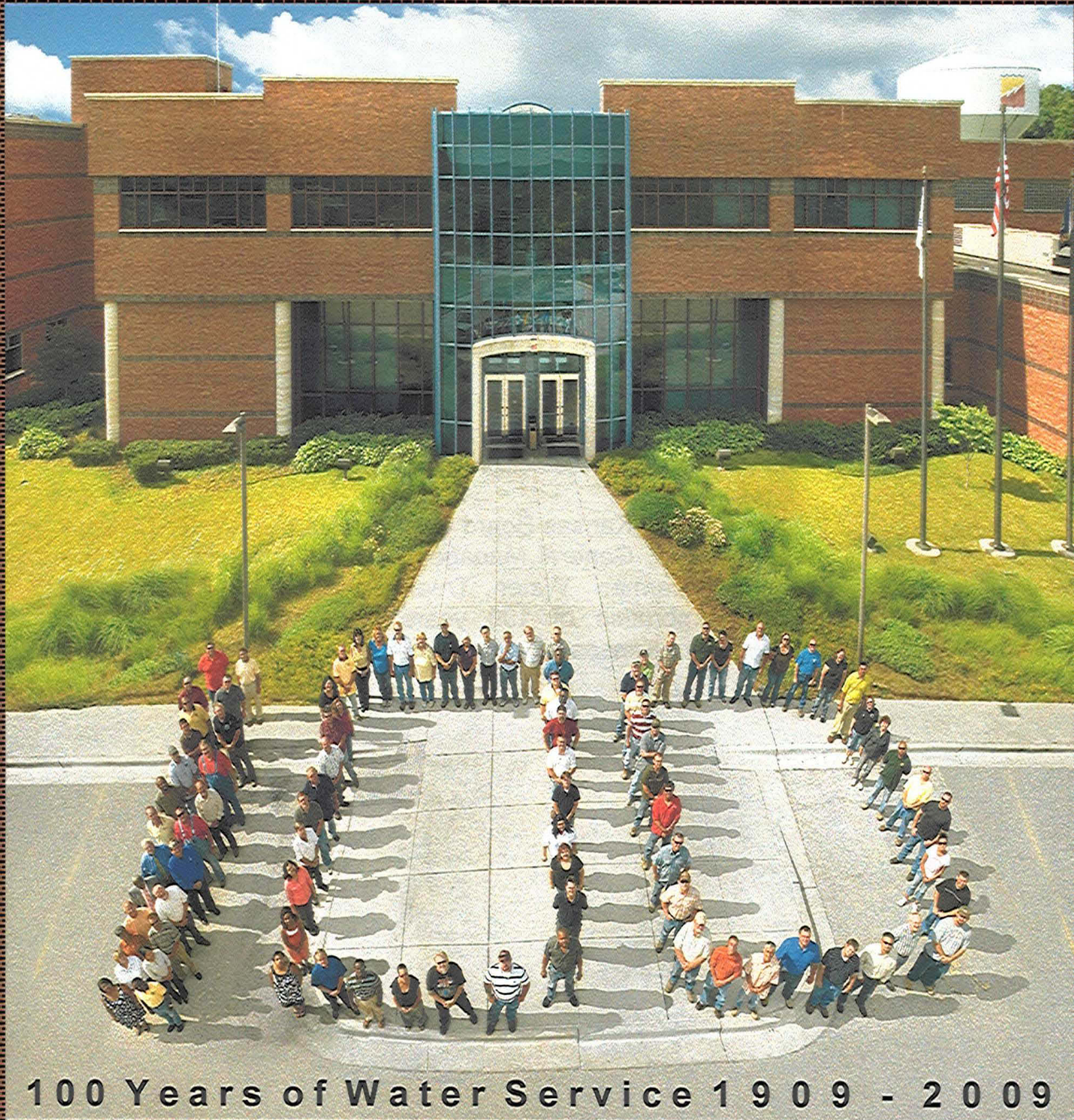




# Board of Public Utilities

Serving the Water and Electric Needs of  
Kansas City Kansas



100 Years of Water Service 1909 - 2009

Comprehensive Annual Financial Report  
For Year Ended: December 31, 2009

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

### About the Cover

**Photographer:** Jim Lightfoot

**Cover Design:** Laurie Brough, Director of Administrative Services

**Photo:** Kansas City Kansas Board of Public Utilities' Water Division Employees, General Manager, and Board Members at the BPU Nearman Water Treatment Facility. Photo in commemoration of 100 years of providing BPU Water Service to Kansas City Kansas.

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

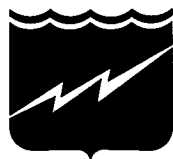
**Comprehensive Annual  
Financial Report  
For Year Ended  
December 31, 2009**

**2009 Board of Directors**

**President - Loretta M. Colombel  
Vice President – John M. Pettey  
Secretary – Terry Eidson**

**David Alvey  
Mary L. Gonzales  
Robert L. Milan, Sr.**

**General Manager  
Don L. Gray**



# Kansas City Board of Public Utilities

## Table of Contents

### Introductory Section

Letter of Transmittal .....	1
Certificate of Achievement for Excellence in Financial Reporting.....	6
President's Message .....	7
Board of Directors Profiles - 2009 .....	9
General Manager's Message .....	12
Senior Management Profiles - 2009 .....	15
Organization Chart.....	17

### Financial Section

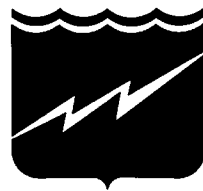
Independent Auditors' Report .....	18
Management's Discussion and Analysis .....	20
Basic Financial Statements	
Balance Sheets .....	27
Statements of Revenues, Expenses and Changes in Net Assets .....	29
Statements of Cash Flows .....	30
Notes to Basic Financial Statements .....	31
Required Supplementary Information	
Schedule 1 – Schedule of Funding Progress - Pension .....	60
Schedule 2 – Schedule of Funding Progress - Postretirement .....	61
Supplementary Information	
Schedule 3 – Combining Balance Sheets .....	62
Schedule 4 – Combining Schedule of Revenues, Expenses and Changes in Net Assets .....	64
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters .....	65

### Statistical Section (Unaudited)

Table of Contents .....	67
Financial Trends	
Net Assets by Component .....	68
Combined Operating Statements .....	69
Revenue Capacity	
Electric Utility System Sales .....	70
Water Utility Sales .....	71
Debt Capacity	
Utility System Revenue Bonded Indebtedness .....	72
Debt Maturity Schedules.....	73
Demographic and Economic Information	
Electric Load Statistics in Kilowatts .....	76
Principal Electric and Water Customers.....	77
Employee Data .....	78
Demographic and Economic Statistics .....	79
Principal Employers .....	80
Operating Information	
Utility System Plant Additions.....	81

# INTRODUCTORY SECTION

---





May 6, 2010

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, 2009. 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, 2009 and 2008, 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 54,000 water customers.

The Electric Utility has three electric power generating stations and four 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"), the Quindaro Power Station ("Quindaro Station"), and the Kaw Power Station ("Kaw Station").

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 Kaw Station has three coal and/or gas fired steam units. All three units were taken out of service and placed in cold stand-by at the end of 1997. Currently there are no plans to activate either unit.

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 23 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. The Utility also has 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. The wind farm was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties in Kansas. 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 54,000 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 currently average day and maximum day are approximately 34 million gallons per day (MGD) and 46 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 and is currently in the calibration and testing stage.

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 72.45 miles of primary and trunk lines ranging in size from 24 to 48 inches. From these mains, water is delivered through a system of 891.33 miles of secondary water mains. The Utility has approximately 30.4 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 U. S. Census Bureau, Wyandotte County's estimated population for 2008 was 154,287. Compared to population trends in the prior decades, the current estimates indicate a more stable population. The median age is 33.7 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 \$224 million, is a 1.5-mile tri-oval on approximately 1,200 acres of land, with 68 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 2008. The initial anchor businesses and attractions include: Cabela's, World's Foremost Outfitter, 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.

### **Major Initiatives**

The Board of Public Utilities is currently working to complete the construction of the Wolcott substation and the Piper West 161kV transmission line to 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 been announced near the Kansas Speedway Tourism District which include; a \$203 million, 18,000 seat capacity soccer stadium for the Kansas City MLS franchise, The Wizards, set to open in the summer of 2011. A Hollywood-themed casino overlooking Turn 2 at the Kansas Speedway located near the proposed soccer stadium. The casino proposal calls for 2,300 slot machines and 86 table games and is anticipated to have 4.3 million people visit annually and generate \$225 million in gaming revenue during its first year of operation. The project is expected to open in the first half of 2012.

The electric utility is also working to upgrade the East Fairfax Substation to increase distribution capacity and improve service to the Fairfax Industrial customers. In the Fairfax Industrial district, the General Motors Fairfax Plant recently announced they will spend a total of \$136 million to get the Fairfax plant ready for the new Chevy Malibu. The Kansas City plant will be the new car's primary production site. In 2007, General Motors began building the redesigned Chevrolet Malibu. The Fairfax plant also began production of the popular Buick LaCrosse in 2009. Kellogg's Snack Division, also located in the Fairfax Industrial Park, underwent a \$33 million expansion to manufacture three new product lines.

The Board of Public Utilities is expected to complete a compressive Cost of Service study for both the Electric and Water utilities in 2010. Based upon the results of the study it is expended the Board will seek rate increases in 2010, 2011, 2012, and 2013. The rates would be to support a 4 years plan to restore cash reserves and debt service coverage and support a 5 year \$355 million dollar capital plan.

### **Cash Management Policies and Practices**

BPU has a comprehensive cash and investment management program. Various investment restrictions are contained in the indenture and charter ordinance authorizing the revenue bonds for the BPU utility system, along with statutory restrictions contained in state law. These restrictions basically identify the type of investments that may be authorized. All of BPU's demand accounts were fully collateralized at least 102% with a third party. BPU prepares an annual cash flow worksheet, and a 90-day cash worksheet, all of which aids BPU in making the best investment decisions and has helped in short and long range planning. Through these procedures, BPU has been able to out-perform the 6-month T-bill rate.

### **Risk Management**

BPU has a comprehensive risk management program. This program includes coverage as provided for in the following policies: (1) Property/Boiler "All Risk," (2) Comprehensive Crime (Employee Dishonesty), (3) Special Fuels or User Bond, (4) Umbrella Liability, (5) Excess Workers' Compensation, (6) Public Official and Employee Liability, (7) Travel, and (8) Automobile Insurance. The risk management program is in compliance with the Trust Indenture of the outstanding bonds. Note 10(e) covers the risk related to BPU's workers' compensation program and the self-funded health insurance program. Risk issues are addressed in a proactive manner by providing specific training, which will minimize or prevent risk exposure.

### **Pension and Other Post Employment Benefits**

The BPU provides through the Employers Retirement Pension Plan (the Plan) pension benefits for all of its full-time employees who are 25 years of age or older. The Plan is a single-employer contributory defined benefit pension plan. Note 10(c) exhibits the Plan specifics.

## **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 \$296.7 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 \$296.7 million is expected to be bond financed. The water capital improvement plan identifies approximately \$59.3 million in projects, of which \$45.2 million are projected to be bond financed.

On January 22, 2009, the Board of Public Utilities issued Utility Improvement Revenue Bonds Series 2009A in the amount of \$57,575,000 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, 2008. This was the twenty-eighth 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 2009 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 twenty-ninth 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 6, 2010

# 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, 2008

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



President

Executive Director

## **PRESIDENT'S MESSAGE**

For 100 years, the Kansas City Board of Public Utilities (BPU) has been providing electric and water service to Wyandotte County. Today, BPU is recognized as one of the top utilities in the United States, providing dependable and affordable utility services, helping bring economic development to the entire community, and contributing thousands of dollars and hundreds of hours of volunteer service and support to the community.

In 2009, BPU remained focused on reducing costs and improving efficiencies, meeting customer growth demands, improving customer service, maintaining open and transparent communications, and providing quality electric and water service at the most affordable price. BPU achieved these goals while maintaining the same quality service and reliability its customers have come to expect.

During this period, BPU received the "2009 Directors Award of Recognition" from the *Partnership for Safe Water*, a national volunteer initiative developed by the Environmental Protection Agency (EPA) and other water organizations representing water suppliers striving to provide their communities with drinking water quality that surpasses the required federal standards. BPU was the first utility in the metropolitan area and state of Kansas to be recognized with this honor.

The 2009 budget continued BPU's commitment to cutting costs and doing more with less. In particular, the budget reduced the number of BPU staff positions 18, a reduction of 41 positions since 2006. Moreover, utility rates remained comparable, and even lower, than most other local utilities as well as the national average. BPU was also able to cut the Summer and Winter ERC rates in 2009, reducing the average residential utility's customer bill by \$2.50 month and \$4.86 a month during these respective periods.

One of BPU's goals this past year to provide clean, reliable, and affordable energy to customers and the community. The award-winning utility proactively worked to reduce customer energy demand, encourage energy conservation, and promote energy efficiency throughout 2009. Through ongoing efforts with the Unified Government, State and Federal officials, industry groups, and environmental organizations, BPU supported and promoted technologies and programs to reduce overall greenhouse gases both now and in the future. From "energy saving" workshops to consumer awareness programs to free high-efficiency CFL bulb give-aways, BPU lead industry efforts to reduce overall energy demand and protect the environment. In addition, BPU activated its Climate Protection Committee this past year, working to calculate and reduce the utility's own carbon footprint in the future.

BPU was also committed to bolstering its accountability measures over the last 12 months, creating a new Audit Committee and Internal Audit charters, which were adopted by BPU's Board of Directors, in consultation with Grant Thornton LLP, a third-party service provider of internal audit services. The purpose of these new charters was to implement a framework for BPU to effectively measure performance, enhance its ability to prevent fraud, undertake independent investigations, and achieve better oversight of the organization.

In 2009, BPU and its associates continued to provide volunteer, civic, financial, and philanthropic support to the community. The annual BPU Charity Golf Tournament raised \$25,000 for the Bethel Community Center and has raised more than \$400,000 for other children's organizations since its inception, and the utility and its associates was one of the

top performers for the region's United Way Campaign. BPU helped host the annual downtown holiday lighting ceremony and sponsored several Summer Youth Programs, while the Employees Foundation sponsored an Easter Egg Hunt for seniors and helped raise funds for back-to-school supplies for local schools.

BPU achieved a number of accomplishments over the last 12 months. The utility will continue working to meet the community's electric and water needs without losing sight that as a public utility, its primary mission is to ensure reliable and affordable utility services to its customers, while doing so in an open, transparent, and responsible manner.

Sincerely,



Loretta Colombel  
President, Board of Directors  
May 6, 2010

**Board of Directors – 2009**

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.



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

Ms. Colombel currently serves as President of the Board. 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.

Her husband is William Epperheimer, past publisher of the Kansan newspaper and current President & CEO of the Wyandotte Health Foundation. She is the mother of two sons, Keith and Mark.



**John M. Petty**  
**Vice President**  
**Member, Third District**  
**Elected 1995-1999**  
**Re-elected 1999-2003**  
**Re-elected 2003-2007**  
**Re-elected 2007-2011**

Mr. Petty served as President of the Board in 2001-2002, and Secretary from 2005-2007.

A life-long resident of the Turner area, Mr. Petty is semi-retired from the real estate and insurance business. He is a substitute teacher in the Turner School District and manages several properties. In addition, he is active in the Turner Lions Club, on the board of United Way's Tri-County Smart Start program and President of the Argentine Activities Association.

He is Past President of the Independent Insurance Agents of Kansas City, Kansas. He was also an officer of the Wyandotte County Parks Board and Past President of the Argentine Breakfast Club.

He attended Ottawa University and Washburn University.



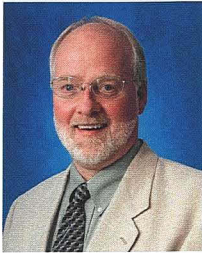
**Terry Eidson**  
**Secretary**  
**Member, at Large**  
**Elected 2007-2011**

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 37 years.

**Board of Directors – 2009 – (continued)**

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.

For the past 31 years he has served on the board of directors of two local banks, Wyandotte County Bank and First Community Bank.



**David Alvey**  
**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.

David and his wife Ann Marie are the parents of five children: Juliana, Christiana, Joseph, Mariana and Analisa.



**Mary L. Gonzales**  
**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.

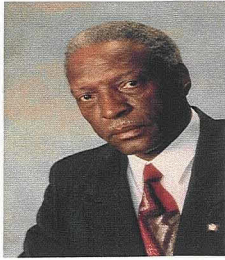
Besides her BPU Board and other community activities, she serves on the Board of Directors of El Centro and City Vision Ministries. She also is active in the Ball Family Center Charter Advisory Council of the YMCA, and is a member of the American Public Power Association and the American Water Works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

Mary is married to John Mendez and has three sons and two step-daughters.

**Board of Directors – 2009 – (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**

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.



