003</u>		<u>Revenue</u>
CertainTeed Corp. (Insulation)	\$	6,158,200	CertainTeed Corp. (Insulation)	\$	6,486,700
Owens Corning Fiberglass (Insulation)		5,245,100	General Motor's Corp. (Auto Production)		5,141,900
General Motor's Corp. (Auto Production)		5,004,400	Owens Corning Fiberglass (Insulation)		4,886,900
WaterOne of Johnson County (Water Utility)		3,772,400	WaterOne of Johnson County (Water Utility)		4,431,800
Procter & Gamble Co. (Cleaning Products)		3,694,900	Procter & Gamble Co. (Cleaning Products)		4,033,600
Univ. of Kansas Medical Ctr. (Hospital)		3,313,300	Univ. of Kansas Medical Ctr. (Hospital)		3,840,500
USD#500 KCK (Public School Dist.)		3,149,500	USD#500 KCK (Public School Dist.)		3,776,100
Griffin Wheel (Railroad Wheels)		2,422,300	Griffin Wheel (Railroad Wheels)		2,835,300
Armour Swift-Eckrich Inc. (Food Manufacturer)		1,644,000	ConAgra (Food Manufacturer)		1,642,400
Constar Plastics (Plastic Containers)		1,502,100	Colgate Palmolive Co. (Soap Manufacturer)		1,619,500
<hr/>					
<u>2004</u>		<u>Revenue</u>	<u>2005</u>		<u>Revenue</u>
Owens Corning Fiberglass (Insulation)	\$	7,199,000	Owens Corning Fiberglass (Insulation)	\$	8,633,600
General Motor's Corp. (Auto Production)		6,494,700	CertainTeed Corp. (Insulation)		7,670,300
CertainTeed Corp. (Insulation)		6,342,700	General Motor's Corp. (Auto Production)		6,995,100
Procter & Gamble Co. (Cleaning Products)		4,126,000	WaterOne of Johnson County (Water Utility)		4,916,900
WaterOne of Johnson County (Water Utility)		4,074,200	Procter & Gamble Co. (Cleaning Products)		4,486,100
Univ. of Kansas Medical Ctr. (Hospital)		3,986,900	Univ. of Kansas Medical Ctr. (Hospital)		4,333,900
USD#500 KCK (Public School Dist.)		3,731,400	USD#500 KCK (Public School Dist.)		3,926,300
Griffin Wheel (Railroad Wheels)		2,945,400	Griffin Wheel (Railroad Wheels)		3,745,100
Colgate Palmolive Co. (Soap Manufacturer)		1,575,200	Colgate Palmolive Co. (Soap Manufacturer)		1,630,200
ConAgra (Food Manufacturer)		1,541,000	ConAgra (Food Manufacturer)		1,511,900
<hr/>					
<u>2006</u>		<u>Revenue</u>	<u>2007</u>		<u>Revenue</u>
Owens Corning Fiberglass (Insulation)	\$	9,651,500	General Motor's (Auto Production)	\$	8,013,000
General Motor's Corp. (Auto Production)		9,347,800	Owens Corning Fiberglass (Insulation)		6,713,100
CertainTeed Corp. (Insulation)		9,283,300	CertainTeed Corp. (Insulation)		6,227,200
WaterOne of Johnson County (Water Utility)		7,236,500	WaterOne of Johnson County (Water Utility)		4,928,200
Griffin Wheel (Railroad Wheels)		5,468,500	Univ. of Kansas Medical Ctr. (Hospital)		4,493,400
