

CITY OF INDEPENDENCE, MISSOURI

**Continuing Disclosure Statement
(SEC) Rule 15c2-12**

**For Fiscal Year Ending
June 30, 2014**

Prepared by the Department of Finance

Brian C. Watson, Director of Finance

TABLE OF CONTENTS

	Page
PART I - PURPOSE OF DOCUMENT	1
BOND ISSUES AND CUSIP NUMBERS	1
PART II - THE CITY	13
GENERAL INFORMATION	13
Employee Retirement System	14
Insurance	14
Payment Record	15
Obligations of the City	15
General Obligation Debt	15
Revenue Debt	15
Neighborhood Improvement District	17
Capital Leases	19
ECONOMIC INFORMATION CONCERNING THE CITY	19
Commerce and Industry	19
General and Demographic Information	20
Population	20
Population Distribution by Age	20
Unemployment	21
Income Statistics	21
Housing Structures	22
Building Construction	22
FINANCIAL INFORMATION CONCERNING THE CITY	23
Accounting, Budgeting and Auditing Procedures	23
Property Valuations	23
Assessment Procedures	23
Current Assessed Valuation	24
History of Property Valuation	25
Major Property Taxpayers	25
PART III - DEPARTMENTS	26
UTILITIES	26
Public Utilities Advisory Board	26
City Charter Provisions	27
Power & Light Department	27
General Background	27
Organization	28
Management	29
Power Supply	30
Environmental Regulations	34
Fuel Supply	36
Current Purchases/Sales of Capacity and Energy	37
Regional Reliability Organization	38
Interconnections	38

Transmission System	40
Distribution System	40
Proposed Capital Improvements	41
Electric Rates	41
Operating Statistics	43
Condensed Statement of Operations	47
Debt Service Coverage.....	48
Condensed Balance Sheet	48
Employee Relations	48
Water Department	49
Description of the Water System	49
Organization.....	49
Management.....	50
History.....	51
Water Supply.....	51
Water Treatment	51
Distribution System	52
Piping.....	52
Pumping Stations.....	52
Storage.....	53
Emergency Interconnections.....	53
Support Facilities	54
Maintenance	54
Financial Data	54
Customers Served.....	54
Water Sales Volume	56
Water Sales Revenues	56
Operation and Maintenance Expenses.....	57
Debt Service Coverage	59
Proposed Capital Improvement Program.....	59
Employee Relations	59
Water Pollution Control Department	60
Description of the Sanitary Sewer System.....	60
Organization.....	60
Management.....	61
Collection System	62
Wastewater Treatment	62
Environmental Compliance Testing Division.....	63
Financial Data	63
Customers Served.....	63
Usage Volume	64
Revenues.....	65
Operations and Maintenance Expenses	65
Debt Service Coverage	65

Employee Relations	66
PART IV - OPERATING BUDGET - SUMMARY	68
PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY.....	70
PART VI - GLOSSARY OF PUBLIC FINANCE TERMS	72

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, 2014 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

MDFB, Infrastructures Facilities Revenue Bonds (Hartman Heritage Center Project) dated September 1, 2003

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

Neighborhood Improvement District Bonds (Noland & Englewood Projects) Series 2004, dated May 15, 2004

Line	Coupon	Matures	CUSIP
1	5	3/1/2015	453632HA2
2	5.25	3/1/2016	453632HB0
3	5.25	3/1/2017	453632HC8
4	5.25	3/1/2018	453632HD6
5	5.25	3/1/2019	453632HE4

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2004, dated June 1, 2004

Line	Coupon	Matures	CUSIP
1	5	11/1/2014	60636CNN5
2	5	11/1/2015	60636CNP0
3	5	11/1/2017	60636CNQ8
4	4.5	11/1/2018	60636CNR6
5	4.6	11/1/2019	60636CNK1
6	5	11/1/2024	60636CNL9

Neighborhood Improvement District Bonds (Fall Dr Project) Series 2004B, dated September 13, 2004

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

MDFB, Infrastructure Facilities Revenue Bonds (Public Safety Project) Series 2005A, dated March 1, 2005

Line	Coupon	Matures	CUSIP
1	5.25	3/1/2015	60636CRW1

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2005B, dated March 1, 2005

Line	Coupon	Matures	CUSIP
1	4.125	3/1/2015	60636CSC4
2	4.5	3/1/2020	60636CSD2

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2005C, dated March 1, 2005

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2015	60636CSL4
2	4.375	3/1/2016	60636CSM2
3	5.25	3/1/2019	60636CSN0
4	5	3/1/2023	60636CSP5
5	5	3/1/2026	60636CSQ3

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006A, dated March 15, 2006

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

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006B, dated March 15, 2006

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

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006C, dated March 15, 2006

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

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2006E, dated May 15, 2006

Line	Coupon	Matures	CUSIP
1	4.5	3/1/2015	60636CTX7
2	4.5	3/1/2016	60636CUD9
3	4.625	3/1/2020	60636CTY5

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2006F, dated December 12, 2006

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2015	60636CVJ5
2	4.25	3/1/2016	60636CVK2
3	4	3/1/2021	60636CVL0
4	4.125	3/1/2028	60636CVM8

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project Refunding) Series 2007A, dated May 30, 2007

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

MDFB, Infrastructure Facilities Revenue Bonds (Hartman Project Refunding), Series 2007B, dated May 30, 2007

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

MDFB, Infrastructure Facilities Revenue Bonds (Santa Fe Proeject Refunding) Series 2007C, dated May 30, 2007

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

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2007D, dated May 30, 2007

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

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2007E, dated June 28, 2007

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

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2008A, dated February 19, 2008

Line	Coupon	Matures	CUSIP
1	5.25	3/1/2015	60636CA66
2	5.6	3/1/2016	60636CA74
3	5.7	3/1/2017	60636CA82

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2008B, dated February 19, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project) Series 2008C, dated February 19, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008D, dated April 1, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2008E, dated April 1, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2008F, dated July 1, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project) Series 2008G, dated July 1, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008H dated November 1, 2008

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009A dated February 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2009C, dated March 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2009D, dated March 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009F, dated April 1, 2009

Line	Coupon	Matures	CUSIP
1	5	4/1/2019	60636CS67
2	5.125	4/1/2020	60636CS75
3	5.25	4/1/2021	60636CS83
4	5.75	4/1/2022	60636CS91
5	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

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2009C, dated October 1, 2009

Line	Coupon	Matures	CUSIP
1	4	11/1/2014	60636CV97
2	4	11/1/2015	60636CW21
3	4	11/1/2016	60636CW39

MDFB, Infrastructure Facilities Revenue Bonds (Street Improvement Projects) Series 2009G, dated August 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2009H, dated August 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2009I, dated October 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2009J, dated October 1, 2009

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2010A, dated March 1, 2010

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

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2010B, dated November 15, 2010

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2011A, dated November 15, 2011

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

MDFB, Infrastructure Facilities Revenue Bonds (Hartman Project) Series 2011B, dated November 15, 2011

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

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2011C, dated November 15, 2011

Line	Coupon	Matures	CUSIP
1	3	4/1/2015	60636C4K2
2	2.5	4/1/2016	60636C4L0
3	3	4/1/2017	60636C4M8

MDFB, Infrastructure Facilities Leasehold Revenue Bonds (Electric System Dogwood Plant) Series 2012A, dated April 5, 2012

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

MDFB, Infrastructure Facilities Revenue Bonds (Sewer System Improvements) Series 2012B, dated August 30, 2012