## GENERAL MANAGER'S MESSAGE

The Kansas City Board of Public Utilities (BPU) has been providing dependable and quality electric and water utility services to Wyandotte County for 100 years. As a municipal agency of the Unified Government of Wyandotte County/Kansas City, Kansas, BPU is governed by an elected six-member board of directors.

As a not-for-profit publicly owned utility, BPU's primary focus remains its customers and the community. In 2009, BPU continued its on-going mission of providing low-cost electric and water service to the community in a safe, reliable and dependable manner.

The utility's regard for customer service, as well as industry-leading achievements in business operations, has resulted in BPU being recognized as one of the top public utilities in the country. Adding to this, in 2009 BPU was the first utility in the region to receive recognition from the Partnership for Safe Drinking Water, an initiative developed by the Environmental Protection Agency (EPA) and other water organizations. Less than one percent of all utilities nationwide have received this award.

Today, BPU provides electric service to 65,000 customers and water service to 54,000 customers over a 127 square mile area. The utility's electric system includes two active power stations, 29 substations, 3,000 miles of electrical lines, and responsibility for 9,000 traffic signal heads, 6,000 fire hydrants, and 19,000 street lights. The water system includes a state-of-the-art water treatment facility, four pump stations, and 1,000 miles of water pipes.

In 2009, BPU continued to implement facets of its master plan and overall strategic plan, working to manage existing growth and prepare for future needs in the community. BPU continued to hold its base rates at 2007 levels throughout 2009, and BPU customers enjoyed some of the lowest rates in the region.

BPU operations and functions continued to exceed expectations this past year. Highlights include, among others:

### *Electric Generation*

- BPU facilities generated approximately 2.4 million MWh in 2009, while procuring 145,000 MWh of federal hydropower renewable energies and over 52,000 MWh of green energy received from the Smoky Hills Wind Farm near Salina, KS.

- Initiated a Joint Generation Resource Study with other Kansas public power utilities to evaluate the potential for collaboration in future energy supply additions.
- Net energy delivered to the Kansas City, Kansas system was down 5.5%.
- System fuel costs were down 3.3% per kWh.

#### *Electric Operations*

- Continued construction of the Wolcott substation and Piper-Wolcott 161 kv line, allowing an inter-tie with KCP&L transmission line and providing redundant energy protection to Western Wyandotte County.
- Provided new electric service to Plaza by the Speedway shopping district, Schlitterbahn Vacation Village, and WaterOne treatment facility.
- Developed new Net Metering policy to allow electric customers to interconnect renewable energy sources to distribution system.
- Installed new Geographic Information System (GIS) for electric system modeling and enterprise integration.
- Installed new Outage Management System (OMS) and Interactive Voice Response System (IVR) for improved outage response and system restoration.

#### *Water*

- BPU surpassed and exceeded all federal, state, and local water quality standards in the BPU 2009 Water Quality Report.
- Put into service a new 2 million gallon (MG) elevated water tank located in Argentine.
- BPU responded to 19,147 water service calls, performed 8,208 service turn on and turn-offs, and received 3,277 troubles calls, produced 11.7 billion gallons of water, replaced 2,748 water meters, repaired and replaced 284 water valves and 202 fire hydrants while achieving a five-year low in the number of main breaks 457.

#### *Utility Wide*

- The utility adopted a 2009 budget that proposed no water or electric rate increase for BPU customers, continued efforts to cut costs, and eliminated 18 additional BPU staff positions over 2008.
- Continued the utility's volunteer, civic, and financial support for organizations and charities within its service area, donating thousands of dollars and hundreds of hours of community service.

As the community continues to grow, BPU remains focused on the long-term sustainability of the utility, including maintenance and replacement of aging infrastructure, determining future power generation needs, improving internal

efficiencies to further reduce costs, and providing open and transparent communication with customers and the community.

BPU continues working today to meet the electric and water utility needs of the community tomorrow. We continually strive to remain one of the top-ranked public utilities in the country and remain committed to improving the quality of life for our customers.

For more information about BPU, please visit our Web site at [www.bpu.com](http://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 6, 2010

## **Senior Management – 2009**

### **Don L. Gray General Manager**

Don Gray has worked at BPU for more than 39 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. He also serves on the Board of Directors of AWWA.

Mr. Gray 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.

Seventeen 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 \$300,000 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. He is married to Cindy Gray and has two grown children.

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

**Darrell D. Dorsey, Manager  
Electric Production & Supply**

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

**James A. Mason, Manager  
Customer Services**

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

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

## Executive Staff and Department Heads 2009

Robert D. Adam, Director  
Electric System Control

Laurie D. Brough, Director  
Administrative Services

Patrick J. Cassidy, Director  
Environmental Services

Samuel W. Deleon, Director  
Human Resources

Blake L. Elliott, Director  
Electric Supply Planning

John D. Frick, Director  
Electric Production Engineering

John M. Fuentez, Director  
Electric Production Operations

Stephen E. Green, Director  
Water Distribution

Durward M. Johnson, Director  
Water Processing

William F. Kamm, Director  
Production Supply Services

Michael D. Kline, Director  
Electric Transmission & Distribution

David E. Mehlhaff  
Public Affairs Officer

Patrick J. Morrill, Director  
Electrical Engineering

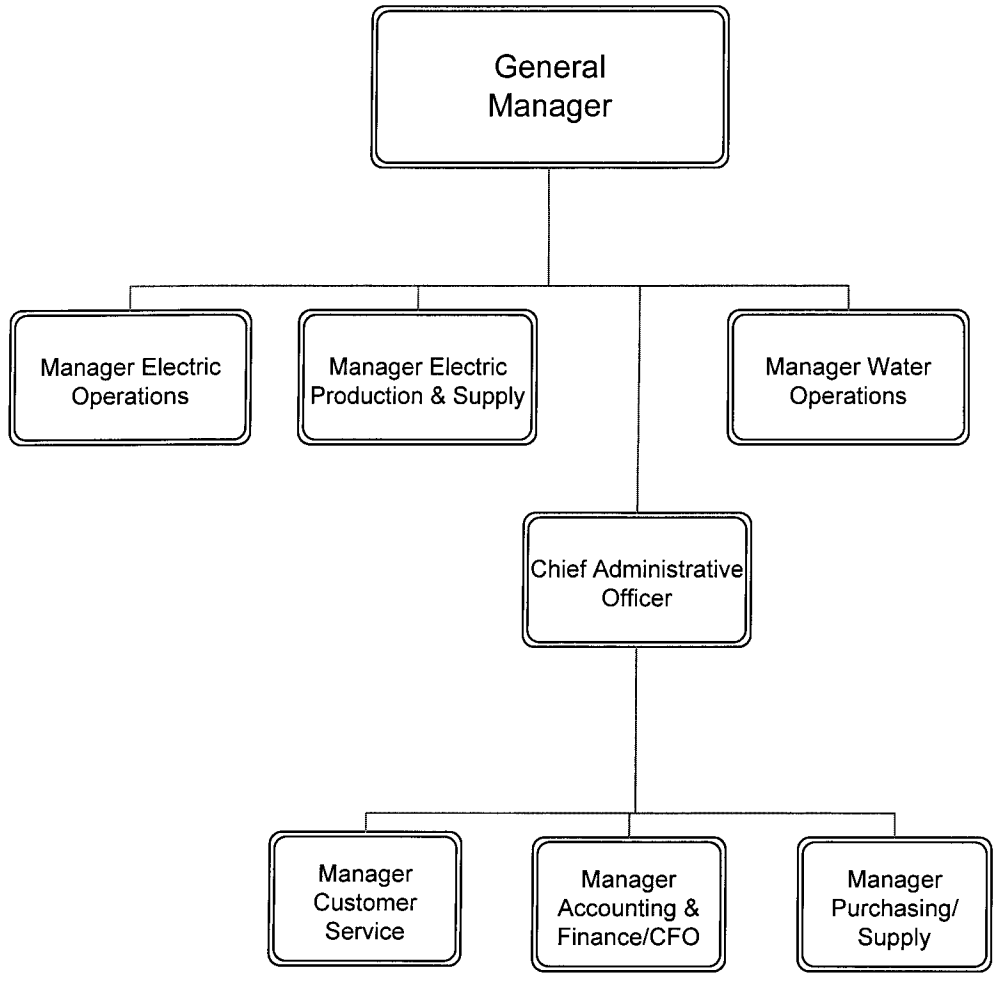
Randal J. Otting, Director  
Accounting

Paul M. Pausick, Director  
Information Technology

Dong T. Quach, Director  
Electric Production Maintenance

Chris D. Stewart, Director  
Civil Engineering





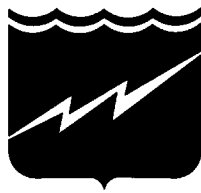
Accounting Civil Engineering Construction / O & M Customer Service Electric Metering & Services Electric Production Engineering Electric Production Maintenance Electric Production Operations Electric System Control Electric Transmission & Distribution	Electrical Engineering Employee Relations Employment 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
--	---	---



**This page has been left intentionally blank.**

# 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, 2009 and 2008, 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, 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, 2009 and 2008, 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 (r) to the financial statements, the BPU adopted in 2008 the disclosure provisions in GASB No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2010 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.

The accompanying management's discussion and analysis on pages 3 through 9 and schedules of funding progress on pages 43 and 44 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 45 to 47 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 6, 2010

**BOARD OF PUBLIC UTILITIES**  
Management Discussion and Analysis  
December 31, 2009 and 2008

**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 private-sector business.

The balance sheet presents information on all of the 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 the BPU's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon 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 our discussion and analysis of the BPU's financial performance for the years ended December 31, 2009, 2008, and 2007. This analysis should be read in conjunction with the financial statements and notes thereto.

**BOARD OF PUBLIC UTILITIES**  
Management Discussion and Analysis  
December 31, 2009 and 2008

The following tables summarize the financial condition and operations of the BPU as of and for the three years ended December 31, 2009:

<b>Assets</b>	<b>Balance Sheet Summary</b>		
	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
Capital assets, net	\$ 689,463,474	694,016,598	693,985,594
Current assets	103,573,718	104,154,283	107,957,722
Other noncurrent assets	50,670,407	15,808,449	16,492,476
	<u>\$ 843,707,599</u>	<u>813,979,330</u>	<u>818,435,792</u>
<b>Liabilities and Net Assets</b>			
Noncurrent liabilities	\$ 397,341,546	347,896,788	358,320,652
Current liabilities	56,430,139	51,705,139	49,568,961
Net assets:			
Invested in capital assets, net of related debt	337,549,624	355,442,301	344,102,801
Restricted	55,170,663	15,508,357	4,546,604
Unrestricted	(2,784,373)	43,426,745	61,896,774
	<u>\$ 843,707,599</u>	<u>813,979,330</u>	<u>818,435,792</u>

**BOARD OF PUBLIC UTILITIES**  
Management Discussion and Analysis  
December 31, 2009 and 2008

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Residential	\$ 67,889,344	69,179,353	69,103,742
Commercial	76,989,419	77,719,820	75,088,103
Industrial	45,520,902	46,366,895	44,340,186
Other	32,001,538	45,392,688	38,573,529
Deferred energy rate component	(12,332,254)	—	—
Payment-in-lieu of taxes	21,540,269	17,562,272	17,230,192
Total operating revenues	<u>231,609,218</u>	<u>256,221,028</u>	<u>244,335,752</u>
Operating expenses:			
Fuel	55,908,459	47,541,866	48,162,578
Purchased power	16,578,449	34,093,683	23,002,868
Production	43,575,355	42,954,525	36,856,747
Transmission and distribution	34,548,626	34,655,585	36,188,822
General and administrative	34,518,980	30,965,312	34,520,352
Depreciation and amortization	31,986,166	31,291,634	31,703,397
Total operating expenses	<u>217,116,035</u>	<u>221,502,605</u>	<u>210,434,764</u>
Operating income	<u>14,493,183</u>	<u>34,718,423</u>	<u>33,900,988</u>
Nonoperating income (expense):			
Interest income	346,110	1,038,169	2,615,833
Interest expense	(19,057,478)	(15,168,395)	(18,809,126)
Payment-in-lieu of taxes	(21,540,269)	(17,562,272)	(17,230,192)
Other	1,107,000	(660,872)	530,266
Total nonoperating expense, net	<u>(39,144,637)</u>	<u>(32,353,370)</u>	<u>(32,893,219)</u>
Contributions and transfers:			
Contributions from developers and others	209,965	1,466,171	880,873
Change in net assets	<u>\$ (24,441,489)</u>	<u>3,831,224</u>	<u>1,888,642</u>
Total revenue	\$ 233,062,328	257,259,197	247,481,851
Total expense	257,713,782	254,894,144	246,474,082

**Financial Highlights**

**2009 Compared to 2008**

- Net capital assets decreased by \$4.6 million in 2009.
- Debt service coverage ratio for 2009 decreased to 1.39 times in comparison with 2.01 for the year ended 2008.

**BOARD OF PUBLIC UTILITIES**  
Management Discussion and Analysis  
December 31, 2009 and 2008

- Noncurrent assets increased by \$34.9 million in 2009, this increase is primarily related to the outstanding construction funds related to the February 2009 bond issuance.
- Noncurrent liabilities increased by \$49.4 million during 2009; the increase is primarily related to the issuance of \$57.5 million of Utility System Improvement Revenue Bonds.
- Net assets decreased by \$24.4 million during 2009.

In February 2009, the BPU issued \$57.5 million of Utility System Improvement Revenue bonds. The bond proceeds were used to fund electric production and certain water projects. At December 31, 2009, the related construction fund had approximately \$37.9M remaining for future project expenses.

In 2009, the BPU's operations performed below budget in overall revenues. The BPU's revenues were approximately \$231.6 million, with the electric department recognizing revenues of \$196.9 million and the water department recognizing revenues of \$34.7 million. The average number of customer accounts remained stable from the prior year.

The BPU's total operating revenue decreased by approximately \$24.6 million to \$231.6 million in 2009. The decrease was due to lower electric sales, excluding deferred revenue, of \$11.4 million in 2009 over 2008. In addition, approximately \$12.3 million in revenue was deferred due to the over collection of the Energy Rate Component in 2009. The water department experienced decreased water sales of \$0.9 million compared to 2008. The decrease in water sales was principally due to an unseasonably cool and wet summer period and a slowing economy resulting in lower water sales from the residential and commercial classes. In comparison to the 2009 budgeted revenue, overall, the BPU collected 84% of the projected revenue.

Operating expenses for 2009 and 2008 were approximately \$217.1 million and \$221.5 million, respectively. The electric department represents \$187.3 million and \$192.8 million for 2009 and 2008, respectively, while the water department has \$29.8 million and \$28.7 million for 2009 and 2008, respectively, in operating expenses. The largest component of operating expenses is production, fuel, and purchased power expense. Overall, in 2009, production, fuel, and purchased power costs were lower than in the previous year by \$8.5 million, and also under the 2009 budget by \$17.4 million. Likewise, the largest decrease in expenses in 2009 was within purchased power of \$17.5 million. The unseasonably mild year resulted in less demand for energy resulting in lower than anticipated fuel and purchased power costs. In 2009, the BPU recognized \$6.7 million of deferred expenses from the 2008 under collection of the Energy Rate Component. The BPU's power supply mix for fiscal years 2009 and 2008 was 70% and 56% coal, 25% and 39% net power purchases, 3% and 3% gas, and 2% and 2% oil, respectively.

For 2009, net assets decreased by \$24.4 million.

**2008 Compared to 2007**

- Net capital assets increased by an insignificant amount in 2008.
- Debt service coverage ratio for 2008 decreased to 2.01 times in comparison with 2.06 for the year ended 2007.
- Net assets increased by \$3.8 million during 2008.

**BOARD OF PUBLIC UTILITIES**  
Management Discussion and Analysis  
December 31, 2009 and 2008

In 2008, the BPU's operations performed slightly above budget in overall revenues. The BPU's revenues were approximately \$256.2 million, with the electric department recognizing revenues of \$220.7 million and the water department recognizing revenues of \$35.5 million. The average number of customer accounts remained stable from the prior year.

The BPU's total operating revenue increased by approximately \$11.9 million to \$256.2 million in 2008. The increase was due to higher fuel and purchased power costs in 2008 over 2007 with an overall average increase of less than one cent per kWh for the year. In addition, other sales showed an increase in revenue in comparison to 2007 of \$5.0 million within wholesale electric market sales. The water department experienced decreased water sales of \$1.3 million compared to 2007. The decrease in water sales was principally due to an unseasonably cool and wet summer period and a slowing economy resulting in lower water sales from the industrial and commercial classes. In comparison to the 2008 budgeted revenue, overall, the BPU collected 100% of the projected revenue.