Univ. of Kansas Medical Ctr. (Hospital)		4,860,400	Griffin Wheel (Railroad Wheels)		4,344,100
USD#500 KCK (Public School Dist.)		4,649,700	Procter & Gamble Co. (Cleaning Products)		4,246,200
Procter & Gamble Co. (Cleaning Products)		4,648,100	Constar Plastics (Plastic Containers)		1,694,200
Magellan Pipeline Company (Petroleum Pipeline)		1,879,354	GNB Battery (Battery Manufacturer)		1,679,300
Constar Plastics (Plastic Containers)		1,862,998	Burlington Northern/Sante Fe (Railroad)		1,663,400
<hr/>					
<u>2008</u>		<u>Revenue</u>	<u>2009</u>		<u>Revenue</u>
General Motor's (Auto Production)	\$	8,636,200	Owens Corning Fiberglass (Insulation)	\$	8,411,448
Owens Corning Fiberglass (Insulation)		8,114,700	General Motor's (Auto Production)		7,775,949
Univ. of Kansas Medical Ctr. (Hospital)		6,577,700	CertainTeed Corp. (Insulation)		4,980,249
CertainTeed Corp. (Insulation)		5,120,500	Procter & Gamble Co. (Cleaning Products)		4,678,197
Griffin Wheel (Railroad Wheels)		4,819,500	Griffin Wheel (Railroad Wheels)		4,131,327
WaterOne of Johnson County (Water Utility)		4,557,700	Univ. of Kansas Medical Ctr. (Hospital)		3,849,712
Procter & Gamble Co. (Cleaning Products)		4,539,400	WaterOne of Johnson County (Water Utility)		3,394,275
Sunshine Biscuit (Food Manufacturer)		1,798,000	Univ. of Kansas Hospital Authority (Hospital)		3,224,570
Burlington Northern/Sante Fe (Railroad)		1,785,000	Magellan Pipeline Company (Petroleum Pipeline)		1,866,769
GNB Battery (Battery Manufacturer)		1,649,300	Burlington Northern/Sante Fe (Railroad)		1,855,297
<hr/>					
<u>2010</u>		<u>Revenue</u>	<u>2011</u>		<u>Revenue</u>
General Motor's (Auto Production)	\$	9,175,537	General Motor's (Auto Production)	\$	10,095,840
Owens Corning Fiberglass (Insulation)		7,616,293	CertainTeed Corp. (Insulation)	\$	6,959,810
CertainTeed Corp. (Insulation)		4,839,908	Owens Corning Fiberglass (Insulation)	\$	5,345,680
Griffin Wheel (Railroad Wheels)		3,987,251	Griffin Wheel (Railroad Wheels)	\$	5,183,123
Procter & Gamble Co. (Cleaning Products)		3,720,138	WaterOne of Johnson County (Water Utility)	\$	4,744,739
WaterOne of Johnson County (Water Utility)		3,643,474	Univ. of Kansas Hospital Authority (Hospital)	\$	3,979,728
Univ. of Kansas Hospital Authority (Hospital)		3,455,220	Procter & Gamble Co. (Cleaning Products)	\$	3,912,967
Univ. of Kansas Medical Center (Hospital)		2,679,192	Univ. of Kansas Medical Center (Hospital)	\$	3,406,181
Constar Plastics (Plastic Containers)		1,666,777	Sara Lee Foods Corporation (Packaged Foods)	\$	1,770,958
Magellan Pipeline Company (Petroleum Pipeline)		1,642,803	Magellan Pipeline Company (Petroleum Pipeline)	\$	1,731,142