Line	Coupon	Matures	CUSIP
1	3	11/1/2014	60636C6H7
2	3	11/1/2015	60636C6J3
3	3	11/1/2016	60636C6K0
4	3	11/1/2017	60636C6L8
5	3	11/1/2018	60636C6M6
6	3	11/1/2019	60636C6N4
7	3	11/1/2020	60636C6P9
8	3	11/1/2021	60636C6Q7
9	3.625	11/1/2027	60636C6R5
10	4	11/1/2032	60636C6S3
11	5	11/1/2041	60636C6T1

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2012C, dated October 30, 2012

Line	Coupon	Matures	CUSIP
1	3	4/1/2015	60636C6W4
2	3	4/1/2016	60636C6X2
3	3	4/1/2017	60636C6Y0
4	4	4/1/2018	60636C6Z7
5	4	4/1/2019	60636C7A1
6	4	4/1/2020	60636C7B9
7	4	4/1/2021	60636C7C7
8	4	4/1/2022	60636C7D5
9	3.5	4/1/2027	60636C7E3
10	4	4/1/2032	60636C7F0
11	5	4/1/2038	60636C7G8
12	4.25	4/1/2038	60636C8E2

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2012D, dated October 30, 2012

Line	Coupon	Matures	CUSIP
1	3	4/1/2015	60636C7K9
2	3	4/1/2016	60636C7L7
3	4	4/1/2017	60636C7M5
4	4	4/1/2018	60636C7N3
5	4	4/1/2019	60636C7P8
6	4	4/1/2020	60636C7Q6
7	4	4/1/2021	60636C7R4
8	4	4/1/2022	60636C7S2
9	3.5	4/1/2027	60636C7T0

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2012E, dated October 30, 2012

Line	Coupon	Matures	CUSIP
1	2	4/1/2015	60636C7W3
2	2	4/1/2016	60636C7X1
3	3	4/1/2017	60636C7Y9
4	3	4/1/2018	60636C7Z6
5	3	4/1/2019	60636C8A0
6	3	4/1/2020	60636C8B8
7	3	4/1/2021	60636C8C6
8	3	4/1/2022	60636C8D4

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2012F, dated December 3, 2012

Line	Coupon	Matures	CUSIP
1	4	6/1/2032	606042CE7
2	4	6/1/2037	606042CF4

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2013A, dated April 25, 2013

Line	Coupon	Matures	CUSIP
1	4.693	3/1/2025	60636SBQ6
2	4.893	3/1/2027	60636SBN3
3	4.993	3/1/2028	60636SBP8

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2013B, dated April 25, 2013

Line	Coupon	Matures	CUSIP
1	4.125	3/1/2029	60636SBQ6

MDFB, Infrastructure Facilities Revenue Bonds (Sewer System Improvements) Series 2013C, dated October 3, 2013

Line	Coupon	Matures	CUSIP
1	2	11/1/2014	60636SCD4
2	2	11/1/2015	60636SCE2
3	3	11/1/2016	60636SCF9
4	3	11/1/2017	60636SCG7
5	3	11/1/2018	60636SCH5
6	4	11/1/2019	60636SCJ1
7	4	11/1/2020	60636SCK8
8	4	11/1/2021	60636SCL6
9	4	11/1/2022	60636SCM4
10	5	11/1/2023	60636SCN2
11	4.375	11/1/2028	60636SCP7
12	5	11/1/2033	60636SCQ5
13	5.25	11/1/2042	60636SCR3

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2013D, dated December 17, 2013

Line	Coupon	Matures	CUSIP
1	2	11/1/2014	60636SBS2
2	2	11/1/2015	60636SBT0
3	3	11/1/2016	60636SBU7
4	3	11/1/2017	60636SBV5
5	3	11/1/2018	60636SBW3
6	3	11/1/2019	60636SBX1
7	4	11/1/2020	60636SBY9
8	5	11/1/2021	60636SBZ6
9	5	11/1/2022	60636SBR4
10	3.25	11/1/2023	60636SCT9
11	5	11/1/2023	60636SCU6
12	4	11/1/2026	60636SCA0
13	4.25	11/1/2029	60636SCB8

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2013E, dated December 17, 2013

Line	Coupon	Matures	CUSIP
1	1	11/1/2014	60636SCS1

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project Refunding) Series 2014A, dated May 22, 2014

Line	Coupon	Matures	CUSIP
1	3	4/1/2015	60636SCV4
2	3	4/1/2016	60636SCW2
3	3	4/1/2017	60636SCX0
4	3	4/1/2018	60636SCY8
5	3	4/1/2019	60636SCZ5
6	3	4/1/2020	60636SDA9
7	3	4/1/2022	60636SDC5

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2014B, dated May 22, 2014

Line	Coupon	Matures	CUSIP
1	2	4/1/2015	60636SDD3
2	2	4/1/2016	60636SDE1
3	2	4/1/2017	60636SDF8
4	3	4/1/2018	60636SDG6
5	3	4/1/2022	60636SDL5
6	4	4/1/2027	60636SDM3

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:

Council Members	Occupation	Term
Eileen Weir, Mayor	Public Relations	2018
Marcie Gragg	Church Leader	2016
Curt Dougherty	Electrician	2016
Scott Roberson	Dentist	2016
vacant		
Karen DeLuccie	Attorney	2018
Chris Whiting	Media Writer	2018

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 Brian C. Watson, appointed in March 2014. 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 (27.32%); managerial and professional (27.78%); production, transportation, and material moving (14.61%); service, craft, and repair occupations (30.2%); and farming (0.09%).

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, 2013 and 2014 was \$9,905,109 and \$10,318,202 respectively. As of June 30, 2014, the net pension obligation was \$8,658,568.

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 \$2,000,000 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), Zurich American Insurance Company, and Liberty International 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 \$400 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. This coverage also includes \$125,000,000 in coverage limits for boiler & machinery insurance coverage.

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 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 \$2,657,587 in coverage for all claims arising out of a single accident or occurrence and \$398,638 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 Starr Indemnity Insurance Company. This policy provides an additional \$8,000,000 in liability insurance above each of MOPERM's liability coverage lines for claims that are not subject to the State's Sovereign Immunity Statute.

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, 2014.

Revenue Debt

The following is a summary of the City's Revenue Bond debt and the balance payable at June 30, 2014:

Power and Light Fund:

\$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250% \$ 20,675,000

\$55,185,000 Series 2012 A annual installments of \$150,000 to \$11,900,000 through 2037; interest at 2.00% to 5.00% 53,765,000

\$52,525,000 Series 2012 F annual installments of \$140,000 to \$3,630,000 through 2037; interest at 3.00% to 4.00% 52,200,000

Total Power and Light fund 126,640,000

Water Fund:

\$36,240,000 Series 2013 D annual installments of \$1,480,000 to \$4,260,000 through 2029; interest at 2.00% to 5.00% 36,240,000

\$1,980,000 Series 2013 E one annual installment of \$1,980,000 through 2014; interest at 1.00% 1,980,000

Total Water Fund 38,220,000

Sanitary Sewer Fund:

\$37,035,000 Series 2012 B annual installments of \$745,000 to \$2,220,000 through 2041; interest at 2.00% to 5.00% 36,290,000

\$43,800,000 Series 2013 C annual installments of \$250,000 to \$2,855,000 through 2042; interest at 2.00% to 5.25% 43,800,000

Total Sanitary Sewer fund 80,090,000

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% 11,320,000

\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50% 11,470,000

\$68,945,000 Series 2012 C annual installments of \$105,000 to \$12,540,000 through 2038; interest at 2.00% to 4.00% 68,485,000

