



comprehensive annual **FINANCIAL REPORT**

Fiscal years ending December 31, 2018 and 2017

KANSAS CITY BOARD OF PUBLIC UTILITIES
An enterprise fund of the Unified Government of Wyandotte County/Kansas City, Kansas
Prepared by the Office of Accounting & Office of Marketing/Corporate Communications

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

**Comprehensive Annual Financial Report
For the Fiscal Years Ended
December 31, 2018 and 2017**

2018 Board of Directors

President – Jeff Bryant

Vice President – Norman D. Scott

Secretary – Ryan Eidson

Mary L. Gonzales

Tom Groneman

Robert L. Milan, Sr.

General Manager

Don L. Gray



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

Prepared by: Office of Accounting & Office of Corporate Communications

**Kansas City Board of Public Utilities
Comprehensive Annual Financial Report
For the Fiscal Years Ended December 31, 2018 and 2017**

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INTRODUCTORY SECTION





June 13, 2019

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

The Charter Ordinance of the Unified Government of Wyandotte County/Kansas City, Kansas requires that the Kansas City Board of Public Utilities (BPU) publish within six months of the close of each fiscal year a Comprehensive Annual Financial Report (CAFR). This report is presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by a certified public accounting firm. This report is published to fulfill that requirement for the fiscal year ended December 31, 2018.

The CAFR consists of management's representation concerning the finances of the BPU. As a result, responsibility for this report for the fiscal year ended with respect to both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BPU. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the BPU. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

The BPU's financial statements have been audited by BKD, LLP (BKD). The goal of the independent audit was to provide reasonable assurance that the financial statements of the BPU are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. BKD concluded, based upon the audit, the financial statements present fairly, in all material respects, the financial position of the BPU as of December 31, 2018, and the results of BPU's operations and cash flows for the year then ended in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile

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

system. The Utility presently serves approximately 65,000 electric customers and 51,000 water customers.

The Electric Utility has two active electric power generating stations, a 17% ownership interest in a combined cycle power generating station, and seven purchase power agreements to provide the capacity and energy needed by its retail customers. The active generating stations are the Nearman Creek Power Station (“Nearman Station”) and the Quindaro Power Station (“Quindaro Station”), and the 17 percent ownership interest is in the Dogwood Generating Facility (Dogwood) described herein. Purchased power agreements, which are also described herein, have been executed and include renewable low impact hydro power from the only hydro project in the State of Kansas as well as 200 MW of wind from the Cimarron Bend Wind Project, 25 MW of wind from the Smoky Hills Wind Farm, and 25 MW from the Alexander Wind Farm, all in Kansas.

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

The Quindaro Station has five units; the coal-fired steam generating facility consists of two units, each having a single coal-fired steam generating boiler and a turbine generation unit. Commercial operation of such units began in 1966 and 1971. In order to comply with certain environmental regulations, the two coal-fired steam generating units were switched to natural gas fired only as of April 15, 2015. These two units are more likely to be peaking units. In addition, the Quindaro Station also has three combustion turbines, which function as peaking units. The units were placed in commercial operation in 1969, 1974 and 1977, respectively, and are designed to burn No. 2 fuel oil. One of the units is also designed to burn natural gas.

In December, 2012, the Utility acquired an undivided 17% ownership interest in the assets of Dogwood, a natural gas-fired combine cycle generating plant. The Utility’s share is approximately 110 MW. Generation and operating expenses from Dogwood are allocated to the Utility based on the 17% interest. The Utility is also required to provide its share of financing any capital additions.

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

The Utility System is a member of the Southwest Power Pool (SPP), which is a Regional Transmission Operator (RTO), located in Little Rock, Arkansas. SPP’s primary purpose is to facilitate the movement of power throughout the RTO’s footprint through an integrated marketplace. The integrated marketplace is intended to provide for the reliable movement of power during all times but especially during emergency events while providing cost savings to those load serving utilities through a more efficient process of resource dispatch. Many of the efficiencies are driven by SPP becoming the balancing authority for the region. SPP’s current footprint covers much of the south central portion of the United States.