Employee Data

Last Ten Fiscal Year

Fiscal Year	Salaries	Employee Benefits and Payroll Taxes (1)	Total Salary And Benefits (2)	Number of Employees As of December 31, (3)
2002	\$ 39,083,161	\$ 21,652,804	\$ 54,300,512	648
2003	\$ 40,973,315	\$ 22,986,055	\$ 57,383,705	655
2004	\$ 42,828,183	\$ 23,675,917	\$ 59,620,450	654
2005	\$ 44,713,512	\$ 25,027,720	\$ 62,554,049	658
2006	\$ 46,424,254	\$ 27,000,469	\$ 65,114,208	646
2007	\$ 48,138,161	\$ 27,744,880	\$ 67,634,617	643
2008	\$ 50,389,000	\$ 27,197,277	\$ 68,694,751	630
2009	\$ 50,111,000	\$ 29,879,099	\$ 70,923,124	617
2010	\$ 49,253,884	\$ 28,047,842	\$ 68,758,964	590
2011	\$ 50,254,375	\$ 29,605,619	\$ 71,778,420	598

- (1) Includes compensated absences that are also included in salaries
- (2) Excludes paid time not worked.
- (3) Excludes temporary employees and employees on long-term disability.



UNIFIED GOVERNMENT OF WYANDOTTE COUNTY / KANSAS CITY, KANSAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population		Personal Income <i>(thousands of dollars)</i>		Per Capita Personal Income	Public School Enrollment	Unemployment Rate	
2002	157,293	(1)	\$ 3,490,757	(3)	\$ 22,201	(3)	29,057	9.5%
2003	155,942	(1)	\$ 3,568,120	(3)	\$ 22,903	(3)	28,823	11.0%
2004	154,376	(1)	\$ 3,627,486	(3)	\$ 23,514	(3)	28,571	9.3%
2005	153,700	(1)	\$ 3,742,504	(3)	\$ 24,367	(3)	28,059	8.8%
2006	152,900	(1)	\$ 3,970,858	(3)	\$ 25,986	(3)	27,970	7.6%
2007	153,454	(1)	\$ 4,223,792	(3)	\$ 27,549	(3)	27,877	7.4%
2008	154,233	(1)	\$ 4,408,160	(3)	\$ 28,630	(3)	27,867	7.9%
2009	155,499	(1)	\$ 4,463,250	(3)	\$ 28,779	(3)	28,538	11.0%
2010	157,505	(2)	\$ 4,622,588	(4)	\$ 29,872	(4)	28,455	10.4%
2011	158,224	(1)	\$ 4,378,885	(4)	\$ 27,747	(4)	28,462	9.8%

Includes Kansas City Kansas #500, Turner #202, Piper #203, Bonner Springs #204 and the Parochial schools within Wyandotte County.

Notes:

¹ U.S. Dept of Commerce, Bureau of Census, Local Population Estimates, revisions post-2010 Census data release.

² 2010 U.S. Census Counts

³ Bureau of Economic Analysis

⁴ Estimates based on trends

UNIFIED GOVERNMENT OF WYANDOTTE COUNTY / KANSAS CITY, KANSAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2002</u>	
	<u>Employees in County (Employment Range)</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees in County (Employment Range)</u>	<u>Rank</u>
Kansas University Hospital	4000-4500	1	5.32%	2500-5000	4
General Motors Corporation	3500-4000	2	4.58%	2500-3600	2
Kansas City, KS School District #500	3500-4000	3	4.32%	2500-3600	3
University of Kansas Medical Center	2500-3499	4	3.54%	2500-3600	5
Burlington Northern/Santa Fe Railroad	2500-3499	5	2.96%	2500-3600	1
Unified Government of Wyandotte Co/KCK	1000-2499	6	2.67%	1000-2500	7
Providence Medical Center	1000-2499	7	1.33%	1000-2500	6
Nebraska Furniture Mart	1000-2499	8	1.32%	-	-
Hollywood Casino	1000-2499	9	1.30%	-	-
Associated Grocers	1000-2499	10	1.22%	400-499	19
United Parcel Service	-	-	-	750-999	8
Armor-Swift/Eckrich	-	-	-	500-749	9
Board of Public Utilities	-	-	-	500-749	10
	<u>24,316</u>		<u>28.56%</u>	<u>-</u>	



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Operating Information





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**Electric Rates
2006 thru 2011**

	May-06		Jan-07		Jul-10		Jan-11	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
Residential								
Rate Code 100								
Customer Charge:	\$ 6.43	\$ 6.43	\$ 6.60	\$ 6.60	\$ 7.06	\$ 7.06	\$ 13.00	\$ 13.00
Energy Charge:								
First 1,000 kWh	0.0548	0.0548	0.0563	0.0563	0.0602	0.0602	0.0640	0.0495
Next 1,000 kWh	0.0655	0.0259	0.0672	0.0266	0.0719	0.0285	0.0750	0.0480
All Additional kWh	0.0966	0.0259	0.0992	0.0266	0.1061	0.0285	0.0940	0.0480
Residential Electric Heating								
Rate Code 101 (Started Jan-2011)								
Customer Charge:							13.00	13.00
Energy Charge:								
First 1,000 kWh							0.0640	0.0495
Next 1,000 kWh							0.0750	0.0350
All Additional kWh							0.0940	0.0300
Small General Service								
Rate Code 200								
Customer Charge:	16.07	16.07	16.50	16.50	17.66	17.66	25.00	25.00
Energy Charge:								
First 3,500 kWh	0.0690	0.0690	0.0708	0.0708	0.0758	0.0758	0.0760	0.0660
All Additional kWh	0.0109	0.0109	0.0112	0.0112	0.0120	0.0120	0.0320	0.0220
Facilities Charge:								
Secondary Service	2.41	2.41	2.47	2.47	2.64	2.64	2.40	2.40
Primary Service	1.26	1.26	1.29	1.29	1.38	1.38	1.90	1.90
Demand Charge:								
First 10 kW	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge
All Additional kW	5.89	5.89	6.05	6.05	6.47	6.47	6.50	6.50
Metering Adjustment:								
Primary	-2.30%	-2.30%	-2.30%	-2.30%	-2.30%	-2.30%	2.00%	2.00%
Secondary	NA	NA	NA	NA	NA	NA	NA	NA
Customers without Demand Meters								
All kWh	0.0762	0.0762	0.0762	0.0762	0.0815	0.0815	0.0910	0.0840
Medium General Service Rate								
Rate Code 250 (Started Jan-2011)								
Customer Charge:							55.00	55.00
Energy Charge:								
First 300 kWh per kW							0.0450	0.0350
All Additional kWh							0.0150	0.0130
Facilities Charge:								
Secondary Service							2.96	2.96
Primary Service							2.34	2.34
Demand Charge:								
All Additional kW							6.55	6.55
Metering Adjustment:								
Primary							NA	NA
Secondary							2.0%	2.0%