Total Events Center Fund 91,275,000

Total revenue bonds \$ 336,225,000

Governmental Activities

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

\$8,225,000 Series 2005 (Public Safety Facilities Projects) annual installments of \$670,000 to \$1,010,000 through 2015; interest at 4.00% to 5.25%.	\$ 1,010,000
\$4,020,000 Series 2009 (Streets Projects) annual installments of \$395,000 to \$515,000 through 2018; interest at 3.50% to 4.375%.	2,385,000
Total Governmental Activities Loans Payable	<u>\$ 3,395,000</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%	\$ 385,000
\$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.875%	69,000
Total Neighborhood Improvement District	<u>\$ 454,000</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%	\$ 490,000
\$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%	37,625,000
\$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of \$3,500,000 to \$5,385,000 through 2028; interest at 5.00%	12,790,000
\$1,590,000 Series 2006 E (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%	865,000
\$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%	4,110,000
\$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%	10,975,000
\$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%	5,785,000
\$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%	7,015,000

\$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%	470,000
\$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%	16,600,000
\$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%	1,205,000
\$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%	6,450,000
\$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%	1,050,000
\$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of \$365,000 to \$1,815,000 through 2021; interest at 2.000% to 4.125%	5,605,000
\$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of \$50,000 to \$165,000 through 2017; interest at 2.000% to 3.000%	215,000
\$12,050,000 Series 2012 D (HCA - Centerpoint TIF) annual installments of \$575,000 to \$1,865,000 through 2027; interest at 3.00% to 4.00%	10,895,000
\$3,965,000 Series 2012 E (Eastland Center TIF) annual installments of \$310,000 to \$805,000 through 2022; interest at 2.00% to 3.00%	3,330,000
\$14,005,000 Series 2013 A (Crackerneck Creek TIF) annual installments of \$50,000 to \$5,200,000 through 2028; interest at 4.693% to 4.993%	14,005,000
\$10,835,000 Series 2013 B (Crackerneck Creek TIF) one installment of \$10,835,000 through 2029; interest at 4.125%	10,835,000
\$4,855,000 Series 2014 A (Eastland Center TIF) annual installments of \$500,000 to \$1,095,000 through 2022; interest at 3.000%	4,855,000
\$2,030,000 Series 2014 B (HCA - Centerpoint TIF) annual installments of \$105,000 to \$495,000 through 2027; interest at 2.000% to 4.000%	2,030,000
Total TIF Loans Payable	<u>\$ 165,120,000</u>

Capital Leases

Capital leases payable at June 30, 2014, are comprised of the following:

Missouri Development Finance Board (IBM computer) monthly installments of \$2,868 to \$3,111 through 2016; interest at 2.04%	\$	55,201
Motorola Solutions (radio equipment) semi-annual installments of \$56,700 to \$78,539 through 2022; interest at 3.4593%		1,108,416
John Deere Financial (mowers) annual installments of \$30,771.13 to \$33,329.58 through 2016; interest at 4.00%		62,797
Total Capital Lease Obligations	\$	<u><u>1,226,414</u></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	2,000
2 Independence School District	Public School District	2,000
3 Centerpoint Medical Center	Health Care	1,600
4 City of Independence	Local Government	950
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	220
10 Unilever	Food Manufacturing	190

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
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
2013	117,270	678,692	6,034,014
2014*	117,240	679,622	6,039,326

*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	6.80%	6.96%	6.33%
Age 5 - 9	6.52%	6.84%	6.36%
Age 10 - 14	6.25%	6.66%	6.48%
Age 15 - 20	3.71%	7.78%	8.44%
Age 21 - 24	7.09%	5.10%	5.61%
Age 25 - 34	17.94%	14.35%	12.82%
Age 35 - 44	11.72%	12.70%	12.07%
Age 45 - 54	13.38%	13.63%	13.75%
Age 55 - 64	13.37%	12.49%	12.99%
Age 65 - 74	8.86%	7.52%	8.52%
Age 75 - 84	5.52%	4.11%	4.62%
Age 85 and older	2.56%	1.87%	2.02%
Median Age	39.6	36.8	38.3
Average Age	40	37.9	39.0

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:

	2010	2011	2012	2013	2014*
Kansas City MSA					
Total Labor Force	1,050,666	1,046,187	1,043,554	1,038,039	1,052,720
Unemployed	93,284	83,648	69,393	66,101	65,837
Unemployment Rate	8.9%	8.0%	6.6%	6.4%	6.3%
Jackson County					
Total Labor Force	338,984	334,179	332,986	330,285	333,492
Unemployed	36,422	31,697	25,572	24,749	24,981
Unemployment Rate	10.7%	9.5%	7.7%	7.5%	7.5%
State of Missouri					
Total Labor Force	3,052,847	3,021,597	2,992,858	3,018,056	3,077,635
Unemployed	285,541	254,554	207,391	197,309	203,142
Unemployment Rate	9.4%	8.4%	6.9%	6.5%	6.6%

*Average estimated through June 2014

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

Income Statistics

The following table sets forth estimated income statistics for 2013:

	Per Capita	Median Household
City of Independence	\$23,700	\$42,298
Jackson County	25,841	46,768
State of Missouri	25,384	46,931

Source: US Census Bureau

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	38,626	70.82%
Single Attached	2,845	5.22%
Double	1,857	3.40%
3 to 19 Units	7,058	12.94%
20 to 49 units	1,240	2.27%
50 + Units	1,566	2.87%
Mobile Home	1,340	2.46%
All Other	10	0.02%
Total Units	54,542	100%

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas is estimated for 2014 as follows:

	Owner Occupied Median Value
City of Independence	\$108,067
Jackson County	131,360
State of Missouri	141,693

Source: Claritas, Inc.

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:

	2010	2011	2012	2013	2014
Residential					
Number of Permits	199	223	193	181	179
Estimated Cost	11,386,607	23,387,011	11,952,062	15,361,748	21,919,226
Non-Residential					
Number of Permits	172	209	155	181	169
Estimated Cost	49,569,537	57,576,453	17,197,248	50,869,887	38,221,049

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, 2014 was performed by McGladrey 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):

	<u>Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Market Value</u>
Real Estate:			
Residential	779,683,482	19%	4,103,597,274
Commercial	233,988,631	32%	731,214,472
Agricultural	1,138,200	12%	9,485,000
RR & Utilities	8,602,735	32%	26,883,547
Sub-Total	<u>1,023,413,048</u>		<u>4,871,180,292</u>
Personal Property*	<u>257,382,527</u>	<u>33.30%</u>	<u>772,920,502</u>
Total	<u>\$1,280,795,575</u>		<u>\$5,644,100,794</u>

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
2014	\$1,280,795,575	0.1%
2013	\$1,279,153,384	0.0%
2012	\$1,279,233,589	-0.6%
2011	\$1,287,157,541	-0.9%
2010	\$1,298,840,974	-0.4%
2009	\$1,303,873,966	-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	8.1%

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	26,224,136	2.05%
2 Cole EDD Mt Independence LLC	Retail Center	8,963,343	0.70%
3 Space Center of Kansas City	Underground Storage	6,730,787	0.53%
4 Southern Union Company	Railroad	5,953,893	0.46%
5 Sprint	Communications	4,893,443	0.38%
6 AT&T	Communications	4,813,889	0.38%
7 Unilever Bestfoods NA	Food Manufacturer	4,737,385	0.37%
8 Mansion Apartments	Residential Housing	4,530,213	0.35%
9 Centerpoint Medical Center	Healthcare	4,125,533	0.32%
10 Comcast Cablevision	Utility	3,685,525	29.00%

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
Dennis Postel	7/1/2017
Garland Land	7/1/2018
Jim Engleman*	7/1/2014
Randy Vest	7/1/2015
Jack Looney	7/1/2017

*per Resolution will serve until replacement appointed although term has expired

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, 2014, electric retail sales totaled 1,030,251 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2014 of 272.4 megawatts (MW) occurred on August 30, 2013. The all-time maximum system peak load of 314.9 MW occurred on August 21, 2003.