Operating expenses for 2008 and 2007 were approximately \$221.5 million and \$210.4 million, respectively. The electric department represents \$192.8 million and \$182.4 million for 2008 and 2007, respectively, while the water department has \$28.7 million and \$29.7 million for 2008 and 2007, respectively, in operating expenses. The largest component of operating expenses is production, fuel, and purchased power expense. Overall, in 2008, production, fuel, and purchased power costs were higher than in the previous year by \$16.6 million, and also over the 2008 budget by \$9.4 million. In 2008, production time was impacted by several unscheduled outages at the Nearman plant and a planned outage at the Quindaro plant. In addition, there were higher than anticipated purchased power and gas costs which occurred during the summer period. These higher unexpected costs resulted in a 20% under collection of fuel and purchased power costs through the Energy Rate Component (ERC) rider. The BPU increased the ERC rate for the last two months of the summer period to collect a portion of the undercollected amounts. The BPU's power supply mix for fiscal years 2008 and 2007 was 56% and 62% coal, 39% and 32% net power purchases, 3% and 4% gas, and 2% and 2% oil, respectively.

For 2008, net assets increased by \$3.8 million.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

#### **2009 Compared to 2008**

Net capital assets decreased slightly by \$4.6 million in 2009. Capital asset additions were offset by approximately \$32.0 million of depreciation expense.

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

#### **2008 Compared to 2007**

Net capital assets increased by an insignificant amount in 2008. During 2008, work was completed on the transmission main, which connects to the Milan pump station. Capital asset additions were offset by approximately \$31.3 million of depreciation expense.

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

**BOARD OF PUBLIC UTILITIES**  
Management Discussion and Analysis  
December 31, 2009 and 2008

***Debt Administration***

**2009 Compared to 2008**

Noncurrent liabilities outstanding as of December 31, 2009 and 2008 were \$397.3 million and \$347.9 million, respectively. The increase of \$49.4M is primarily due to the issuance of the \$57.6 million Utility System Improvement Revenue Bonds, which was partially offset by the payment of principal and accreted interest during the period.

In February 2009, the BPU issued approximately \$57.6 million of Utility System Improvement Revenue bonds. The bonds are to fund approximately \$54.6 million of electric production, transmission and distribution projects and \$2.9 million of water production projects.

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, 2009 and 2008, the BPU had debt coverage of 1.39 times and 2.01 times, respectively. The drop in debt coverage for 2009 was primarily the result of \$12.3 million in deferred revenues due to the over collection of the Energy Rate Component.

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 6.9%. Interest on debt expense, net of amounts capitalized, for 2009 and 2008 was \$20.7 million and \$18.9 million, respectively.

Refer to note 6 to the financial statements for additional information.

**2008 Compared to 2007**

Noncurrent liabilities outstanding as of December 31, 2009 and 2008 were \$347.9 million and \$358.3 million, respectively. A portion of the overall decrease of \$10.4 million is due to lower debt service payments and payments on capital lease obligations.

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, 2009 and 2008, the BPU had debt coverage of 2.01 times and 2.06 times, respectively.



## **BOARD OF PUBLIC UTILITIES**

### **Management Discussion and Analysis**

**December 31, 2009 and 2008**

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 6.9%. Interest on debt expense, net of amounts capitalized, for 2008 and 2007 was \$18.9 million and \$18.8 million, respectively.

Refer to note 6 to the financial statements for additional information.

**BOARD OF PUBLIC UTILITIES**

Balance Sheets

December 31, 2009 and 2008

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Noncurrent assets:		
Capital assets:		
Property, plant, and equipment	\$ 1,240,405,704	1,219,638,854
Less accumulated depreciation	(601,501,181)	(576,483,277)
Plant in service, net	638,904,523	643,155,577
Construction work in progress	50,558,951	50,861,021
Capital assets, net	689,463,474	694,016,598
Restricted assets:		
Cash and cash equivalents	4,973,718	4,919,669
Investments	34,463,147	—
Total restricted assets	39,436,865	4,919,669
Debt issue costs	6,693,224	5,010,772
System development costs	786,086	1,587,457
Regulatory assets	3,754,232	4,290,551
Total noncurrent assets	740,133,881	709,825,047
Current assets:		
Cash and cash equivalents	16,604,088	9,866,558
Investments	4,851,030	—
Cash and cash equivalents - restricted	14,380,638	1,971,151
Investments - restricted	4,623,571	12,037,206
Accounts receivable – customers and other	22,276,804	25,839,486
Accounts receivable – unbilled	8,542,181	9,763,254
Allowance for doubtful accounts	(2,060,653)	(1,742,130)
Inventories	33,908,592	37,806,180
Regulatory assets	—	6,736,148
Prepayments and other current assets	447,467	1,876,430
Total current assets	103,573,718	104,154,283
Total assets	\$ 843,707,599	813,979,330

## BOARD OF PUBLIC UTILITIES

### Balance Sheets

December 31, 2009 and 2008

<b>Liabilities and Net Assets</b>	<b>2009</b>	<b>2008</b>
Net assets:		
Invested in capital assets, net of related debt	\$ 337,549,624	355,442,301
Restricted – debt service	55,170,663	15,508,357
Unrestricted	<u>(2,784,373)</u>	<u>43,426,745</u>
Total net assets	<u>389,935,914</u>	<u>414,377,403</u>
Liabilities:		
Noncurrent liabilities:		
Long-term debt – revenue bonds:		
Principal	359,538,258	308,110,760
Accreted interest	5,412,231	10,143,415
Government loans	20,657,540	21,693,505
Capital lease obligations	<u>367,952</u>	<u>650,042</u>
Total long-term debt and capital lease obligations	385,975,981	340,597,722
Postretirement benefit obligation	2,284,170	1,804,487
Reserve for compensated absences	4,510,000	5,159,000
Pension obligation	<u>4,571,395</u>	<u>335,579</u>
Total noncurrent liabilities	<u>397,341,546</u>	<u>347,896,788</u>
Current liabilities:		
Current maturities of revenue bonds	7,951,515	6,736,709
Current maturities of government loans	1,053,360	1,014,400
Current maturities of capital lease obligations	282,090	368,879
Accrued interest	6,153,077	5,245,988
Customer deposits	3,270,412	3,446,669
Accounts payable	12,448,591	22,063,036
Payroll and payroll taxes	2,897,933	1,907,665
Accrued claims payable	5,946,799	6,472,784
Other accrued liabilities	2,605,569	3,098,347
Regulatory liabilities	12,332,254	—
Payment-in-lieu of taxes	<u>1,488,539</u>	<u>1,350,662</u>
Total current liabilities	<u>56,430,139</u>	<u>51,705,139</u>
Total liabilities	<u>453,771,685</u>	<u>399,601,927</u>
Total liabilities and net assets	<u>\$ 843,707,599</u>	<u>813,979,330</u>

See accompanying notes to financial statements.

**BOARD OF PUBLIC UTILITIES**

Statements of Revenues, Expenses,  
and Changes in Net Assets

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Residential	\$ 67,889,344	69,179,353
Commercial	76,989,419	77,719,820
Industrial	45,520,902	46,366,895
Other	32,001,538	45,392,688
Deferred Energy Rate Component	(12,332,254)	—
Payment-in-lieu of taxes	21,540,269	17,562,272
Total operating revenues	<u>231,609,218</u>	<u>256,221,028</u>
Operating expenses:		
Fuel	55,908,459	47,541,866
Purchased power	16,578,449	34,093,683
Production	43,575,355	42,954,525
Transmission and distribution	34,548,626	34,655,585
General and administrative	34,518,980	30,965,312
Depreciation and amortization	31,986,166	31,291,634
Total operating expenses	<u>217,116,035</u>	<u>221,502,605</u>
Operating income	<u>14,493,183</u>	<u>34,718,423</u>
Nonoperating income (expense):		
Interest income	346,110	1,038,169
Interest expense	(19,057,478)	(15,168,395)
Payment-in-lieu of taxes	(21,540,269)	(17,562,272)
Other	1,107,000	(660,872)
Total nonoperating expense, net	<u>(39,144,637)</u>	<u>(32,353,370)</u>
Income (loss) before contributions and transfers	<u>(24,651,454)</u>	2,365,053
Contributions and transfers:		
Contributions from developers and others	209,965	1,466,171
Change in net assets	<u>(24,441,489)</u>	3,831,224
Net assets, beginning of year	<u>414,377,403</u>	<u>410,546,179</u>
Net assets, end of year	\$ <u><u>389,935,914</u></u>	\$ <u><u>414,377,403</u></u>

See accompanying notes to financial statements.

**BOARD OF PUBLIC UTILITIES**

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers	\$ 257,587,803	249,512,355
Payments to suppliers	(127,223,136)	(129,463,929)
Payments to employees	(55,774,032)	(57,533,076)
Net cash provided by operating activities	<u>74,590,635</u>	<u>62,515,350</u>
Cash flows used in noncapital financing activities – payment in lieu of taxes	(21,402,392)	(17,397,535)
Cash flows from capital and related financing activities:		
Purchases of property, plant, and equipment	(24,209,254)	(28,394,128)
Payments on capital leases	(368,879)	(1,550,395)
New capital lease obligation	—	831,250
Issuance of revenue bonds	59,076,239	—
System development costs	(386,135)	(732,142)
Accounts payable related to capital activities	(2,723,432)	(2,643,467)
Increase in debt issue cost	(1,956,335)	(21,523)
Payments on revenue bonds	(6,736,710)	(9,958,765)
Payments on government loans	(997,005)	(982,262)
Interest paid on utility system debt	(24,131,232)	(22,184,498)
Net cash used in capital and related financing activities	<u>(2,432,743)</u>	<u>(65,635,930)</u>
Cash flows from investing activities:		
Purchases of investments	(63,558,532)	(56,162,693)
Proceeds from sales and maturities of investments	31,657,990	73,838,961
Interest received	346,108	4,209,048
Net cash (used in)/provided by investing activities	<u>(31,554,434)</u>	<u>21,885,316</u>
Net increase (decrease) in cash and cash equivalents	19,201,066	1,367,201
Cash and cash equivalents, beginning of year	16,757,378	15,390,177
Cash and cash equivalents, end of year	\$ <u>35,958,444</u>	<u>16,757,378</u>
Components of cash and cash equivalents at end of fiscal year:		
Restricted	\$ 19,354,356	6,890,820
Unrestricted	16,604,088	9,866,558
	\$ <u>35,958,444</u>	<u>16,757,378</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 14,493,183	34,718,423
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	31,986,166	31,291,634
Changes in noncash assets and noncash liabilities:		
Accounts receivable – customers and other, net	5,102,278	(4,075,042)
Inventories	3,897,588	(2,874,625)
Prepayments and other current assets	1,428,963	36,571
Customer deposits	(176,257)	4,620
Accounts payable	(6,891,013)	9,883,650
Payroll and payroll related liabilities	341,269	(1,547,762)
Accrued claims payable	(525,985)	1,017,915
Other accrued liabilities	(492,778)	950,418
Deferred purchased power	19,068,402	(6,971,156)
Pension obligation	4,235,816	335,579
Other non-current assets, net	2,123,003	(254,875)
Net cash provided by operating activities	\$ <u>74,590,635</u>	<u>62,515,350</u>
Supplemental noncash disclosures:		
Contributions of capital assets from developers	\$ 209,965	1,466,171

See accompanying notes to financial statements.

## BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2009 and 2008

### (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 65,000 electric and 54,000 water customers.

Under Charter Ordinance of the Unified Government of Wyandotte County, Kansas City, Kansas (the Unified Government), pursuant to the Unified Government's constitutional home rule, the BPU is an administrative agency of the Unified Government and, as such, is a part of the Unified Government's primary government. However, the BPU's operational and administrative control is under a six-member elected board of directors (the Board). The accompanying financial statements represent the combination of only those operations related to the Unified Government's electric and water utility.

#### (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 Boards (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*, formerly, SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*.

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.

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

**(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, notes receivable; and reserves for employee benefit 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 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. Payments-in-lieu of taxes represent amounts billed and collected from the customers and remitted to the Unified Government through a supplemental rate rider.

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.

**(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 actual purchased cost or cost of construction. 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, 2009 and 2008

**(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 2009 and 2008:

	<u>Composite rates</u>	<u>Useful lives</u>
Production plant	1.67% – 4.00%	25 – 75 years
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 \$1.6 million in 2009.

**(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 \$2,060,653 and \$1,742,130 in fiscal years 2009 and 2008, respectively.

**(j) Inventories**

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

	<u>2009</u>	<u>2008</u>
Fuel	\$ 11,859,184	15,655,174
Material and supplies	22,049,408	22,151,006
Total	<u>\$ 33,908,592</u>	<u>37,806,180</u>

**(k) Investments**

Investments consist of deposits, repurchase agreements, certificates of deposit, money market funds, and U.S. Treasury securities, which are recorded at 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 Depository Insurance Corporation (FDIC) and maintain acceptable collateral 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, 2009 and 2008

**(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 the coal mine related equipment located in Illinois. BPU has had an interest in BCCC since 1979. BCCC discontinued mining operations in 1997. Upon cessation of operations at BCCC, the BPU became contractually responsible for 50% of asset retirement obligations related to the mine and for 50% of certain postretirement benefits to mine workers. At December 31, 2009 and 2008, the BPU has recorded an estimated liability of \$3.6 million and \$4.5 million, respectively, within accrued claims payable for its estimated remaining share of these obligations. Funding provided in 2009 for these obligations was \$0.9 million.

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.

BCCC did not have material operations during the years ended December 31, 2009 and 2008.

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. On May 12, 2008, the bankruptcy trustee filed a complaint against several defendants, including the BPU, seeking \$4 million to pay the remaining unsecured liabilities. On April 7, 2009, a summary judgment was granted in favor of the BPU and the other defendants in that proceeding. An appeal was then filed by the bankruptcy trustee to the United States District Court for the Southern District of Illinois on April 15, 2009. The BPU and the other appellees vigorously opposed this appeal. On March 31, 2010, the U.S. District Court for the Southern District of Illinois issued an Opinion and Judgment Order affirming the judgment of the Bankruptcy Court granting summary judgment in favor of the BPU and the other defendants. On April 29, 2010, the bankruptcy trustee provided Notice of Appeal of the U.S. District Court's March 31, 2010 Opinion and Judgment Order to the United States Court of Appeals for the Seventh Circuit. The BPU will vigorously oppose this appeal. The BPU will also 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.

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

As of December 31, 2006, the BPU has abandoned its interests in BCCC and Liberty as this term is defined for accounting purposes. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, BPU has written off its interests in BCCC, and Liberty and recorded a liability for its portion of BCCC obligations that is expected to require funding by the BPU. Total costs based upon an engineering study are approximately \$4.13 million and BPU has recorded its 50% share of this estimate. If this estimate changes, BPU will attempt to recover additional amounts owed from its customers. If any amounts are not probable of recovery, they would be charged to operations in the period the estimated change becomes known. The BPU expects to fund this obligation as the work is performed. At this date, the timing of the work is not known and this effort could take several years to complete.

The estimated remaining postretirement liability is approximately \$4.5 million, and the BPU has recorded its 50% share of this estimate. On December 7, 2004, a lawsuit was filed in the U.S. District Court for the Southern District of Illinois against BCCC alleging BCCC breached its collective bargaining agreement with the United Mineworkers of America (UMWA) and violated provisions of Employee Retirement Income Security Act of 1974, as amended by unilaterally imposing benefit cuts to retired BCCC employees and refusing to provide benefits for other retired employees. BCCC prevailed in this lawsuit; however, the UMWA filed an appeal. On October 18, 2007, the U.S. Court of Appeals for the Seventh Circuit upheld the ruling in favor of the BPU and other defendants. The UMWA did not seek rehearing of that ruling and did not seek appeal further, so the proceedings have been concluded finally and favorably to BCCC.

#### **(m) Customer Deposits**

Customer deposits are monies 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 standing with the 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 bonds.

As discussed in note 1(b), the BPU is subject to the provisions of ASC Topic 980, *Regulated Operations*, formerly, FAS No. 71, *Accounting for the Effects of Certain Types of Regulations*. 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.

**BOARD OF PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2009 and 2008

**(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 non-bargaining employees. The liability for accumulated vacation of \$1,205,000 and \$1,142,000 includes current vacation of \$378,000 and \$272,000 at December 31, 2009 and 2008, respectively, which is included in reserve for compensated absences and payroll and payroll-related liabilities taxes 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 \$5,405,000 and \$5,617,000 includes current sick leave of \$1,722,000 and \$1,328,000 at December 31, 2009 and 2008, respectively, which is included in reserve for compensated absences and payroll and payroll taxes in the accompanying balance sheets.

		<b>2009</b>			
		<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Sick leave	\$	5,617,000	1,510,000	(1,722,000)	5,405,000
Vacation		1,142,000	441,000	(378,000)	1,205,000

		<b>2008</b>			
		<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Sick leave	\$	5,807,000	1,518,000	(1,328,000)	5,617,000
Vacation		1,143,000	273,000	(272,000)	1,142,000

**(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.”

## BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2009 and 2008

### **(q) Reclassifications**

During 2009, the BPU reclassified certain prior period balances to conform to current year presentation. The BPU reclassified \$28,700,503 from cash received from customers to cash paid to suppliers within cash flows from operating activities in the 2008 cash flow statement. Additionally, management determined in 2009 that certain costs previously recorded as general and administrative expenses should be recorded as production expenses on the Statement of Revenues, Expenses and Changes in Net Assets. This adjustment reduced general and administrative expense by \$4,432,000 and increased production costs recorded in 2008 by the same amount.