** Rate Component Information Available for 2006-2011

**Electric Rates
2006 thru 2011**

	May-06		Jan-07		Jul-10		Jan-11	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
Large General Service Rate								
Rate Code 300	37.49	37.49	38.48	38.48	41.17	41.17	120.00	120.00
Customer Charge:								
First 300 kWh per kW	0.0338	0.0338	0.0347	0.0347	0.0371	0.0371	0.0390	0.0300
All Additional kWh	0.0099	0.0099	0.0102	0.0102	0.0109	0.0109	0.0130	0.0130
Facilities Charge:								
Secondary Service	2.35	2.35	2.42	2.42	2.59	2.59	2.96	2.96
Primary Service	1.23	1.23	1.26	1.26	1.35	1.35	2.34	2.34
Demand Charge:								
All Additional kW	5.62	5.62	5.77	5.77	6.17	6.17	7.55	7.55
Metering Adjustment:								
Secondary	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.0%	2.0%
Primary	NA	NA	NA	NA	NA	NA	NA	NA
Large Power Service Rate								
Rate Code 400	107.10	107.10	109.94	109.94	117.64	117.64	250.00	250.00
Customer Charge:								
First 300 kWh per kW	0.0198	0.0198	0.0203	0.0203	0.0217	0.0217	0.0214	0.0194
All Additional kWh	0.0098	0.0098	0.0101	0.0101	0.0108	0.0108	0.0102	0.0092
Facilities Charge:								
Secondary Service	2.35	2.35	2.42	2.42	2.59	2.59	2.42	2.42
Primary Service	1.23	1.23	1.26	1.26	1.35	1.35	1.93	1.93
Substation Service	0.37	0.37	0.38	0.38	0.41	0.41	0.73	0.73
Demand Charge:								
First 4,000 kW	6.64	6.64	6.82	6.82	7.30	7.30	7.94	7.94
Next 6,000 kW	6.64	6.64	6.82	6.82	7.30	7.30	7.94	7.94
All Over 10,000 kW	6.64	6.64	6.82	6.82	7.30	7.30	7.94	7.94
Metering Adjustment:								
Primary	NA	NA	NA	NA	NA	NA	NA	NA
Secondary	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Substation	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-2.8%	-2.8%
Transmission	-4.3%	-4.3%	-4.3%	-4.3%	-4.3%	-4.3%	-3.3%	-3.3%
Average Energy Rate Component (ERC)								
	2005	2007	2008	2009	2010	2011		
	0.03255	0.02445	0.02896	0.03102	0.02370	0.02761		
Environmental Surcharge (ESC)								
Rate Code 100 (kWh)	NA	NA	NA	NA	NA	0.00068		
Rate Code 200 (kWh)	NA	NA	NA	NA	NA	0.00101		
Rate Code 250 (kW)	NA	NA	NA	NA	NA	0.20896		
Rate Code 300 (kW)	NA	NA	NA	NA	NA	0.20896		
Rate Code 400 (kW)	NA	NA	NA	NA	NA	0.20033		

Metering Adjustment for years 2006-2010:
When a meter is installed which does not compensate for transformer losses, the customer's total bill, including any adjustments, will be adjusted according to the percentages.

Metering Adjustment for year 2011:
When a meter is installed which does not compensate for transformer losses, the customer's metered kWh and kW shall be adjusted according to the percentages.