Organization

The Department is divided into six divisions: 1) Administration/Planning; 2) Support Services; 3) Production; 4) Transmission and Distribution; 5) Engineering; and 6) System Operations. The Department had 239 budgeted full-time positions as of July 1, 2014.

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 Division - The Engineering Division is responsible for the planning, estimating and drafting of all transmission, distribution and substation projects.

System Operations Division - The System Operations Division is responsible for 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 2014, the Department was billed \$3,538,632 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 2014, the Power and Light Department billed \$1,348,077 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.

Michael J. Huff - Transmission & Distribution Manager. Mr. Huff was appointed Transmission & Distribution Manager in August of 2014. He has worked at the Department since 1983 serving in the T&D and Production divisions with over 18 years in management and supervision.

Mary Kay Villegas-Alitz - Support Services Manager. Mrs. Villegas-Alitz joined the Department in June 2008. She holds a BA degree from the University of St. Mary's and an MBA from Baker University. Prior to joining the Department, she served over 10 years in various leadership positions with Kansas City Power & Light and another 12 years with IBM.

Paul F. Lampe – System Operations Manager. Mr. Lampe was appointed System Operations Manager in August of 2013. He holds a BSEE degree from University of Missouri-Rolla and a MSEE from Kansas State University. He has worked at the Department since November of 1999 serving in the Engineering & System Operations areas of the Department. Prior to employment with the Department, he served for seven years with a major international engineering consulting firm.

Randy L. Hughes – Planning and Rates Manager. Mr. Hughes joined the Department in September 2010. He holds a BS degree in Mechanical Engineering from the University of Missouri at Rolla and an MBA from Rockhurst University. He has over 34 years of experience in the Utility Industry in various leadership roles with Kansas City Power & Light, including 10 years as Manager of Resource Planning.

Power Supply

Currently, the Department has 238 MW of accredited generating capacity (11 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. In February 2014, the Department retired the 50 MW Blue Valley RCT-1 generating unit. In July 2005, the unit experienced compressor blade damage and, in June 2006, significant damage occurred to the turbine during the initial start-up after the repair. The City settled the lawsuit against the contractor that performed the repair and obtained recovery for the damages to the RCT-1 unit.

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), Missouri Joint Municipal Electric Utility Commission (MJMEUC), and the

Unified Government of Wyandotte County (KCBPU) also purchased 7.0%, 8.2%, and 17.0% shares respectively of the Dogwood Energy Facility in 2012. Dogwood Energy, LLC maintains the remaining ownership share (55.5%) 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. The owners also 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 53 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 106 MW) in the nominal 903 MW Iatan 2 unit. Under the purchase power agreement with the Department, MJMEUC sells 50 percent (nominal 53 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 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 power supply resources are shown in the following table:

Power Supply Resources

	<u>Current Accredited Net Capacity (MW)</u>	<u>Year of Initial Operation</u>	<u>Fuel Type</u>
<u>OWNED UNITS</u>			
Blue Valley			
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 (1)			
Unit No. 1	19	1982	coal/oil
Unit No. 2	19	1982	coal/oil
Total Steam Units	<u>131</u>		
Substation Generation			
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
Total Combustion Turbine Units	<u>107</u>		
Total IPL System (Owned)	<u><u>238</u></u>		
<u>JOINTLY OWNED UNITS</u>			
Dogwood Energy Facility (2)	75	2001	gas
<u>CONTRACT RESOURCES</u>			
MJMEUC-Iatan Unit No. 2	53	2010	coal
OPPD- Nebraska City Unit No. 2	57	2009	coal
Smoky Hills Wind Farm Phase 2 (3)	0	2008	wind
Total Contract Resources	<u><u>110</u></u>		
Total Resources	<u><u>423</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) The City has a 15 MW of energy from the Smoky Hills Wind Farm - Phase 2. The City has yet to accredit the capacity of the wind farm.

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, 2014, the accumulated available SO₂ emission allowances carried forward into calendar year 2014 was 19,783 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, 2014, 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 0.297 pounds per million Btu during the 2013 ozone season and 0.271 pounds per million Btu for the entire calendar year 2013.

Blue Valley Unit No. 3 was 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 to an 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. The Environmental Protection Agency (EPA) appealed this decision to the Supreme Court and the Court upheld CSAPR, overruling the lower court’s ruling, on April 29, 2014. The Supreme Court has yet to lift the stay on CSAPR so CAIR is still in-place. Compliance options for the upheld CSAPR 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., Mercury and Air Toxics Standards or MATS rule for power plants) was proposed on May 3, 2011. The final rule was published February 16,

2012. Compliance will be required three years and 60 days after publication of the rule in the Federal Register, thus the compliance date for Blue Valley Unit 3 is April 16, 2015. Compliance options for Blue Valley Unit 3 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; consequently, the compliance plan for the next few years after April 16, 2015 will be to run the unit on natural gas.

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 was earlier. The EPA completed its reconsideration and published the final rule on January 31, 2013. Compliance with the IB-MACT rule is now required by January 31, 2016. Compliance options 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. Consequently, the compliance plan for Blue Valley Units 1 and 2 will be to run on natural gas after January 30, 2016. The current plan for the Missouri City units is to cease generation on or before January 31, 2016.

The Blue Valley and Missouri City Units are subject to the Missouri Department of Natural Resources’ (MDNR) 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 Clean Air Act (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 NOx Burners) on CAIR affected coal-fired electric generating units (EGU) as a means to reduce NOx at several major NOx point sources. Blue Valley Unit 3 is a CAIR-affected EGU. MDNR Air Pollution Control Program is currently working with the Department in developing the most appropriate set of NOx emission reductions for the Maintenance Plan contingency measures.

The EPA 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 Prevention of Significant Deterioration (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 MDNR 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.

On June 2, 2014, the EPA proposed the Greenhouse Gas Standards for Existing Power Plants, aka the Clean Power Plan. This proposed rule seeks to cut carbon dioxide emissions for existing plants 30 percent nationwide and 21 percent for the State of Missouri from 2005 levels by 2030. The proposed rule would require the State of Missouri to meet CO₂ emission targets of 1,621 lbs/MWH by 2020 and 1,544 lbs/MWH by 2030. The comment period on this proposed regulation ends on December 1, 2014. It is unknown at this time what would be included in the State of Missouri's implementation plan to meet these targets and how it will impact the Department's power plants.

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 Ultra-low sulfur No. 2 fuel oil in its power production facilities. For the year ending June 30, 2014, the total fuel burn mix for the Department's owned generation energy supply consisted of 97.9% coal, 1.8% gas and 0.4% No. 2 fuel oil. This is the fuel supply managed by the Department.

Currently, the Department purchases its coal supply under a contract with an Illinois coal mining company. The 2014 base price is \$70.00 per ton delivered based on an 11,150 Btu per pound heat content. The base term of this contract is through December 31, 2014. Due to pending environmental regulations, the Department will stop burning coal at Department Owned facilities in early 2016. Projected coal stockpiles at the end of 2014 are expected to provide an adequate coal supply for the period prior to terminating coal usage for Department facilities.

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, 2015. In 2014, the Department will be seeking a new natural gas supply contract to replace the expiring contract. 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 53 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 \$21,200,000 for 335,874 megawatt-hours of delivered energy during fiscal year 2014. The projected annual cost of the MJMEUC agreement for fiscal year 2015 is estimated at approximately \$21,000,000.

