

CITY OF INDEPENDENCE, MISSOURI

Continuing Disclosure Statement

(SEC) Rule 15c2-12

**Fiscal Year Ending
June 30, 2012**

Independence



2001

CITY OF INDEPENDENCE, MISSOURI

**Continuing Disclosure Statement
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**For Fiscal Year Ending
June 30, 2012**

Prepared by the Department of Finance

James C. Harlow, Director of Finance & Administration

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PART I - PURPOSE OF DOCUMENT

This document is a supplement to the City's Comprehensive Annual Financial Report (CAFR) for the fiscal period ending June 30, 2012 and is not to be distributed or used separately from the CAFR. The information contained in this document has been submitted by the City pursuant to a contractual undertaking the City made in accordance with SEC Rule 15c2-12. Nothing contained in the undertaking of this document shall be deemed to be a representation by the City that the financial information and operating data included in this report constitutes all of the information that may be material to a decision to invest in, hold or sell any securities of the City. The financial data and operating data presented in this document are as of the dates shown.

BOND ISSUES AND CUSIP NUMBERS

Independence, Missouri; Electric Utility Refunding Revenue Bonds Series 1998, dated 9/1/98:

Line	Coupon	Matures	CUSIP
1	4.75	6/1/2013	453650LP6
2	4.8	6/1/2014	453650LQ4

Independence, Missouri; Electric Utility Refunding Revenue Bonds Series 2003, dated 3/1/03:

Line	Coupon	Matures	CUSIP
1	3.55	6/1/2013	453650MA8
2	3.65	6/1/2014	453650MB6

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Hartman Heritage Centre Project) Series 2003, date 9/1/03:

Line	Coupon	Matures	CUSIP
1	5	4/1/2013	60636CKP3
2	5	4/1/2014	60636CKQ1
3	5	4/1/2015	60636CKR9
4	5	4/1/2016	60636CKS7
5	5	4/1/2017	60636CKT5
6	5	4/1/2018	60636CKU2
7	5	4/1/2019	60636CKV0
8	5	4/1/2020	60636CKW8
9	5	4/1/2021	60636CKX6

Independence, Missouri; Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, dated 5/15/04:

Line	Coupon	Matures	CUSIP
1	5	3/1/2013	453632GY1
2	5	3/1/2014	453632GZ8
3	5	3/1/2015	453632HA2
4	5.25	3/1/2016	453632HB0
5	5.25	3/1/2017	453632HC8
6	5.25	3/1/2018	453632HD6
7	5.25	3/1/2019	453632HE4

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds, (Water System Improvements) Series 2004, dated 6/1/04:

Line	Coupon	Matures	CUSIP
1	4.75	6/1/2013	453650LP6
2	4.8	6/1/2014	453650LQ4
3	5	11/1/2014	60636CNN5
4	5	11/1/2015	60636CNP0
5	5	11/1/2017	60636CNQ8
6	4.5	11/1/2018	60636CNR6
7	4.6	11/1/2019	60636CNK1
8	5	11/1/2024	60636CNL9

Independence, Missouri; Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Improvement Project) Series 2004B, dated 8/15/04:

Line	Coupon	Matures	CUSIP
1	5.75	3/1/2013	453632HP9
2	5.75	3/1/2014	453632HQ7
3	5.5	3/1/2015	453632HR5
4	5.5	3/1/2016	453632HS3
5	5.5	3/1/2017	453632HT1
6	5.5	3/1/2018	453632HU8
7	5.5	3/1/2019	453632HV6
8	5.875	3/1/2020	453632HW4
9	5.875	3/1/2021	453632HX2
10	5.875	3/1/2022	453632HY0
11	5.875	3/1/2023	453632HZ7
12	5.875	3/1/2024	453632JA0

Missouri Development Finance Board Infrastructure; Facilities Revenue Bonds (Aquatics Facility Project) Series 2004, 12/1/04:

Line	Coupon	Matures	CUSIP
1	3.75	8/1/2012	60636CPV5
2	3.875	2/1/2013	60636CPW3

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Public Safety Project) Series 2005A, dated 3/1/05:

Line	Coupon	Matures	CUSIP
1	5	3/1/2013	60636CRU5
2	5	3/1/2014	60636CRV3
3	5.25	3/1/2015	60636CRW1

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2005B, dates 3/1/05:

Line	Coupon	Matures	CUSIP
1	4.5	3/1/2015	60636CSC4
2	4.625	3/1/2020	60636CSD2

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2005C, dated 3/1/05:

Line	Coupon	Matures	CUSIP
1	4	3/1/2013	60636CSJ9
2	4.125	3/1/2014	60636CSK6
3	4.25	3/1/2015	60636CSL4
4	4.375	3/1/2016	60636CSM2
5	5.25	3/1/2019	60636CSN0
6	5	3/1/2023	60636CSP5
7	5	3/1/2026	60636CSQ3

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006A, dated 3/15/06:

Line	Coupon	Matures	CUSIP
1	5.75	3/1/2016	60636CTL3
2	6	3/1/2021	60636CTM1
3	6	3/1/2026	60636CTN9

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006B, dated 3/15/06:

Line	Coupon	Matures	CUSIP
1	5.79	3/1/2016	60636CTQ2
2	5.79	3/1/2021	60636CTR0
3	5.79	3/1/2026	60636CTS8

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006C, dated 3/15/06:

Line	Coupon	Matures	CUSIP
1	5	3/1/2028	60636CTJ8

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2006, dated 5/15/06:

Line	Coupon	Matures	CUSIP
1	4.375	3/1/2013	60636CUB3
2	4.5	3/1/2014	60636CUC1
3	4.5	3/1/2015	60636CTX7
4	4.5	3/1/2016	60636CUD9
5	4.625	3/1/2020	60636CTY5

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Parks Facilities Projects), Series 2006D, dated 12/12/06:

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2013	60636CVA4

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2006F, dated 12/1/06:

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2013	60636CVG1
2	4.25	3/1/2014	60636CVH9
3	4.25	3/1/2015	60636CVJ5
4	4.25	3/1/2016	60636CVK2
5	4	3/1/2021	60636CVL0
6	4.125	3/1/2028	60636CVM8

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2007A, dated 5/1/07:

Line	Coupon	Matures	CUSIP
1	4	4/1/2013	60636CVT3
2	4.125	4/1/2014	60636CVU0
3	4.25	4/1/2015	60636CVV8
4	5	4/1/2016	60636CVW6
5	5	4/1/2017	60636CVX4
6	5	4/1/2018	60636CVY2
7	5	4/1/2019	60636CVZ9
8	5	4/1/2020	60636CWA3
9	5	4/1/2021	60636CWB1
10	4.5	4/1/2022	60636CWC9

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Hartman Heritage Centre Project) Series 2007B, dated 5/1/07:

Line	Coupon	Matures	CUSIP
1	4	4/1/2013	60636CWJ4
2	4.125	4/1/2014	60636CWK1
3	4.125	4/1/2015	60636CWL9
4	4.25	4/1/2016	60636CWM7
5	4.25	4/1/2017	60636CWN5
6	5	4/1/2018	60636CWP0
7	5	4/1/2019	60636CWQ8
8	5	4/1/2020	60636CWR6

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Santa Fe Redevelopment Project) Series 2007C, dated 5/1/07:

Line	Coupon	Matures	CUSIP
1	5.515	4/1/2013	60636CWX3
2	5.646	4/1/2014	60636CWY1
3	5.696	4/1/2015	60636CWZ8
4	5.746	4/1/2016	60636CXA2
5	5.796	4/1/2017	60636CXB0
6	6.096	4/1/2018	60636CXC8
7	6.096	4/1/2019	60636CXD6
8	6.096	4/1/2020	60636CXE4
9	6.096	4/1/2021	60636CXF1
10	6.096	4/1/2022	60636CXG9
11	6.096	4/1/2023	60636CXH7

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2007D, dated 5/1/07:

Line	Coupon	Matures	CUSIP
1	4	4/1/2013	60636CXP9
2	4.25	4/1/2014	60636CXQ7
3	4.25	4/1/2015	60636CXR5
4	4.25	4/1/2016	60636CXS3
5	4.25	4/1/2017	60636CXT1
6	4.5	4/1/2018	60636CXU8
7	4.5	4/1/2019	60636CXV6
8	4.5	4/1/2020	60636CXW4

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2007E, dated 6/1/07:

Line	Coupon	Matures	CUSIP
1	5	4/1/2013	60636CYB9
2	5	4/1/2014	60636CYC7
3	5	4/1/2015	60636CYD5
4	5	4/1/2016	60636CYE3
5	5	4/1/2017	60636CYF0
6	5	4/1/2018	60636CYG8
7	5	4/1/2019	60636CYH6
8	5	4/1/2020	60636CYJ2
9	5	4/1/2021	60636CYK9
10	5.125	4/1/2025	60636CYL7
11	5.125	4/1/2027	60636CYM5
12	4.75	4/1/2028	60636CYN3

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2008A, dated 2/1/08:

Line	Coupon	Matures	CUSIP
1	4.95	3/1/2013	60636CA41
2	5.15	3/1/2014	60636CA58
3	5.25	3/1/2015	60636CA66
4	5.6	3/1/2016	60636CA74
5	5.7	3/1/2017	60636CA82

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2008B, dated 2/1/08:

Line	Coupon	Matures	CUSIP
1	4	3/1/2017	60636CZE2
2	4.25	3/1/2018	60636CZF9
3	4.25	3/1/2019	60636CZG7
4	5.125	3/1/2020	60636CZH5
5	5.125	3/1/2021	60636CZJ1
6	5.125	3/1/2022	60636CZK8
7	5	3/1/2023	60636CZL6
8	5	3/1/2024	60636CZM4
9	5	3/1/2025	60636CZN2

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2008C, dated 2/1/08:

Line	Coupon	Matures	CUSIP
1	4	4/1/2013	60636CZQ5
2	4	4/1/2014	60636CZR3
3	4	4/1/2015	60636CZS1
4	4	4/1/2016	60636CZT9
5	4	4/1/2017	60636CZU6
6	4.25	4/1/2018	60636CZV4
7	4.25	4/1/2019	60636CZW2
8	5.125	4/1/2020	60636CZX0
9	5.125	4/1/2021	60636CZY8
10	5.125	4/1/2022	60636CZZ5

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008D, dated 4/1/08:

Line	Coupon	Matures	CUSIP
1	4	10/1/2012	60636CB73
2	4	4/1/2013	60636CB81
3	4	10/1/2013	60636CB99
4	4.25	4/1/2014	60636CC23
5	4.25	10/1/2014	60636CC31
6	4.375	4/1/2015	60636CC49
7	4.375	10/1/2015	60636CC56
8	4.5	4/1/2016	60636CC64
9	4.5	10/1/2016	60636CC72
10	5	4/1/2017	60636CC80
11	5	10/1/2017	60636CC98
12	5	4/1/2018	60636CD22
13	5	10/1/2018	60636CD30
14	5	4/1/2019	60636CD48
15	5	10/1/2019	60636CD55
16	5	4/1/2020	60636CD63
17	5.375	10/1/2020	60636CD71
18	5.375	4/1/2021	60636CD89
19	5.375	10/1/2021	60636CD97
20	5.375	4/1/2022	60636CE21
21	5.375	10/1/2022	60636CE39
22	5.375	4/1/2023	60636CE47
23	5.375	10/1/2023	60636CE54
24	5.625	4/1/2028	60636CE62
25	5.75	4/1/2033	60636CE70
26	5.75	4/1/2038	60636CE88

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2008E, dated 4/1/08:

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2013	60636CF53
2	4.25	3/1/2014	60636CF61
3	4.25	3/1/2015	60636CF79
4	4.25	3/1/2016	60636CF87
5	4.25	3/1/2017	60636CF95
6	4.75	3/1/2018	60636CG29
7	4.75	3/1/2019	60636CG37
8	4.75	3/1/2020	60636CG45
9	4.75	3/1/2021	60636CG52
10	5	3/1/2022	60636CG60

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2008F, dated 7/1/08:

Line	Coupon	Matures	CUSIP
1	4.25	4/1/2013	60636CH36
2	4.096	4/1/2014	60636CH44
3	4.125	4/1/2015	60636CH51
4	4.5	4/1/2016	60636CH69
5	4.417	4/1/2017	60636CH77
6	4.75	4/1/2018	60636CH85
7	5.125	4/1/2014	60636CH93
8	5.125	4/1/2017	60636CJ26
9	5.125	4/1/2021	60636CJ34
10	5.375	4/1/2024	60636CJ67
11	6	4/1/2027	60636CJ91

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2008G, dated 7/1/08:

Line	Coupon	Matures	CUSIP
1	4.25	4/1/2013	60636CK65
2	4	4/1/2014	60636CK73
3	4.125	4/1/2015	60636CK81
4	4.25	4/1/2016	60636CK99
5	4.375	4/1/2017	60636CL23
6	4.5	4/1/2018	60636CL31
7	5.25	4/1/2019	60636CL49
8	5.25	4/1/2020	60636CL56
9	5.25	4/1/2021	60636CL64
10	5.25	4/1/2022	60636CL72

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008H, dated 11/1/08:

Line	Coupon	Matures	CUSIP
1	6.75	4/1/2029	60636CM71
2	7	4/1/2033	60636CN39

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009A, dated 2/1/09:

Line	Coupon	Matures	CUSIP
1	6.125	10/1/2028	60636CP29
2	6.625	4/1/2033	60636CP37
3	6.75	4/1/2038	60636CP45

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2009B, dated 3/1/09:

Line	Coupon	Matures	CUSIP
1	4	4/1/2013	60636CP86
2	4	4/1/2014	60636CP94
3	4	4/1/2015	60636CQ28
4	4.125	4/1/2016	60636CQ36
5	4.25	4/1/2017	60636CQ44
6	4.5	4/1/2018	60636CQ51
7	4.75	4/1/2019	60636CQ69
8	5.5	4/1/2022	60636CQ77

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2009C, dated 3/1/09:

Line	Coupon	Matures	CUSIP
1	4	11/1/2017	60636CQ85
2	4.25	11/1/2018	60636CQ93
3	4.5	11/1/2019	60636CR27
4	4.75	11/1/2020	60636CR35
5	4.875	11/1/2021	60636CR43
6	5.125	11/1/2022	60636CR50
7	5.25	11/1/2023	60636CR68
8	5.375	11/1/2024	60636CR76
9	5.5	11/1/2025	60636CR84
10	5.625	11/1/2026	60636CR92
11	5.625	11/1/2027	60636CS26
12	5.75	11/1/2028	60636CS34
13	5.75	11/1/2029	60636CS42

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009F, dated 4/1/09:

Line	Coupon	Matures	CUSIP
1	5	4/1/2018	60636CS59
2	5	4/1/2019	60636CS67
3	5.125	4/1/2020	60636CS75
4	5.25	4/1/2021	60636CS83
5	5.75	4/1/2022	60636CS91
6	5.75	4/1/2023	60636CT25
7	5.75	4/1/2024	60636CT33
8	5.75	4/1/2025	60636CT41
9	5.75	4/1/2026	60636CT58
10	6	4/1/2027	60636CT66
11	6	4/1/2028	60636CT74
12	6.125	4/1/2029	60636CT82
13	6.25	4/1/2034	60636CT90
14	6.25	4/1/2038	60636CU23

Missouri Development Finance Board; Infrastructure Facilities Leasehold Revenue Bonds (Electric System Projects) Series 2009D, dated 3/1/09:

Line	Coupon	Matures	CUSIP
1	3.75	6/1/2015	606042AA7
2	4	6/1/2016	606042AB5
3	4.125	6/1/2017	606042AC3
4	4.25	6/1/2018	606042AD1
5	4.5	6/1/2019	606042AE9
6	4.75	6/1/2020	606042AF6
7	5	6/1/2021	606042AG4
8	5.125	6/1/2022	606042AH2
9	5.25	6/1/2023	606042AJ8
10	5.5	6/1/2024	606042AK5
11	5.625	6/1/2029	606042AL3
12	5.75	6/1/2034	606042AM1

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Street Improvement Projects) Series 2009G, dated 8/1/09:

Line	Coupon	Matures	CUSIP
1	3.5	7/1/2012	60636CU56
2	3.5	7/1/2013	60636CU64
3	4	7/1/2014	60636CU72
4	3.625	7/1/2015	60636CU80
5	3.875	7/1/2016	60636CU98
6	4.125	7/1/2017	60636CV22
7	4.375	7/1/2018	60636CV30

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2009H, dated 8/1/09:

Line	Coupon	Matures	CUSIP
1	7.25	3/1/2026	60636CV48

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Water Utility Improvements) Series 2009E, dated 10/1/09:

Line	Coupon	Matures	CUSIP
1	3	11/1/2012	60636CV71
2	4	11/1/2013	60636CV89
3	4	11/1/2014	60636CV97
4	4	11/1/2015	60636CW21
5	4	11/1/2016	60636CW39

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2009I, dated 10/1/09:

Line	Coupon	Matures	CUSIP
1	3	4/1/2013	60636CW70
2	3	4/1/2014	60636CW88
3	4.125	4/1/2019	60636CW96
4	4.625	4/1/2024	60636CX20
5	5	4/1/2027	60636CX38

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2009J, dated 10/1/09:

Line	Coupon	Matures	CUSIP
1	3	4/1/2013	60636CX79
2	3.5	4/1/2014	60636CX87
3	4	4/1/2015	60636CX95
4	4	4/1/2016	60636CY29
5	4	4/1/2017	60636CY37
6	4	4/1/2018	60636CY45
7	4.125	4/1/2019	60636CY52
8	4.375	4/1/2020	60636CY60
9	4.375	4/1/2021	60636CY78
10	4.5	4/1/2022	60636CY86

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2010A, dated 3/1/10:

Line	Coupon	Matures	CUSIP
1	4.5	4/1/2017	60636CY94
2	4.5	4/1/2018	60636CZ28
3	4.5	4/1/2019	60636CZ36
4	4.5	4/1/2020	60636CZ44
5	5	4/1/2021	60636CZ51
6	5	4/1/2022	60636CZ69
7	5	4/1/2023	60636CZ77
8	5	4/1/2024	60636CZ85
9	5	4/1/2025	60636CZ93
10	5.5	4/1/2026	60636C2A6
11	5.5	4/1/2027	60636C2B4
12	5.5	4/1/2028	60636C2C2
13	5.5	4/1/2029	60636C2D0
14	5.5	4/1/2030	60636C2E8
15	5.75	4/1/2031	60636C2F5
16	5.75	4/1/2032	60636C2G3
17	5.75	4/1/2033	60636C2H1
18	5.75	4/1/2034	60636C2J7
19	5.75	4/1/2035	60636C2K4
20	5.75	4/1/2036	60636C2L2
21	5.75	4/1/2037	60636C2M0
22	5.75	4/1/2038	60636C2N8

Missouri Development Finance Board; Infrastructure Facilities Leasehold Revenue Bonds
 (Electric System Projects) Series 2010B, dated 11/15/10:

Line	Coupon	Matures	CUSIP
1	3	6/1/2013	606042AQ2
2	4	6/1/2014	606042AR0
3	4	6/1/2015	606042AS8
4	4	6/1/2016	606042AT6
5	5	6/1/2017	606042AU3
6	5	6/1/2018	606042AV1
7	5	6/1/2019	606042AW9
8	4	6/1/2020	606042AX7
9	5	6/1/2021	606042AY5
10	5	6/1/2022	606042AZ2
11	5	6/1/2023	606042BA6
12	5	6/1/2024	606042BB4
13	4.75	6/1/2025	606042BC2
14	4.75	6/1/2026	606042BD0
15	4.75	6/1/2027	606042BE8
16	4.75	6/1/2028	606042BF5
17	5.25	6/1/2029	606042BG3
18	5.25	6/1/2030	606042BH1
19	5.25	6/1/2031	606042BJ7
20	5.25	6/1/2032	606042BK4
21	5.25	6/1/2033	606042BL2
22	5.25	6/1/2034	606042BM0
23	5.25	6/1/2035	606042BN8

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2011A, dated 11/15/11:

Line	Coupon	Matures	CUSIP
1	2	4/1/2013	60636C3M9
2	2	4/1/2014	60636C3N7
3	2.25	4/1/2015	60636C3P2
4	2.5	4/1/2016	60636C3Q0
5	3	4/1/2017	60636C3R8
6	3.5	4/1/2018	60636C3S6
7	5.25	4/1/2021	60636C3T4
8	5.25	4/1/2029	60636C3U1
9	5.375	4/1/2031	60636C3V9
10	5.5	4/1/2038	60636C3W7

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Hartman Heritage Centre Project) Series 2011B, dated 11/15/11:

Line	Coupon	Matures	CUSIP
1	2	4/1/2013	60636C3Y3
2	2	4/1/2014	60636C3Z0
3	2.25	4/1/2015	60636C4A4
4	2.5	4/1/2016	60636C4B2
5	3	4/1/2017	60636C4C0
6	3.5	4/1/2018	60636C4D8
7	3.75	4/1/2019	60636C4E6
8	4	4/1/2020	60636C4F3
9	4.125	4/1/2021	60636C4G1

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2011C, dated 11/15/11:

Line	Coupon	Matures	CUSIP
1	2	4/1/2013	60636C4H9
2	2	4/1/2014	60636C4J5
3	3	4/1/2015	60636C4K2
4	2.5	4/1/2016	60636C4L0
5	3	4/1/2017	60636C4M8

Missouri Development Finance Board; Infrastructure Facilities Leasehold Revenue Bonds
 (Electric System Dogwood Plant) Series 2012A, dated 4/5/12:

Line	Coupon	Matures	CUSIP
1	2	6/1/2013	60636C5PO
2	2	6/1/2014	60636C5Q8
3	4	6/1/2020	60636C5R6
4	5	6/1/2021	60636C5S4
5	5	6/1/2022	60636C5T2
6	5	6/1/2023	60636C5U9
7	4	6/1/2024	60636C5V7
8	5	6/1/2025	60636C5W5
9	5	6/1/2026	60636C5X3
10	5	6/1/2027	60636C5Y1
11	5	6/1/2028	60636C5Z8
12	4.375	6/1/2029	60636C6A2
13	5	6/1/2031	60636C6C8
14	5	6/1/2037	60636C6D6
15	4.75	6/1/2037	60636C6E4

PART II - THE CITY

GENERAL INFORMATION

Incorporated in 1849, the City is the county seat of Jackson County and adjoins Kansas City, Missouri to the west. The City is the fourth largest city in Missouri.

The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in December 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four year terms and, in alternating elections, the four district council members are elected to four year terms.

The Mayor and members of the Council, their occupations and terms are listed below:

<u>Council Members</u>	<u>Occupation</u>	<u>Term</u>
Don B. Reimal, Mayor	Retired	2014
Marcie Gragg	Church Leader	2016
Curt Doughery	Electrician	2016
Myron Paris	Retired	2016
Eileen Weir	Public Relations	2016
Jim Schultz	Insurance Agent	2014
Vacant		

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock was appointed as City Manager in September 2004, after serving as Acting City Manager since March 2004. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. Dayla Bishop Schwartz was appointed to this position in July 2011.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force encompasses a wide variety of skills and occupations: technical, sales, and administrative support occupations (29.08%); managerial and professional (26.29%); production, transportation, and material moving (16.18%); service, craft, and repair occupations (28.26%); and farming (0.19%).

Employee Retirement System

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The total pension expense for the years ended June 30, 2011 and 2012 was \$10,047,652 and \$9,092,429 respectively. As of June 30, 2012, the net pension obligation was \$5,123,666.

Insurance

The City self-insures for workers' compensation claims up to a \$1,000,000 per accident retention limit. The City also purchases excess worker's compensation insurance coverage from Midwest Employers Casualty Company to reimburse the City for any claims exceeding the \$1,000,000 per accident retention limit. This policy provides \$3,000,000 in additional coverage. The Missouri Division of Workers' Compensation requires the City to maintain \$2,520,000 in security to provide self-insured workers' compensation coverage. The City purchases a surety bond from Liberty Mutual Insurance Company for \$2,320,000 and \$200,000 in an escrow account to comply with requirement.

The City purchases all-risk property insurance from National Union Fire Insurance Company, Associated Electric and Gas Insurance Services (AEGIS), and Zurich American Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of \$300 million. Risks covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a \$50,000 per occurrence deductible, except for a \$1,500,000 per occurrence deductible at the Blue Valley Power Plant, the Missouri City Power Plant and all electrical substations.

The City purchases an additional \$100 million in all-risk property insurance coverage from Liberty Mutual Insurance Company. This additional layer of property insurance coverage will respond after a claim exhausts the City's \$300 million blanket loss limit.

The City purchases replacement cost boiler and machinery insurance coverage from National Union Fire Insurance Company, AEGIS, and Zurich American Insurance Company that provides for \$75 million in coverage per occurrence. Boiler and machinery insurance provides coverage for sudden breakdown of insured equipment and it also provides coverage for expediting expenses, ammonia contamination, water damage and hazardous material clean-up. The boiler and machinery insurance coverage is subject to a \$50,000 per occurrence deductible, except for a \$1,500,000 per occurrence deductible at the Blue Valley Power Plant, the Missouri City Power Plant and all electrical substations.

The City purchases general liability, public officials' liability, and third party automobile liability

insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provides the City with \$2,618,230 in coverage for all claims arising out of a single accident or occurrence and \$392,230 for any one person in a single accident or occurrence, subject to a \$25,000 general liability deductible, a \$25,000 public officials deductible and a \$100,000 deductible for third party automobile liability. The City obtains collision and comprehensive coverage for Fire Trucks and leased vehicles through MOPERM. The City self-insures all other vehicles for collision and comprehensive coverage.

The City purchases excess liability insurance coverage from One Beacon Insurance Company. This policy provides an additional \$1,000,000 in liability insurance above each of MOPERM's liability coverage lines for claims that are not subject to the State's Sovereign Immunity Statute. This policy also provides an additional \$4,000,000 excess layer of coverage on a combined basis over MOPERM's liability insurance coverage.

Payment Record

The City has never defaulted on any obligations.

Obligations of the City

General Obligation Debt

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "City purposes" not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate under a special election or four-sevenths under a general election, to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property. The additional indebtedness is allowed for the purpose of acquiring rights-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

The City had no General Obligation debt outstanding as of June 30, 2012.

Revenue Debt

The following is a summary of the City's Revenue Bond debt and the balance payable at June 30, 2012:

Power and Light Fund:

\$31,415,000 Series 2009 D annual installments of \$810,000 to \$4,125,000 through 2034; interest at 3.75% to 5.75% \$ 31,415,000

\$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250% 28,025,000

\$55,185,000 Series 2012 A annual installments of \$150,000 to \$11,900,000 through 2037; interest at 2.00% to 5.00% 55,185,000

Less deferred amount on refunding (531,153)

Total Power and Light fund 114,093,847

Water Fund:

\$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2025; interest at 3.054% to 5.00% 10,990,000

\$17,520,000 Series 2009 C annual installments of \$505,000 to \$4,205,000 through 2029; interest at 4.00% to 5.75% 17,520,000

\$19,310,000 Series 2009 E annual installments of \$2,210,000 to \$3,245,000 through 2016; interest at 3.00% to 4.00% 14,735,000

Less deferred amount on refunding (281,827)

Total Water Fund 42,963,173

Events Center Fund:

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75% 11,795,000

\$15,190,000 Series 2009 A semi-annual installments of \$5,000 to \$2,035,000 through 2038; interest at 6.125% to 6.750% 15,190,000

\$44,045,000 Series 2009 F annual installments of \$100,000 to \$9,365,000 through 2038; interest at 5.00% to 6.25% 44,045,000

\$2,950,000 Series 2010 A annual installments of \$70,000 to \$485,000 through 2038; interest at 4.50% to 5.75% 2,950,000

\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50% 11,675,000

Less deferred amount on refunding (1,966,177)

Total Events Center Fund 83,688,823

Total revenue bonds \$ 240,745,843

Governmental Activities

The following is a summary of the City's Loans Payable-Missouri Development Finance Board:

Sun Trust Leasing (fire truck) annual installments of \$64,437 to \$89,484 through 2013; interest at 4.19%	\$ 175,370
Missouri Development Finance Board (IBM computer) monthly installments of \$2,868 to \$3,111 through 2016; interest at 2.04%	126,227
Motorola Solutions (radio equipment) semi-annual installments of \$56,700 to \$78,539 through 2022; interest at 3.4593%	1,341,167
Total Capital Lease Obligations	<u>\$ 1,642,764</u>

Neighborhood Improvement District

\$995,000 Series 2004 (Noland Road and Englewood Improvements) annual installments of \$55,000 to \$85,000 through 2019; interest at 4.50% to 5.75%	\$ 520,000
\$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.50%	79,000
Total Neighborhood Improvement District	<u>\$ 599,000</u>

Blended Component Unit (Tax Increment Revenue Bonds)

\$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$90,000 through 2020; interest at 3.00% to 4.50%	\$ 625,000
\$11,325,000 Series 2005 C (Crackerneck Creek TIF) annual installments of \$185,000 to \$1,270,000 through 2026; interest at 4.00% to 5.00%	10,175,000
\$48,370,000 Series 2006 A&B (Crackerneck Creek TIF) annual installments of \$340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00%	44,855,000
\$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of \$3,500,000 to \$5,385,000 through 2026; interest at 5.00%	12,790,000
\$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%	1,085,000
\$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25%	4,445,000

\$19,390,000 Series 2007 A (Eastland Center TIF) annual installments of \$815,000 to \$2,570,000 through 2022; interest at 4.00% to 5.00%	12,765,000
\$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00%	7,295,000
\$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of \$385,000 to \$1,795,000 through 2023; interest at 5.41% to 6.096%	7,990,000
\$995,000 Series 2007 D (Drumm Farm TIF) annual installments of \$70,000 to \$80,000 through 2020; interest at 4.00% to 4.50%	625,000
\$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of \$425,000 to \$2,670,000 through 2028; interest at 4.75% to 5.125%	17,750,000
\$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,000 through 2017; interest at 4.30% to 5.70%	3,595,000
\$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,000 through 2025; interest at 4.00% to 5.125%	7,920,000
\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%	7,630,000
\$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00%	1,110,000
\$13,315,000 Series 2008 F (HCA - Centerpoint TIF) annual installments of \$195,000 to \$1,940,000 through 2027; interest at 4.000% to 6.000%	11,750,000
\$4,600,000 Series 2008 G (Eastland Center TIF) annual installments of \$120,000 to \$885,000 through 2022; interest at 4.00% to 5.25%	3,905,000
\$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of \$135,000 to \$480,000 through 2022; interest at 4.00% to 5.500%	2,765,000
\$3,630,000 Series 2009 J (Eastland Center TIF) annual installments of \$110,000 to \$835,000 through 2022; interest at 3.00% to 4.50%	3,040,000
\$4,130,000 Series 2009 H (Crackerneck Creek TIF) one installment of \$4,130,000 through 2026; interest at 7.250%	4,130,000
\$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of \$65,000 to \$525,000; interest at 3.00% to 5.00%	2,120,000
\$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of \$365,000 to \$1,815,000; interest at 2.000% to 4.125%	6,345,000
\$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of \$50,000 to \$165,000; interest at 2.000% to 3.000%	490,000
Total Blended Component Unit	24
	\$ <u><u>175,200,000</u></u>

Capital Leases

Capital leases payable at June 30, 2012, are comprised of the following:

Sun Trust Leasing (fire truck) annual installments of \$59,484 to \$64,437 through 2013; interest at 4.19%	\$ 257,802
IBM Corporation (computer equipment) monthly installments of \$1,969 to \$2,232 through 2011; interest at 3.199%	2,232
Missouri Development Finance Board (phone system) monthly installments of \$2,708 to \$2,948 through 2012; interest at 3.00%	32,029
Total Capital Lease Obligations	<u>\$ 292,063</u>

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
1 Alliant Tech Systems	Small Arms Ammunition	2,600
2 Independence School District	Public School District	2,043
3 Centerpoint Medical Center	Health Care	1,600
4 City of Independence	Local Government	1,133
5 Government Employee Hospital (GEHA)	Medical Ins. Service Center	650
6 Rosewood Health Center at the Groves	Retirement Community	400
7 Burd & Fletcher	Paper Carton Manufacturing	350
8 Jackson County Circuit Court	Judicial System	274
9 Mid-Continent Public Library	Library	248
10 Unilever	Food Manufacturing	220

Source: Independence Council for Economic Development and MARC.

General and Demographic Information

Population: The following tables set forth certain population information:

Year	City of Independence	Jackson County	State of Missouri
2007	116,359	664,655	5,870,906
2008	109,159	665,821	5,911,870
2009	114,128	669,287	5,938,126
2010	121,212	671,057	5,965,573
2011	116,830	712,145	6,015,457
2012*	117,213	678,062	6,056,580

*Estimated

Source: City's Community Development Department, Claritas, Inc, and Mid-America Regional Council.

Population Distribution by Age:

Age	City of Independence	Jackson County	State of Missouri
Age 0 - 4	7.06%	7.45%	6.74%
Age 5 - 9	6.79%	6.99%	6.51%
Age 10 - 14	6.04%	6.27%	6.52%
Age 15 - 20	7.03%	7.65%	8.58%
Age 21 - 24	4.66%	4.91%	5.48%
Age 25 - 34	14.35%	15.19%	13.07%
Age 35 - 44	12.77%	13.20%	12.84%
Age 45 - 54	14.50%	14.87%	14.87%
Age 55 - 64	11.93%	11.15%	11.66%
Age 65 - 74	7.40%	6.32%	7.23%
Age 75 - 84	5.33%	4.20%	4.54%
Age 85 and older	2.13%	1.78%	1.96%
Median Age	38.18	36.16	37.42
Average Age	38.9	37.2	38.10

Source: Claritas, Inc.