### **(r) New Accounting Pronouncements**

In 2008, BPU adopted GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for Other Post Employee Benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. Adoption of this statement had no impact on the financial statements other than additional disclosures.

In June 15, 2009, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The BPU has evaluated the standard and determined there was no significant impact on the financial statements.

### **(2) Accounting Pronouncements Not Yet Adopted**

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements. The guidance in this statement also addresses hedge accounting requirements and is effective for the BPU for the year ending December 31, 2010. The BPU is currently evaluating the impact of this statement on the financial statements.

### **(3) 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 State Statute, less insured amounts.

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

The following represents the BPU's total cash and investments at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash and certificates of deposit (CDs)	\$ 432,944	327,834
U.S. Treasury	6,351,030	—
Repurchase agreements	20,871,514	15,888,062
U.S. agency	38,238,793	10,616,827
Money market funds	14,001,911	1,961,861
Total cash and investments	<u>\$ 79,896,192</u>	<u>28,794,584</u>

Cash and investments are included in the following balance sheet accounts at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 30,984,726	11,837,709
Investments	9,474,601	12,037,206
Noncurrent assets:		
Cash and cash equivalents	4,973,718	4,919,669
Investments	34,463,147	—
	<u>\$ 79,896,192</u>	<u>28,794,584</u>

**(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, 2009 and 2008, the bank balance and certificates of deposit were \$432,944 and \$327,834, 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, 2009 and 2008

The fair values, as determined by market prices, of the BPU's cash and investments at December 31, 2009 are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>	
		<u>Less than 6 months</u>	<u>6 - 12 months</u>
Cash and CDs	\$ 432,944	432,944	—
Repurchase agreements	20,871,514	20,871,514	—
U.S. agency	38,238,793	24,248,728	13,990,065
Treasury Bills	6,351,030	6,351,030	—
Money market funds	14,001,911	14,001,911	—
Total	\$ <u>79,896,192</u>	<u>65,906,127</u>	<u>13,990,065</u>

The fair values, as determined by market prices, of the BPU's cash and investments at December 31, 2008 are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>	
		<u>Less than 6 months</u>	<u>6 - 12 months</u>
Cash and CDs	\$ 327,834	327,834	—
Repurchase agreements	15,888,062	15,888,062	—
U.S. agency	10,616,827	8,626,659	1,990,168
Mutual funds	1,961,861	1,961,861	—
Total	\$ <u>28,794,584</u>	<u>26,804,416</u>	<u>1,990,168</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.

## BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2009 and 2008

### 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 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, 2009:

<u>Issuer</u>	<u>Rating</u>	<u>Amount</u>	<u>Percentage of total portfolio</u>
Federal National Mortgage Association	AAA	\$ 33,966,540	42.51%

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, 2008:

<u>Issuer</u>	<u>Rating</u>	<u>Amount</u>	<u>Percentage of total portfolio</u>
Federal Home Loan Bank	AAA	\$ 4,835,130	16.79%
Federal National Mortgage Association	AAA	3,139,364	10.90
Federal Home Loan Mortgage	AAA	2,642,333	9.18

### 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.

### Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates can lead to a loss in value of assets denominated in foreign currencies. The BPU investment policy does not allow for foreign currency denominated investments, and as a result, the BPU has no investments exposed to foreign currency risk. All investments are in U.S. dollars.

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

**(b) Non-restricted Designated Assets**

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

	<u>2009</u>	<u>2008</u>
Cash and CDs	\$ 249,317	272,576
Economic development fund	457,600	87,709
Capital debt reduction	3,540,000	—
Reserve for liability insurance	2,100,000	2,100,000
Rate stabilization fund	11,906,273	7,406,273
System development reserve	3,201,928	—
Total	<u>\$ 21,455,118</u>	<u>9,866,558</u>

**(4) Restricted Assets**

Restricted assets were held in the following funds at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Debt service fund	\$ 15,733,797	14,008,357
Customer deposits	3,270,412	3,419,669
Construction Funds	37,936,865	—
Improvement and emergency fund	1,500,000	1,500,000
Total restricted assets	<u>\$ 58,441,074</u>	<u>18,928,026</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, 2009 and 2008

**(5) Capital Assets**

Capital asset activity for the year ended December 31, 2009 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
<b>Electric:</b>					
Production plant	\$ 541,272,063	5,285,875	(2,830,648)	8,194	543,735,484
Transmission and distribution	275,913,821	8,336,566	(503,258)	(633,691)	283,113,438
General plant	114,485,699	1,211,038	(82,572)	(203,221)	115,410,944
<b>Total electric</b>	<u>931,671,583</u>	<u>14,833,479</u>	<u>(3,416,478)</u>	<u>(828,718)</u>	<u>942,259,866</u>
<b>Water:</b>					
Production plant	114,701,737	7,019,399	(50,000)	—	121,671,136
Transmission and distribution	130,955,966	4,155,548	(1,129,651)	2,696	133,984,559
General plant	42,309,568	277,810	(97,480)	245	42,490,143
<b>Total water</b>	<u>287,967,271</u>	<u>11,452,757</u>	<u>(1,277,131)</u>	<u>2,941</u>	<u>298,145,838</u>
Property, plant, and equipment	1,219,638,854	26,286,236	(4,693,609)	(825,777)	1,240,405,704
Construction work in progress – not depreciable	50,861,021	25,147,507	—	(25,449,577)	50,558,951
<b>Total capital assets</b>	<u>1,270,499,875</u>	<u>51,433,743</u>	<u>(4,693,609)</u>	<u>(26,275,354)</u>	<u>1,290,964,655</u>
<b>Less accumulated depreciation:</b>					
<b>Electric:</b>					
Production plant	283,307,783	12,059,985	(2,830,648)	—	292,537,120
Transmission and distribution	159,139,705	7,895,329	(503,258)	—	166,531,776
General plant	47,534,128	4,167,217	(82,572)	—	51,618,773
<b>Total electric</b>	<u>489,981,616</u>	<u>24,122,531</u>	<u>(3,416,478)</u>	<u>—</u>	<u>510,687,669</u>
<b>Water:</b>					
Production plant	32,782,739	2,334,476	(50,000)	—	35,067,215
Transmission and distribution	29,942,784	2,124,140	(1,129,651)	—	30,937,273
General plant	23,776,138	1,130,366	(97,480)	—	24,809,024
<b>Total water</b>	<u>86,501,661</u>	<u>5,588,982</u>	<u>(1,277,131)</u>	<u>—</u>	<u>90,813,512</u>
<b>Combined total</b>	<u>576,483,277</u>	<u>29,711,513</u>	<u>(4,693,609)</u>	<u>—</u>	<u>601,501,181</u>
Capital assets, net	\$ <u>694,016,598</u>	<u>21,722,230</u>	<u>—</u>	<u>(26,275,354)</u>	<u>689,463,474</u>

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

Capital asset activity for the year ended December 31, 2008 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Electric:					
Production plant	\$ 529,600,816	11,881,181	(231,592)	21,658	541,272,063
Transmission and distribution	266,131,330	10,493,042	(714,218)	3,667	275,913,821
General plant	113,771,399	730,411	—	(16,111)	114,485,699
Total electric	<u>909,503,545</u>	<u>23,104,634</u>	<u>(945,810)</u>	<u>9,214</u>	<u>931,671,583</u>
Water:					
Production plant	113,997,188	704,549	—	—	114,701,737
Transmission and distribution	113,444,963	17,636,151	(311,107)	185,959	130,955,966
General plant	41,018,345	1,296,223	(5,000)	—	42,309,568
Total water	<u>268,460,496</u>	<u>19,636,923</u>	<u>(316,107)</u>	<u>185,959</u>	<u>287,967,271</u>
Property, plant, and equipment	1,177,964,041	42,741,557	(1,261,917)	195,173	1,219,638,854
Construction work in progress – not depreciable	64,726,401	28,243,295	—	(42,108,675)	50,861,021
Total capital assets	<u>1,242,690,442</u>	<u>70,984,852</u>	<u>(1,261,917)</u>	<u>(41,913,502)</u>	<u>1,270,499,875</u>
Less accumulated depreciation:					
Electric:					
Production plant	271,630,250	11,908,551	(231,592)	574	283,307,783
Transmission and distribution	152,114,050	7,739,858	(714,218)	15	159,139,705
General plant	43,440,216	4,093,927	—	(15)	47,534,128
Total electric	<u>467,184,516</u>	<u>23,742,336</u>	<u>(945,810)</u>	<u>574</u>	<u>489,981,616</u>
Water:					
Production plant	30,527,762	2,255,551	—	(574)	32,782,739
Transmission and distribution	28,193,150	2,060,741	(311,107)	—	29,942,784
General plant	22,799,420	981,718	(5,000)	—	23,776,138
Total water	<u>81,520,332</u>	<u>5,298,010</u>	<u>(316,107)</u>	<u>(574)</u>	<u>86,501,661</u>
Combined total	<u>548,704,848</u>	<u>29,040,346</u>	<u>(1,261,917)</u>	<u>—</u>	<u>576,483,277</u>
Capital assets, net	<u>\$ 693,985,594</u>	<u>41,944,506</u>	<u>—</u>	<u>(41,913,502)</u>	<u>694,016,598</u>

**BOARD OF PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2009 and 2008

**(6) Long-Term Debt**

The BPU's indebtedness as of December 31, 2009 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*	\$ 6,183,225	—	(2,591,710)	3,591,515	2,441,515
1998	39,995,000	—	(1,275,000)	38,720,000	1,335,000
1999	16,950,000	—	(475,000)	16,475,000	500,000
2001	13,415,000	—	(740,000)	12,675,000	780,000
2004 refunding	124,395,000	—	(490,000)	123,905,000	515,000
2004B	112,105,000	—	(1,165,000)	110,940,000	1,150,000
2009A	—	57,575,000	—	57,575,000	1,230,000
	<u>313,043,225</u>	<u>57,575,000</u>	<u>(6,736,710)</u>	<u>363,881,515</u>	<u>7,951,515</u>
Less unamortized loss on refunding	(1,096,899)	—	476,424	(620,475)	
Unamortized premium	3,267,246	1,501,239	(196,706)	4,571,779	
Unamortized discount	(366,103)	—	23,057	(343,046)	
Total revenue bonds	314,847,469	59,076,239	(6,433,935)	367,489,773	
Capital leases	1,018,921	—	(368,879)	650,042	282,090
Government loans	22,707,905	—	(997,005)	21,710,900	1,053,360
	<u>\$ 338,574,295</u>	<u>59,076,239</u>	<u>(7,799,819)</u>	<u>389,850,715</u>	<u>9,286,965</u>

\* Excludes accreted interest

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

The BPU's indebtedness as of December 31, 2008 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>
<b>Revenue bonds:</b>					
1992*	\$ 8,946,990	—	(2,763,765)	6,183,225	2,591,709
1998	45,575,000	—	(5,580,000)	39,995,000	1,275,000
1999	17,400,000	—	(450,000)	16,950,000	475,000
2001	14,120,000	—	(705,000)	13,415,000	740,000
2004 refunding	124,855,000	—	(460,000)	124,395,000	490,000
2004B	112,105,000	—	—	112,105,000	1,165,000
	323,001,990	—	(9,958,765)	313,043,225	6,736,709
Less unamortized loss on refunding	(1,573,322)	—	476,423	(1,096,899)	
Unamortized premium	3,415,052	—	(147,806)	3,267,246	
Unamortized discount	(389,160)	—	23,057	(366,103)	
<b>Total revenue bonds</b>	<b>324,454,560</b>	<b>—</b>	<b>(9,607,091)</b>	<b>314,847,469</b>	
Capital leases	1,738,066	831,250	(1,550,395)	1,018,921	368,879
Government loans	23,690,167	—	(982,262)	22,707,905	1,014,400
	<u>\$ 349,882,793</u>	<u>831,250</u>	<u>(12,139,748)</u>	<u>338,574,295</u>	<u>8,119,988</u>

\* Excludes accreted interest

Details of utility system revenue bonds outstanding at December 31, 2009 and 2008 are as follows:

<u>Revenue bonds</u>	<u>Interest rate</u>	<u>Original amount</u>	<u>Maturity</u>	<u>2009</u>	<u>2008</u>
1992 Series	4.70% – 6.90%	\$ 80,445,000	9-01-16	\$ 3,591,515	6,183,225
1998 Series	4.00 – 5.25	81,375,000	9-01-28	38,720,000	39,995,000
1999 Series	5.00 – 5.95	25,325,000	9-01-28	16,475,000	16,950,000
2001 Series	4.00 – 5.95	17,170,000	5-01-21	12,675,000	13,415,000
2004 Refunding	5.60 – 5.65	126,005,000	9-01-23	123,905,000	124,395,000
2004B	3.00 – 5.00	115,535,000	9-01-32	110,940,000	112,105,000
2009A	4.73 – 5.30	57,575,000	9-01-34	57,575,000	—
<b>Subtotal</b>				<b>363,881,515</b>	<b>313,043,225</b>
Unamortized loss on refunding				(620,475)	(1,096,899)
Current maturities				(7,951,515)	(6,736,709)
Unamortized premium				4,571,779	3,267,246
Unamortized discount				(343,046)	(366,103)
<b>Total utility system revenue bonds</b>				<b>\$ 359,538,258</b>	<b>308,110,760</b>

**BOARD OF PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2009 and 2008

Interest on portions of the Series 1992, 1998, 1999, 2001, 2004 refunding, and 2004B utility system revenue bonds are payable on a semiannual basis. Interest on a portion of the Series 1992 utility system revenue bond is payable at various dates through maturity. As of December 31, 2009 and 2008, 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, 2009 is as follows:

	<u>Principal</u>	<u>Interest (including accrued)</u>
Bond year(s) ending December 31:		
2010	\$ 7,951,515	24,379,973
2011	13,865,000	18,508,595
2012	14,590,000	17,783,098
2013	15,360,000	17,015,079
2014	16,190,000	16,189,415
2015 – 2019	83,100,000	68,312,745
2020 – 2024	90,870,000	44,254,350
2025 – 2029	71,235,000	23,617,010
2030 – 2034	50,720,000	6,237,750
	<u>\$ 363,881,515</u>	<u>236,298,015</u>

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 rates and collect charges sufficient to pay the operating, maintenance, and debt service costs of the utilities; to maintain the accounts listed above; and to provide net operating income, before depreciation and payment in lieu of taxes, of at least 120% of the maximum annual debt service due on the outstanding bonds. All of the BPU's utility plant facilities are pledged under the terms of the indentures.

**BOARD OF PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2009 and 2008

In prior years, the BPU completed an “in substance” defeasance of utility system revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account asset nor the liabilities for the defeased bonds are included in the BPU’s financial statements. At December 31, 2009, outstanding utility system revenue bonds in the amount of \$3,050,223 are considered substantively defeased.

Total indebtedness also includes government loans, which represent the amounts borrowed from Kansas Department of Health and Environment for the purpose of 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, 2009 is as follows:

	<u>Principal</u>	<u>Interest (including accreted)</u>
Year(s) ending December 31:		
2010	\$ 1,053,360	760,410
2011	1,093,820	723,672
2012	1,135,835	685,521
2013	1,179,467	645,903
2014	1,224,777	604,760
2015 – 2019	6,866,951	2,349,070
2020 – 2024	8,291,747	1,055,280
2025 – 2027	864,943	74,270
	<u>\$ 21,710,900</u>	<u>6,898,886</u>

BPU has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The corresponding debt issues are for utility system revenue bonds and the purpose of the debt is for 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 2009</u>	<u>Pledged revenue recognized for the year ended 2009</u>
Electric and Water operating revenue	\$ 600,179,531	Through 2034	12.9%	\$ 29,908,142	\$ 35,889,770

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

#### (7) Capital Lease Obligations

The BPU is obligated under capital leases covering a coal dozer and software, which expire at various dates during the next three years. At December 31, 2009 and 2008, the gross amount of plant and equipment and related accumulated amortization recorded under capital leases was as follows:

	2009	2008
Office furniture and equipment	\$ 831,250	831,250
Transportation equipment	—	1,038,034
	831,250	1,869,284
Less accumulated amortization	181,208	850,363
	\$ 650,042	1,018,921

At December 31, 2009, the net present value of minimum lease payments on capital lease obligations was \$650,042, all of which, related to capital software leases. Future lease payments under these capital leases are as follows:

Year ending December 31:		
2010	\$	302,804
2011		302,804
2012		75,701
		681,309
Total minimum lease payments		681,309
Amounts representing interest at 3.8%		31,267
		650,042
Present value of net minimum lease payments	\$	650,042

#### (8) Regulatory Assets and Liabilities

The BPU is subject to the provisions of FASB ASC 980, *Regulated Operations*, formerly SFAS No. 71, 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 customers. Management regularly assesses whether regulatory assets and liabilities are probable of future recovery or refund by considering factors such as decisions by the BPU's rate case filings; decisions in other regulatory proceedings, including decisions related to other companies that establish precedence on matters applicable to the BPU; and changes in laws and regulations. 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

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

are recognized in the current period results of operations. The BPU's continued ability to meet the criteria for application of FASB ASC 980 may be affected in the future by deregulation in the electric industry or by state legislative initiatives. In the event that FASB ASC 980 is no longer applied to a deregulated portion of the BPU's operations, the related regulatory assets and liabilities would be written off unless an appropriate regulatory recovery mechanism is provided. 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 and liabilities as of December 31, 2009 and 2008 are as follows:

	Amortization ending		2009		2008
Regulatory assets:					
Miner benefits and mine reclamation costs	2016	\$	3,754,232		4,290,551
Fuel purchased power costs	2009		—		6,736,148
Total regulatory assets		\$	3,754,232		11,026,699
Regulatory liabilities:					
Fuel purchased power costs	2010	\$	12,332,254		—
Total regulatory liabilities		\$	12,332,254		—

BPU has established an energy adjustment clause (ERC) rider. Estimated retail sales are used to estimate fuel costs such as coal, natural gas, and purchased power. Differences between these estimates and actual amounts are deferred as either a regulatory asset or liability depending on the nature of the variance between estimated and actual costs incurred. Semi-annually, actual retail sales and actual fuel costs are reconciled and a trueup is performed to the summer and winter periods and reflected in the customers ERC rate.