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 \$18,000,000 for 437,592 megawatt-hours of delivered energy during fiscal year 2014. The projected annual cost of the OPPD agreement for fiscal year 2015 is estimated at approximately \$18,000,000.

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 \$3,000,000 for 58,709 megawatt-hours of delivered energy during fiscal year 2014. The projected annual cost of the Smoky Hills agreement for fiscal year 2015 is estimated at approximately \$3,000,000.

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 2014, the Department purchased 4,866 megawatt-hours of wholesale energy under the WSPP Agreement for a total cost of approximately \$622,000 and the Department sold 10,484 megawatt-hours of wholesale energy for approximately \$330,000 under the WSPP Agreement.

In December 2009, the Department became a market participant in the Southwest Power Pool (“SPP”) Energy Imbalance Service (“EIS”) market. As an EIS market participant, the Department is able to purchase and sell energy based on advantageous market prices for power. During fiscal year 2014, the Department purchased 89,643 megawatt-hours of energy for a total cost of approximately \$2,538,000 and the Department sold 14,398 megawatt-hours of energy for a total cost of approximately \$495,000 under the SPP EIS market.

In March 2014, SPP’s Integrated Market (“IM”) replaced the EIS market and the Department participates as a market participant in this new IM market. Under the Integrated Market, SPP operates a Day-Ahead market including transmission congestion rights, a reliability unit commitment process and real-time balancing market with the purpose to maximize cost-effectiveness, provide market participants with greater access to reserve energy, and improve regional balancing of electricity supply and demand. In FY 2013-2014, the Department purchased 38,328 megawatt-hours in the Integrated Market (March through June of 2014) for a total cost of \$1,614,000. The Department also sold 31,496 megawatt-hours of energy for approximately \$1,262,000.

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 25 miles of 161-kV lines and approximately 51 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 310 MW on a single contingency basis. This import capability includes power generated from the Department's Missouri City plant when in operation.

Substations

Station	Substation Class, Type	Station Capacity (1)	Nominal Voltage
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
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 566 circuit miles of 13-kV overhead lines and 227 circuit miles of 13-kV underground lines.

Proposed Capital Improvements

As of June 30, 2014, the Department had a total of \$8,149,396 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$1,799,552 for production plant capital improvements and \$6,349,844 for transmission, distribution and other plant capital improvements. For fiscal year ending June 30, 2015 the Department expects to undertake a total of \$12,000,000 for other capital improvement projects, of which \$1,750,000 are for production plant improvements, \$3,850,000 are for transmission and distribution plant improvements and \$6,400,000 are related to the new administration building and other improvements at the current service center. For the five fiscal years ending June 30, 2019, the Department is currently estimating a total of \$61,662,000 in additional major project capital improvements. These additional capital expenditures include \$13,961,000 in production plant improvements and \$47,701,000 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 2014-2015 can be found in Part V 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, 2014, the average monthly billed FCA rate increased from a charge of \$20.36 per MWh in the fiscal year ending June 30, 2013 to a charge of \$23.22 per MWh when compared to the year ending June 30, 2013. Overall, the base rate increase and the change in the FCA rate resulted in approximately a 2.88 percent average billing rate increase for all retail customers for the 12 month period ending June 30, 2014 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 2013, over 9,804 rebates have been paid for a total of \$2,415,028.

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, 2013 and June 30, 2014, the Department's total payment in lieu of taxes to the City amounted to \$13,392,682 and \$13,368,095, 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 2014, out of approximately \$134 million in billed retail revenue, \$766,629 was charged off as uncollectible or 0.57% of total billed retail revenues.

Operating Statistics

The following tables show that during the past five years, the Department experienced a slight decrease in the number of consumers served but over the past two years have increased. 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	
	Percent Increase		Percent Increase	
	(MW)	(Decrease)	(MWh)	(Decrease)
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)
2013	304.6	(1.9)	1,086,487	(3.3)
2014	272.4	(10.6)	1,082,302	(0.4)

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)
				2010
2011	43.9	56,458	20,386	1,634
2012	41.3	56,292	19,950	1,747
2013	40.7	56,297	19,299	1,524
2014	45.4	56,474	19,165	1,416

* May thru September 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,				
	2010	2011	2012	2013	2014
Energy Supplied (MWh):					
Net Generation, City Power Plants	134,843	120,588	271,460	286,682	170,118
Purchased Power Energy from					
Other Utilities	1,088,818	1,129,612	928,803	880,110	968,562
Unintentional Interchange	69	-14	0	0	0
Gross Energy Supplied	1,223,730	1,250,186	1,200,263	1,166,792	1,138,680
Energy Sold to Other Utilities	-124,494	-99,210	-77,238	-80,305	-56,378
Total energy, City Load	1,099,236	1,150,976	1,123,025	1,086,487	1,082,302
Border Customer Purchases	1,348	1,583	1,204	1,360	1,493
Total Energy, City Load and City Border Customers	1,100,584	1,152,559	1,124,229	1,087,847	1,083,795
Border Customer Sales	-3,850	-4,257	-3,358	-3,209	-3,376
Total Energy, City System	1,096,734	1,148,302	1,120,871	1,084,638	1,080,419
Consumption By Classes (MWh) *					
Residential	503,508	541,137	521,530	521,822	518,024
Commercial	492,974	497,396	487,833	458,384	454,670
Industrial	42,754	41,653	48,992	53,313	51,624
Other	9,982	10,363	10,697	10,524	5,933
Total Retail Sales	1,049,218	1,090,549	1,069,052	1,044,043	1,030,251
Sold to Other Utilities (inc. border customers)	128,344	103,467	80,596	83,514	59,754
Total MWh Sales	1,177,562	1,194,016	1,149,648	1,127,557	1,090,005
Revenue by Classes (\$000) *					
Residential	\$56,500	\$64,723	\$71,334	\$71,667	\$72,259
Commercial	48,273	52,003	58,366	56,044	56,838
Industrial	3,085	3,292	4,462	4,839	4,867
Other	1,621	1,551	1,644	606	570
Total Retail Sales	\$109,479	\$121,569	\$135,806	\$133,156	\$134,534
Sold to Other Utilities	4,039	3,077	1,909	2,380	2,254
Total	\$113,518	\$124,646	\$137,715	\$135,536	\$136,788
Average Number of Meters (Total System)	56,585	56,458	56,292	56,297	56,474
Average Number of Meters (Residential)	51,458	51,277	51,124	51,155	51,342

* 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 2.1% of retail sales of the system and 1.5% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2013 - June 2014	kWh	Revenue
1 Unilever	21,660,000	\$2,057,363
2 Centerpoint Medical Center	15,818,400	1,758,546
3 Burd & Fletcher (Combined Accts.)	18,507,400	1,646,393
4 Simon Property Group LP	11,697,472	1,096,734
5 Smart Warehouse	8,947,100	857,793
6 HCP MOB Centerpoint/Boyer Company	6,147,000	638,431
7 Costco Wholesale Inc.	4,662,600	538,476
8 Independence Event Center	4,162,400	531,343
9 Price Chopper (23rd Street)	4,371,900	468,670
10 Hy-Vee (Noland Road)	4,048,560	447,393
11 City's Rock Creek Sanitary Sewer Plant	3,676,800	440,707
12 Price Chopper (Noland Road)	3,980,880	432,587
Total	107,680,512	\$10,914,435
Percent of Total Retail Billed Sales	10.4%	8.1%

July 2012 - June 2013	kWh	Revenue
1 Unilever	21,685,200	\$1,999,116
2 Centerpoint Medical Center	15,844,200	1,712,780
3 Burd & Fletcher (Combined Accts.)	18,975,400	1,626,807
4 Simon Property Group LP	12,096,432	1,099,235
5 Smart Warehouse	11,247,600	949,095
6 HCP MOB Centerpoint/Boyer Company	5,755,500	570,629
7 Costco Wholesale Inc.	4,960,500	554,227
8 Independence Event Center	4,271,200	531,534
9 Hy-Vee (Noland Road)	4,295,040	463,845
10 Price Chopper (23rd Street)	4,440,600	461,923
11 Price Chopper (Noland Road)	4,213,920	445,595
12 City's Rock Creek Sanitary Sewer Plant	3,619,200	425,439
Total	111,404,792	\$10,840,224
Percent of Total Retail Billed Sales	10.5%	8.0%

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

The following tables provide financial information for the past five fiscal years. For the fiscal year ending June 30, 2014, the Department realized a negative net operating income due to less than projected sales revenue but that loss was offset by the settlement proceeds of the RCT turbine event resulting in a positive net income.