Unemployment: : The following table sets forth annual average unemployment figures for the last five years and the most recent data for the current year for the Kansas City MSA, Jackson County and the State of Missouri:

	2007	2008	2009	2010	2011	2012*
Kansas City MSA						
Total Labor Force	1,039,928	1,039,331	1,052,740	1,050,668	1,055,719	1,049,583
Unemployed	51,944	58,878	94,204	93,284	85,659	75,416
Unemployment Rate	5.0%	5.7%	8.9%	8.9%	8.1%	7.2%
Jackson County						
Total Labor Force	338,107	336,371	346,761	338,985	339,642	336,630
Unemployed	19,573	22,474	35,879	36,422	32,466	27,491
Unemployment Rate	5.8%	6.7%	10.3%	10.7%	9.6%	8.2%
State of Missouri						
Total Labor Force	3,048,607	3,052,734	3,074,303	3,052,847	3,046,302	3,019,971
Unemployed	153,836	180,804	290,077	285,541	260,505	225,807
Unemployment Rate	5.0%	5.9%	9.4%	9.4%	8.6%	7.5%

*Average estimated through July 2012

Source: MERIC MO Economic Research and Information Center/MO Dept of Economic Development

Income Statistics

The following table sets forth estimated income statistics for 2012:

	Per Capita	Average Household
City of Independence	\$22,040	\$52,108
Jackson County	24,042	58,121
State of Missouri	23,756	58,652

Source: Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City:

Year Round Units	Number of Units	Percentage of Units
Single Detached	38,612	70.83%
Single Attached	2,950	5.41%
Double	1,715	3.15%
3 to 19 Units	7,187	13.18%
20 to 49 units	1,023	1.88%
50 + Units	1,733	3.18%
Mobile Home	1,286	2.36%
All Other	4	0.01%
Total Units	54,510	100%

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, estimated for 2012 as follows:

	Owner Occupied Median Value
City of Independence	\$100,133
Jackson County	120,912
State of Missouri	128,742

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation:

	2008	2009	2010	2011	2012
Residential					
Number of Permits	224	222	199	223	193
Estimated Cost	18,755,251	13,119,817	11,386,607	23,387,011	11,952,062
Non-Residential					
Number of Permits	119	103	172	209	155
Estimated Cost	36,840,594	99,875,472	49,569,537	57,576,453	17,197,248

Source: City's Community Development Department

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*.

An annual budget is prepared under the direction of the City Manager and submitted to the City Council for consideration prior to the fiscal year commencing on July 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Manager is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2012 was performed by McGladrey & Pullen, LLP, in Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

Property Valuations

Assessment Procedures: All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at 19% for residential property, 12% for agricultural and horticultural property, and 32% for utility, industrial, commercial, railroad and all other properties.

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33 % of estimated market value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, ½%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%. The City does not levy a tax on personal property.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation : The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2012 (the last completed assessment):

	Assessed Valuation	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	781,254,601	19%	4,111,866,321
Commercial	236,979,066	32%	740,559,581
Agricultural	1,128,703	12%	9,405,858
RR & Utilities	7,788,268	32%	24,338,338
Sub-Total	1,027,150,638		4,886,170,098
Personal Property*	252,082,951	33.30%	757,005,859
Total	\$1,279,233,589		\$5,643,175,957

Source: Jackson and Clay Counties Assessor's Offices.

* Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation : The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, for each of the following fiscal years ended June 30, has been as follows:

Year	Assessed Valuation	Percent Change
2012	\$1,279,233,589	-0.6%
2011	\$1,287,157,541	-0.9%
2010	\$1,298,840,974	-0.4%
2009	\$1,303,875,996	-7.7%
2008	\$1,411,932,554	0.8%
2007	\$1,400,611,015	6.1%
2006	\$1,319,902,510	2.0%
2005	\$1,294,345,907	2.3%

Source: Jackson and Clay Counties Assessor's Offices.

Major Property Taxpayers: The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of January 1, 2012:

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
1 Simon Property Group LP	Retail Center	22,094,332	1.73%
2 Cole EDD Mt Independence LLC	Retail Center	8,963,343	0.70%
3 Sprint	Communications	8,867,595	0.69%
4 Space Center of Kansas City	Underground Storage	6,738,787	0.53%
5 Southern Union Company	Railroad	5,708,511	0.45%
6 Unilever Bestfoods NA	Food Manufacturer	5,685,895	0.44%
7 Comcast Cablevision	Utility	5,488,069	0.43%
8 Centerpoint Medical Center	Healthcare	4,656,394	0.36%
9 AT&T	Communications	4,430,015	0.35%
10 Mansion Apartments	Residential Housing	4,032,764	0.32%

Source: Jackson County Collection Department

PART III - DEPARTMENTS

Information is provided for certain departments only as may be necessary to properly report specific operations of the City and therefore comply with the disclosure requirements intended by this document.

UTILITIES

Public Utilities Advisory Board

The Public Utilities Advisory Board (the "Board") is a seven member advisory board created by the City Charter and appointed by the Council for overlapping four year terms. The Board's powers and duties are solely advisory. It is vested with the power to inspect all public utilities owned and operated by the City and all public utilities operating under franchises or permits granted by the City. It may require from any City department official or agency any information available concerning public utilities, is empowered to subpoena witnesses to testify and to compel the production of documents and other effects as evidence, and to conduct public hearings on matters relating to public utilities. The Board reports its findings and recommendations to the people of the City, to the Council, and to the City Manager as it deems appropriate. The Board is required to report to the people and to the Council at least annually. On its own initiative or at the request of the Council or the City Manager, the Board may study and give its findings and recommendations on any question or matter pertaining to the use, ownership, service, operation or franchising of public utilities. As a matter of practice, the Board meets periodically with the Electric Utility Director, Water Department Director, and Director of Water Pollution Control, and receives reports from these directors on the status of operations, financial condition, or other operational aspects of the utilities and considers policy recommendations of the staff on important utility matters.

Current Members of the Board and their respective terms are set forth below:

<u>Board Member</u>	<u>Term Expires</u>
Blair L. Wildermuth	7/1/2016
Charles (Gene) McClellan	7/1/2016
Marvin Sturgeon	7/1/2013
Robert Joe Miller	7/1/2014
Jim Engleman	7/1/2014
Randy Vest	7/1/2015
Jack Looney	7/1/2013

City Charter Provisions

The City Charter approved by the voters in December 1961, and revised at elections held in April 1972, and August 1979, provides as follows:

"The municipally owned and operated electric system is a public utility and shall be operated in a businesslike manner.

The electric utility shall not be operated for the benefit of other municipal functions, and shall not be used directly or indirectly as a general revenue producing agency for the city, but it may pay to the city an amount in lieu of such taxes as are normally placed upon private business enterprises. After providing for depreciation accruals and amortization of bonds, and for reasonable accumulation of surplus, the electric utility shall apply all annual profits to rate reductions.

The electric utility and such other public utilities and enterprises as the city may acquire shall be operated from funds separate from the general fund. An accounting system for each such fund shall be established within the general accounting system of the city, and shall be so set up and maintained as to reflect annually or as often as the council may require the financial condition of the enterprise and its income and expense."

The City's accounting system for the Power & Light Fund is generally in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts for Electric Utilities. The accounting system for the Water Fund and Sanitary Sewer Fund are generally in accordance with National Association of Regulated Utilities Commissions (NARUC).

Power & Light Department

General Background

The Power & Light Department (Department) is responsible for the operation of the System which provides electrical service to its customers. The Department began operation in 1901 with two reciprocating steam engine generators which had a combined rating of 700 kilowatts. This plant was subsequently redesigned with steam turbine generators eventually replacing the steam engine driven generators. From 1901 to 1955 all improvements were financed by revenues without resorting to outside capital. Since 1955, utility expansion and improvements have been financed with a combination of revenue bonds and utility revenues.

The Department serves retail customers only within the limits of the City. Prior to August 1, 1997 the Department's service territory consisted of 48.68 square miles, while the City limit area is 78 square miles. On August 1, 1997 the City purchased the electric distribution system from the Kansas City Power & Light Company, which had been serving the remaining 29.5 square

miles, except for the area occupied by the Lake City Arsenal, a United States Government Reservation (approximately 6.5 square miles). The purchase of the KCPL distribution properties added approximately 1,442 residential and small commercial customers to the Department's service territory. On August 1, 1997 the Kansas City Power & Light Company was granted a 20 year non-exclusive franchise to continue serving the Lake City Arsenal United States Government Reservation area.

For fiscal year ending June 30, 2012, electric retail sales totaled 1,069,052 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2012 of 310.4 megawatts (MW) occurred on August 2, 2011. The all-time maximum system peak load of 314.9 MW occurred on August 21, 2003.

Organization

The Department is divided into five divisions: 1) Administration/Planning; 2) Support Services; 3) Production; 4) Transmission and Distribution; and 5) Engineering and Systems Operations. The Department had 236 budgeted full-time positions as of June 30, 2012.

Administration/Planning Division - The Administration/Planning Division includes the general administration of the Department, power supply planning, retail and wholesale rate development and financial planning.

Customer and Support Services Division - The Customer and Support Services Division includes functions of warehousing materials, inventory control, purchasing procedures, utility vehicle repair and maintenance, contract administration, energy conservation rebate programs, stores, meter reading, marketing and customer services and certain utility accounting functions.

Production Division - The Production Division operates and maintains all City owned power generating plant facilities.

Transmission and Distribution Division - The Transmission and Distribution Division has control over the construction, operation and maintenance of the transmission and distribution facilities of the Department.

Engineering and Systems Operations Division - The Engineering and System Operations Division is responsible for the planning, estimating and drafting of all transmission, distribution and substation projects and performs the dispatch control of power generation, power purchase/sale transactions and operations of the transmission system.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, customer service and billing and other administrative services. For fiscal year 2012, the Department was billed \$3,071,977 by the other

departments of the City for such support services. The Department also provides customer meter reading service to the City's Water and Water Pollution Control departments. For fiscal year 2012, the Power and Light Department billed \$1,140,209 for meter reading and field services to these other departments.

Management

Overall administration of the Department and development of basic department policy is performed by the Electric Utility Director and his staff. The Electric Utility Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

E. Leon Daggett - Electric Utility Director. Mr. Daggett was appointed Electric Utility Director on October 31, 2006. He holds a BS degree in Business Administration from the University of St. Francis in Fort Wayne, Indiana. Prior to employment with the Department, he served as General Manager with the Kansas City Kansas Board of Public Utilities. Mr. Daggett also has over 30 years of management experience in the electric utility industry.

Paul N. Mahlberg - Deputy Director. Mr. Mahlberg was appointed Deputy Director on August 31, 2009. He holds a BS degree in Electrical Engineering from Iowa State University in Ames, Iowa. He has worked at the Department since January 1996 serving in the Planning & Rates area of the Department. Prior to employment with the Department, he served for a number of years with a major international engineering consulting firm.

Martin D. Barker - Production Manager. Mr. Barker was appointed Power Production Manager in December of 2001. He holds a BSME degree from Kansas State University. He has over 30 years of electric power plant experience including 23 years in management at a power plant in Illinois and 3 years as a design engineer with a consulting engineering company.

James E. Franklin - Engineering Manager. Mr. Franklin was appointed Power Engineering Manager in January of 2008. He holds BSEE and MSEE degrees from the University of Missouri and an MBA degree from Rockhurst University. He has over 40 years experience in the energy industry, holding positions in engineering, management, and consulting.

Larry F. Starr - Transmission & Distribution Manager. Mr. Starr was appointed Transmission & Distribution Manager in March of 1999. He holds an Associate Degree in Business and has 35 years experience in the electric industry with over

20 years in management and supervision. Prior to joining the Department, he worked 17 years for Illinois Power Company.

Gerald N. McReynolds- Support Services Manager. Mr. McReynolds joined the Department in October 2003. He holds a BA degree from the University of Texas-El Paso, an AA-Accounting and BSBA in Accounting and Management from Missouri Western State College, and an MPA degree from the University of Missouri-Kansas City. Prior to joining the Department, he served for over 21 years in various leadership positions with Aquila, Inc. and served for 7 years in the United States Air Force.

Power Supply

Currently, the Department has 288 MW of accredited generating capacity (12 generating units) which is owned and operated by the Department. The amount of accredited capacity is based on the capacity accreditation rules of the Southwest Power Pool (SPP), in which the Department is a member.

On April 5, 2012, pursuant to an Asset Purchase Agreement with Dogwood Energy, LLC, the Department purchased a 12.3% undivided interest (approximately 75 MW) in the Dogwood Energy Facility – a nominal 610 megawatt natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri. The Facility was originally developed as a joint venture between Aquila, Inc. and Calpine Corporation. The facility (originally named Aries) was placed into commercial operation in two phases: first as a peaking facility during the summer of 2001 and then as a combined cycle plant on February 27, 2002. In addition to the Department, Kansas Power Pool (KPP) and the Missouri Joint Municipal Electric Utility Commission (MJMEUC) also purchased 7.0% and 8.2% shares respectively of the Dogwood Energy Facility in the first half of 2012. Dogwood Energy, LLC maintains the remaining ownership share (72.5%) in the facility.

Each of the owners has entered into certain project agreements that provide for the joint ownership and operation of the Dogwood Facility. Under the project agreements, each of the owners are responsible for their respective share of the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the facility. In addition, the owners share in any revenues from sales of unused capacity and energy in the facility. In addition, the Department utilized tax-exempt bonds to finance the purchase price of the facility and is responsible for payment of the debt service on these bonds.

In January 2004, the Department entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the Department purchases an 8.33% share (approximately 57 megawatts) of a new 682 megawatt coal-fired baseload generating unit built at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD is the owner/operator of the unit and OPPD sells the Department's share of the output on an actual cost-based approach. OPPD issued tax-exempt bonds to pay for the

construction of the unit and the Department is obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the Department for the life of the proposed unit.

In July 2005, the Department executed a certain purchase power agreement with the Missouri Joint Electric Utility Commission (MJMEUC). This agreement was further amended and restated in June 2006. Under the agreement, the Department purchases 50 MW of capacity and energy from MJMEUC's ownership interest in KCPL's Iatan 2 generating unit. In June 2006, MJMEUC entered into an Ownership Agreement with KCPL for an 11.76 percent undivided ownership share (nominal 100 MW) in the nominal 850 MW Iatan 2 unit. Under the purchase power agreement with the Department, MJMEUC sells 50 percent (nominal 50 MW) of its Iatan 2 capacity and energy to the Department on a cost-based approach. The unit began commercial operations on December 31, 2010. The term of this agreement is designed to be for the life of the Iatan 2 unit.

In August 2008, the Department executed a certain renewable energy purchase agreement with Smoky Hills Wind Project II, LLC. The Smoky Hills agreement is for a 15 MW purchase from a wind generation project located in central Kansas - the Smoky Hills Wind Farm. The City's purchase is from Phase II which added 148 MW of wind generation to the existing 100 MW Phase I. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

The Department base loads power from its purchase capacity contracts from OPPD and MJMEUC and utilizes Department generating capacity as midrange, peaking and standby energy resources.

The Department believes that its total accredited generating capacity resources, including the Department's interest in the Dogwood facility and the other capacity purchases, is sufficient to meet its projected annual system peak load, including 13.7 percent reserves (SPP reserve requirement), through May 31, 2017.

A breakdown of Department-owned and jointly-owned generating facilities are shown in the following table:

Electric Generating Units

	<u>Current Accredited Net Capacity (MW)</u>	<u>Year of Initial Operation</u>	<u>Fuel Type</u>
Blue Valley Steam Power Plant			
Unit No. 1	21	1958	coal/gas/oil
Unit No. 2	21	1958	coal/gas/oil
Unit No. 3	51	1965	coal/gas/oil
Missouri City Steam Power Plant (1)			
Unit No. 1	19	1982	coal/oil
Unit No. 2	19	1982	coal/oil
Total Steam Units	<u>131</u>		
Dogwood Energy Facility (2)	75	2001	gas
Combustion Turbines			
J-1 (Substation J)	15	1968	oil
J-2 (Substation J)	15	1968	oil
I-1 (Substation I)	19	1972	oil
I-2 (Substation I)	19	1972	oil
H-1 (Substation H)	19	1972	gas/oil
H-2 (Substation H)	20	1974	gas/oil
RCT-1 (Blue Valley Station) (3)	50	1976	gas/oil
Total Combustion Turbine Units	<u>157</u>		
Total System	<u><u>363</u></u>		

- (1) The Missouri City Plant was purchased by the City in 1979, and after renovation was placed in service in 1982.
- (2) Dogwood Energy Facility is a large natural-gas fired combined cycle generating facility with a total accredited net capacity of 610 MW. The City purchased a 12.3% ownership share in this facility on April 5, 2012.
- (3) On July 20, 2005, the RCT-1 generating unit experienced compressor blade damage. On June 7, 2006, during the initial start-up after the repair/overhaul, significant damage to the turbine occurred. The City's insurance will cover the costs of the damage (above the \$1 million deductible) incurred on July 20, 2005. The unit is not operational at this time.