The Utility has contracts with the Southwestern Power Administration (SPA) entitling the Utility to annually purchase 38.6 MW of hydroelectric peaking capacity, and 5 MW of hydroelectric power from the Western Area Power Administration (WAPA). The Utility also has entered into seven renewable energy purchase agreements. BPU’s agreement with TradeWind Energy is to receive 25% of the energy

output of Phase 1 of the Smoky Hills Wind Farm. Phase I of the project has a name plate of approximately 100 MW of wind capacity. The wind farm was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties in Kansas. In January 2016, also through TradeWind Energy, the BPU began receiving 200 MW of energy generated by wind turbines from the Cimarron Bend Wind Project. The wind farm is located just south of Minneola, Kansas. BPU also has an agreement with Oak Grove Power Producers to provide 3.55 MW of landfill gas from Arcadia, Kansas. The BPU maintains a contract with the Bowersock Mills & Power Company (“Bowersock”) to purchase the capacity and energy of an existing 2.15 MW run of the river hydroelectric facility on the Kansas River in Lawrence, Kansas and 4.70 MW of capacity from an expansion of Bowersock’s existing hydroelectric facilities. BPU also receives 25 MW of energy generated by wind turbines from OwnEnergy, Inc. The wind farm is located south of Alexander, Kansas in Rush County in Kansas. Lastly, in November 2016, BPU along with MC Power, a solar developer, agreed to install a 1 MW alternating current solar photovoltaic facility at the Nearman Creek Power facility. The project is intended to be a community solar project where customers can license panels to reduce their monthly electric expenses and support greener initiatives.

The Water Utility serves approximately 51,000 water customers in the service area of approximately 152 square miles. This service area includes Kansas City, Kansas, Edwardsville, southern Leavenworth County, parts of Bonner Springs and a small section of northern Johnson County. BPU’s current average day and maximum day are approximately 31 million gallons per day (MGD) and 52 MGD, respectively. The water utility utilizes the state-of-the-art Nearman Water Treatment Plant (NWTP) to draw water from an aquifer below the Missouri River via two horizontal collector wells. These wells are each capable of supplying over 40 million gallons of raw water per day. The Nearman Water Treatment Plant is a conventional water treatment facility with a firm capacity of 72 MGD. Through the process of riverbed filtration, the Nearman Water Treatment Plant horizontal collector wells supply water from the aquifer, which is hydraulically connected to the Missouri River. The plant contains a 24 MGD sand-ballasted sedimentation basin and a Polymer feed system to help optimize the process.

The Water distribution system consists of a network of underground mains, reservoirs, and a series of booster district systems. The water transmission network consists of 72.5 miles of primary and trunk lines ranging in size from 24 to 48 inches. From these mains, water is delivered through a system of 900 miles of secondary water mains. The Utility has approximately 32.5 million gallons of water stored in reservoirs and elevated tanks at various locations in the distribution system. There are five booster-pumping stations, which increase water pressure to higher elevations and through the 1,000 miles of water pipes.

The Utility’s annual budget represents the plan for providing electric and water services for each fiscal year. An annual budget consisting of operating and maintenance expenses as well as a five-year capital plan is submitted by the General Manager and Managers to the Board of Directors. The Board of Directors adopts the budget no later than December of each year. Budgetary control is maintained at the departmental level by comparing budgeted expenses with actual expenses on a periodic and year-to-date basis.

Economic Conditions

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

The County of Wyandotte County covers 155.7 square miles. It is located on the eastern border of the State and along with three other Kansas counties and eight Missouri counties, comprise the Kansas City Metropolitan Statistical Area with a population of approximately 1.2 million.

According to the 2018 U.S. Census Bureau, Wyandotte County's population was 165,324. Compared to population trends in the prior decades, the current estimates indicate a more stable population. The median age is 33 versus a national average of 38 years.

In recent years, efforts have been directed toward the development of a 1,600-acre tract of land located directly northwest of the intersection of Interstate Highways I-70 and I-435. The Unified Government attracted the Kansas Speedway as the economic catalyst for development of this tract using the STAR Bond financing incentive. The speedway project, totaling more than \$280 million, is a 1.5-mile tri-oval on approximately 1,100 acres of land, with 72 luxury hospitality suites and grandstand seating for 82,000. Joining Kansas Speedway at Village West are major destination retailers and entertainment businesses that attract approximately 12 million visitors and shoppers annually. The initial anchor businesses and attractions include: Cabela's, Nebraska Furniture Mart, Great Wolf Lodge and Resort, Hollywood Casino, Children's Mercy Park, home of the Kansas City MLS soccer team Sporting KC Soccer Club and Community America Ballpark, home of the Northern League's Kansas City T-Bones, an independent, minor league baseball team. An additional development north of I-70 and east of I-435, just east of the Village West area include the headquarters for the Dairy Farmers of America which is the area's largest private employer in terms of revenue. Completed in 2017 was the construction of the U.S. Soccer National Training and Coaching Development Center which will house the elite athlete training and performance analytics campus and national youth soccer development programs.