	Total kWh Over 24 Months	Total Revenue Over 24 Months
24 Months Totals (July 2012-June 2014)		
1 Unilever	43,345,200	\$4,056,479
2 Centerpoint Medical Center	31,662,600	3,471,326
3 Burd & Fletcher (Combined Accts.)	37,482,800	3,273,200
4 Simon Property Group LP	23,793,904	2,195,970
5 Smart Warehouse	20,194,700	1,806,888
6 HCP MOB Centerpoint/Boyer Company	11,902,500	1,209,060
7 Costco Wholesale Inc.	9,623,100	1,092,703
8 Independence Event Center	8,433,600	1,062,877
9 Price Chopper (23rd Street)	8,812,500	930,593
10 Hy-Vee (Noland Road)	8,343,600	911,238
11 Price Chopper (Noland Road)	8,194,800	878,181
12 City's Rock Creek Sanitary Sewer Plant	7,296,000	866,146
Total	<u>219,085,304</u>	<u>\$21,754,660</u>
Percent of Total Retail Billed Sales	10.5%	8.1%

Condensed Statement of Operations

	Fiscal Years Ending June 30,				
	2010	2011	2012	2013	2014
Total Operating Revenue	114,744,814	126,755,826	139,878,341	137,749,294	138,813,984
Operating Revenue Deductions					
Fuel	6,795,158	6,416,439	11,306,266	11,754,177	8,363,955
Purchased Power	41,806,408	44,540,042	45,395,666	38,459,878	45,502,136
Production	13,655,940	14,698,540	14,039,429	14,876,011	13,481,334
Transmission & Distribution	14,039,156	15,501,502	15,789,624	17,054,562	19,053,833
Customer Service	3,250,364	3,718,358	4,060,694	3,831,416	3,868,172
General & Administrative	12,714,003	14,455,119	15,324,567	16,413,826	17,762,528
Total O&M	92,261,029	99,330,000	105,916,246	102,389,870	108,031,958
Total Operating Revenue Deductions	<u>115,807,187</u>	<u>125,948,296</u>	<u>135,978,043</u>	<u>134,972,089</u>	<u>141,476,377</u>
Net Operating Income	-1,062,373	807,530	3,900,298	2,777,205	-2,662,393
Total Non-Operating Deductions (net)	<u>-638,528</u>	<u>-1,424,042</u>	<u>-2,093,274</u>	<u>-5,598,629</u>	<u>3,001,684</u>
Net Income	-1,700,901	-616,512	1,807,024	-2,821,424	339,291
Capital Contributions	<u>1,413,624</u>	<u>1,905,706</u>	<u>154,564</u>	<u>585,917</u>	<u>438,026</u>
Change in Net Assets	-287,277	1,289,194	1,961,588	-2,235,507	777,317

Debt Service Coverage

<u>Year Ended June 30</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Debt Service Coverage</u>
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
2013	138,561,630	101,215,047	37,346,583	9,892,750	3.78
2014	139,621,307	106,640,508	32,980,799	10,868,306	3.03

(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

	<u>Fiscal Years Ending June 30,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Utility Plant	174,319,980	191,625,081	236,233,563	232,662,454	230,232,241
Current Assets	41,310,513	46,415,386	60,096,681	72,227,861	84,667,685
Deferred Charges and Other Assets	<u>17,160,344</u>	<u>18,388,845</u>	<u>18,053,962</u>	<u>29,382,946</u>	<u>18,067,459</u>
Total Assets	232,790,837	256,429,312	314,384,206	334,273,261	332,967,385
Current Liabilities	14,278,809	12,139,397	13,849,277	16,249,325	14,839,384
Long-Term Liabilities and Deferred Credits	47,033,041	71,521,736	125,805,161	148,672,219	147,998,966
Total Equity	<u>171,478,987</u>	<u>172,768,179</u>	<u>174,729,768</u>	<u>169,351,717</u>	<u>170,129,035</u>
Total Liabilities and Equity	232,790,837	256,429,312	314,384,206	334,273,261	332,967,385

Employee Relations

As of July 1, 2014 the Department had 239 budgeted full-time positions, of which 170 are hourly personnel and 69 are salaried personnel engaged in Production, Transmission, Distribution, Engineering, System Operations, 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, slowdowns 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 and IBEW are currently in negotiations to renew the contract.

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 December 2014, all outstanding bonds were refunded by the issuance of bonds amounting to \$38,220,000.

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 759 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 48,253 customers on a retail basis, and resale (wholesale) water service to 12 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 2014, the Department was billed \$2,122,001 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 2014, the City's Power & Light and Water Pollution Control Departments were billed \$1,706,007 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 31 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 20 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 33 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.

Mathew L. McLaughlin - Water Distribution/Engineering Manager. Mr. McLaughlin has been with the City for 16 years and was appointed Water Distribution/Engineering Manager in February 2014. Mr. McLaughlin holds a BSCE degree from Iowa State University. He is a Registered Professional Engineer in the state of Missouri and holds a Distribution III Certification and a

Class “A” Water 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	675
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	130
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 2014, approximately 759 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 Crysler 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 Crysler 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 48,253 as of June 30, 2014. 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, Jackson County PWSD No. 16, and Lafayette County PWSD No. 1. The number of customers served increased over the 4-year period 2011 to 2014 at an annual rate of .11 percent.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	2011	2012	2013	2014
Residential	44,518	44,520	44,501	44,617
Commercial	3,098	3,097	3,092	3,099
Industrial **	6	6	6	6
Public Authority	72	75	77	77
Resale *	13	13	13	14
Private Fire Protection	382	434	432	440
Total	48,089	48,145	48,121	48,253

Water Sales - 1,000 Gallons

Residential	2,974,215	2,989,311	3,156,886	2,907,837
Commercial	850,343	926,281	1,008,200	867,269
Industrial	202,310	213,274	239,315	318,659
Public Authority	78,734	69,931	69,550	62,909
Resale	4,935,360	4,911,657	4,901,471	4,802,914
Private Fire Protection	NA	NA	NA	NA
Total	9,040,962	9,110,454	9,375,422	8,959,588

Water Sales - \$

Residential	10,726,567	11,699,971	13,080,814	13,052,557
Commercial	2,835,271	3,325,167	3,847,161	3,555,507
Industrial	450,156	479,477	547,930	769,857
Public Authority	263,137	256,730	270,391	262,012
Resale	6,659,302	7,153,628	7,714,290	8,136,297
Private Fire Protection	103,321	127,606	143,551	159,329
Public Fire Protection	789,199	789,116	1,017,256	1,231,475
Other Sales	353,004	373,201	370,511	369,562
Total	22,179,957	24,204,896	26,991,904	27,536,596