Environmental Regulations

The Department operates its generation in accordance with the applicable federal and state emission rules and regulations. Blue Valley Unit No. 3 is subject to the Phase II requirements of the federal Acid Rain Program (ARP). Blue Valley Units No. 1 and No. 2 and the Missouri City units are exempt from the ARP requirements. Currently Blue Valley Unit No. 3 is allocated 4,670 tons of sulfur dioxide (SO₂) stack emission allowances annually. The Department has utilized this unit in a least cost manner while considering the cost of the SO₂ emissions. As of

January 1, 2012, the accumulated available SO₂ emission allowances carried forward into calendar year 2012 was 17,887 tons.

In addition to the ARP requirements for Blue Valley Unit No. 3, the Department is restricted to SO₂ emissions (three hour average basis) of 6.3 pounds per million Btu for all three units at Blue Valley station and 8.0 pounds per million Btu for both units at its Missouri City station in accordance with the State of Missouri environmental regulations. During the fiscal year ending June 30, 2012, the Department was in compliance with such SO₂ regulations.

Blue Valley Unit No. 3 is also regulated for nitrogen oxide (NO_x) emissions. The unit is limited to 0.35 pounds per million Btu during the defined ozone season (May 1 through September 30) and 0.40 pounds per million Btu during the rest of the year. Low NO_x burners were installed on this unit to comply with this regulation. The average NO_x emission rate was 0.260 pounds per million Btu during the 2011 ozone season and 0.252 pounds per million Btu for the entire calendar year 2011.

Blue Valley RCT-1 unit is also subject to NO_x regulations: however, the unit experienced a significant failure of the compressor on June 7, 2006 and has not operated since then.

Blue Valley Unit No. 3 and Blue Valley RCT-1 were also subject to the federal/state regulations in conjunction with the Clean Air Interstate Rule (“CAIR”) which was to further regulate SO₂ and NO_x emissions. Blue Valley Unit No. 3 was also subject to the Clean Air Mercury Rule (“CAMR”) which was to regulate mercury emissions. Both the CAIR and CAMR rules were vacated by the United States Court of Appeals for the District of Columbia. The proposed CAIR replacement rule was published in the federal register on July 6, 2010 and finalized as the Cross-State Air Pollution Rule (“CSAPR”) on August 8, 2011. Scheduled to be effective January 1, 2012, CSAPR would have limited the Blue Valley Unit No. 3 and the Blue Valley RCT-1 to a combined annual total of 594 tons of SO₂ emissions and 147 tons of NO_x emissions. In addition, it would have limited emissions of NO_x during the ozone season to a combined total of 77 tons. CSAPR was vacated by the D.C. Court on August 21, 2012, and CAIR left in-place until the EPA writes a replacement rule or appeals to the Supreme Court. The EPA has until October 5, 2012 to appeal. Compliance options for an upheld CSAPR or a new future rule would likely include the addition of pollution control equipment, fuel switch to natural gas, or early retirement. The installation of pollution control equipment is not cost effective and the units are still an essential part of our power portfolio; consequently, the compliance plan for the next few years will be to run on natural gas.

The proposed CAMR replacement rule (i.e., Utility Boiler MACT) was proposed on May 3, 2011. The EPA has announced that the final rule will be issued by November 2011. Compliance will be required three years after publication of the rule in the Federal Register, making the implementation date approximately the beginning of the year 2015. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding SO₂, NO_x and mercury emissions and how it will impact Blue Valley and Missouri City units.

The Blue Valley Units No. 1 and No. 2 and the Missouri City units were to be subject to the National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters (“Industrial Boiler MACT”) which was to regulate the emitted amount of mercury, hydrogen chloride, particulates, and carbon monoxide. On June 8, 2007, the Industrial Boiler MACT rule was vacated by the United States Court of Appeals for the District of Columbia. On July 30, 2007 the vacature was mandated making the rule void. The EPA published the proposed revised Industrial Boiler MACT (“IB-MACT”) rule in the federal register on June 4, 2010 and the rule was finalized on February 21, 2011. On May 18, 2011, the EPA published a notice delaying the effective date of the rule pending the completion of reconsideration or judicial review, whichever is earlier. In its current form, IB-MACT would require compliance with emissions limits on the aforementioned constituents in the fall of 2014. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding industrial boilers and how it will impact Blue Valley Units No. 1 and No. 2 and Missouri City Units No. 1 and No. 2.

The Blue Valley and Missouri City Units are subject to the Missouri Department of Natural Resources’ Kansas City Ozone Maintenance Plan. The goal of the Maintenance Plan is to ensure the ozone levels do not increase to the point of causing a violation of the ozone air quality standard. Under Section 110(a)(1) of the CAA, one required element of the Maintenance Plan is a set of contingency measures with trigger levels based on measured regional ozone levels. The MDNR’s contingency control measures for the Missouri portion of the maintenance area have been designed as a two-phased approach with implementation occurring when the trigger of a specific phase occurs. The Phase I contingency measures have been triggered based on ozone levels in the years 2005 through 2007. Phase I includes early implementation of control devices (e.g., Low NO_x Burners) on CAIR affected coal-fired EGUs as a means to reduce NO_x at several major NO_x point sources. Blue Valley Unit 3 is a CAIR-affected EGU. MDNR Air Pollution Control Program is currently working with IPL in developing the most appropriate set of NO_x emission reductions for the Maintenance Plan contingency measures.

The USEPA published the final Greenhouse Gas (GHG) Tailoring Rule on June 3, 2010. The GHG Tailoring rule regulates GHG emissions (i.e., CO₂, methane, etc.) under PSD and Title V permitting programs and will be implemented in phases. Beginning January 2, 2011, the Blue Valley and Missouri City units must comply with the PSD provisions of the rule. Under these provisions, any construction project on the units must be evaluated for potential significant GHG emission increases. If any construction project produces a significant increase in GHG emissions then best available control technology (BACT) must be installed. As part of the Tailoring Rule, the USEPA released technical guidelines on what constitutes BACT for GHGs in October 2010. As of July 1, 2011 (Phase II), a new source with potential GHG emissions above 100,000 tpy is subject to PSD permitting requirements for GHGs. With respect to the Title V permitting program, beginning January 2, 2011, new or existing Title V major sources are subject to Title V requirements for GHGs. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any

future compliance rules regarding GHG emissions and how it will impact the Blue Valley and Missouri City Units.

The Department has been in compliance with the current regulations and expects to comply with future regulations through a combination of unit commitment strategy, use of compliant fuel, participation in cap and trade programs, and/or future environmental equipment enhancements on the units.

Fuel Supply

The Department currently uses coal, natural gas, and No. 2 fuel oil in its power production facilities. For the year ending June 30, 2012, the total fuel burn mix for the Department's generation energy supply consisted of 95.4% coal, 4.2% gas and 0.4% No. 2 fuel oil.

Currently, the Department purchases its coal supply under a contract with an Illinois coal mining company. The 2012 base price is \$68.50 per ton delivered based on an 11,150 Btu per pound heat content. The base term of this contract is through December 31, 2013 with the right for the Department to extend the contract for a one-year extension through December 31, 2014.

The Department currently contracts the management of its natural gas supply with an Oklahoma gas management company. This natural gas supply contract consists of gas supply and pipeline transportation service to the local gas distribution company's system. The current term of this gas supply contract is through April 30, 2013 and can be extended by the Department for three separate successive one-year terms. The local distribution company delivers the gas to the Department at two different power plant sites under the local distribution company's tariffs as filed with the Missouri Public Service Commission.

The Department purchases its No. 2 fuel supply on the spot market on an as-needed basis.

Current Purchases/Sales of Capacity and Energy

The Department purchased a significant portion of its energy needs under two long-term purchase agreements – a participation power agreement with MJMEUC and a participation power agreement with OPPD.

Under the participation power agreement with MJMEUC, the Department purchases 50 MW of capacity and associated energy from the Iatan 2 generating unit. The delivered cost of this capacity and energy under the agreement, including all demand, energy, and transmission costs, totaled approximately \$19,300,000 for 307,181 megawatt-hours of delivered energy during fiscal year 2012. The projected annual cost of the MJMEUC agreement for fiscal year 2013 is estimated at approximately \$21,800,000.

Under the participation power agreement with OPPD, the Department purchases approximately 57 MW of capacity and associated energy from the Nebraska City 2 generating unit. The

delivered cost of this capacity and energy under the agreement, including all demand, energy, and transmission costs, totaled approximately \$17,100,000 for 402,750 megawatt-hours of delivered energy during fiscal year 2012. The projected annual cost of the OPPD agreement for fiscal year 2013 is estimated at approximately \$17,600,000.

The Department also purchases 15 MW of wind energy under a renewable energy purchase agreement with Smoky Hills. The delivered cost of this energy, including transmission costs, totaled approximately \$2,900,000 for 58,786 megawatt-hours of delivered energy during fiscal year 2012. The projected annual cost of the Smoky Hills agreement for fiscal year 2013 is estimated at approximately \$2,900,000.

In July 1997, the Department became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. Membership of the WSPP Agreement has expanded from the original experimental eleven western United States electric utilities to over 250 members that are located throughout the entire United States and parts of Canada and include investor-owned electric utilities, municipalities, cooperatives, state and federal public power systems and power marketers. Under the WSPP Agreement, the Department makes short term power purchase and sales with KCPL, GMO, Associated Electric Cooperative Inc., and other utilities and power marketers. During fiscal year 2012, the Department purchased 81,450 megawatt-hours of wholesale energy under the WSPP Agreement for a total cost of approximately \$3,860,000 and the Department sold 50,203 megawatt-hours of wholesale energy for approximately \$1,120,000 under the WSPP Agreement.

In December 2009, the Department became a market participant in the Southwest Power Pool (“SPP”) energy imbalance market. As a market participant, the Department is able to purchase and sell energy based on market prices for power. During fiscal year 2012, the Department purchased 72,653 megawatt-hours of energy for a total cost of approximately \$1,940,000 and the Department sold 27,031 megawatt-hours of energy for a total cost of approximately \$640,000 under the SPP energy imbalance market.

Regional Reliability Organization

The SPP is an organization of electric utilities serving the south-central part of the United States established to oversee and maintain the reliability of the bulk electric power system. The Department has been a member of the SPP since 1970 and operates its electric system in accordance with the SPP rules. Beginning in the year 2000 and due to the restructuring of the electric industry, the SPP began the administration and operation of a regional transmission tariff where certain SPP members elected to have the SPP operate their transmission facilities under this tariff. The Department elected to become a non-transmission owning member and continues to operate its own transmission facilities.

Interconnections

The Department currently has three transmission interconnection agreements with other electric utilities which govern the transfer of power and energy to and from these utilities. The interconnections were established and are governed by various agreements, which are summarized in the following paragraphs:

KCP&L – Greater Missouri Operations (GMO). An interconnection between the Department and KCP&L-Greater Missouri Operations (GMO) is made at GMO's Sibley Substation and is governed by a Municipal Participation Agreement dated December 2, 1968. The interconnection is made between the Department's 161-kV transmission line and the 161-kV bus in GMO's substation. This agreement provides the terms and conditions under which the parties can purchase Reserve Capacity, Standby Service, Requisitioned Power and Accompanying Energy, and Economy Energy. This agreement went into effect December 1, 1969 and was to remain in effect until May 31, 1990 and thereafter from year to year until terminated by either party. Forty-eight months written notice is required for termination of this agreement. Currently, neither party has provided a notice of termination.

Associated Electric Cooperative Inc. An interconnection with Associated Electric Cooperative Inc. (AECI) was made to provide for the transfer of power from the Missouri City Power Plant to the Department. The interconnection is made between the Department's Eckles Road Switching Station and AECI's Missouri City-Pittsville 161-kV line and is governed by an Interchange Agreement dated August 8, 1979. Although the primary purpose of the interconnection is to provide for the delivery of the Missouri City Power Plant output (currently rated at 38 megawatts), this agreement also provides for other transactions between the parties, such as Standby Service, Economy Energy, Short-Term Power, Participation Power, Firm Power and Surplus Energy. This agreement went into effect June 1, 1980 and will remain in effect until June 1, 1995, continuing in effect from year to year thereafter until terminated by either party. Three years written notice is required for termination of this agreement. Currently, neither party has provided a notice of termination.

Kansas City Power & Light Company. The Department maintains seven interconnection points with KCPL, four at the 69-kV level and three at the 161-kV level. The 69-kV interconnections include: (i) interconnection at the Department's Substation H, (ii) interconnection along the Department's 69-k V line from the Department's Substation E to the Department's Substation F with KCPL's 69-kV line out of Hawthorn, (iii) interconnection at the Department's Substation A, and (iv) interconnection at the City limits along the Hawthorn to Substation H line near the Department's Substation F.

The 161-kV interconnections include: (i) interconnection at KCPL's Blue Mills

Substation, (ii) interconnection at the City limits along the Hawthorn to Substation M line, and (iii) interconnection at the City limits along the KCPL Blue Valley Substation to the Department Substation N line.

These interconnections were governed under a Municipal Participation Agreement originally dated July 12, 1965 and amended on a number of occasions thereafter. The Municipal Participation Agreement expired on July 31, 2011. A new Interconnection Agreement was negotiated between the parties which replaced the old agreement and became effective on August 1, 2011. The initial term of the Interconnection Agreement is through July 31, 2023 and shall continue year to year thereafter until terminated by either party. Five years written notice is required for termination of this agreement.

Transmission System

The Department's transmission system is comprised of approximately 27 miles of 161-kV lines and approximately 46 miles of 69-kV lines. The transmission system is interconnected with the neighboring utilities at both the 161-kV level and the 69-kV level as described above. Load flow studies indicate that these interconnections provide a total import capability of 280 MW on a single contingency basis. This import capability includes power generated from the Department's Missouri City plant when in operation.

Substations

<u>Station</u>	<u>Substation Class, Type</u>	<u>Station Capacity (1)</u>	<u>Nominal Voltage</u>
A	transmission	200 MVA	161/69 kV
B	distribution	60 MVA	69/13.8 kV
C	distribution	60 MVA	69/13.8 kV
E	distribution	40 MVA	69/13.8 kV
F	distribution	25 MVA	69/13.8 kV
G	distribution	12.5 MVA	13.8/4.16 kV
H	distribution	60 MVA	69/13.8 kV
I	distribution	60 MVA	69/13.8 kV
J	distribution	60 MVA	69/13.8 kV
K	distribution	60 MVA	69/13.8 kV
L	distribution	60 MVA	69/13.8 kV
M	transmission	100 MVA	161/69 kV
N	transmission	100 MVA	161/69 kV
P	distribution	60 MVA	69/13.8 kV
R	distribution	60 MVA	69/13.8 kV
Eckles Road (2)	transmission	-	161 kV

(1) Forced air rating at 55 degrees C rise.

(2) The Eckles Road is a switching station on the 161 kV line from Substation A to KCPL-GMO's Sibley Station. The Eckles Road station ties into the 161 kV line owned by AECl running from Missouri City Station to Pittsville. There are no transformers located at this station site.

Distribution System

The existing distribution system currently serves over 56,000 customers and consists of approximately 557 circuit miles of 13-kV overhead lines, 9 circuit miles of 4 kV overhead lines, 220 circuit miles of 13-kV underground lines and 0.2 circuit miles of 4-kV underground lines.

Proposed Capital Improvements

As of June 30, 2012, the Department had a total of \$21,783,743 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$10,456,860 for production plant capital improvements and \$11,326,883 for transmission and distribution plant capital improvements. For fiscal year ending June 30, 2013 the Department expects to undertake a total of \$8,860,000 for other capital improvement projects, of which \$1,690,000 are for production plant improvements and \$7,170,000 are for transmission and distribution plant improvements. For the six fiscal years ending June 30, 2018, the Department is currently

estimating a total of \$149,655,000 in additional major project capital improvements. These additional capital expenditures include \$103,180,000 in production plant improvements and \$46,475,000 in transmission, distribution and general plant improvements.

Capital improvements undergo an annual evaluation by the Department and may change as the result of such evaluations. Additional information regarding the Capital Improvements Program for fiscal year 2012-2013 can be found in Part IV of this document.

Electric Rates

The City Council has sole authority to establish electric rates. The Council has adopted electric class rate schedules by ordinance after receiving recommendations from the Department and consideration of rate studies performed by outside consultants. The City Council has also granted the Department the authority to automatically adjust monthly energy rates of its electric class rate schedules in accordance with a Power Supply Fuel-Energy Cost Adjustment Schedule (“FCA”). The Department makes reviews of the rate structure at least annually to determine if modifications are needed.

As provided in the bond indentures, the City covenants to charge and collect rates for the electric power and energy supplied by the System as shall be required to provide revenues and income sufficient to pay the cost of the following: operating expenses, 100% of aggregate debt service on all bonds and any other charges required to be paid out of revenues. Other charges to be paid out of revenues are generally defined by the City to include the payment in lieu of taxes to the City, the financing of system capital improvements and replacements that are not bond financed by the City, and system working capital requirements. In addition, the City covenants to make an annual review of the sufficiency of the rates.