** Rate Component Information Available for 2006-2011

Water Rates
2006 thru 2011

Meter Size	May-06		Jan-07		Jan-08		Jul-10		Jan-11	
	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5/8"	11.85	12.03	12.20	12.39	12.69	12.89	13.65	13.65	15.55	15.55
3/4"	12.30	12.51	12.67	12.89	13.18	13.40	16.60	16.60	18.95	18.95
1"	14.26	14.55	14.69	14.99	15.27	15.59	20.70	20.70	23.60	23.60
1.5"	19.21	19.75	19.79	20.34	20.58	21.16	32.50	32.50	37.00	37.00
2"	25.16	25.99	25.91	26.77	26.95	27.84	44.20	44.20	50.40	50.40
3"	43.96	45.74	45.28	47.11	47.09	49.00	96.00	96.00	109.50	109.50
4"	68.72	71.75	70.78	73.90	73.62	76.86	154.50	154.50	176.00	176.00
6"	133.08	135.16	137.07	139.22	142.55	144.78	301.00	301.00	343.00	343.00
8"	187.53	190.47	193.16	196.18	200.89	204.03	449.00	449.00	512.00	512.00
10"	296.44	301.08	305.33	310.11	317.55	322.52	596.00	596.00	679.00	679.00
12" and Larger	433.49	440.28	446.50	453.49	464.36	471.63	682.00	682.00	778.00	778.00

Monthly Customer Access Charge

Monthly Minimum Bill

5/8"	11.85	22.74	12.20	23.42	12.69	24.36	13.98	25.57	15.90	24.00
3/4"	25.02	32.86	25.77	33.85	26.80	35.20	32.16	38.78	35.49	40.07
1"	34.63	49.30	35.67	50.77	37.10	52.81	45.33	56.67	49.78	57.76
1.5"	62.31	85.92	64.18	88.50	66.74	92.04	80.99	98.45	88.35	100.63
2"	93.37	135.28	96.17	139.34	100.02	144.92	121.21	151.18	131.84	153.02
3"	168.32	244.98	173.37	252.33	180.31	262.43	231.21	289.41	252.34	283.17
4"	271.55	404.06	279.80	416.18	290.99	432.83	372.64	473.62	406.33	477.25
6"	539.33	761.17	555.51	784.00	577.73	815.36	734.48	900.35	800.51	917.17
8"	851.59	1,072.63	877.14	1,104.81	912.23	1,149.00	1,172.03	1,291.92	1,274.98	1,359.40
10"	1,279.74	1,695.55	1,318.13	1,746.42	1,370.86	1,816.28	1,681.32	1,927.22	1,824.19	1,997.03
12" and Larger	1,649.71	2,479.44	1,699.20	2,553.83	1,767.17	2,655.98	2,030.68	2,625.77	2,201.03	2,619.47

CCF Units

Per Month	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
0 to 7	2.762	3.057	2.845	3.149	2.959	3.275	3.310	3.310	3.520	3.520
8 to 160	2.749	3.057	2.832	3.149	2.945	3.275	2.910	2.910	3.070	3.070
161 to 2000	2.643	3.057	2.696	3.149	2.750	3.275	2.910	2.910	3.070	3.070
2001 to 8000	1.983	3.057	2.023	3.149	2.063	3.275	2.063	2.063	2.060	2.060
All over 8000	1.269	3.057	1.294	3.149	1.320	3.275	1.620	1.620	1.990	1.990

Private Fire Protection Rates

2"	7.04	7.04	7.49	7.49	7.97	7.97	7.97	7.97	7.97	7.97
4"	18.05	18.05	19.21	19.21	20.44	20.44	20.44	20.44	20.44	20.44
6"	44.04	44.04	46.86	46.86	49.86	49.86	49.86	49.86	49.86	49.86
8"	88.51	88.51	94.18	94.18	100.21	100.21	100.21	100.21	100.21	100.21
10"	155.42	155.42	165.36	165.36	175.95	175.95	175.95	175.95	175.95	175.95
12" and Larger	248.30	248.30	264.19	264.19	281.10	281.10	281.10	281.10	281.10	281.10

** Rate Component Information Available for 2006-2011

**WATER OPERATING INDICATORS
LAST 10 FISCAL YEARS**

Water System:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Miles of Water Mains	924.12	933.58	945.59	956.83	962.63	964.33	965.39	963.18	964.75	966.56
Number of New Service Taps	Not Available	473	581	593	554	398	280	129	117	123
Max. Day Pumped (Gallons)	42,050,000	44,660,000	45,920,000	48,650,000	47,870,000	45,470,000	43,640,000	39,050,000	40,250,000	45,860,000
Min. Day Pumped (Gallons)	22,010,000	24,020,000	20,200,000	26,220,000	26,420,000	24,220,000	24,220,000	24,620,000	24,620,000	24,220,000
Max. Rate (MGD)	54	54	54	54	54	54	54	54	54	54
Water Main Breaks	635	681	560	504	599	633	505	457	570	637
Avg daily consumption (gallons)	29,080,000	28,320,000	31,840,000	34,450,000	34,880,000	33,130,000	32,040,000	29,770,000	30,350,000	31,320,000