#### (9) **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 is established at 9.9% in 2009 and 7.9% in 2008, which amounted to \$21,540,269 and \$17,562,272 during 2009 and 2008, respectively, as PILOT. The PILOT is collected by the BPU through incorporation in the rates as a supplemental rate rider. Effective January 1, 2010, the PILOT will increase to 12.8% 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 \$13,304,682 and \$13,931,295, or 5.7% and 5.4% of total operating revenue, for 2009 and 2008, respectively.



## BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2009 and 2008

### (10) Commitments and Contingencies

#### (a) Power Sales Agreements

In 1982 and 1983, the BPU entered into power agreements with the Kansas Municipal Energy Agency (KMEA) and the City of Columbia, Missouri (Columbia). The agreements entitle KMEA and Columbia to purchase 15.86% and 8.51%, respectively, of the net available capacity of the BPU's Nearman power station. The power agreements obligate KMEA and Columbia to pay a demand charge for kilowatts purchased, a fuel charge, operation and maintenance charges, and the PILOT for their respective power purchases. Total revenue from the power sales agreements for the years ended December 31, 2009 and 2008 was approximately \$13,730,961 and \$17,044,063, 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, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Purchased power	\$ 8,114,781	20,954,669
Wholesale sales	489,579	1,913,715

#### (b) Coal Contracts

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

The BPU has an agreement with WFA for the purchase of coal for the BPU's Nearman power station. The BPU guarantees the performance by WFA of each and every obligation imposed under the provisions of a coal purchase agreement, as such obligations related to coal delivered or deliverable to the BPU's Nearman power station. Under provisions of the agreement, WFA is obligated to purchase for the Nearman power station all the coal required through December 31, 2017. The purchase price of the coal is based on WFA's cost of acquiring and delivering coal. Such costs are fixed by contract through December 31, 2012.

The delivery of the coal to Nearman is covered by contracts WFA has with the Union Pacific Railroad. WFA and the BPU have agreed that the Union Pacific Railroad will participate in deliveries to Nearman until December 31, 2017. The cost to deliver the coal is established in the contract with a base price, which is adjusted twice yearly by indices set out in the transportation contracts.

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

The coal requirements for the Quindaro and Kaw stations are covered under an agreement with WFA. The agreement was part of a larger commitment to acquire coal from the Brushy Creek Coal Mine. This contract continues as long as costs are incurred to WFA in meeting its obligations to the BPU. A coal contract with Arch Coal Sales Company, Inc. began on January 1, 2010. The contract is a three-year contract to purchase coal at a price that is fixed for each year.

The BPU purchased approximately 1.53 million tons of coal during 2009. Quindaro station burned approximately 682,000 tons and Nearman station burned approximately 929,000 tons.

#### (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 does not act in a fiduciary or trustee capacity for the Plan, and as such, the Plan's financial activities is not reported in the BPU's financial statements. The BPU's payroll for the years ended December 31, 2009 and 2008 was approximately \$50,111,000 and \$50,389,000, respectively, of which approximately \$49,281,000 and \$49,429,000, respectively, was payroll of plan participants.

All full-time BPU employees who are 25 years of age or older are eligible to participate in the Plan. Benefits vest after 5 years of service or at age 55, whichever comes first.

BPU employees who retire at or after age 55 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.2% of their average 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. 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.

Beginning January 1, 2010, all employees are eligible to participate in the plan. The contribution rate for the BPU and the employees will be increased from 5.5% to 8.5% of pensionable wages.

Effective January 1, 2010, for employees hired on or after January 1, 2010, normal retirement is defined as age 65 with completion of 5 years of creditable service, or age 60 with 30 years of

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

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.

Members contribute 5.5% of their annual compensation. The BPU contributes an amount that matches the member contributions plus an amount calculated by the Plan's actuary to amortize the net past service liability over no more than the remaining portion of the 30-year period.

Total contributions were \$6,004,301 for the year ended December 31, 2009. Of the total contributions in 2009, the BPU contributed \$3,295,076 (6.7% of current covered payroll in 2009) and the plan participants contributed \$2,709,225 (5.5% of current covered payroll for 2009).

There were 658 retirees and beneficiaries currently receiving benefits as of December 31, 2008. 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.

	<b>Three-year trend information</b>		
	<b>Annual pension cost</b>	<b>Percentage of annual pension cost contributed</b>	<b>Net pension (obligation) asset</b>
Fiscal year ended:			
December 31, 2007	\$ 2,420,273	223.01%	\$ 54,114
December 31, 2008	3,267,424	171.28	(335,579)
December 31, 2009	7,530,892	79.73	(4,571,395)

**BOARD OF PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2009 and 2008

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, 2009
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining 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:

<u>Age</u>	<u>Salary scale</u>
25	6.5%
70	4.5

The annual pension cost and net pension obligation as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 7,522,575	3,268,765
Interest on net pension (asset) obligation	26,847	(4,329)
Adjustment to annual required contribution	(18,530)	2,988
Annual pension cost	7,530,892	3,267,424
Contributions made	3,295,076	2,877,731
(Increase) in net pension obligation	(4,235,816)	(389,693)
Net pension asset (obligation), beginning of year	(335,579)	54,114
Net pension obligation, end of year	<u>\$ (4,571,395)</u>	<u>(335,579)</u>

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

#### Funding Status and Funding Progress

The funding progress schedule as of January 1, 2009 and 2008 is as follows:

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
2007	\$ 433.4	383.8	112.9%	\$ (49.6)	45.6	(108.8)%
2008	444.0	405.1	109.6	(38.9)	47.4	(82.1)
2009	410.9	432.8	94.9	21.9	50.1	43.7

#### 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 plus additional BPU contributions for back 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 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*

Effective January 1, 2007, the BPU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the accounting for the annual cost of other postemployment benefits and the related outstanding liability using an actuarial approach similar to pensions. The BPU implemented this standard prospectively (zero net obligation at transition).

#### 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

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

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 415 participants eligible to receive benefits under this plan as of January 1, 2010.

#### 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, 2009 and 2008, the BPU paid \$2,939,578 and \$2,731,455, respectively, for retirees.

The BPU's annual 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. 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 are as follows:

	<u>Annual OPEB expense</u>		<u>Annual OPEB contributed</u>		<u>Net OPEB</u>
Fiscal year ended:					
December 31, 2007	\$ 3,433,000		61%	\$	1,351,461
December 31, 2008	3,184,481		86		1,804,487
December 31, 2009	3,419,261		86		2,284,170

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

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:

	<u>2009</u>	<u>2008</u>
Normal costs	\$ 1,647,543	1,444,195
Amortization payment	<u>1,774,669</u>	<u>1,742,495</u>
Annual required contribution (ARC)	3,422,212	3,186,690
Amortization of net OPEB obligation	(75,130)	(56,268)
Interest on net OPEB obligation	<u>72,179</u>	<u>54,059</u>
Total OPEB expense	3,419,261	3,184,481
Annual employer contribution	<u>2,939,578</u>	<u>2,731,455</u>
Increase in OPEB obligation	479,683	453,026
Net OPEB obligation – beginning of year	<u>1,804,487</u>	<u>1,351,461</u>
Net OPEB obligation – end of year	<u>\$ 2,284,170</u>	<u>1,804,487</u>

### Funded Status and Funding Progress

The funded status of the plan as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Actuarial accrued liability (AAL)	\$ 43,524,278	42,624,607
Actuarial value of plan assets	—	—
Unfunded actuarial accrued liability (UAAL)	43,524,278	42,624,607
Funded ratio	—%	—%
Covered payroll	\$ 49,300,000	49,400,000
UAAL as a percentage of covered payroll	86.23%	88.29%

### 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

## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

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, 2009, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend of 8.5% 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 30 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 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, 2009 and 2008, the BPU has established a liability of \$2,394,000 and \$2,005,478, 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 are expected to become due within one year. Changes in the claims liability for 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Beginning accruals	\$ 2,005,478	972,492
Additional accruals	11,602,768	10,320,666
Charges for claim payments	<u>(11,214,246)</u>	<u>(9,287,680)</u>
Ending accruals	<u>\$ 2,394,000</u>	<u>2,005,478</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."



## BOARD OF PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2009 and 2008

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. 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. The BPU has met with the EPA with respect to the Notice of Violation. At this time, the EPA has not filed a law suit. 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 that 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 the 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 that 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 these 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 equipment.

**(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, 2009 cannot be reasonably determined.

In March 2008, a grand jury commenced in Wyandotte County, Kansas as a result of a citizen initiative. The citizen initiative alleges that BPU and certain of its managers have misspent public funds among other matters. The grand jury's term expired on September 5, 2008. Management and the Board cooperated with the grand jury. Two indictments were returned on October 3, 2008.

Subsequent to the issuance of the indictments, motions seeking dismissal of the case were made by the defense and granted by the Court. One defendant has subsequently died and an appeal of the dismissal remains pending. No liability is expected to accrue to the BPU.

### ***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, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Principal retail customers:		
Owens Corning	4.0%	3.6%
General Motors Corporation	3.7	3.4
University of Kansas Medical Center	3.5	2.7
Board of Education District 500	2.4	N/A
Certain Teed Corporation	2.4	2.1
Griffin Wheel	N/A	2.0
Total principal retail customers	<u>16.0</u>	<u>13.8</u>
Principal wholesale customers:		
Kansas Municipal Energy Authority	3.3%	4.1%
City of Columbia, Missouri	3.1	2.6
Tenaska	0.2	0.8
Total principal wholesale customers	<u>6.6</u>	<u>7.5</u>
Principal customers	<u>22.6%</u>	<u>21.3%</u>

### **(11) Subsequent Event**

In February 2010, the BPU issued approximately \$32.2 million of bonds to refund maturities of the outstanding 1992 Current Issue Utility System Improvement revenue bonds, a portion of the 1998 Utility System Improvement revenue bonds and outstanding 1999 Utility System Improvement revenue bonds. This debt has an average coupon interest rate of 4.18% and is repayable through 2028.

**BOARD OF PUBLIC UTILITIES**  
 Required Supplementary Information  
 Schedule of Funding Progress – Pension  
 December 31, 2009  
 (Dollars in millions)  
 Unaudited – See accompanying 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
2007	\$	433.4	383.8	112.9%	\$	(49.6)	45.6	(108.8)%
2008		444.0	405.1	109.6		(38.9)	47.4	(82.1)
2009		410.9	432.8	94.9		21.9	50.1	43.7

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, 2009	
Actuarial cost method	Entry age	
Amortization method	Level percent closed	
Remaining 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:		
	<u>Age (in years)</u>	<u>Salary scale</u>
	25	6.5%
	70	4.5

**BOARD OF PUBLIC UTILITIES**

Required Supplementary Information

Schedule of Funding Progress – Postretirement

December 31, 2009

(Dollars in millions)

Unaudited – See accompanying auditors' report

<u>Actuarial valuation date, January 1</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Funded ratio</u>	<u>Unfunded AAL</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
2008	\$ —	41.9	—	41.9	47.0	89.15%
2009	—	42.6	—	42.6	49.4	86.23
2010	—	43.5	—	43.5	49.3	88.24

The actuarial assumptions included a 4.0% discount rate and an annual health care cost trend of 8.50% 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 30 years as a level percent of payroll.



**This page has been left intentionally blank.**

## BOARD OF PUBLIC UTILITIES

Combining Balance Sheets

December 31, 2009 and 2008

	Electric		Water		Total Utility	
	2009	2008	2009	2008	2009	2008
Noncurrent assets:						
Capital assets:						
Property, plant, and equipment	\$ 942,259,866	931,671,583	298,145,838	287,967,271	1,240,405,704	1,219,638,854
Less accumulated depreciation	(510,687,669)	(489,981,616)	(90,813,512)	(86,501,661)	(601,501,181)	(576,483,277)
Plant in service, net	431,572,197	441,689,967	207,332,326	201,465,610	638,904,523	643,155,577
Construction work in progress	30,775,765	26,535,457	19,783,186	24,325,564	50,558,951	50,861,021
Capital assets, net	462,347,962	468,225,424	227,115,512	225,791,174	689,463,474	694,016,598
Restricted assets:						
Cash and cash equivalents	4,973,718	4,356,241	—	563,428	4,973,718	4,919,669
Investments	34,313,147	—	150,000	—	34,463,147	—
Total restricted assets	39,286,865	4,356,241	150,000	563,428	39,436,865	4,919,669
Debt issue costs	5,456,760	3,801,931	1,236,464	1,208,841	6,693,224	5,010,772
System development costs	510,403	989,022	275,683	598,435	786,086	1,587,457
Regulatory assets	3,754,232	4,290,551	—	—	3,754,232	4,290,551
Total noncurrent assets	511,356,222	481,663,169	228,777,659	228,161,878	740,133,881	709,825,047
Current assets:						
Cash and cash equivalents	9,661,325	6,045,587	6,942,763	3,820,971	16,604,088	9,866,558
Investments	1,100,451	—	3,750,579	—	4,851,030	—
Cash and cash equivalents - restricted	11,291,418	1,476,893	3,089,220	494,258	14,380,638	1,971,151
Investments - restricted	3,594,497	8,940,208	1,029,074	3,096,998	4,623,571	12,037,206
Accounts receivable - customers and other	19,043,198	22,211,581	3,233,606	3,627,905	22,276,804	25,839,486
Accounts receivable - unbilled	7,134,869	8,345,894	1,407,312	1,417,360	8,542,181	9,763,254
Allowance for doubtful accounts	(1,787,369)	(1,488,132)	(273,284)	(253,998)	(2,060,653)	(1,742,130)
Inventories	32,393,470	36,026,471	1,515,122	1,779,709	33,908,592	37,806,180
Regulatory assets	—	6,736,148	—	—	—	6,736,148
Prepayments and other current assets	425,203	1,695,805	22,264	180,625	447,467	1,876,430
Total current assets	82,857,062	89,990,455	20,716,656	14,163,828	103,573,718	104,154,283
Total assets	\$ 594,213,284	571,653,624	249,494,315	242,325,706	843,707,599	813,979,330