In November 2008, the City Council adopted multiple schedules of customer class rate increases following a 5-year cost-of-service study and rate plan performed by Sawvel and Associates, Inc. Under the adopted rate plan, base rates were increased by 9% beginning January 1, 2009, 5% on July 1, 2009, 5% on July 1, 2010, 5% on July 1, 2011, and 5% on July 1, 2012. In addition to any base rate increases, customer billing increases/decreases may result from projected increased fuel and purchased power costs which are passed along to customers pursuant to the FCA.

For the year ending June 30, 2012, the average monthly billed FCA rate increased from a charge of \$13.26 per MWh to a charge of \$23.26 per MWh when compared to the year ending June 30, 2011. Overall, the base rate increase and the change in the FCA rate resulted in approximately a 13.8 percent average billing rate increase for all retail customers for the 12 month period ending June 30, 2012 compared to the previous 12 month period. The Department's electric service rate schedules are generally similar in type and number to the rate schedules of other electric utilities adjoining its service territory.

The Department currently has the following basic customer class rate classifications: residential, small general service, large general service, and large power service. In addition to the basic rate

class rate schedules, the Department has special service rate schedules for residential all-electric service, total electric general service, schools and churches, sewer pumping, separately metered general service space heating, unmetered private outdoor lighting and public street lighting, interruptible industrial service, and customer-generator net metering service. In each of the rate schedules, the rate structure is designed to generally approximate the costs incurred in supplying electricity for the class. Each rate schedule has an availability clause which defines the customer load types who are eligible to be billed under the rate schedule. Customers are billed monthly and a minimum billing is established for each rate schedule. The overall rate structure is designed to assist the Department in load management and marketing objectives of system load factor improvement.

The residential classifications include the majority (over 90%) of customers being served by the Department. Seasonal rates have been established in the residential customer classifications to partially recognize the cost differential of summer season air conditioning loads which predominate in the residential class and to encourage the winter season use of electricity (electric space heating).

In the commercial and industrial customer classifications, the rate designs generally include separate demand and energy charges, and pricing differentials for service voltage delivery such as secondary and primary voltage delivery. These rates charge individual customers different average rates per kilowatt of hour use for customers with different load factors and therefore encourage the customer to utilize electric service at a constant level of use.

In April 1990, the Department began a rebate program to encourage use of energy efficient air conditioners, water heaters and heat pumps by residential customers. The rebate scale increases with increased efficiency of the unit purchased. Current rebates range from \$109 to \$701. Through December 2011, over 9,606 rebates have been paid for a total of \$2,355,631.

The Power & Light Fund makes a payment annually from revenues to the City's General Fund as a payment in lieu of taxes. Pursuant to the City Charter, the payment is limited to an amount that would normally be paid by a privately-owned electric utility. The current payment in lieu of tax practice is the result of a Declaratory Judgment issued by the Jackson County Circuit Court on March 10, 1980. The components are: (1) 9.08% gross receipts tax (applied against gross operating revenues), (2) applicable City property taxes on facilities owned by the Department within the City, and (3) applicable City sales tax payment on all purchases made by the Department within the City. For years ending June 30, 2011 and June 30, 2012, the Department's total payment in lieu of taxes to the City amounted to \$12,404,416 and \$13,145,463, respectively. Payment for City electric service is made by the City to the Department under the appropriate retail rate classification.

Delinquent electric bills are processed as follows: a bill in arrears is considered delinquent after 30 days. A second bill is then issued with the customer having 10 to 15 days to pay both bills. After the 10 to 15 days have passed with no payment of both bills, the customer's service is subject to discontinuance. The Department's policy is to attempt to notify the customer by

telephone or personal contact before service is discontinued. In 2012, out of approximately \$133 million in billed retail revenue, \$906,237 was charged off as uncollectible or 0.68% of total billed retail revenues.

Operating Statistics

The following tables show that during the past five years, the Department has experienced a slight decrease in the number of consumers served and in the amount of energy sold and in the amount of power required to serve the load. As shown in the following table, the actual system energy requirements are significantly impacted by the variation in the number of summer season cooling degree days incurred in each annual period. As a result of the predominance of residential customers, peak load occurs during the summer months to satisfy the demand placed on the system by residential and commercial air conditioning use. In the winter months, the load decreases to approximately one-half of its summer peak due to the general use of natural gas as the fuel for residential and commercial heating.

Historical Annual Peak Demand and Energy Requirements

Fiscal Year Ended June 30	Annual Peak Demand		Annual Energy Requirements For City Load	
	(MW)	Percent Increase (Decrease)	(MWh)	Percent Increase (Decrease)
2008	308.4	(1.9)	1,187,360	2.0
2009	298.5	(3.2)	1,119,075	(5.8)
2010	271.8	(8.9)	1,099,236	(1.8)
2011	299.5	10.2	1,150,976	4.7
2012	310.4	3.6	1,123,025	(2.4)

Fiscal Year Ended June 30	Annual Load Factor(%)	Average Number of Monthly Metered Accounts	Annual Requirements Per Meter (kWh/Meter)	Summer Season Cooling Degree Days *
				(65°F Base)
2008	43.8	56,793	20,907	1,582
2009	42.8	56,734	19,725	1,258
2010	46.2	56,585	19,426	1,135
2011	43.9	56,458	20,386	1,634
2012	41.3	56,292	19,950	1,747

* May thru October each year. Cooling Degree Days based on temperatures recorded at Department's Blue Valley Power Plant site weather station.

Power Generation, Revenue Produced and Customers Served

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
Energy Supplied (MWh):					
Net Generation, City Power Plants	452,692	296,367	134,843	120,588	271,460
Purchased Power Energy from					
Other Utilities	774,137	873,639	1,088,818	1,129,612	928,803
Unintentional Interchange	-13	-48	69	-14	0
Gross Energy Supplied	1,226,816	1,169,958	1,223,730	1,250,186	1,200,263
Energy Sold to Other Utilities	-39,456	-50,882	-124,494	-99,210	-77,238
Total energy, City Load	1,187,360	1,119,076	1,099,236	1,150,976	1,123,025
Border Customer Purchases	1,335	1,186	1,348	1,583	1,204
Total Energy, City Load and City Border Customers	1,188,695	1,120,262	1,100,584	1,152,559	1,124,229
Border Customer Sales	-4,246	-3,741	-3,850	-4,257	-3,358
Total Energy, City System	1,184,449	1,116,521	1,096,734	1,148,302	1,120,871
Consumption By Classes (MWh) *					
Residential	545,808	512,725	503,508	541,137	521,530
Commercial	516,788	492,760	492,974	497,396	487,833
Industrial	44,911	42,815	42,754	41,653	48,992
Other	9,763	9,827	9,982	10,363	10,697
Total Retail Sales	1,117,270	1,058,127	1,049,218	1,090,549	1,069,052
Sold to Other Utilities (inc. border customers)	43,702	54,623	128,344	103,467	80,596
Total MWh Sales	1,160,972	1,112,750	1,177,562	1,194,016	1,149,648
Revenue by Classes (\$000) *					
Residential	\$55,218	\$52,555	\$56,500	\$64,723	\$71,334
Commercial	44,708	45,171	48,273	52,003	58,366
Industrial	2,999	2,904	3,085	3,292	4,462
Other	1,328	1,434	1,621	1,551	1,644
Total Retail Sales	\$104,253	\$102,064	\$109,479	\$121,569	\$135,806
Sold to Other Utilities	2,081	1,765	4,039	3,077	1,909
Total	\$106,334	\$103,829	\$113,518	\$124,646	\$137,715
Average Number of Meters (Total System)	56,793	56,734	56,585	56,458	56,292
Average Number of Meters (Residential)	51,653	51,593	51,458	51,277	51,124

* Includes change in unbilled MWh and Revenue.

The following table is a listing of the twelve largest commercial and industrial customer accounts served by the Department. The table shows the annual kilowatt hour energy usage and total billed revenues for the periods shown. As can be seen from the listing, sales to the Department's twelve largest customers have been relatively stable and in aggregate total, account for a relatively small portion of the Department's total sales and revenues. The largest single customer accounts for approximately 2.0% of retail sales of the system and 1.4% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2011 - June 2012

	<u>kWh</u>	<u>Revenue</u>
1 Unilever	20,704,800	\$1,910,796
2 Centerpoint Medical Center	16,413,600	1,737,519
3 Burd & Fletcher (Combined Accts.)	19,312,500	1,635,516
4 Simon Property Group LP	12,941,232	1,202,329
5 Smart Warehouse/Comm. Dist. Center Inc.	11,332,500	1,013,584
6 The Boyer Company	5,812,200	588,966
7 Costco Wholesale Inc.	4,967,700	554,852
8 City's Rock Creek Sanitary Sewer Plant	4,968,000	542,455
9 Independence Event Center	4,320,000	524,711
10 Price Chopper (23rd Street)	4,656,000	479,608
11 Hy-Vee (Noland Road)	4,403,520	467,675
12 Price Chopper (Noland Road)	4,403,280	460,914
Total	<u>114,235,332</u>	<u>\$11,118,923</u>
Percent of Total Retail Billed Sales	10.9%	8.4%

July 2010 - June 2011

	<u>kWh</u>	<u>Revenue</u>
1 Unilever	20,269,200	\$1,602,069
2 Centerpoint Medical Center	16,308,600	1,488,061
3 Burd & Fletcher (Combined Accts.)	19,409,700	1,356,880
4 Simon Property Group LP	13,683,648	1,085,788
5 Smart Warehouse/Comm. Dist. Center Inc.	12,261,000	1,065,342
6 The Boyer Company	5,654,700	501,335
7 Costco Wholesale Inc.	4,989,900	487,663
8 City's Rock Creek Sanitary Sewer Plant	5,246,400	481,935
9 Independence Event Center	4,325,600	470,174
10 Price Chopper (23rd Street)	5,148,900	465,636
11 Hy-Vee (Noland Road)	4,520,160	412,636
12 Price Chopper (Noland Road)	4,439,520	402,547
Total	<u>116,257,328</u>	<u>\$9,820,065</u>
Percent of Total Retail Billed Sales	10.4%	8.0%

Twelve (12) Largest Commercial and Industrial Customers (continued):

24 Months Totals (July 2010-June 2012)

	Total kWh Over 24 Months	Total Revenue Over 24 Months
1 Unilever	40,974,000	\$3,512,864
2 Centerpoint Medical Center	32,722,200	3,225,580
3 Burd & Fletcher (Combined Accts.)	38,722,200	2,992,397
4 Simon Property Group LP	26,624,880	2,288,117
5 Smart Warehouse/Comm. Dist. Center Inc.	23,593,500	2,078,926
6 The Boyer Company	11,466,900	1,090,301
7 Costco Wholesale Inc.	9,957,600	1,042,515
8 City's Rock Creek Sanitary Sewer Plant	10,214,400	1,024,389
9 Independence Event Center	8,645,600	994,885
10 Price Chopper (23rd Street)	9,804,900	945,244
11 Hy-Vee (Noland Road)	8,923,680	880,311
12 Price Chopper (Noland Road)	8,842,800	863,461
Total	<u>230,492,660</u>	<u>\$20,938,988</u>
Percent of Total Retail Billed Sales	10.6%	8.2%

The following tables provide financial information for the past five fiscal years. For the fiscal year ending June 30, 2012, the Department realized a positive net income after several years of negative income. The net income improvement is largely due to the series of rate increases implemented pursuant to the 2008 rate plan which included an initial 9.0% rate increase in January 2009, 5.0% in July 2009, 5.0% in July 2010, and 5.0% in July 2011. In addition, a 5.0% rate increase was implemented in July 2012 which is anticipated to continue to improve the financial results of the Department.

Condensed Statement of Operations

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
Total Operating Revenue	107,619,947	105,064,847	114,744,814	126,755,826	139,878,341
Operating Revenue Deductions					
Fuel	17,900,398	12,866,864	6,795,158	6,416,439	11,306,266
Purchased Power	31,962,458	34,594,764	41,806,408	44,540,042	45,395,666
Production	14,264,645	14,239,231	13,655,940	14,698,540	14,039,429
Transmission & Distribution	11,425,578	12,444,477	14,039,156	15,501,502	15,789,624
Customer Service	3,017,212	3,029,850	3,250,364	3,718,358	4,060,694
General & Administrative	12,193,191	12,108,388	12,714,003	14,455,119	15,324,567
Total O&M	90,763,482	89,283,574	92,261,029	99,330,000	105,916,246
Total Operating Revenue Deductions	<u>112,866,877</u>	<u>111,981,668</u>	<u>115,807,187</u>	<u>125,948,296</u>	<u>135,978,043</u>
Net Operating Income	-5,246,930	-6,916,821	-1,062,373	807,530	3,900,298
Total Non-Operating Deductions (net)	<u>358,431</u>	<u>840,741</u>	<u>-638,528</u>	<u>-1,424,042</u>	<u>-2,093,274</u>
Net Income	-4,888,499	-6,076,080	-1,700,901	-616,512	1,807,024
Capital Contributions	<u>1,310,874</u>	<u>1,323,998</u>	<u>1,413,624</u>	<u>1,905,706</u>	<u>154,564</u>
Change in Net Assets	-3,577,625	-4,752,082	-287,277	1,289,194	1,961,588

Debt Service Coverage

Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2008	109,358,222	91,756,283	17,601,939	2,773,218	6.35
2009	106,810,460	88,778,796	18,031,664	2,783,693	6.48
2010	115,265,625	91,580,163	23,685,462	4,394,388	5.39
2011	127,486,725	98,684,454	28,802,271	5,430,202	5.30
2012	140,997,371	104,684,944	36,312,427	6,862,435	5.29

(1) Includes operating sales revenue, interest earning on investment funds and miscellaneous other income.

(2) Excludes Depreciation, Amortization, Non-operating Expenses, OPEB, and payment in lieu of taxes to General fund.

Condensed Balance Sheet

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
Net Utility Plant	164,364,711	162,208,949	174,319,980	191,625,081	236,233,563
Current Assets	39,991,623	35,995,866	41,310,513	46,415,386	60,096,681
Deferred Charges and Other Assets	559,188	31,191,005	17,160,344	18,388,845	18,053,962
Total Assets	204,915,522	229,395,820	232,790,837	256,429,312	314,384,206
Current Liabilities	12,285,256	10,655,918	14,278,809	12,139,397	13,849,277
Long-Term Liabilities and Deferred Credits	16,111,918	46,973,637	47,033,041	71,521,736	125,805,161
Total Equity	176,518,348	171,766,265	171,478,987	172,768,179	174,729,768
Total Liabilities and Equity	204,915,522	229,395,820	232,790,837	256,429,312	314,384,206

Employee Relations

As of June 30, 2012 the Department had 236 budgeted full-time positions, of which 175 are hourly personnel and 61 are salaried personnel engaged in Production, Transmission, Distribution, Engineering, Administration, and Support Services.

Hourly employees at the Department are represented by the International Brotherhood of Electrical Workers Local No. 53 (IBEW). There have been no work stoppages, slow downs or strikes since September 1, 1978.

The current agreement between the City and the IBEW provides for annual wage increases and working conditions effective November 1, 2009, and thereafter until October 31, 2014.

The City complies with its statutory duty to meet and confer with the IBEW representative concerning wages and working conditions.

Water Department

Description of the Water System

The City purchased the Missouri Water Company in 1986 through the issuance of \$47,500,000 variable interest rate revenue bonds. The bonds were converted to flexible interest rate bonds under the Second Amended and Restated Indenture of Trust dated June 1, 1987. The bonds were converted to fixed interest rates and the principal outstanding was reduced by \$6,050,000 on January 6, 1999. During June 2004, the City issued, through the Missouri Development Finance Board, \$14,785,000 of additional obligations. The proceeds of this issue will be used for infrastructure improvements to the water system. During March 2009, the City issued additional obligations of \$17,520,000 through the Missouri Development Finance Board to absorb capital

improvement costs. During October 2009, the 1986 bonds were refunded by the issuance of bonds amounting to \$19,310,000.

The water system includes 41 supply wells (including one horizontal collector well), treatment facilities, and the water distribution system, all of which are owned, operated and maintained by the City Water Department (Department). The water distribution system includes approximately 757 miles of water main ranging in size from 2 inches to 36 inches, and five storage facilities with capacity totaling 10 million gallons. These facilities provide water service to approximately 48,145 customers on a retail basis, and resale (wholesale) water service to 11 customers.

Organization

The Department is divided into four divisions: 1) Administration; 2) Customer Service & Accounts; 3) Production; and 4) Transmission and Distribution.

Administrative Division - The Administration Division includes the complete operation and monthly reporting of the Water Department.

Customer Services & Accounts Division - The Customer Services & Accounts Division includes functions of field service, billing, cashiering, collection and customer inquiry.

Production Division - The Production Division is responsible for water treatment, water quality and pumping from the water treatment plant and towers and reservoirs within the system.