**Staffing By Division
2006 - 2011 Budget**

Department	2006 Approved	2007 Approved	2008 Approved	2009 Approved	2010 Approved	2011 Approved
1000 ES Administration	2	1	6	6	6	5
1100 EP Administration	12	11	9	9	9	7
1101 Maintenance and Planning	5	6	3	3	3	3
1103 EP Engineers Common	4	3	3	4	4	4
1200 KAW Plant Common	1	1	1	1	1	1
1301 EP Maintenance-Quindaro	23	23	23	21	21	20
1302 EP Operations-Quindaro	40	38	38	38	38	38
1303 EP Engineering - Quindaro	3	3	3	3	3	3
1401 EP Maintenance-Nearman	22	22	22	20	20	17
1402 EP Operations-Nearman	35	35	35	35	35	35
1403 EP Engineering - Nearman	3	3	2	3	3	3
1500 Common Plant Maintenance	56	47	46	41	41	45
1600 Electric System Control	19	23	22	22	22	22
1700 Environmental Services	6	6	5	5	5	7
Total Electric Production & Supply	231	222	218	211	211	210
1900 EO Administration	2	2	2	2	2	3
2100 EO Transmission	90	89	87	86	87	87
2200 EO Substation / Relay	12	12	12	12	12	12
2300 Telecommunications	7	7	7	7	7	7
2410 IT Administration	3	1	1	1	1	1
2420 Desktop	3	2	2	2	2	4
2430 Applications	9	8	8	8	8	12
2500 EO Grounds / Claims	1	1	1	1	1	2
2600 EO Transportation	26	26	26	24	24	23
2700 EO Electrical Engineering	23	23	23	24	24	24
2800 EO Elec Meters & Services	25	25	24	23	23	21
2900 EO Traffic Signal	5	6	6	6	5	5
Total Electric Operations & Technology	206	202	199	196	196	201
3700 Water Meters/Services	31	31	31	25	26	26
3900 Maintenance Nearman	7	7	7	7	7	6
4000 Process Administration	3	3	2	2	3	3
4100 Laboratory	10	10	10	10	9	9
4200 WO Mains	27	27	27	33	33	33
4400 WP Support Services	6	6	6	6	6	6
4500 Water Administration	2	2	2	2	1	1
4600 Water Civil Engineering	16	16	16	15	15	15
4800 Operations Nearman	9	9	9	8	8	9
Total Water	111	111	110	108	108	108
5000 Customer Relations	14	13	13	13	12	12
5100 Cash Operations	8	8	8	8	8	8
5200 Collections	19	19	19	19	19	19
5300 Meter Reading	27	28	28	28	27	22
5600 Revenue Protection	6	6	5	5	5	4
5800 CS Administration	6	6	6	6	6	6
6200 Customer Accounting	8	8	8	8	8	8
7900 Utility Svcs	3	3	3	2	2	3
Total Customer Services	91	91	90	89	87	82
6100 Accounting	18	18	18	18	18	18
6300 Purchasing	5	5	5	5	5	4
6400 Stores	27	27	27	26	26	24
7000 General Managers Office	5	5	5	5	7	5
7100 Public Affairs	1	1	1	1	1	2
7200 HR Administration	1	1	2	1	0	0
7300 Internal Audit	3	3	3	0	0	0
7400 Employee Relations	6	6	6	7	5	5
7500 Employment Wage/Salary	4	4	1	1	1	1
7600 Safety & Security	1	1	2	2	2	2
7700 Training & Career Development	2	2	2	1	1	1
8600 Administrative Services	3	3	3	3	3	3
8700 Image Processing	5	5	5	5	5	5
8800 Central Mail	2	2	2	2	2	2
Total Administrative	83	83	82	77	76	72
Overall Total Number Of Approved Positions	722	709	699	681	678	673

** Staffing Information Available for 2006-2011



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**Kansas City
Board of Public Utilities**

**540 Minnesota Avenue
Kansas City, Kansas 66101
913-573-9000
www.bpu.com**