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

** Two (2) of the six customers have 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*	2,742,003	\$4,646,265
Blue Springs*	715,394	1,210,225
District #2, Jackson County	338,753	573,793
District #1, Lafayette County	244,335	413,388
Oak Grove	234,836	397,388
Grain Valley	144,267	243,447
District #15, Jackson County	168,931	285,731
Buckner	95,959	162,742
Sugar Creek	61,116	105,277
District #17, Jackson County	32,374	54,967
Lake Tapawingo	19,241	33,137
District #16, Jackson County	5,705	9,937
	<u>4,802,914</u>	<u>\$8,136,297</u>

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Audubon (LaFarge)**	160,860	\$409,265
Unilever (Lipton Tea)**	92,157	207,465
Centerpoint Medical Center	22,737	53,051
Independence Center	15,535	36,173
Smart Warehouse	19,317	43,225
Blue Ridge MHC	8,053	20,678
	<u>318,659</u>	<u>\$769,857</u>

Water Sales Volume : Total water sales volumes decreased at an annual rate of .30 percent from 2011 to 2014. During the 4-year period, wholesale customers purchased approximately 53.58 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

7.48 percent from 2011 to 2014. 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 2011 to 2014 are shown in the following table:

Historical Operation and Maintenance Expense

Description	Year Ended June 30			
	2011	2012	2013	2014
	\$	\$	\$	\$
Source of Supply				
Operations	348,994	393,293	382,789	421,108
Maintenance	280,616	301,183	362,233	265,738
Total Source of Supply	629,610	694,476	745,022	686,846
Power and Pumping				
Operations				
Fuel/Power Purchased	1,607,254	1,681,641	1,787,783	1,808,777
Other	256,811	289,062	298,476	276,428
Maintenance	41,687	38,095	36,167	33,673
Total Power and Pumping	1,905,752	2,008,798	2,122,426	2,118,878
Water Treatment				
Operations				
Chemicals	1,236,913	1,296,301	1,404,697	1,480,573
Other	607,400	644,702	673,645	645,683
Maintenance	363,272	393,756	649,698	972,693
Total Water Treatment	2,207,585	2,334,759	2,728,040	3,098,949
Transmission & Distribution				
Operations	2,007,706	1,584,833	1,582,827	1,667,620
Maintenance	1,467,874	1,638,720	1,942,212	1,740,301
Total Transmission & Distribution	3,475,580	3,223,553	3,525,039	3,407,921
Customer Accounting & Collection				
Operations	830,735	1,808,928	1,780,875	1,734,470
Sales Promotion				
Operations	27,025	24,168	26,730	39,298
Administrative & General				
Operations				
Outside Services Employed	1,048,522	1,004,946	1,132,140	1,000,455
Employee Pensions & Benefits	2,021,288	1,751,422	1,745,095	1,829,398
Other	1,475,050	1,669,591	1,625,831	1,556,844
Maintenance	114,518	129,810	109,083	144,902
Total Administrative & General	4,659,378	4,555,769	4,612,149	4,531,599
Subtotal Operations Expense	11,467,698	12,148,887	12,440,888	12,460,654
Subtotal Maintenance Expense	2,267,967	2,501,564	3,099,393	3,157,307
Total Operation & Maintenance Expense	13,735,665	14,650,451	15,540,281	15,617,961

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	Gross Revenues (1)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2009	20,436,994	15,395,337	5,041,657	4,523,955	111%
2010	21,979,071	14,628,914	7,350,157	5,020,816	146%
2011	24,133,141	15,051,480	9,081,661	5,053,273	180%
2012	26,383,701	15,282,735	11,100,966	5,115,678	217%
2013	28,165,483	16,255,647	11,909,836	5,183,608	230%
2014	29,374,518	16,856,321	12,518,197	4,858,831	258%

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

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

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 2014-2015 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 91 full-time positions, of which 65 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 effective July 1, 2013 and thereafter until June 30, 2017. There have been no work stoppages, slowdowns or strikes.

The group of hourly employees that were represented by the Service Employees Union decertified and is now in the non-represented pool of employees.

The City complies with its statutory duty to meet and confer with the Steelworkers Local No. 13558 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 614 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 614 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 2014, the Department was billed \$1,377,834 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 45 years of experience in his field. Mr. Champion holds a B.S. in Political Science from University of Central Missouri, 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 (RCWTF) 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 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 44,166 as of June 30, 2014. The number of customers served increased at a moderate rate over the 3 year period 2011 to 2014. The annual rate of decrease from 2011 to 2014 was .07 percent.

Historical Customers, Usage, and Revenues

<u>Customer Classification</u>	<u>Year Ended June 30</u>			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Customers				
Residential	40,579	40,572	40,588	40,696
Commercial	3,483	3,481	3,463	3,459
Contract Sales	16	14	11	11
Total	<u>44,078</u>	<u>44,067</u>	<u>44,062</u>	<u>44,166</u>
Usage - 100 Cubic Feet				
Residential	2,729,472	2,683,006	2,548,241	2,626,435
Commercial	1,567,310	1,490,229	1,713,014	1,509,696
Total	<u>4,296,782</u>	<u>4,173,235</u>	<u>4,261,255</u>	<u>4,136,131</u>
Revenue \$				
Residential	9,873,906	10,460,524	10,601,887	11,329,939
Commercial	4,841,546	5,099,839	5,288,864	5,755,295
Contract Sales	289,644	254,877	250,393	229,946
Intermunicipal Agreements	566,817	597,679	695,140	651,486
Other Revenues	134,859	179,989	206,495	222,364
Regulatory Compliance	1,452,555	1,595,871	3,188,268	3,191,390
Total	<u>17,159,327</u>	<u>18,188,779</u>	<u>20,231,047</u>	<u>21,380,420</u>

Large Volume Customers

<u>Customer Name</u>	<u>Sales (1,000 Gallons)</u>	<u>Sales (Dollars)</u>
Thomas J. Lipton, Co.	62,335	\$1,044,639
City of Indep, Power & Light	26,033	79,080
BP	20,573	194,244
Smart Warehousing	19,304	57,836
Centerpoint Medical Center	16,032	49,976
Space Center of KC	15,733	49,755
Simon Properties Group	15,534	46,585
Highland Park Investors	15,045	46,265
	<u>190,589</u>	<u>\$1,568,380</u>

Usage Volume : Total usage volumes decreased slightly from 2011 to 2014. The decrease was 1.2 percent due to decreased water consumption. Usage volumes are shown in the previous table.

Revenues : As shown in the previous table, revenues increased approximately 8.2 percent annually from 2011 to 2014. 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 2011 to 2014 are shown on the following table.

<u>Description</u>	<u>Year Ended June 30</u>			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Collection	2,655,056	2,685,271	2,587,906	2,460,612
Laboratory Services	231,767	226,457	238,318	245,050
Treatment & Disposal	7,755,849	7,982,504	8,365,992	8,985,175
Administrative & General	3,390,182	3,027,041	3,038,047	3,251,798
Total Operations & Maintenance	<u>14,032,854</u>	<u>13,921,273</u>	<u>14,230,263</u>	<u>14,942,635</u>

Debt Service Coverage

The Bond Indenture states that the 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 110 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 110 percent of principal and interest on the Bonds. Revenues, expenses, and debt service payments during the past year are summarized in the following table for purposes of determining the debt service coverage ratio.

Debt Service Coverage

<u>Year Ended June 30</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Debt Service Coverage</u>
2013	20,249,977	13,440,965	6,809,012	1,030,631	661%
2014	21,501,256	14,301,898	7,199,358	3,485,012	207%

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

Capital Improvement Program

The Water Pollution Control Department annually develops a six-year capital improvement program. The capital improvement program for the last 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 were debt financed. Additional information regarding the Capital Improvements Program for fiscal year 2014-2015 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.