Transmission and Distribution Division - The Transmission and Distribution Division is responsible for the construction, engineering, operation and maintenance of the transmission and distribution facilities of the Department.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2012, the Department was billed \$1,939,651 by the City for City-provided support services. The Department also provides customer service and billing to the City's Power & Light and Water Pollution Control Departments. For fiscal year 2012, the City's Power & Light and Water Pollution Control Departments were billed \$1,339,153 by the Water Department for customer service and billing services.

Management

Overall administration of the Department and development of basic department policy is performed by the Water Director and his staff. The Water Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

Daniel D. Montgomery - Water Systems Director. Mr. Montgomery was appointed Water Systems Director in April of 2003 and has been with the Department for 29 years. Mr. Montgomery holds a BSCE degree from the University of Missouri at Kansas City. He is a Registered Professional Engineer in the state of Missouri and holds a Class “A” Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

Thomas A. Heinkel - Customer Service Manager. Mr. Heinkel has been with the City for 18 years and was appointed Customer Service Manager in November of 2003. Mr. Heinkel holds a BA in Biology from Texas Lutheran University.

Karen L. Kelley - Water Production Manager. Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 31 years. Ms. Kelley holds a BS in Biology degree from the University of Missouri at Kansas City. She holds a Class “A” Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

Denne L. Roe - Water Distribution/Engineering Manager. Mr. Roe has been with the City for 38 years and was appointed Water Distribution/Engineering Manager in October 1989. Mr. Roe holds a BSCE degree from the University of Missouri at Rolla. He is a Registered Professional Engineer in the state of Missouri and holds a Distribution III Certification from the Missouri Department of Natural Resources.

History

Prior to 1956, the Missouri Water Company distributed water purchased from Kansas City, Missouri to customers in and around the City of Independence. In 1954, a water resources study was performed that identified the Missouri River as the most economical source of raw water for the Independence area. Additional studies established that the aquifer, associated with the Missouri River at the Courtney Bend, could produce sufficient quantities of raw water to meet the current and projected needs. In addition, utilizing groundwater as the source of supply provided a more consistent, easier to treat, source. In 1956, the Missouri Water Company constructed the Courtney Bend Water Treatment Plant (WTP) to supply water to the City of Independence and surrounding areas. Both the well field and treatment plant have been expanded several times since their acquisition from the Missouri Water Company.

Water Supply

The Courtney Bend Well Field was established in 1956 on the south bank of the Missouri River where the Highway 291 bridge crosses the river. Forty vertical wells ranging in depth from 76 to 130 feet and capacity from 500 to 3,000 gallons per minute (gpm) pump raw water from the alluvial aquifer. In addition, a 125-foot deep horizontal collector well adds an additional 7,000 gpm to the capacity of the well field.

Water Treatment

The Courtney Bend WTP, constructed in 1956 for the Missouri Water Company and purchased by the City in 1986, is located at Highway 291 and the Missouri River. The plant was expanded in 1961, 1963, 1969, 1976, 1986, 1992, and finally in 2005 to its current capacity of 48 million gallons per day (mgd). The Courtney Bend Plant incorporates softening, clarification, filtration, and chemical disinfection into its treatment process. The major process components of the WTP are summarized below:

Solids Contact Basins		Chemicals (cont.)	
Number	8	Chlorine	
Capacity, ea, mgd	6	Average, ppd	695
Settling Basins		Range, ppd	500 - 1085
Number	6	Ammonia	
Capacity, ea, mgd	8.4	Average, ppd	75
Filters		Range, ppd	50 - 130
Number	14	Phosphate	
Capacity, ea, mgd	4	Average, ppd	125
Chemicals		Range, ppd	90 - 160
Lime			
Average, ppd	52,000		
Range, ppd	40,000 - 83,000		

Distribution System

The distribution system consists of pumps, piping, and storage facilities necessary to serve the retail and wholesale consumers. The system also has four emergency interconnects with the Kansas City, Missouri Water Department's distribution system and a 200 kW electrical generator for providing emergency power to the 35th Street and 39th Street Pumping Stations.

Piping : The Department had, at the end of fiscal year 2012, approximately 757 miles of piping ranging in size from 2 inches to 36 inches. The majority of the system mains are 6 inches in diameter.

Pumping Stations : Five main pumping stations operated and maintained by the Water Department supply treated water to the distribution system. The Courtney Bend High Service Pumping Station, Van Horn Pumping Station, 39th Street Pumping Station, and 35th Street

Pumping Station are all controlled from the Courtney Bend Treatment Plant. The fifth station, the Chrysler Pumping Station, is an automatic booster station controlled off of system pressure.

The High Service Pumping Station at the Courtney Bend WTP contains 5 pumps with an operating head of 525 feet and capacity of 8,300 gpm.

The Van Horn Pumping Station contains three electric-driven pumps that can be controlled from the Courtney Bend WTP. Local control of the electrically driven pumps can also be done from within the pumping station. The capacity of the pumps include one 1200 and two 1,800 gpm.

The 35th Street Pumping Station contains two electrically driven 2,250 gpm pumps and one 1750 gpm pump. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.

The 39th Street Pumping Station contains three electrically driven pumps, each with a capacity of 2,100 gpm. These pumps can be controlled either remotely from the Courtney Bend WTP, or manually from within the pumping station.

The Chrysler Booster Pumping Station has two electric, 150 gpm, automatic pumps designed to maintain system pressure at 40 psi for service to approximately 100 consumers. This is an automated system and provisions for control of this system at the treatment plant are not provided. System operations are monitored at the plant, however, the discharge pressure is confirmed by pressure readings from the Chrysler Booster Station.

Storage : The City of Independence Water Department currently has five storage facilities located at various sites within the distribution system. Two of the facilities are elevated storage tanks. These include the North Main and Dodgion elevated tanks. The total storage capacity of the elevated tanks is 1 million gallons (MG). The three remaining facilities are ground storage reservoirs. These include the Van Horn, 35th Street, and 39th Street reservoirs. They have a total capacity of 9 MG. The total capacity of storage for the system is 10 MG.

The North Main and Dodgion Tanks are the elevated storage facilities available to the Water Department. The Dodgion elevated tank generally sets the hydraulic grade line for the distribution system.

The Van Horn, 35th Street, and 39th Street ground storage reservoirs are typically remotely filled from the Courtney Bend WTP. Reservoirs are filled remotely from the water treatment plant or can be filled from the reservoir location. The following summarizes the characteristics of the storage facilities:

North Main Elevated Tank		Van Horn Storage Reservoir		39th Street Storage Reservoir	
Capacity, MG	0.5	Capacity, MG	2.0	Capacity, MG	5.0
Diameter, ft	50	Diameter, ft	135	Diameter, ft	130
Height to HWL, ft	39.3	Height, ft	19	Height, ft	50
	121.3 ft. above ground				
Dodgion Elevated Tank		35th Street Storage Reservoir			
Capacity, MG	0.5	Capacity, MG	2.0		
Diameter, ft	50	Diameter, ft	80		
Height to HWL, ft	39	Height, ft	54		
	130 ft. above ground				

Emergency Interconnections : The Water Department has four emergency interconnections with the City of Kansas City, Missouri Water Department's distribution system to supply either system with water in an emergency. The capacity of each system varies based upon system pressure and direction of flow. The emergency interconnections are located at I-435 and Truman Road, Highway 40 and Noland Road, Highway 40 and Hunter, and in the vicinity of Blue Ridge Boulevard and Wilson Road.

Support Facilities

The Water Department administration operates out of a two-story office building located at 11610 Truman Road, Independence, Missouri. As a result of a space utilization study conducted in 1997, the building layout and occupancy was revised to provide a more customer-friendly environment while allowing the City to consolidate some of its administrative tasks. The structure was renamed the Utility Customer Service Center and Water Administration Building to reflect all of the functions provided at this location. The building houses the administrative, engineering, and customer service departments of the Water Department. To accommodate its customers and workers, the Water Department added an elevator to the two-story structure and improved the restroom facilities for compliance with the Americans with Disabilities Act.

Two interconnected buildings located at Truman and Forest contain the bulk of the service, maintenance, and construction force. The Service building contains primary facilities such as workshops for servicing, cleaning, and repairing meters, as well as a garage area for maintenance and cleaning of department vehicles. The second building, the Construction/Maintenance building, has a garage area, workshop area, and storage area. A storage yard for miscellaneous pieces of materials and equipment is located adjacent to these buildings.

Maintenance

The Water Department's currently established maintenance program that is incorporated into their Capital Improvements Plan has allowed the Department to continue to meet system demands.

Financial Data

The principal source of revenue of the Water Department to meet costs of providing water service is derived from rates and charges for water sales. Other income is derived from re-connection fees, penalties for late payment, rent on portable meters, interest income, and other miscellaneous sources.

Analysis of historical trends provides a reasonable basis for projection of customers served, their water use, and the potential revenues to support future operations.

Customers Served : As shown in the following table, the number of customers served by the Water Department totaled 48,145 as of June 30, 2012. In addition to retail water service to residential, commercial, industrial, and public authority customers, the Water Department provides water service on a wholesale basis to Lee's Summit, Blue Springs, Oak Grove, Grain Valley, Sugar Creek, Lake Tapawingo, Buckner, Jackson County PWSD No. 2, Jackson County PWSD No. 15, Jackson County PWSD No. 17, and Lafayette County PWSD No. 1. The number of customers served decreased over the 4-year period 2009 to 2012 at an annual rate of .12 percent.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	2009	2010	2011	2012
Residential	44,732	44,619	44,518	44,520
Commercial	3,111	3,102	3,098	3,097
Industrial **	7	6	6	6
Public Authority	73	72	72	75
Resale *	13	13	13	13
Private Fire Protection	382	381	382	434
Total	48,318	48,193	48,089	48,145

Water Sales - 1,000 Gallons

Residential	2,952,653	2,806,556	2,974,215	2,989,311
Commercial	882,227	780,631	850,343	926,281
Industrial	173,600	207,140	202,310	213,274
Public Authority	98,562	95,685	78,734	69,931
Resale	4,501,645	5,106,877	4,935,360	4,911,657
Private Fire Protection	NA	NA	NA	NA
Total	8,608,687	8,996,889	9,040,962	9,110,454

Water Sales - \$

Residential	9,037,744	9,403,985	10,726,567	11,699,971
Commercial	2,450,246	2,404,953	2,835,271	3,325,167
Industrial	300,577	407,313	450,156	479,477
Public Authority	281,615	297,218	263,137	256,730
Resale	4,930,608	6,302,495	6,659,302	7,153,628
Private Fire Protection	88,007	94,424	103,321	127,606
Public Fire Protection	767,863	791,226	789,199	789,116
Other Sales	488,796	332,257	353,004	373,201
Total	18,345,456	20,033,871	22,179,957	24,204,896

* Two (2) of the eleven customers have two (2) meter connections.

** One (1) of the six customers has two (2) meter connections.

The following tables indicate the top water users for the last fiscal year:

Wholesale Water Supply Contracts

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Lee's Summit	2,813,026	\$4,078,226
Blue Springs	692,459	1,009,940
District #2, Jackson County	374,105	550,026
District #1, Lafayette County	254,698	373,838
Oak Grove	233,907	342,635
Grain Valley	182,355	266,450
District #15, Jackson County	150,106	220,381
Buckner	98,581	144,765
Sugar Creek	53,500	80,184
District #17, Jackson County	38,975	57,431
Lake Tapawingo	19,945	29,752
	<u>4,911,657</u>	<u>\$7,153,628</u>

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Lafarge Corporation	58,073	\$154,187
Lipton Tea*	95,565	197,411
Centerpoint Medical Center	22,362	46,396
Independence Center	18,452	38,633
Smart Warehouse	10,294	23,089
Tandum/QCA	8,528	19,761
	<u>213,274</u>	<u>\$479,477</u>

Water Sales Volume : Total water sales volumes increased at an annual rate of 1.91 percent from 2009 to 2012. During the 4-year period, wholesale customers purchased approximately 54.41 percent of the water sold by the Water Department. Water sales volumes are shown in the previous table.

Water Sales Revenues : As shown in the previous table, water sales revenues, including revenues from public and private fire protection charges, experienced an annual growth rate of 9.68 percent from 2009 to 2012. Because wholesale customers pay a lower rate than retail customers, water sales revenues do not increase proportionate to water sales volumes.

Reported water sales revenues include a gross receipts tax of 9.08 percent on all water sales. The gross receipts tax is collected by the Water Department and transferred to the General Fund as a Payment In Lieu of Taxes (PILOT). As of July 1, 2004 the PILOT was charged on all water sales.

Operation and Maintenance Expenses : Operation and maintenance expenses for the period 2009 to 2012 are shown in the following table:

Historical Operation and Maintenance Expense

Year Ended June 30

Description	2009	2010	2011	2012
	\$	\$	\$	\$
Source of Supply				
Operations	260,776	324,153	348,994	393,293
Maintenance	658,153	218,807	280,616	301,183
Total Source of Supply	918,929	542,960	629,610	694,476
Power and Pumping				
Operations				
Fuel/Power Purchased	1,394,942	1,517,817	1,607,254	1,681,641
Other	268,552	268,096	256,811	289,062
Maintenance	29,087	109,980	41,687	38,095
Total Power and Pumping	1,692,581	1,895,893	1,905,752	2,008,798
Water Treatment				
Operations				
Chemicals	1,052,892	1,276,435	1,236,913	1,296,301
Other	790,897	694,648	607,400	644,702
Maintenance	729,428	378,294	363,272	393,756
Total Water Treatment	2,573,217	2,349,377	2,207,585	2,334,759
Transmission & Distribution				
Operations	2,094,355	2,123,693	2,007,706	1,584,833
Maintenance	1,532,851	1,401,758	1,467,874	1,638,720
Total Transmission & Distribution	3,627,206	3,525,451	3,475,580	3,223,553
Customer Accounting & Collection				
Operations	934,546	1,062,441	830,735	1,808,928
Sales Promotion				
Operations	39,461	30,058	27,025	24,168
Administrative & General				
Operations				
Outside Services Employed	1,031,074	949,497	1,048,522	1,004,946
Employee Pensions & Benefits	1,519,240	1,764,026	2,021,288	1,751,422
Other	1,470,462	1,478,126	1,475,050	1,669,591
Maintenance	113,980	120,108	114,518	129,810
Total Administrative & General	4,134,756	4,311,757	4,659,378	4,555,769
Subtotal Operations Expense	10,857,197	11,488,990	11,467,698	12,148,887
Subtotal Maintenance Expense	3,063,499	2,228,947	2,267,967	2,501,564
Total Operation & Maintenance Expense	13,920,696	13,717,937	13,735,665	14,650,451

Debt Service Coverage

The Bond Indenture states that the Water Department shall charge and collect rates, fees and other charges as required to provide revenues at least sufficient to pay operating expenses, all fees and amounts due under the Letter of Credit Agreement, and “an amount equal to 125 percent of the reasonably estimated debt service on the Bonds for such fiscal year”. For purposes of this debt service coverage test, the provisions of the Indenture are interpreted as meaning that net revenues, after payment of operating expenses, must be 125 percent of principal and interest on the Bonds. Revenues, expenses, and debt service payments during the past four years are summarized in the following table for purposes of determining the debt service coverage ratio.

Historical Debt Service Coverage Year Ended June 30

	2009	2010	2011	2012
	\$	\$	\$	\$
Revenues				
Operating Revenues	18,607,799	20,134,421	22,203,258	24,635,637
Interest Income	18,001	4,710	6,335	3,348
Other Income	84,146	85,689	83,098	404,885
Total Revenues	18,709,946	20,224,820	22,292,691	25,043,870
Expenses				
Operations	10,857,197	11,488,990	11,467,698	12,148,887
Maintenance	3,063,499	2,228,947	2,267,967	2,501,564
Federal Retirement Taxes	359,297	363,519	354,530	307,821
less OPEB & LAGERS obligation	(661,136)	(695,276)	(956,375)	(1,075,803)
Total Operating Expenses	13,618,857	13,386,180	13,133,820	13,882,469
Gross Receipts Tax (PILOT)	1,773,519	1,898,396	2,135,230	2,328,111
Total Expenses	15,392,376	15,284,576	15,269,050	16,210,580
Revenues Available for				
Debt Service Coverage	5,091,089	6,838,640	9,158,871	11,161,401
Debt Service				
Revenue Bond Interest	2,032,591	2,413,924	2,210,141	2,096,341
Revenue Bond Expenses	111,364	81,892	53,132	54,337
Revenue Bond Principal	2,380,000	2,525,000	2,790,000	2,965,000
Certificates of Participation Interest	-	-	-	-
Certificates of Participation Principal	-	-	-	-
Total Debt Service to be Covered	4,523,955	5,020,816	5,053,273	5,115,678
Debt Service Coverage Ratio:				
Revenue Bonds	113%	136%	181%	218%

Proposed Capital Improvement Program : The Water Department annually develops a six-year capital improvement program. Additional information regarding the Capital Improvements Program for fiscal year 2012-2013 can be found in Part V of this document.