## BOARD OF PUBLIC UTILITIES

Combining Balance Sheets

December 31, 2009 and 2008

	Electric		Water		Total Utility	
	2009	2008	2009	2008	2009	2008
Net assets:						
Invested in capital assets, net of related debt	\$ 226,337,694	245,636,927	111,211,930	109,805,374	337,549,624	355,442,301
Restricted - debt service	51,349,071	11,767,101	3,821,592	3,741,256	55,170,663	15,508,357
Unrestricted	8,294,378	49,586,613	(11,078,751)	(6,159,868)	(2,784,373)	43,426,745
Total net assets	285,981,143	306,990,641	103,954,771	107,386,762	389,935,914	414,377,403
Liabilities:						
Noncurrent liabilities:						
Long-term debt - revenue bonds:						
Principal	268,006,932	217,457,280	91,531,326	90,653,480	359,538,258	308,110,760
Accreted interest	4,491,070	8,417,006	921,161	1,726,409	5,412,231	10,143,415
Government loans	—	—	20,657,540	21,693,505	20,657,540	21,693,505
Capital lease obligations	206,053	364,024	161,899	286,018	367,952	650,042
Total long-term debt and capital lease obligations	272,704,055	226,238,310	113,271,926	114,359,412	385,975,981	340,597,722
Postretirement benefit obligation	1,788,148	1,442,916	496,022	361,571	2,284,170	1,804,487
Reserve for compensated absences	3,923,700	4,488,330	586,300	670,670	4,510,000	5,159,000
Pension obligation	3,980,902	295,742	590,493	39,837	4,571,395	335,579
Noncurrent liabilities	282,396,805	232,465,298	114,944,741	115,431,490	397,341,546	347,896,788
Current liabilities:						
Current maturities of revenue bonds	5,576,178	4,478,044	2,375,337	2,258,665	7,951,515	6,736,709
Current maturities of government loans	—	—	1,053,360	1,014,400	1,053,360	1,014,400
Current maturities of capital lease obligations	157,970	289,148	124,120	79,731	282,090	368,879
Accrued interest	4,593,097	3,709,071	1,559,980	1,536,917	6,153,077	5,245,988
Customer deposits	2,823,709	3,033,241	446,703	413,428	3,270,412	3,446,669
Accounts payable	11,163,367	20,458,284	1,285,224	1,604,752	12,448,591	22,063,036
Payroll and payroll taxes	2,263,257	1,488,100	634,676	419,565	2,897,933	1,907,665
Accrued claims payable	5,648,802	6,246,466	297,997	226,318	5,946,799	6,472,784
Other accrued liabilities	2,551,041	2,973,636	54,528	124,711	2,605,569	3,098,347
Regulatory liabilities	12,332,254	—	—	—	12,332,254	—
Payment in lieu of taxes	1,257,648	1,161,444	230,891	189,218	1,488,539	1,350,662
Interdepartmental balances	(22,531,987)	(11,639,749)	22,531,987	11,639,749	—	—
Total current liabilities	25,835,336	32,197,685	30,594,803	19,507,454	56,430,139	51,705,139
Total liabilities	308,232,141	264,662,983	145,539,544	134,938,944	453,771,685	399,601,927
Total liabilities and net assets	\$ 594,213,284	571,653,624	249,494,315	242,325,706	843,707,599	813,979,330

## BOARD OF PUBLIC UTILITIES

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2009 and 2008

	Electric		Water		Total Utility	
	2009	2008	2009	2008	2009	2008
Operating revenues:						
Residential	\$ 49,968,396	50,853,676	17,920,948	18,325,677	67,889,344	69,179,353
Commercial	69,038,969	69,292,240	7,950,450	8,427,580	76,989,419	77,719,820
Industrial	42,666,801	43,507,292	2,854,101	2,859,603	45,520,902	46,366,895
Other	29,181,378	42,087,446	2,820,160	3,305,242	32,001,538	45,392,688
Deferred Energy Rate Component	(12,332,254)	—	—	—	(12,332,254)	—
Payment-in-lieu of taxes	18,431,162	14,963,988	3,109,107	2,598,284	21,540,269	17,562,272
Total operating revenues	196,954,452	220,704,642	34,654,766	35,516,386	231,609,218	256,221,028
Operating expenses:						
Fuel	55,908,459	47,541,866	—	—	55,908,459	47,541,866
Purchased power	16,578,449	34,093,683	—	—	16,578,449	34,093,683
Production	38,745,508	38,565,673	4,829,847	4,388,852	43,575,355	42,954,525
Transmission and distribution	23,844,001	24,199,192	10,704,625	10,456,393	34,548,626	34,655,585
General and administrative	26,669,515	23,518,514	7,849,465	7,446,798	34,518,980	30,965,312
Depreciation and amortization	25,536,128	24,883,309	6,450,038	6,408,325	31,986,166	31,291,634
Total operating expenses	187,282,060	192,802,237	29,833,975	28,700,368	217,116,035	221,502,605
Operating income	9,672,392	27,902,405	4,820,791	6,816,018	14,493,183	34,718,423
Nonoperating income (expense):						
Interest income	288,489	772,394	57,621	265,775	346,110	1,038,169
Interest expense	(13,797,615)	(11,452,663)	(5,259,863)	(3,715,732)	(19,057,478)	(15,168,395)
Payment-in-lieu of taxes	(18,431,162)	(14,963,987)	(3,109,107)	(2,598,285)	(21,540,269)	(17,562,272)
Other	1,258,398	377,061	(151,398)	(1,037,933)	1,107,000	(660,872)
Total nonoperating expense, net	(30,681,890)	(25,267,195)	(8,462,747)	(7,086,175)	(39,144,637)	(32,353,370)
Income (loss) before contributions and transfers	(21,009,498)	2,635,210	(3,641,956)	(270,157)	(24,651,454)	2,365,053
Contributions and transfers:						
Contributions from developers and others	—	—	209,965	1,466,171	209,965	1,466,171
Change in net assets	(21,009,498)	2,635,210	(3,431,991)	1,196,014	(24,441,489)	3,831,224
Net assets, beginning of year	306,990,641	304,355,431	107,386,762	106,190,748	414,377,403	410,546,179
Net assets, end of year	\$ 285,981,143	306,990,641	103,954,771	107,386,762	389,935,914	414,377,403

See accompanying independent auditors' report.





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

**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, 2009, and have issued our report thereon dated May 6, 2010. 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 over financial reporting 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*.

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

KPMG LLP

Kansas City, Missouri  
May 6, 2010

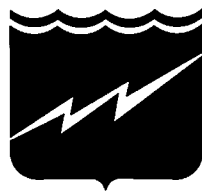
# STATISTICAL SECTION

(Unaudited)

---

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

Statistical Section





**Statistical Section  
(Unaudited)  
December 31, 2009**

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.

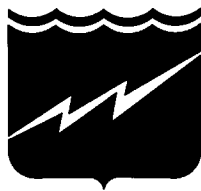
<i>Contents</i>	Page
<b><u>Financial Trends</u></b> These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time.	68
<b><u>Revenue Capacity</u></b> These schedules contain information to help the reader assess the utility's most significant local revenue source.	70
<b><u>Debt Capacity</u></b> 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.	72
<b><u>Demographic and Economic Information</u></b> These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities take place.	76
<b><u>Operating Information</u></b> 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.	81



**This page has been left intentionally blank.**

# Financial Trends

---





**This page has been left intentionally blank.**

**Net Assets By Component**  
**Last Seven Fiscal Years ( Since First Year of Inception )**

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Net Assets invested in Capital Assets, net of related Debt:</b>								
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
<b>Bonds and notes payable:</b>								
Principal, long term	(239,529,922)	(229,953,073)	(355,025,906)	(334,704,196)	(324,102,885)	(314,495,795)	(308,110,760)	(321,601,392)
Government Loans	-	-	-	(15,930,490)	(19,666,793)	(22,713,285)	(21,693,505)	(20,657,540)
Capital Leases	(2,642,765)	(3,682,429)	(7,057,539)	(4,869,869)	(1,637,046)	(187,671)	(650,043)	(367,952)
Principal, current	(9,917,086)	(10,049,266)	(12,955,205)	(10,825,592)	(10,952,986)	(9,958,765)	(6,736,709)	(7,951,515)
Government Loans, current	-	-	-	(1,145,592)	(804,415)	(976,882)	(1,014,400)	(1,053,360)
Capital Leases, current	(1,526,420)	(1,534,509)	(3,169,641)	(3,095,489)	(1,704,964)	(1,550,395)	(368,879)	(282,090)
Bond proceeds for construction (unspent) (B)	9,375,000	9,375,000	99,503,451	60,732,997	19,609,783	-	-	-
<b>Net Assets invested in Capital Assets, net of Debt:</b>	<b>\$ 309,374,586</b>	<b>\$ 327,193,671</b>	<b>\$ 322,968,445</b>	<b>\$ 352,164,517</b>	<b>\$ 352,320,171</b>	<b>\$ 344,102,801</b>	<b>\$ 355,442,301</b>	<b>\$ 337,549,624</b>
<b>Restricted Net Assets (A)</b>								
Bond covenant requirements	\$ 20,701,568	\$ 17,426,577	\$ 115,468,360	\$ 78,532,304	\$ 37,190,172	\$ 4,546,604	\$ 15,508,357	\$ 55,170,663
Bond proceeds designated for project construction (B)	-	-	-	-	-	-	-	37,936,865
Bond proceeds designated for project construction (B)	-	-	(99,343,514)	(60,732,997)	(19,609,783)	-	-	(37,936,865)
Funds segregated under City Ordinance due to	2,415,954	2,348,361	2,396,176	2,894,830	3,219,427	3,442,049	3,446,669	3,270,412
Liability for customer deposits	(2,415,954)	(2,348,361)	(2,396,176)	(2,894,830)	(3,219,427)	(3,442,049)	(3,446,669)	(3,270,412)
<b>Total Restricted Net Assets</b>	<b>\$ 20,701,568</b>	<b>\$ 17,426,577</b>	<b>\$ 16,124,846</b>	<b>\$ 17,799,307</b>	<b>\$ 17,580,389</b>	<b>\$ 4,546,604</b>	<b>\$ 15,508,357</b>	<b>\$ 55,170,663</b>
<b>Unrestricted net assets</b>								
Other designated funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve funds	-	-	-	-	-	-	-	-
Funds held for future improvements	-	-	-	-	-	-	-	-
Project construction accounts	-	-	-	-	-	-	-	-
Unrestricted - Other	-	-	-	-	-	-	-	-
Unrestricted - Balancing entry	41,229,583	30,267,213	35,547,989	(335,638)	13,831,492	61,896,774	43,426,745	(2,784,373)
<b>Total Unrestricted Net Assets</b>	<b>\$ 41,229,583</b>	<b>\$ 30,267,213</b>	<b>\$ 35,547,989</b>	<b>\$ (335,638)</b>	<b>\$ 13,831,492</b>	<b>\$ 61,896,774</b>	<b>\$ 43,426,745</b>	<b>\$ (2,784,373)</b>
<b>Total Net Assets</b>	<b>\$ 371,305,737</b>	<b>\$ 374,887,461</b>	<b>\$ 374,641,280</b>	<b>\$ 369,628,186</b>	<b>\$ 383,732,052</b>	<b>\$ 410,546,179</b>	<b>\$ 414,377,403</b>	<b>\$ 389,935,914</b>

**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:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
- 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

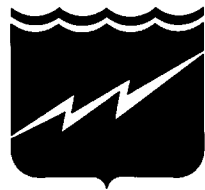
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues	\$ 172,162,933	\$ 172,707,167	\$ 191,351,509	\$ 201,535,316	\$ 207,407,693	\$ 221,945,484	\$ 258,910,231	\$ 246,012,559	\$ 256,221,028	\$ 231,609,218
Operating Expenses										
Production	(1) 70,843,348	71,995,460	71,575,197	74,595,079	85,103,214	92,375,693	118,999,005	108,022,193	124,590,074	116,062,263
Transmission & Distribution	26,841,255	26,421,663	23,691,279	28,687,267	28,456,949	29,926,086	31,680,256	36,188,822	34,655,585	34,548,626
Customer Service										
General and Administrative	(3) 25,876,489	28,952,585	29,209,649	33,467,227	34,398,271	40,942,490	31,056,425	36,197,159	30,965,312	34,518,980
Payment-in-lieu of taxes	(4) 9,567,512	8,914,184								
Depreciation & Amortization	24,415,475	24,441,114	24,622,061	24,472,383	23,369,264	28,545,254	30,550,474	31,703,397	31,291,634	31,986,166
Payroll Taxes	(5) -	-	-	-	-	-	-	-	-	-
Purchased Power Amortization	(6) 157,544,079	160,725,006	8,254,930	8,676,326	6,275,808	-	-	-	-	-
Total Operating Expense	14,618,854	11,982,161	157,353,116	169,898,282	177,603,506	191,789,523	212,286,160	212,111,571	221,502,605	217,116,035
Operating Income	(7) (14,565,071)	(13,784,463)	33,998,393	31,637,034	29,804,187	30,155,961	46,624,071	33,900,988	34,718,423	14,493,183
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)
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)
Nonoperating Income/(Expense)	(8) (14,565,071)	(13,784,463)	(27,071,371)	(29,221,633)	(30,485,619)	(36,290,786)	(33,924,201)	(32,893,219)	(32,353,368)	(39,144,637)
Income/Loss	(9) 53,783	(1,802,302)	6,927,022	2,415,401	(681,432)	(6,134,825)	12,699,870	1,007,769	2,365,055	(24,651,454)
Contributions			379,843	1,166,323	275,314	1,281,668	1,403,996	880,873	1,466,171	209,965
Change In Net Assets	\$ 53,783	\$ (1,802,302)	\$ 7,306,865	\$ 3,581,724	\$ (406,118)	\$ (4,853,157)	\$ 14,103,866	\$ 1,888,642	\$ 3,831,226	\$ (24,441,489)

Footnotes:

- (1) Includes fuel, purchased power and production
- (2) Included in general and administrative beginning in 2000
- (3) Includes general and administrative and provisions for doubtful accounts.
- (4) Payments in lieu of taxes. Pilot removed from operating expenses and considered a nonoperating expense beginning 2002 due to GASB 34.
- (5) Payroll taxes distributed to department's expense beginning in 1999.
- (6) GASB 34 implemented. Purchased power costs amortization added beginning in 2002.
- (7) Includes other non operating income
- (8) 2005 - Recognized Loss on Disposal of Assets
- (9) 1998 - Cumulative effect of accounting change due to the implementation of GASB 27. Adoption of GASB 33 and GASB 34 beginning in 2002.

# Revenue Capacity

---





**This page has been left intentionally blank.**

**ELECTRIC UTILITY SYSTEMS SALES**

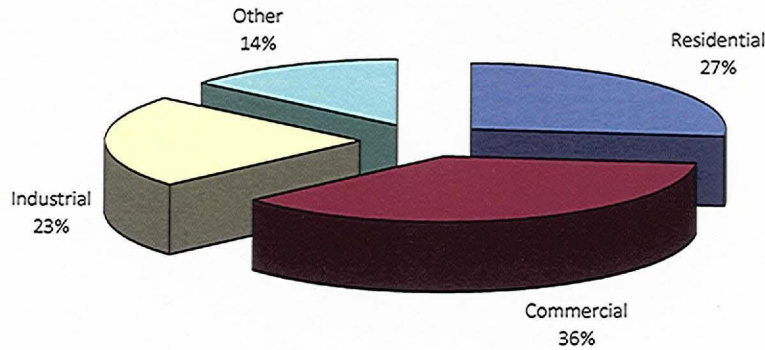
**LAST TEN FISCAL YEARS**

Residential						Commercial					
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s		Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2000	\$ 35,705,004	545,307,672	57,956	9,409	\$ 616.07	\$	45,193,739	822,626,899	6,892	119,360	\$ 6,557.42
2001	\$ 35,377,550	550,869,096	57,846	9,523	\$ 611.58	\$	44,657,134	802,679,313	6,943	115,610	\$ 6,431.97
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

Industrial						Other					
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s		Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2000	\$ 29,639,364	803,136,767	115	6,983.798	\$ 257,733.60	\$	23,947,011	288,171,475	262	1,099,891	\$ 91,400.81
2001	\$ 30,762,177	817,758,956	118	6,930.161	\$ 260,696.42	\$	22,615,413	519,123,634	252	2,060,014	\$ 89,743.70
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

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

**Percentage of Electric Utility Sales**

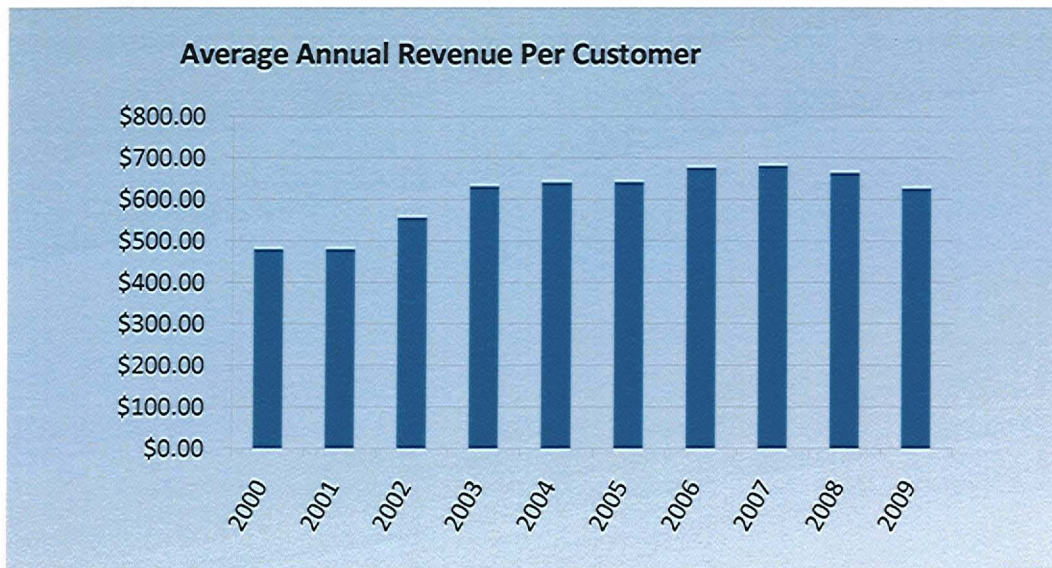


**BPU  
Water Sales**

**Last Ten Fiscal Years**

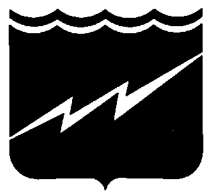
<b>Fiscal Year</b>	<b>Gallons Pumped</b>	<b>Gallons Sold</b>	<b>Operating Revenue</b>	<b>Average Number of Customers</b>	<b>Average Revenue Per Customer</b>
2000	10,468,487,000	7,082,452,212	\$ 24,924,356	52,030	\$479.04
2001	10,292,669,000	7,135,029,880	\$ 24,837,663	51,891	\$478.65
2002	11,229,470,000	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