The current work agreement was approved on February 19, 2013 by Ordinance 18065. The agreement is effective from March 1, 2013 through June 30, 2016.

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PART IV - OPERATING BUDGET - SUMMARY

**2014-15 Operating Budget
Summary of Sources and Uses by Fund and Fund Type**

	General Fund	Special Revenue Funds				
		Grant Funds	Tourism Fund	CDBG/HOME Funds	Combined Sales Tax Funds	License Surcharge (Excise Tax)
Sources:						
Undesignated Fund Balance	3,326,172		429,504		(1,095,158)	406,184
Designated Fund Balance						
Estimated Revenues	75,519,266	1,674,702	1,403,200	1,050,000	20,642,942	150,300
Consolidation Adjustments-						
Interfund Charges for Support Ser.			(70,394)		(55,207)	
Transfers In-						
From Other Funds						
Total Sources	78,845,438	1,674,702	1,762,310	1,050,000	19,492,577	556,484
Uses:						
Operating Budgets-						
City Council	441,183					
City Clerk	404,718					
City Manager	934,131					
Tourism			1,550,128			
National Frontier Trails Center	260,907					
Technology Services	1,828,880					
Municipal Court	849,872					
Law	687,741	31,735				
Finance	1,966,982					
Human Resources	454,287					
Community Development	3,155,386	467,000		190,840		
Police	27,227,469	391,353			2,891,736	
Fire	16,966,162	352,061			1,340,525	
Health	2,754,318	432,553				
Water						
Public Works	5,870,029				278,972	
Water Pollution Control					2,255,288	
Parks and Recreation	1,632,342				2,607,577	
Power and Light						
Non-Departmental	9,280,295				20,000	
Debt Service/Lease Purchase					1,599,657	
Capital Outlay/Budget	374,848				9,999,000	
Consolidation Adjustments-						
Interfund Charges for Support Ser.			(70,394)		(55,207)	
Internal Service Fund Charges						
Total Operating Budgets	75,089,550	1,674,702	1,479,734	190,840	20,937,548	-
Transfers Out-						
Desig. for Capital & Grant Projects To Other Funds	429,716			859,160	722,565	
Total Uses	75,519,266	1,674,702	1,479,734	1,050,000	21,660,113	-
Transfer To(From) Undesignated Fund Balance/Retained Earnings	3,326,172	-	282,576	-	(2,167,536)	556,484

**2014-15 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	44,200,000	6,403,793	7,011,667		
Designated Fund Balance					
Estimated Revenues	145,330,441	22,459,539	30,422,689	31,598,152	
Consolidation Adjustments-					
Interfund Charges for Support Ser.	(3,732,206)	(1,392,623)	(2,645,245)		
Internal Service Fund Charges				(31,598,152)	
Transfers In-					
From Other Funds		10,000			
Debt Proceeds					
Total Sources	185,798,235	27,480,709	34,789,111	-	-
Uses:					
Operating Budgets-					
City Council					441,183
City Clerk					404,718
City Manager					934,131
Tourism					1,550,128
National Frontier Trails Center					260,907
Technology Services	127,700				1,956,580
Municipal Court					849,872
Law				2,543,334	3,262,810
Finance			51,437		2,018,419
Personnel					454,287
Community Development					3,813,226
Police					30,510,558
Fire					18,658,748
Health					3,186,871
Water			15,531,913		15,531,913
Public Works		90,848		2,394,478	8,634,327
Water Pollution Control		14,170,572			16,425,860
Parks and Recreation					4,239,919
Power and Light	111,052,304				111,052,304
Non-Departmental	22,980,015	4,650,311	6,794,159	26,578,174	70,302,954
Debt Service/Lease Purchase	8,944,557	4,626,307	5,527,338		20,697,859
Capital Outlay/Budget	12,000,000	1,085,000	2,371,275		25,830,123
Consolidation Adjustments-					
Interfund Charges for Support Ser.	(3,732,206)	(1,392,623)	(2,645,245)		(7,895,675)
Internal Service Fund Charges				(31,515,986)	(31,515,986)
Total Operating Budgets	151,372,370	23,230,415	27,630,877	-	301,606,036
Transfers Out-					
To Other Funds	83,642	92,006	72,490		1,400,419
To Capital Project Funds					-
Total Uses	151,456,012	23,322,421	27,703,367	-	303,865,615
Transfer To(From) Undesignated Fund Balance/Retained Earnings	34,342,223	4,158,288	7,085,744	-	(303,865,615)

PART V - CAPITAL IMPROVEMENTS PLAN – SUMMARY 2014-2015

	Funding Source	Project Cost
Community and Public Safety Improvements:		
Griffith Place- N Noland & Lynn	SWST	550,000
Wilson at Kentucky Culvert	SWST	120,000
36th & Poplar	SWST	480,000
Liberty & Stone	SWST	90,000
Detention Basin Revegetation	SWST	50,000
Trenchless Technology	SWST	100,000
Neighborhood Construction Projects	SWST	100,000
Watershed Systems Evaluation Survey	SWST	50,000
Walking Trails and Bicycle Paths	PRST	25,000
Park Revitalization	PRST	271,000
Park Maintenance-Mobile Equipment	PRST	35,000
Water Park Renovation	PRST	1,000,000
		<hr/>
Community Improvements Totals		2,871,000
Street Improvements:		
2014-15 Street Overlay Program	SST	5,708,000
Concrete Intersection Program	SST	250,000
78 Highway and Truman Road Intersection	SST	200,000
Noland and Fair	SST	100,000
24 Hwy & Blue Mills Rd Project	SST	200,000
Alley Rehabilitation	SST	100,000
Truman Gateway	SST	130,000
Operation Green Light	SST	40,000
Sidewalks to City Parks Improvements	SST	150,000
Sidewalks to Schools Improvements	SST	250,000
		<hr/>
Street Improvements Totals		7,128,000
Power & Light Fund:		
Combustion Turbine Generators Exciter Upgrades	P&L Fund	1,000,000
Substation H-5/H-6 Hot Gas Compressor Project	P&L Fund	750,000
69 KV Substation Facilities Improvements	P&L Fund	400,000
Substation B Rebuild	P&L Fund	1,200,000
Eckles Road Substation Facility Improvements	P&L Fund	1,250,000
Substation J Facility Improvements	P&L Fund	1,000,000
Fuel and Washing System	P&L Fund	200,000
Office Building Project	P&L Fund	6,050,000
Substation Security Project	P&L Fund	150,000
		<hr/>
Power & Light Totals		12,000,000
Water Fund:		
Main Replacement	Water Fund	250,000
Tie in 12" Water Main Bundschu Rd E. of Little Blue Pkwy	Water Fund	75,000
Lime Slaker No 2 Replacement	Water Fund	50,000
Sludge House Roofs Replacement	Water Fund	15,000
Treatment Plant Discharge Engineering	Water Fund	100,000
PLC Upgrades	Water Fund	821,275
Future Production Wells	Water Fund	400,000

Paint Dodgion Water Tower	Water Fund	550,000
Lagoon Cleanout	Water Fund	110,000
		<u>2,371,275</u>
Water Totals		
Sanitary Sewer:		
Neighborhood Projects	Sewer Fund	150,000
18th Street & South Evanston	Sewer Fund	600,000
Wet Air Oxidation Grinders Replacement	Sewer Fund	70,000
Wet Air Oxidation Process Rehabilitation	Sewer Fund	265,000
		<u>1,085,000</u>
Sanitary Sewer Totals		
Fiscal Year Totals:		25,455,275

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 Capita 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.