The proposed capital improvement program for the next three years primarily reflects planned rehabilitation, replacement, and new water system components. The program includes main replacement, new main installation, and security upgrades.

Employee Relations

The Department currently has 97 full-time positions, of which 71 are hourly personnel engaged in Production, Transmission, Distribution, Engineering and Support Services, and 26 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local No. 13558 or Service Employees International Union, Local No. 96 effective July 1, 2007 and thereafter until June 30, 2012. There have been no work stoppages, slow downs or strikes.

The current Memorandum of Agreement between the City and the Service Employees International provides for annual wage increases and working conditions effective May 1, 2006, and thereafter until April 30, 2011.

The City complies with its statutory duty to meet and confer with the Steelworkers Local No. 13558 and Service Employees International Union, Local No. 96 representative concerning wages and working conditions.

Water Pollution Control Department

Description of the Sanitary Sewer System

The Water Pollution Control Department's (Department) purpose is to protect the public health from the spread of waterborne disease and to abate or reduce pollution for the protection of our water resources.

The Department maintains over 613 miles of sanitary sewer by daily pressure cleaning, root sawing, minor repair or major rehabilitation. The City's sewers carry almost 20 million gallons of wastewater each day. The average depth of the sanitary sewers is greater than 8 feet below ground (the deepest sewer line is more than 70 feet underground). The sewer system is inspected by pulling video cameras through the lines to detect any damage. Minor damage caused by settling soil, roots, chemical deterioration or simply old age, can sometimes be repaired without digging (trenchless technology). Major repairs however, may require deep excavation and pipe replacement. In addition, Water Pollution Control administers rehabilitation projects each year to correct problems of aging or over loaded sewers (some of the City's sewers are over 100 years old). The Department operates and maintains the City's wastewater treatment plant, a secondary biological treatment facility that is designed to treat 10 million gallons per day and incinerates solids removed from the waste stream.

The Department also maintains the City's separate storm water sewers and catch basins, which convey runoff from yards, parking lots and streets to the natural waterways that flow throughout the City. There are over 220 miles of storm sewer pipe and over 13,500 structures in the City. Though not as deep as sanitary sewers, storm sewers require constant maintenance and cleaning due to the impact of the midwest's weather conditions. In addition to the daily maintenance and cleaning, the department performs sampling and testing of storm water and enforces the City's storm water management program for compliance with storm water regulations. There are 47 employees who clean, repair and plan for the replacement projects for the City's sanitary and storm water sewers.

Organization

The Department consists of five Divisions: 1) Administration; 2) Wastewater Treatment; 3) Collection System Maintenance; 4) Environmental Compliance Testing; and 5) Storm Water.

Administration Division - The Administration Division is responsible for the general administration of the Sanitary Sewer Utility and Storm Water Management Program.

Wastewater Treatment Division - The Wastewater Treatment Division operates and maintains the Department wastewater treatment plant and pumping stations.

Collection System Maintenance Division - The Collection System Maintenance Division is responsible for maintenance and repair of the 613 miles of sanitary sewers and approximately 220 miles of storm water collection system.

Environmental Compliance Testing Division - The Environmental Compliance Testing Division laboratory service is responsible for National Pollutant Discharge Elimination System (NPDES) Permit testing and reporting, and testing of plant processes.

Stormwater Division - The Stormwater Division manages stormwater capital projects, maintains and repairs the stormwater system, and is responsible for compliance with the State Operating Permit for the Independence Municipal Separate Storm Sewer System.

The Department is also provided with support from other departments of the City. These services include customer service, purchasing, accounting, legal, and other administrative type services. For fiscal year 2012, the Department was billed \$1,204,368 by the City for City provided services.

Management

Overall administration of the Department and development of basic department policy is performed by the Water Pollution Control Department Director and his staff. The Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

Dick Champion Jr., Director, was appointed in 1983 and has over 40 years of experience in his field. Mr. Champion holds a B.S. in Political Science from Central Missouri State University, a Missouri Class 'A' Wastewater Operator's License, and a Class 'A' Collection System Operator's license.

Robert Patten, Assistant Director, was appointed to the position in 1984. He holds a MS in Biology from the University of Missouri at Kansas City and a Missouri Class 'A' Wastewater Operator's License.

Denise Messina, Utility Accounting Manager, was appointed to this position in 1991 and previously served as the City's Assistant Controller since 1988. Ms. Messina came to the City after serving as Chief Accountant with the Missouri Water Company since 1982. Ms. Messina holds a B.S. in Business Administration from the University of Missouri.

Dorris Bender, Environmental Compliance Manager, was appointed to this position in 1992. She holds a M.S. in Environmental Health Science from the University of Kansas and a Missouri Class 'A' Wastewater Operator's license.

Collection System

The public collection system is maintained by the Sanitary Sewer Maintenance Division (SMD). The Division's 34 employees maintain over 3 million feet of sewer line from 8 inches to 60 inches in diameter. Additionally, there are over 13,000 manholes in the system that require maintenance.

The wastewater community in the City limits contributes approximately 20 million gallons of wastewater per day to the sewer system. This contribution is equivalent to using 172 gallons per capita per day. The sewer system, operating largely by gravity is divided approximately in half between two treatment facilities. Flow from the eastern half of the City, by contract and by statute, goes to the Little Blue Valley Sewer District. The western half flows to the City owned and operated Rock Creek Treatment Plant (RCTP). A minor portion of Independence's western wastewater flows to Kansas City, and a minor portion of Kansas City's wastewater flows to Independence. Additionally, the majority of the City of Sugar Creek's wastewater flows to the Rock Creek Plant.

The collection system is in considerably better condition today than a decade ago. The improved condition has been the result of activities to eliminate infiltration and inflow, as well as the repair and replacement of sewer lines and manholes. An additional 13 employees are dedicated to the cleaning and repairing of the 220 miles of storm water sewers, catch basins, and culverts.

Wastewater Treatment

Twenty-four employees operate and maintain the City's Rock Creek Wastewater Treatment Facility and ten pump stations. The treatment plant is operated around the clock and residential and industrial wastewater is pumped through a series of settling and accelerated biological processes that purify the wastewater and remove solid particles. The solids undergo de-watering processes and are finally incinerated to a fine ash. There are thirteen separate processes in the treatment system and each requires constant sampling and testing for operational control and reporting to environmental agencies.

The Rock Creek Waste Treatment Facility (RCWTF) is designed to treat an average daily dry weather flow of 10 million gallons (MGD) of wastewater.

The treatment plant was dedicated in 1978. A significant amount of equipment has completed life expectancy and has been replaced or rehabilitated according to planning schedules.

The plant staff continues to gradually replace old equipment on various units of process. The degree of this activity is best reflected in the Capital Budget.

Environmental Compliance Testing Division

Three employees are responsible for sampling and testing processes in the plant, all major industry, and for measurement, testing and reporting flows throughout the sanitary sewer and storm water sewer systems.

Financial Data

The principal source of revenue of the Sanitary Sewer Fund to meet costs of providing sanitary sewer services is derived from rates and charges for service. These are tied directly to water usage. Other sources of income are derived from penalties for late payment, interest income, and other miscellaneous charges.

Analysis of historical trends provides a reasonable basis for projection of customers served, their water use, and the potential revenues to support future operations.

Customers Served

As shown on the following table, the number of customers served by the Sanitary Sewer Department totaled 44,067 as of June 30, 2012. The number of customers served decreased at a moderate rate over the 3 year period 2009 to 2012. The annual rate of decrease from 2009 to 2012 was .16 percent.

Historical Customers, Usage, and Revenues

<u>Customer Classification</u>	<u>Year Ended June 30</u>			
	2009	2010	2011	2012
Number of Customers				
Residential	40,775	40,676	40,579	40,572
Commercial	3,493	3,494	3,483	3,481
Contract Sales	11	15	16	14
Total	44,279	44,185	44,078	44,067
Usage - 100 Cubic Feet				
Residential	2,808,000	2,859,193	2,729,472	2,683,006
Commercial	1,696,297	1,484,809	1,567,310	1,490,229
Total	4,504,297	4,344,002	4,296,782	4,173,235
Revenue \$				
Residential	9,841,314	9,733,214	9,873,906	10,460,524
Commercial	4,560,728	4,569,721	4,841,546	5,099,839
Contract Sales	274,377	296,278	289,644	254,877
Intermunicipal Agreements	484,960	456,559	566,817	597,679
Other Revenues	146,805	145,058	134,859	179,989
Regulatory Compliance			1,452,555	1,595,871
Total	15,308,184	15,200,830	17,159,327	18,188,779

Large Volume Customers

<u>Customer Name</u>	<u>Sales (1,000 Gallons)</u>	<u>Sales (Dollars)</u>
Thomas J. Lipton, Co.	94,509	\$839,132
City of Indep, Power & Light	56,910	118,244
AMOCO	45,239	229,819
Centerpoint Medical Center	21,765	63,035
Simon Properties Group	19,200	50,604
Highland Park Investors	17,567	49,169
	255,190	\$1,350,003

Usage Volume : Total usage volumes decreased slightly from 2009 to 2012. The decrease was 2.45 percent due to decreased water consumption. Usage volumes are shown in the previous table.

Revenues : As shown in the previous table, revenues increased approximately 6.27 percent annually from 2009 to 2012. A rate increase, as well as a new revenue required to comply with DNR regulations, contributed to the increase.

Operations and Maintenance Expenses: Operations and maintenance expenses for the period 2009 to 2012 are shown on the following table.

Historical Operation and Maintenance Expense

<u>Description</u>	<u>Year Ended June 30</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Collection	2,722,507	2,695,226	2,655,056	2,685,271
Laboratory Services	204,057	222,908	231,767	226,457
Treatment & Disposal	7,521,857	7,435,137	7,755,849	7,982,504
Administrative & General	2,556,944	2,650,810	3,390,182	3,027,041
Total Operations & Maintenance	<u>13,005,365</u>	<u>13,004,081</u>	<u>14,032,854</u>	<u>13,921,273</u>

Proposed Capital Improvement Program : The Water Pollution Control Department annually develops a six-year capital improvement program. The proposed capital improvement program for the next three years reflects a treatment plant expansion for peak flow treatment, pump station peak flow improvements, nitrification and disinfections improvements, as well as collection system capacity improvements that are intended to be debt financed. Additional information regarding the Capital Improvements Program for fiscal year 2012-2013 can be found in Part V of this document.

Employee Relations

The Department currently has 83 full time positions and one part time position, of which 53 are hourly personnel engaged in Sanitary and Stormwater Collection, Wastewater Treatment, and Environmental Compliance, and 30 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the International Brotherhood of Electrical Workers Local No. 53 (IBEW). There have been no work stoppages, slowdowns, or strikes.

There is no current agreement between the City and the IBEW. The Department and the IBEW are currently in negotiations for a new work agreement.

PART IV - OPERATING BUDGET – SUMMARY

The following pages are a summary of the City’s Operating Budget for the current year.

**CITY OF INDEPENDENCE, MISSOURI
2012-13 Operating Budget
Summary of Sources and Uses by Fund and Fund Type**

	General Fund	Special Revenue Funds				License Surcharge (Excise Tax)
		Grant Funds	Tourism Fund	CDBG/HOME Funds	Combined Sales Tax Funds	
Sources:						
Undesignated Fund Balance						
Designated Fund Balance						
Estimated Revenues	74,417,441	2,384,752	1,204,200	1,037,295	20,039,939	250,800
Consolidation Adjustments-						
Interfund Charges for Support Ser.			(70,394)		(22,294)	
Transfers In-						
From Other Funds						
Total Sources	74,417,441	2,384,752	1,133,806	1,037,295	20,017,645	250,800
Uses:						
Operating Budgets-						
City Council	418,635					
City Clerk	371,496					
City Manager	845,129					
Tourism			1,413,113			
National Frontier Trails Center	315,871					
Technology Services	1,571,787					
Municipal Court	763,901					
Law	661,334	26,318				
Finance	1,835,729					
Human Resources	373,417					
Community Development	2,858,751	1,027,758		192,259		
Police	25,612,039	627,091			1,988,758	
Fire	15,970,178	53,340			1,335,600	
Health	3,083,584	650,245				
Water						
Public Works	5,487,732				250,000	
Water Pollution Control					2,160,157	
Parks and Recreation	1,593,860				2,335,252	
Power and Light						
Non-Departmental	7,697,944				7,000	
Debt Service/Lease Purchase	-				3,767,658	
Capital Outlay/Budget	374,848				10,153,000	
Consolidation Adjustments-						
Interfund Charges for Support Ser.			(70,394)		(22,294)	
Internal Service Fund Charges						
Total Operating Budgets	69,836,235	2,384,752	1,342,719	192,259	21,975,131	-
Transfers Out-						
Desig. for Capital & Grant Projects			-	845,036		
To Other Funds	4,581,206					
Total Uses	74,417,441	2,384,752	1,342,719	1,037,295	21,975,131	-
Transfer To(From) Undesignated Fund Balance/Retained Earnings	-	-	(208,913)	-	(1,957,486)	250,800

CITY OF INDEPENDENCE, MISSOURI
2012-13 Operating Budget
Summary of Sources and Uses by Fund and Fund Type

	Enterprise Funds			Internal Service Funds	Grand Total All Funds
	Power & Light Fund	Sanitary Sewer Fund	Water Fund		
Sources:					
Undesignated Fund Balance					-
Designated Fund Balance					
Estimated Revenues	147,492,500	20,250,974	25,669,566	27,115,746	319,863,213
Consolidation Adjustments-					-
Interfund Charges for Support Ser.	(3,098,950)	(1,269,850)	(2,158,600)		(6,620,088)
Internal Service Fund Charges				(27,115,746)	(27,115,746)
Transfers In-					-
From Other Funds					-
Debt Proceeds		55,835,530			
Total Sources	144,393,550	74,816,654	23,510,966	-	286,127,379
Uses:					
Operating Budgets-					
City Council					418,635
City Clerk					371,496
City Manager					845,129
Tourism					1,413,113
National Frontier Trails Center					315,871
Technology Services	118,465				1,690,252
Municipal Court					763,901
Law				2,257,867	2,945,519
Finance			46,204		1,881,933
Personnel					373,417
Community Development					4,078,768
Police					28,227,888
Fire					17,359,118
Health					3,733,829
Water			13,359,517		13,359,517
Public Works		76,376		2,280,367	8,094,475
Water Pollution Control		13,178,827			15,338,984
Parks and Recreation					3,929,112
Power and Light	108,383,948				108,383,948
Non-Departmental	21,817,324	4,046,204	5,709,252	22,499,532	61,777,256
Debt Service/Lease Purchase	9,901,750		5,198,608		18,868,016
Capital Outlay/Budget	5,390,000	55,835,530			71,753,378
Consolidation Adjustments-					-
Interfund Charges for Support Ser.	(3,098,950)	(1,269,850)	(2,158,600)		(6,620,088)
Internal Service Fund Charges				(27,037,766)	(27,037,766)
Total Operating Budgets	142,512,537	71,867,087	22,154,981	-	332,265,701
Transfers Out-					
Desig. for Capital & Grant Projects					845,036
To Other Funds	74,586	82,045	64,641		4,802,478
To Capital Project Funds					-
Total Uses	142,587,123	71,949,132	22,219,622	-	337,913,215
Transfer To(From) Undesignated Fund Balance/Retained Earnings	1,806,427	2,867,522	1,291,344	-	(51,785,836)

PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY

The following is a summary of the City’s Capital Improvements Plan.