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



# Debt Capacity

---





**This page has been left intentionally blank.**

**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)	
2000	\$ 177,972,709	\$ 123,631,092	\$ 54,341,617	\$ 26,142,132	254,362,000	245,613,000	499,975,000	2.08
2001	\$ 175,399,140	\$ 127,369,706	\$ 48,029,434	\$ 26,142,132	245,565,239	228,956,357	474,521,596	1.84
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	\$ 232,882,223	\$ 185,129,867	\$ 47,752,356	\$ 34,270,503	385,592,415	243,196,901	628,789,316	1.39

**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 (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**

**Combined**

Year	Utility System Refunding and Improvement Revenue Bonds (Capital Appreciation) Series 1992		Utility System Refunding and Improvement Revenue Bonds (Current Interest) Series 1992		Utility System Refunding and Improvement Revenue Bonds Series 1998		Utility System Improvement Revenue Bonds Series 1999		Industrial Revenue Bonds Series 2001	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	2,446,709	5,453,291	145,000	91,350	1,275,000	1,837,976	475,000	952,988	740,000	672,000
2010	2,286,515	5,613,485	155,000	82,216	1,335,000	1,783,788	500,000	929,238	780,000	634,000
2011			165,000	72,450	1,385,000	1,726,384	525,000	903,613	820,000	594,000
2012			175,000	62,056	1,450,000	1,665,444	575,000	876,317	860,000	552,000
2013			185,000	51,030	1,505,000	1,600,194	600,000	846,125	905,000	507,875
2014			195,000	39,376	1,595,000	1,523,062	625,000	813,875	960,000	456,450
2015			210,000	27,090	2,490,000	1,439,326	650,000	779,500	1,015,000	397,200
2016			220,000	13,852	2,610,000	1,321,050	700,000	743,750	1,075,000	339,875
2017					2,215,000	1,197,076	725,000	704,375	1,130,000	284,750
2018					2,315,000	1,091,862	775,000	663,594	1,190,000	226,750
2019					2,430,000	981,900	800,000	620,000	1,250,000	165,750
2020					2,535,000	872,550	875,000	575,000	1,310,000	101,750
2021					2,655,000	758,476	925,000	524,688	1,380,000	34,500
2022					2,775,000	639,000	975,000	471,500		
2023					2,895,000	514,126	1,025,000	415,438		
2024					1,560,000	383,850	1,100,000	356,500		
2025					1,630,000	313,650	1,175,000	293,250		
2026					1,700,000	240,300	1,250,000	225,688		
2027					1,780,000	163,800	1,300,000	153,813		
2028					1,860,000	83,698	1,375,000	79,063		
2029										
2030										
2031										
2032										
2033										
2034										
<b>Total</b>	<b>4,733,224</b>	<b>11,066,776</b>	<b>1,450,000</b>	<b>439,420</b>	<b>39,995,000</b>	<b>20,137,512</b>	<b>16,950,000</b>	<b>11,928,310</b>	<b>13,415,000</b>	<b>4,966,900</b>

Year	Utility System Refunding Revenue Bonds Series 2004		Utility System Improvement Revenue Bonds Series 2004-B		Utility System Refunding Revenue Bonds Series 2009-A		KDHE Loan #1		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service Fee
2009	490,000	7,022,313	1,165,000	5,488,094		1,653,422	467,387	357,516	35,149
2010	515,000	6,994,628	1,150,000	5,453,144	1,230,000	2,899,475	485,841	340,715	33,497
2011	8,445,000	6,965,530	1,235,000	5,418,644	1,290,000	2,827,975	505,023	323,250	31,780
2012	8,930,000	6,488,388	1,245,000	5,375,419	1,355,000	2,763,475	524,962	305,095	29,995
2013	9,435,000	5,983,843	1,310,000	5,330,288	1,420,000	2,695,725	545,689	286,224	28,140
2014	9,955,000	5,450,765	1,370,000	5,281,163	1,490,000	2,624,725	567,234	266,608	26,211
2015	7,245,000	4,888,308	1,785,000	5,231,500	1,535,000	2,583,750	589,629	246,217	24,207
2016	7,855,000	4,478,965	1,865,000	5,142,250	1,610,000	2,507,000	612,909	225,021	22,123
2017	8,635,000	4,046,458	2,195,000	5,049,000	1,690,000	2,426,500	637,108	202,988	19,957
2018	9,130,000	3,558,580	2,275,000	4,939,250	1,775,000	2,342,000	662,263	180,085	17,705
2019	9,640,000	3,042,735	2,400,000	4,825,500	1,865,000	2,253,250	688,410	156,276	15,364
2020	10,180,000	2,498,075	2,505,000	4,705,500	1,955,000	2,160,000	715,590	131,531	12,931
2021	10,765,000	1,922,905	2,610,000	4,580,250	2,055,000	2,062,250	743,843	105,807	10,402
2022	11,365,000	1,314,683	1,370,000	4,449,750	2,155,000	1,959,500	773,212	79,067	7,773
2023	12,010,000	672,560	1,425,000	4,381,250	2,265,000	1,851,750	803,740	51,272	5,041
2024			7,820,000	4,310,000	2,380,000	1,738,500	835,473	22,379	2,200
2025			8,210,000	3,919,000	2,500,000	1,619,500			
2026			8,620,000	3,508,500	2,625,000	1,494,500			
2027			9,050,000	3,077,500	2,755,000	1,363,250			
2028			9,500,000	2,625,000	2,890,000	1,225,500			
2029			9,980,000	2,150,000	3,035,000	1,081,000			
2030			10,475,000	1,651,000	3,190,000	929,250			
2031			11,000,000	1,127,250	3,355,000	761,775			
2032					3,530,000	585,638			
2033					3,715,000	400,313			
2034					3,910,000	205,275			
<b>Total</b>	<b>124,395,000</b>	<b>65,328,733</b>	<b>112,105,000</b>	<b>98,596,500</b>	<b>57,575,000</b>	<b>47,005,287</b>	<b>10,158,312</b>	<b>3,280,052</b>	<b>322,477</b>

Year	KDHE Loan #2			KDHE Loan #3			Total			
	Principal	Interest	Service Fee	Principal	Interest	Service Fee	Principal	Interest	Service Fee	Total
2009	215,809	163,880	16,203	331,204	274,390	29,550	7,751,109	23,967,219	80,902	31,799,229
2010	224,286	156,166	15,440	343,234	283,529	28,380	9,004,875	25,140,383	77,317	34,222,575
2011	233,095	148,149	14,647	355,702	252,274	27,168	14,958,820	19,232,267	73,596	34,264,683
2012	242,251	139,817	13,824	368,623	240,609	25,912	15,725,835	18,468,619	69,731	34,264,185
2013	251,766	131,158	12,968	382,012	228,521	24,610	16,539,467	17,660,982	65,718	34,266,166
2014	261,655	122,159	12,078	395,889	215,994	23,261	17,414,777	16,794,176	61,550	34,270,503
2015	271,932	112,806	11,153	410,269	203,012	21,863	18,301,830	15,908,708	57,223	34,272,829
2016	282,613	103,066	10,192	425,171	189,558	20,414	19,205,694	15,064,407	52,729	34,276,829
2017	293,714	92,984	9,193	440,615	175,616	18,912	20,121,437	14,179,746	48,062	34,281,246
2018	305,250	82,486	8,155	456,620	161,167	17,356	21,058,133	13,245,773	43,217	34,306,123
2019	317,240	71,575	7,077	473,207	146,193	15,744	22,000,857	12,263,181	38,185	34,264,156
2020	329,701	60,235	5,955	490,395	130,675	14,073	23,059,686	11,235,317	32,960	34,297,963
2021	342,651	48,450	4,790	508,208	114,594	12,341	24,244,702	10,151,920	27,534	34,424,156
2022	356,110	36,203	3,579	526,669	97,929	10,546	25,579,990	9,047,631	21,899	34,648,520
2023	370,097	23,474	2,321	545,799	80,658	8,686	27,079,636	7,990,527	16,048	34,846,211
2024	384,634	10,245	1,013	565,625	62,760	6,759	28,804,732	6,884,234	9,972	35,700,937
2025				336,748	44,212	4,761	31,001,748	6,189,612	4,761	37,196,121
2026				348,980	24,990	2,691	33,543,980	5,493,977	2,691	39,044,648
2027				179,215	5,069	546	36,363,432	4,763,432	546	37,131,410
2028							39,325,000	4,013,261		39,338,261
2029							42,450,000	3,231,000		42,681,000
2030							45,665,000	2,580,250		45,245,250
2031							49,000,000	1,989,025		48,989,025
2032							52,475,000	1,462,888		52,937,888
2033							56,000,000	1,000,000		57,000,000
2034							60,000,000	500,000		60,500,000
<b>Total</b>	<b>4,682,802</b>	<b>1,502,871</b>	<b>148,589</b>	<b>7,884,186</b>	<b>2,911,748</b>	<b>313,573</b>	<b>393,343,524</b>	<b>267,164,120</b>	<b>784,639</b>	<b>661,292,282</b>

**BPU**  
**Debt Maturity Schedules**  
**Electric System**

Year	Utility System Refunding and Improvement Revenue Bonds (Capital Appreciation) Series 1992		Utility System Improvement Revenue Bonds Series 1999		Industrial Revenue Bonds Series 2001		Utility System Refunding Revenue Bonds Series 2004		Utility System Improvement Revenue Bonds Series 2004-B		Utility System Refunding Revenue Bonds Series 2009-A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	2,030,279	4,525,141	446,215	895,236	643,800	584,640	367,500	5,266,734	990,250	4,664,880		1,568,436
2010	1,897,350	4,658,070	469,700	872,926	678,600	551,580	386,250	5,245,971	977,500	4,635,172	1,166,778	2,740,956
2011			493,185	848,854	713,400	516,780	6,333,750	5,224,148	1,049,750	4,605,847	1,223,694	2,682,617
2012			540,155	823,212	748,200	480,240	6,697,500	4,866,291	1,058,250	4,569,106	1,285,353	2,621,432
2013			563,640	794,850	787,350	441,851	7,076,250	4,487,882	1,113,500	4,530,744	1,347,012	2,557,165
2014			587,125	764,554	835,200	397,112	7,466,250	4,088,074	1,164,500	4,488,988	1,413,414	2,489,814
2015			610,610	732,262	883,050	345,564	5,433,750	3,666,231	1,517,250	4,446,775	1,456,101	2,450,945
2016			657,580	698,679	935,250	295,691	5,741,250	3,359,224	1,585,250	4,370,913	1,527,246	2,378,140
2017			681,065	661,690	983,100	247,733	6,476,250	3,034,843	1,865,750	4,291,650	1,603,134	2,301,778
2018			728,035	623,380	1,035,300	197,273	6,847,500	2,668,935	1,933,750	4,198,363	1,683,765	2,221,621
2019			751,520	582,428	1,087,500	144,203	7,230,000	2,282,051	2,040,000	4,101,675	1,769,139	2,137,433
2020			821,975	540,155	1,139,700	88,523	7,635,000	1,873,556	2,129,250	3,999,675	1,854,513	2,048,976
2021			868,945	492,891	1,200,600	30,015	8,073,750	1,442,179	2,218,500	3,893,213	1,949,373	1,956,250
2022			915,915	442,927			8,523,750	986,012	1,164,500	3,782,288	2,044,233	1,858,782
2023			962,885	390,262			9,007,500	504,420	1,211,250	3,724,063	2,148,579	1,766,570
2024			1,033,340	334,896					6,647,000	3,663,500	2,257,668	1,649,141
2025			1,103,795	275,479					6,978,500	3,331,150	2,371,500	1,536,258
2026			1,174,250	212,011					7,327,000	2,982,225	2,490,075	1,417,683
2027			1,221,220	144,491					7,692,500	2,615,875	2,613,393	1,293,179
2028			1,291,675	74,271					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
<b>Total</b>	<b>3,927,629</b>	<b>9,183,211</b>	<b>15,922,830</b>	<b>11,205,455</b>	<b>11,671,050</b>	<b>4,321,203</b>	<b>93,296,250</b>	<b>48,996,549</b>	<b>95,289,250</b>	<b>83,807,025</b>	<b>54,615,645</b>	<b>44,589,225</b>

Year	Total		
	Principal	Interest	Total
2009	4,478,044	17,505,067	21,983,111
2010	5,576,178	18,704,675	24,280,853
2011	9,813,779	13,878,245	23,692,024
2012	10,329,458	13,360,281	23,689,739
2013	10,887,752	12,812,492	23,700,244
2014	11,466,489	12,228,542	23,695,031
2015	9,900,761	11,641,777	21,542,538
2016	10,446,576	11,102,646	21,549,222
2017	11,609,299	10,537,693	22,146,992
2018	12,228,350	9,909,571	22,137,921
2019	12,878,159	9,247,790	22,125,949
2020	13,580,438	8,550,885	22,131,323
2021	14,311,168	7,814,548	22,125,716
2022	12,648,398	7,070,008	19,718,406
2023	13,330,214	6,375,315	19,705,529
2024	9,938,008	5,647,537	15,585,545
2025	10,453,795	5,142,887	15,596,682
2026	10,991,325	4,611,919	15,603,244
2027	11,527,113	4,053,545	15,580,658
2028	12,108,129	3,468,031	15,576,160
2029	11,362,001	2,852,937	14,214,938
2030	11,929,784	2,284,837	14,214,621
2031	12,532,553	1,680,782	14,213,335
2032	13,161,808	1,046,198	14,208,006
2033	3,524,049	379,736	3,903,785
2034	3,709,026	194,724	3,903,750
<b>Total</b>	<b>274,722,654</b>	<b>202,102,668</b>	<b>476,825,322</b>

**BPU**  
**Debt Maturity Schedules**

**Water System**

Year	Utility System Refunding and Improvement Revenue Bonds (Capital Appreciation) Series 1992		Utility System Refunding and Improvement Revenue Bonds (Current Interest) Series 1992		Utility System Refunding and Improvement Revenue Bonds Series 1998		Utility System Improvement Revenue Bonds Series 1999		Industrial Revenue Bonds Series 2001	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2009	416,430	928,150	145,000	91,350	1,275,000	1,837,976	28,785	57,751	96,200
2010	389,165	955,415	155,000	82,216	1,335,000	1,783,788	30,300	56,312	101,400	82,420
2011			165,000	72,450	1,385,000	1,726,384	31,815	54,759	106,600	77,220
2012			175,000	62,056	1,450,000	1,665,444	34,845	53,105	111,800	71,760
2013			185,000	51,030	1,505,000	1,600,194	36,380	51,275	117,650	66,024
2014			195,000	39,376	1,595,000	1,523,062	37,875	49,321	124,800	59,339
2015			210,000	27,090	2,490,000	1,439,326	39,390	47,238	131,950	51,636
2016			220,000	13,852	2,610,000	1,321,050	42,420	45,071	139,750	44,184
2017					2,215,000	1,197,076	43,935	42,685	146,900	37,018
2018					2,315,000	1,091,862	46,965	40,214	154,700	29,478
2019					2,430,000	981,900	48,480	37,572	162,500	21,548
2020					2,535,000	872,550	53,025	34,845	170,300	13,228
2021					2,655,000	758,476	56,055	31,796	179,400	4,485
2022					2,775,000	639,000	59,085	28,573		
2023					2,895,000	514,126	62,115	25,176		
2024					1,560,000	383,850	66,660	21,604		
2025					1,630,000	313,650	71,205	17,771		
2026					1,700,000	240,300	75,750	13,677		
2027					1,780,000	163,800	78,780	9,321		
2028					1,860,000	83,698	83,325	4,791		
2029										
2030										
2031										
2032										
2033										
2034										
<b>Total</b>	<b>805,595</b>	<b>1,883,565</b>	<b>1,450,000</b>	<b>439,420</b>	<b>39,995,000</b>	<b>20,137,512</b>	<b>1,027,170</b>	<b>722,856</b>	<b>1,743,950</b>	<b>645,697</b>

Year	Utility System Refunding Revenue Bonds Series 2004		Utility System Improvement Revenue Bonds Series 2004-B		Utility System Refunding Revenue Bonds Series 2009-A		KDNE Loan #1		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service Fee
	2009	122,500	1,755,578	174,750	823,214		84,986	467,387	357,516
2010	128,750	1,748,657	172,500	817,972	63,222	148,519	485,841	340,715	33,497
2011	2,111,250	1,741,383	185,250	812,797	66,306	145,358	505,023	323,250	31,780
2012	2,232,500	1,622,097	186,750	806,313	69,647	142,043	524,962	305,095	29,995
2013	2,358,750	1,495,961	196,500	799,543	72,988	138,560	545,689	286,224	28,140
2014	2,488,750	1,362,691	205,500	792,174	76,586	134,911	567,234	266,608	26,211
2015	1,811,250	1,222,077	267,750	784,725	78,899	132,805	589,629	246,217	24,207
2016	1,913,750	1,119,741	279,750	771,338	82,754	128,860	612,909	225,021	22,123
2017	2,158,750	1,011,614	329,250	757,350	86,866	124,722	637,108	202,988	19,957
2018	2,282,500	889,645	341,250	740,888	91,235	120,379	662,263	180,085	17,705
2019	2,410,000	760,684	360,000	723,825	95,881	115,817	688,410	156,278	15,364
2020	2,545,000	624,519	375,750	705,825	100,487	111,024	715,590	131,531	12,931
2021	2,691,250	480,726	391,500	687,038	105,627	106,000	743,843	105,807	10,402
2022	2,841,250	328,671	205,500	667,463	110,767	100,718	773,212	79,067	7,773
2023	3,002,500	168,140	213,750	657,188	116,421	95,180	803,740	51,272	5,041
2024			1,173,000	646,500	122,332	89,359	835,473	22,379	2,200
2025			1,231,500	587,850	128,500	83,242			
2026			1,293,000	526,275	134,925	78,817			
2027			1,357,500	461,625	141,607	70,071			
2028			1,425,000	393,750	148,546	62,991			
2029			1,497,000	322,500	155,999	55,563			
2030			1,571,250	247,650	163,966	47,763			
2031			1,650,000	169,088	172,447	39,155			
2032			1,731,750	86,588	181,442	30,102			
2033					190,951	20,576			
2034					200,974	10,551			
<b>Total</b>	<b>31,088,750</b>	<b>16,332,183</b>	<b>16,815,750</b>	<b>14,789,475</b>	<b>2,959,355</b>	<b>2,416,072</b>	<b>10,158,312</b>	<b>3,280,052</b>	<b>322,477</b>

Year	KDHE Loan #2			KDHE Loan #3			Total			
	Principal	Interest	Service Fee	Principal	Interest	Service Fee	Principal	Interest	Service Fee	Total
	2009	215,809	163,880	16,203	331,204	274,390	29,550	3,273,065	6,462,151	80,902
2010	224,286	156,186	15,440	343,234	263,529	28,380	3,428,697	6,435,708	77,317	9,941,723
2011	233,095	148,149	14,647	355,702	252,274	27,168	5,145,041	5,354,022	73,596	10,572,658
2012	242,251	139,817	13,824	368,823	240,609	25,912	5,396,377	5,108,339	69,731	10,574,447
2013	251,766	131,158	12,968	382,012	228,521	24,610	5,651,715	4,848,490	65,718	10,565,922
2014	261,655	122,159	12,078	395,889	215,994	23,261	5,948,288	4,565,634	61,550	10,575,472
2015	271,932	112,806	11,153	410,269	203,012	21,863	6,301,069	4,266,931	57,223	10,625,223
2016	282,613	103,086	10,192	425,171	189,558	20,414	6,609,118	3,961,760	52,729	10,623,607
2017	293,714	92,984	9,193	440,615	175,616	18,912	6,352,138	3,642,053	48,062	10,042,254
2018	305,250	82,486	8,155	456,620	161,167	17,356	6,655,783	3,336,202	43,217	10,035,202
2019	317,240	71,575	7,077	473,207	146,193	15,744	6,985,698	3,015,391	38,185	10,039,274
2020	329,701	60,235	5,955	490,395	130,675	14,073	7,315,248	2,684,432	32,960	10,032,640
2021	342,651	48,450	4,790	508,208	114,594	12,341	7,673,534	2,337,372	27,534	10,038,440
2022	356,110	36,203	3,579	526,689	97,929	10,546	7,647,592	1,977,623	21,899	9,647,114
2023	370,097	23,474	2,321	545,799	80,658	8,686	8,009,422	1,615,212	16,048	9,640,682
2024	384,634	10,245	1,013	565,625	62,760	6,759	4,707,724	1,236,696	9,972	5,954,392
2025				336,748	44,212	4,761	3,397,953	1,046,725	4,761	4,449,439
2026				348,980	24,990	2,691	3,552,655	882,058	2,691	4,437,405
2027				179,215	5,069	546	3,537,102	709,886	546	4,247,535
2028							3,516,871	545,230		4,062,101
2029							1,652,999	378,063		2,031,062
2030							1,735,216	295,413		2,030,629
2031							1,822,447	208,243		2,030,690
2032							1,913,192	116,689		2,029,881
2033							190,951	20,576		211,527
2034							200,974	10,551		211,525
<b>Total</b>	<b>4,682,802</b>	<b>1,502,871</b>	<b>148,589</b>	<b>7,884,186</b>	<b>2,911,748</b>	<b>313,573</b>	<b>118,620,870</b>	<b>65,061,452</b>	<b>784,639</b>	<b>184,466,961</b>

# Demographic and Economic Information

---





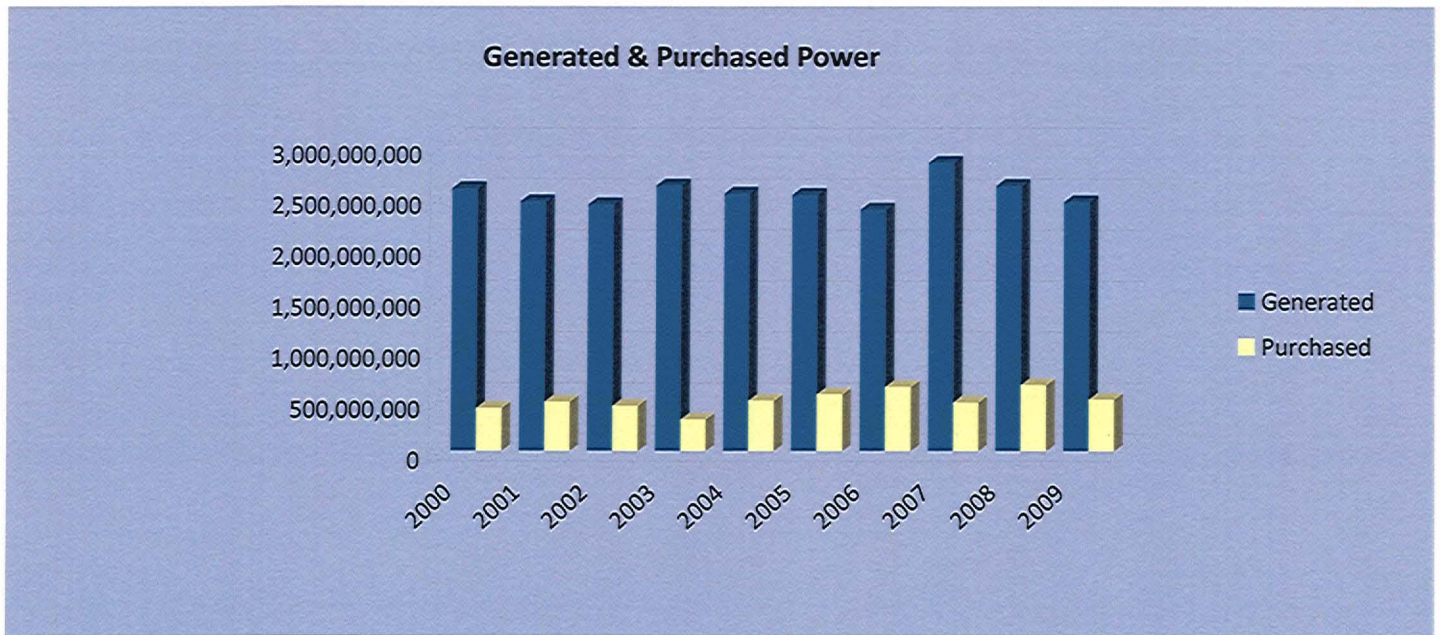
**This page has been left intentionally blank.**

# Electric Load Statistics in Kilowatts

## Last Ten Fiscal Years

Fiscal <u>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>
2000	2,574,410,000	419,032,800	-528,562,000	2,464,880,800	494,000	645,000
2001	2,448,006,000	481,883,800	-480,901,000	2,448,988,800	496,000	591,000
2002	2,419,119,000	440,956,700	-377,928,000	2,482,147,700	479,000	591,000
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

**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)**

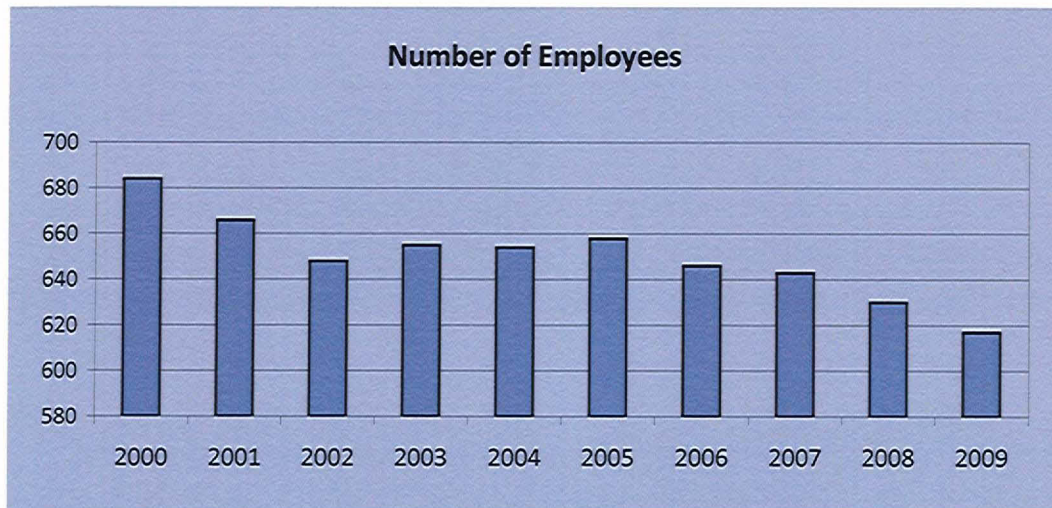
<u>2000</u>	<u>Revenue</u>	<u>2001</u>	<u>Revenue</u>
Owens Corning Fiberglass (Insulation)	\$ 5,618,300	Owens Corning Fiberglass (Insulation)	\$ 5,399,800
CertainTeed Corp. (Insulation)	5,144,200	CertainTeed Corp. (Insulation)	5,399,200
General Motor's Corp. (Auto Production)	5,138,800	General Motor's Corp. (Auto Production)	4,782,600
WaterOne of Johnson County (Water Utility)	3,140,500	Univ. of Kansas Medical Ctr. (Hospital)	3,208,400
Univ. of Kansas Medical Ctr. (Hospital)	3,124,900	WaterOne of Johnson County (Water Utility)	3,173,600
Procter & Gamble Co. (Cleaning Products)	2,943,300	Procter & Gamble Co. (Cleaning Products)	3,087,100
Griffin Wheel (Railroad Wheels)	2,151,000	Griffin Wheel (Railroad Wheels)	2,260,400
Armour Swift-Eckrich Inc. (Food Manufacturer)	1,529,600	Armour Swift-Eckrich Inc. (Food Manufacturer)	1,527,200
Colgate Palmolive Co. (Soap Manufacturer)	1,351,100	Colgate Palmolive Co. (Soap Manufacturer)	1,313,600
Burlington Northern/Sante Fe (Railroad)	1,277,300	Burlington Northern/Sante Fe (Railroad)	1,287,400
<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
<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
<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
<u>2008</u>	<u>Revenue</u>	<u>2009</u>	<u>Revenue</u>
General Motor's (Auto Production)	\$ 8,636,200	Owens Corning Fiberglass (Insulation)	\$ 8,416,826
Owens Corning Fiberglass (Insulation)	8,114,700	General Motor's (Auto Production)	7,775,949
Univ. of Kansas Medical Ctr. (Hospital)	6,577,700	Univ. of Kansas Medical Ctr. (Hospital)	7,428,593
CertainTeed Corp. (Insulation)	5,120,500	USD#500 KCK (Public School Dist.)	5,071,820
Griffin Wheel (Railroad Wheels)	4,819,500	CertainTeed Corp. (Insulation)	4,995,009
WaterOne of Johnson County (Water Utility)	4,557,700	Procter & Gamble Co. (Cleaning Products)	4,681,801
Procter & Gamble Co. (Cleaning Products)	4,539,400	Griffin Wheel (Railroad Wheels)	4,131,327
USD#500 KCK (Public School Dist.)	4,457,100	WaterOne of Johnson County (Water Utility)	3,588,542
Sunshine Biscuit (Food Manufacturer)	1,798,000	Magellan Pipeline Co	1,873,754
Burlington Northern/Sante Fe (Railroad)	1,785,000	Burlington Northern/Sante Fe (Railroad)	1,861,478

# 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)
2000	\$ 36,302,707	\$ 19,860,821	\$ 50,550,827	684
2001	\$ 38,158,783	\$ 19,585,515	\$ 51,847,158	666
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

- (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**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Public School Enrollment</u>	<u>Unemployment Rate</u>
2000	157,882 (1)	\$ 3,121,250	\$ 19,773 (3)	29,694	6.3% (5)
2001	158,246 (2)	\$ 3,259,239	\$ 20,594 (3)	29,161	7.5%
2002	157,236 (2)	\$ 3,389,465	\$ 21,549 (3)	29,057	9.5%
2003	155,790 (2)	\$ 3,456,810	\$ 22,171 (3)	28,823	11.0%
2004	154,271 (2)	\$ 3,529,026	\$ 22,845 (3)	28,571	9.3%
2005	153,586 (2)	\$ 3,639,571	\$ 23,649 (3)	28,059	8.8%
2006	152,810 (2)	\$ 3,848,914	\$ 25,122 (3)	27,970	7.5%
2007	153,317 (2)	\$ 3,987,998	\$ 25,963 (3)	27,877	7.3%
2008	153,968 (2)	\$ 4,131,560	\$ 26,988 (4)	27,867	7.8%
2009	155,085 (2)	\$ 4,280,296	\$ 28,054 (4)	28,521	10.3%

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

Notes:

<sup>1</sup> 2000 U.S. Census Counts

<sup>2</sup> U.S. Dept of Commerce, Bureau of Census, Local Population Estimates, 2009 estimate based on prior Census estimates.

<sup>3</sup> Bureau of Economic Analysis

<sup>4</sup> Estimates based on trends

<sup>5</sup> Due to changes made by the Kansas Dept of Labor on how employment statistics are calculated, 2000 or later years are not comparable to prior years. Therefore, the data is not shown above.

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

	<b>Fiscal Year 2009</b>			<b>Fiscal Year 2000</b>		
	<b>Employees in County (Employment Range)</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees in County</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Kansas City, Ks School District #500	3500-4000	1	4.59%	3,300	2	4.15%
General Motors Corporation	3500-4000	2	4.39%	3,200	3	4.02%
Kansas University Hospital	2500-3499	3	4.10%	-	-	-
University of Kansas Medical Center	2500-3499	4	3.35%	4,960 *	1	6.23%
Burlington Northern/Santa Fe Railroad	1000-2499	5	3.05%	1,500	5	1.88%
Unified Government of Wyandotte Co/KCK	1000-2499	6	2.80%	2,300	4	2.89%
Providence Medical Center	1000-2499	7	1.46%	939	6	1.18%
Nebraska Furniture Mart	1000-2499	8	1.45%	-	-	-
Associated Wholesale Grocers	1000-2499	9	1.28%	500	16	0.63%
United Parcel Service	750-999	10	1.13%	910	7	1.14%
Kansas City, Kansas Community College	-	-	-	787	8	0.99%
Elite Logistics	-	-	-	750	9	0.94%
Tele-Tech	-	-	-	734	10	0.92%
	<u>22,650</u>		<u>27.60%</u>	<u>19,880</u>		<u>24.98%</u>

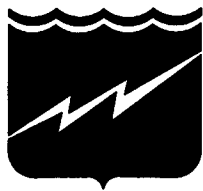
\*Combined figure for Kansas University and Hospital.  
Source: Unified Government Building Inspection Division.



**This page has been left intentionally blank.**

# Operating Information

---





**This page has been left intentionally blank.**

Utility System Plant Additions  
Last Ten Fiscal Years

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Electric</b>	16,590,921	19,481,720	20,953,383	24,866,773	39,015,220
<b>Water</b>	2,688,813	5,091,476	5,238,346	6,216,693	20,732,148
<b>Total</b>	19,279,734	24,573,196	26,191,729	31,083,466	59,747,368

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Electric</b>	71,753,084	39,124,794	17,096,800	20,274,310	17,992,142
<b>Water</b>	19,017,017	24,702,299	14,597,383	8,119,818	6,217,112
<b>Total</b>	90,770,101	63,827,093	31,694,183	28,394,128	24,209,254

\* Utility Plant Additions totals taken from Statement of Cash Flows