Proposed Capital Improvement Program 2012-2013

	Funding Source	Project Cost
Community and Public Safety Improvements		
Lakeview Farms, 31st to Linwood, Phase I	SWST	907,000
Neighborhood Storm Water Improvement Projects	SWST	550,000
Athletic Fields & Court Renovations	PRST	300,000
Park Revitalization	PRST	150,000
Sherwood Estates Streambank Stabilization	SWST	150,000
Other Projects not listed above		450,000
Community Improvements Totals		2,507,000
Street & Bridges Improvements		
2013 Street Overlay Program	SST	4,300,000
Bly Road Bridge	SST	420,000
Concrete Interrection Program	SST	216,000
24 Hwy & Blue Mills Rd Project	SST	200,000
Sidewalks to City Parks Improvements	SST	200,000
Other Improvements not listed above	SST	210,000
Street & Bridges Improvements Totals		5,546,000
Power & Light Fund:		
Substation F Improvements	P&L Fund	3,150,000
Blue Valley Soot Blowing Air Compressor	P&L Fund	790,000
Production Facilities Maintenance	P&L Fund	500,000
Production Plant Miscellaneous Projects	P&L Fund	400,000
Centralized Database & Outage Mgmt System	P&L Fund	350,000
Other Projects not listed above	P&L Fund	200,000
Power & Light Totals		5,390,000
Sanitary Sewer		
Holding Basins & Pump Station Improvements	Sewer Fund	25,960,765
Treatment Plant Modifications & Improvements	Sewer Fund	16,650,665
Collection System Capacity Improvements	Sewer Fund	8,585,908
North Liberty Force Main, Kentucky 2, Dickinson	Sewer Fund	800,000
10th St. to Northern Neighborhood	Sewer Fund	400,000
Other Projects not listed above	Sewer Fund	530,000
Sanitary Sewer Totals		52,927,338
Fiscal Year Totals:		66,370,338

Funding Source Codes:
 SWST=Storm Water Sales Tax Fund
 PRST=Parks & Recreation Sales Tax Fund
 SST= Street Sales Tax Fund

PART VI - GLOSSARY OF PUBLIC FINANCE TERMS

- Account -** A sub-unit of the accounting system used to record the financial activity of similar transactions.
- Accounting System -** The total set of records and procedures that are to record, classify, and report information on financial status and operations.
- Accrual Accounting -** A basis of accounting in which revenues and expenditures are recorded at the time they are earned or incurred as opposed to when cash is actually received or spent. For example, in accrual accounting, a revenue which was earned between June 1 and June 30, but for which payment was not received until July 10, is recorded as a revenue of June rather than July.
- Ad Valorem Tax -** A tax based on the value of taxable property.
- Advance Refunding Bonds -** Bonds that are issued to refund an outstanding issue before its natural maturity date. Proceeds from the advance refunding bonds are invested in U.S. Treasury Bonds or other authorized securities, and are used to pay interest and principal on the bonds that were refunded until they are called or reach maturity.
- Amortization -** The gradual reduction of debt according to a specific schedule of payment times and amounts.
- Appropriation -** An authorization made by the Council that allows the City to incur obligations and to make expenditures of resources for the procurement of goods and services.
- Arbitrage -** With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.
- Assessed Valuation -** A value that is established for real or personal property for use as a basis for levying property taxes.
- Assessment Bonds -** Bonds secured by direct fixed lien(s) on assessed properties to finance the acquisition and construction of local improvements.

- Average Life -** The average length of time that an issue of bonds is expected to be outstanding. (The total number of bond years divided by the total number of bonds.)
- Balloon Maturity -** A final bond maturity that is much larger than any previous serial maturity.
- Bank Qualification -** Up to \$10,000,000 in public purpose bonds of a given issuer may be designated as “qualified tax exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code in any calendar year. Such bonds are more marketable, and thus price better in the market, because certain financial institutions which purchase the bonds are given more favorable tax treatment on money they are deemed to have borrowed to carry the bonds.
- Basis Point -** Yields on municipal securities are usually quoted in increments of basis points. One basis point is equal to 1/100 of 1 percent.
- Bond -** An interest-bearing promise to pay a specified sum of money—the principal amount—due on a specific date.
- Budget (Capital Improvement) -** A Capital Improvement Budget is a separate budget from the operating budget. Items in the Capital Budget are usually construction projects designed to improve the value of the government assets. Examples of capital improvement projects include roads, sewer lines, buildings, recreational facilities and large scale remodeling. The Council receives a separate document that details the Capital Budget costs for the upcoming fiscal year. The Capital Budget is based on a Capital Improvement Program (CIP).
- Budget (Operating) -** A plan of financial operation embodying an estimate of proposed expenditures for a given period (a fiscal year) and the proposed means of financing them (revenue estimates). The term is also sometimes used to denote the officially approved expenditure ceilings under which the departments operate.
- Call Features -** Mandatory or optional provisions that allow the issuer to redeem a bond prior to the maturity date.
- Callable Bonds -** Bonds that are redeemable by the issuer prior to the specified maturity date at a specified price at or above par.

Capital Improvements

Program (CIP) - A multi year plan that forecasts spending for all anticipated capital projects. The plan addresses the repair and replacement of existing infrastructure and the development of new facilities to accommodate future growth. It also helps to identify needed capital projects and to coordinate facility financing and timing.

Capitalized

Interest - A portion of bond proceeds that is set aside to pay interest on the bonds until the project funded by those bonds is built, operating, and capable of generating revenues for making debt service payments.

Capital Outlay - Represents expenditures which result in the acquisition or addition to fixed assets including land, buildings, improvements, machinery or equipment. Most equipment or machinery expenditures are included in the Operating Budget. Capital improvements such as acquisition of land and related construction and engineering fees are generally in the Capital Budget.

Certificate of Participation

(COP) - A certificate that represents a proportionate ownership interest or participation in a tax-exempt lease agreement between a lessor (public or private entity) and a lessee (public entity) which will annually appropriate rental payments.

Commercial Paper - A form of short-term tax-exempt debt issued by state and local governments that matures within a short period (less than 365 days) from the date of issue.

Competitive

Underwriting - A sale of municipal securities by an issuer to the underwriter offering the best bid (lowest net or true interest cost) in open competitive bidding. Contrasts with negotiated underwriting.

Contingency - A budgetary appropriation set aside for emergencies and expenditures not otherwise planned for.

Continuing Disclosure -

The requirement that certain issuers of municipal obligations file annual reports concerning financial and operating data presented in official statements for those obligations, and that they give contemporaneous notice of certain “material events.”

- Covenants -** Contractual agreements securing a bond issue typically including revenue coverage, insurance, maintenance, financial reporting, etc.
- Coverage -** This term indicates the margin of safety for payment of debt service on revenue bonds. It reflects the number of times annual net revenues exceed annual principal and interest (debt service) obligations.
- CUSIP Number -** Acronym for the Committee on Uniform Security Identification Procedures, now a division of Standard & Poor's, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities. There is a unique nine-digit alphanumeric CUSIP number for each maturity of bonds in an issue submitted to CUSIP for registration, the first six of which are always the same for a given issuer and unique to that issuer.
- Dated Date -** The date of a bond issue from which the bondholder is entitled to receive interest even though the bonds may actually be delivered at some other date.
- Dealer -** An individual, corporation or partnership that is engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank or any individual buying or selling securities for his own account, but not as part of regular business.
- Debt Limit -** The statutory or constitutional maximum debt that an issuer can legally incur.
- Debt Service -** Debt Service expenditures are the result of bonded indebtedness of the City. Debt Service expenditures include principal, interest, fiscal agent's fees, and bond reserve requirements on the City's outstanding debt.
- Default -** Failure by the issuer to pay the principal or interest due on a bond, or failure to fulfill other agreed upon legal and contractual obligations.
- Defeasance -** In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt is no longer reported as a liability on the face of the statement of position. Most refundings result in the defeasance of the refunded debt.
- Department -** A major administrative division of the City that has management responsibility for an operation or a group of related operations within a functional area.

Designated Fund Balance-	An account used to show that a portion of fund balance was segregated for a specific purpose. The account is not legally restricted and is therefore available for general appropriation.
Discount -	The amount by which the purchase price of a security is less than the principal amount or par value.
Due Diligence -	The investigation undertaken to make sure that a proposed security offering follows the purpose and scope outlined by the enabling legislation, statutes, and bond resolution of the issuer, and that the project is financially and economically sound so that the principal and interest will be paid on time.
Encumbrances -	Obligations in form of purchase orders, contracts or salary commitments that are chargeable to an appropriation and that an appropriation is restricted. They cease to be encumbrances when paid or when an actual liability is created.
Enterprise Fund -	Separate financial accounting used for government operations that are financial and operated in a manner similar to private sector operations. Enterprise funds for the City are Power & Light, Sanitary Sewer and Water.
Estimated Revenue -	The amount of projected revenue to be collected during the fiscal year.
Expenditure -	This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained despite when the expense occurs. This term applies to all funds. Note: An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.
Financial Advisor -	A consultant who provides advice to public jurisdictions on the size, structure, timing, method of sale, terms, and other matters related to the planning and execution of municipal financings.
Full Disclosure -	The publication and distribution of all pertinent information relating to an issuer and the securities being offered by that issuer. This information is conveyed to potential investors through the Official Statement of the issuer.
Fiscal Year -	The period signifying the beginning and ending period for recording financial transactions. The Charter specifies July 1 to June 30 as the fiscal year.

- Fund -** An independent fiscal and accounting entity with a self-balancing set of accounts recording cash or other resources with all related liabilities, obligations, reserves, and equities that are segregated to carrying on specific activities or attaining certain objectives.
- Fund Balance -** The Fund Balance is the excess of a governmental fund's assets over its liabilities. A negative fund balance is a deficit.
- General Fund -** The largest governmental fund, the General Fund accounts for most of the financial resources of the general government. General Fund revenues include property taxes, licenses and permits, local taxes, service charges, and other types of revenue. This fund usually includes most of the basic operating services, such as fire and police protection, finance, data processing, parks and recreation, public works and general administration.
- General Obligation Bonds -** A bond secured by the pledge of the issuer's full faith, credit and taxing power.
- Gross Debt -** The sum total of an issuer's debt obligations.
- Gross Spread -** The dollar difference between the amount the issuer receives for its securities and the amount that the investors pay for those securities; the gross revenue accruing to the underwriters of a security prior to any costs or expenses.
- Indenture -** The formal agreement between a group of bondholders, acting through a trustee, and the issuer, specifying the terms and conditions of a bond offering.
- Interest Rate -** The percentage rate at which the bond bears interest. Interest is generally payable semiannually.

Internal Service Funds -	Proprietary funds used to account for the furnishing of goods or services by one department or agency to other departments or agencies on a cost-reimbursement basis; for example, the Central Garage.
Issuer -	A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.
Lease Revenue Bond -	A bond secured by a lease agreement and rental payments from a public agency (lessee) to another (lessor). Lease payments are typically made from revenue sources including general fund, enterprise fund or user fees. The lessor and issuer of the bonds may be a city, county, non-profit corporation, redevelopment agency, joint powers authority, parking authority, etc. The title reverts to lessee after bonds are retired.
Legal Opinion -	An opinion concerning the validity of a securities issue with respect to statutory authority, constitutionality, procedural conformity, and usually the exemption of interest from Federal income taxes. The legal opinion is usually rendered by a law firm recognized as specializing in public borrowing, often referred to as “bond counsel.”
Maturity -	The date when the principal amount of a security becomes due and payable.
Millage -	A rate (as of taxation) expressed in mils per dollar (0.01%).
Moral Obligation -	The obligation of a government, usually a state government, that reflects the intent of the legislative body to make sufficient appropriations to make debt service payments for specified bonds, if necessary, but for which the state government has no legally enforceable obligation to pay.
Mortgage Revenue Bond -	A tax-exempt security issued by a state or local government or authority to purchase loans such as mortgages or other owner-financing. The bonds are secured by the payments on the mortgage(s) acquired with the bond proceeds.
Municipal Bond -	A bond issued by a state or local government.

**Municipal Securities
Rulemaking Board
(MSRB) -**

Established by the Securities Acts Amendments of 1975, the MSRB is an independent self-regulatory organization that has rulemaking authority over dealers, dealer banks, and brokers in municipal securities. It has three membership categories - securities firms representatives, dealer representatives, and public members - with each category having equal representation on the Board.

**Negotiated
Underwriting -**

A sale of municipal securities in which the terms of the sale are determined through negotiation between the issuer and the purchaser without competitive bidding.

Net Interest Cost -

The traditional method of calculating bids for new issues of municipal securities. The NIC takes into account the total amount of interest paid out over the life of the bonds and any premium or discount bid by the underwriter. The NIC is expressed in both a dollar amount and in a percentage rate.

Net Revenue -

Gross revenues less operating and maintenance expenses.

Non-Callable Bond-

A bond that cannot be called to redemption before its specified maturity date.

Notes -

Short-term promises to pay specified amounts of money secured by future revenues from specific sources such as bond proceeds, taxes, and federal and state aid payments. They are typically named by the types of revenues expected (Bond Anticipation Notes - BANs, Tax Anticipation Notes - TANs, Revenue Anticipation Notes - RANs, etc.).

Notice of Sale -

An official document disseminated by an issuer of municipal securities that gives pertinent information regarding an upcoming bond issue, and invites bids from prospective underwriters.

**Object of
Expenditure -**

Expenditure classifications based upon the types or categories of goods and services purchased. Objects of expenditures are:
* 100 - Personal Services (salaries and wages);
* 200 - Services (utilities, maintenance contracts, travel)
* 300 - Supplies;
* 400 - Capital (automobiles, trucks, computers)

Objective -

A program objective is an operationalized statement of a program goal, containing specific descriptions of desired results. An objective states a

result in which the achievement is measurable within a given time frame and cost parameter. Objectives usually contain verbs such as “increase,” “reduce,” or “maintain.”

Official Statement - A comprehensive statement issued by a governmental entity prior to the sale of its bonds or notes that contains all the salient facts concerning the issuer, the issuer’s financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Original Issue Discount -

The difference between par value (the face value of the bond) and the original public offering price which will be tax-exempt income to the bondholder if held to maturity.

Parity Debt -

With respect to a bond issue, securities issued or to be issued with equal and ratable claim on the same underlying security and source of payment for debt service.

Paying Agent -

The place where the principal and interest of a municipal bond or note is payable, usually a designated bank, trust company or the issuer’s Treasurer’s Office.

Per Capital Debt -

The amount of municipal debt divided by the population within the issuer’s political jurisdiction. It’s used as an indication of the issuer’s general obligation debt burden.

Premium -

The amount by which the price exceeds the principal amount of a bond.

Pricing -

The process of determining interest rates, yields, and underwriter’s compensation of an issue, which in turn determines the overall cost of borrowing to the issuer.

Principal -

The par value or face value of a municipal bond or note, exclusive of accrued interest.

Private Placement -

Bonds or notes issued by state or local governments that are sold directly to investors, but not reoffered to the public.

Ratings -

Designations used by investor’s services to give relative indications of credit quality.

- Refunding -** The sale of new bonds in order to retire outstanding bonds. A refunding may be used to achieve lower interest rates or to replace a restrictive bond resolution with a less restrictive one. When the new issue is sold after the first call date of the prior issue, then the prior issue has been “refunded.” When the new issue is sold before the first call date of the prior issue, then the prior issue has been “advanced refunded” and the bond proceeds of the new issue are placed in escrow until the bonds can be called.
- Registered Bond -** A bond whose owner is registered with the issuer or its agent. Transfer of ownership can be accomplished only when the securities are properly endorsed by the registered owner.
- Reserved Fund Balance -** An account used to show that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.
- Retail Sale -** The sale of securities, in small blocks, to individual investors and small institutions.
- Resources -** Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.
- Revenue -** Funds that the government receives as income. It includes such items as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues and interest income.
- Revenue Bond -** A bond whose principal and interest are payable from a pledge of revenues of a specified enterprise.
- Securities Exchange Commission (SEC)-** The government agency responsible for the regulation and supervision of the securities industry.
- Serial Bonds -** Bonds that have scheduled annual or semiannual maturities over a period of years.
- Sinking Fund -** A reserve fund in which money is set aside at regular intervals so that it is sufficient to retire bonds at or prior to maturity.

Sources -	That portion of Revenues and Fund Balance (Resources) that are identified to balance the budget.
Special Revenue Fund -	A fund used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are restricted to expenditure for specified purposes.
Tax Anticipation Notes (TANs) -	Short-term notes that are issued in anticipation of the collection of taxes, usually retired only from the tax proceeds of the tax levy whose collection they anticipate. (Also known as “Tax Anticipation Warrants.”)
Tax Base -	The total property and resources subject to taxation.
Tax-Exempt Bonds-	Municipal bonds where the interest is exempt from federal income, state income, or state and local personal property taxes.
Tax Increment Financing (TIF) -	Bonds which are secured and repaid by increased property tax revenues associated with an increase in assessed valuation over the frozen base. Also known as Tax Allocation Bonds (TABs) in California.
Term Bond -	A bond that has a single maturity (the entire principal matures on one date) and is subject to a sinking fund.
Trust Indenture -	The document that contains the rights and liabilities of the issuer and the trustee.
True Interest Cost (TIC) -	The internal rate of return or effective interest cost of the bonds based on the purchase price of the bonds and the debt service payments on the bonds. Incorporates a time value of money calculation where NIC does not.
Trustee -	A bank or agent designated to serve as the custodian of funds and the official representative of bondholders, and who ensures that the bond covenants are not neglected.
Underwriter -	A dealer firm that purchases municipal bonds from the issuer and then resells them to the public. The underwriter assumes the risk of ownership until the bonds are sold.

Undesignated Fund Balance -	That portion of the fund balance that has neither been restricted nor designated for a specific purpose. The account is available for general appropriation.
Uses -	The appropriations and transfer authorizations that create the budget for each Fund.
Working Capital (Designated) -	An account within the fund balance of the General Fund in which a certain amount of resources were set aside for purposes of maintaining a positive cash flow, shortfalls in the revenue projections, and emergencies during the fiscal year.
Yield -	The net annual percentage of income an investor will receive from a municipal bond (see Yield-to-Maturity).
Yield-to-Call -	The annual percentage return on an investment calculated to the earliest call date.
Yield-to-Maturity -	The annual percentage rate of return an investor will receive taking into account the interest rate, length of time to maturity, and the price paid for the bond.
Zero Coupon Bonds -	Non-interest bearing bonds sold substantially below par value. The difference between the discount price and par represents the compounded interest rate for the investor.