Industrial growth has resulted from the General Motors \$600 million investment in its Kansas City plant. The redevelopment of two adjacent industrial parks has occurred in this area as well. This building is occupied by Inergy and is a supplier to the General Motors automotive plant. In 2018, General Motors announced a \$265 million investment to support production of the new Cadillac XT4 Crossover SUV. General Motors also produces the Chevy Malibu. Additional industrial development was the construction of the Amazon Fulfillment Center. The facility is on 134 acres and approximately 2,500 employees were hired.

Adjacent to Kansas University Medical Center is a \$39 million mixed-use economic development project. The development includes approximately 10,000 square feet of first-floor retail space and on the second through fourth floors, an 83-room Holiday Inn Express & Suites. Also the area maintains a healthcare tenant focus. Kansas University Hospital operates an inpatient acute rehabilitation center along with Kansas City Transitional Care Center, a post-acute nursing rehabilitation facility and Hanger Prosthetics & Orthotics. In total, this development project is 100,000 square feet within a four-story building. The area draws more than 10,000 persons daily and expects to attract new retail development due to the area's dense resident population and the proximity to the KU Medical Center and Hospital.

Long Term Financial Planning

BPU's goals for the future include meeting the needs of the community as development continues within the county. BPU utilizes a five-year capital improvement program to prioritize projects, which will be scheduled over a number of years as financial resources are available. The electric capital improvement plan identifies approximately \$220.5 million in generation, transmission, and distribution projects; of which \$4.8 million is for continued construction of environmental upgrades to the coal fired plant. The environmental upgrades have been bond financed and 50% of the remaining capital plan is projected to be bond financed. The Environmental Surcharge Rider will be applied to collect the principal and interest

payments for the environmental upgrades. The water capital improvement plan identifies approximately \$75 million in projects, of which 60% are projected to be financed.

Cash Management and Investment Policy

The Utility's cash management practice encourages investment of all cash not needed for immediate expenditures. It is the policy of the Utility to invest public funds in a manner that provides the highest investment return with the maximum security while complying with all Kansas statutes governing the investment of public funds. The Utility's investment policy was adopted by the Board of Directors.

Internal Control

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

Major Initiatives

The BPU is currently investing in significant capital improvements to update and improve service to our customers. Projects underway include electric substation and transmission improvements in the Muncie, Fairfax, Rosedale and Armourdale areas as well as upgrading of the Water Distribution valves and mains throughout the community.

The electric utility is working on construction of a new substation, Rosedale, as well as upgrading the Fisher and Barber substations to support the expansion of the University of Kansas Medical Center which is constructing a \$75 million medical education building as well as a \$280 million patient tower which will be a seven-story facility. Additionally, the 161 kV transmission systems will be upgraded with the Armourdale to Fisher and Fisher to Barber substations with work to be completed by 2019-2020.

The water utility has increased efforts to replace aging water valves and mains in the Water distribution system. The additional effort will allow approximately 5 miles of pipe each year to be replaced over the next 4 years. In addition, construction of a transmission line will begin in the area of 98th Street and Parallel as well as a 16-inch main at 99th and Donahoo to I-435 to support additional development in the area.

GFOA Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kansas City Board of Public Utilities for its comprehensive annual financial report for the year ended December 31, 2017. This was the thirty-seventh consecutive year that the BPU received this prestigious award.

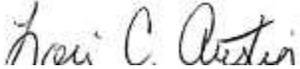
In order to be awarded a Certificate of Achievement, the BPU must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this 2018 comprehensive annual financial report continues to meet

the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate for the thirty-eighth consecutive year.

Acknowledgements

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Lori C. Austin".

Lori C. Austin
Manager of Accounting & Finance/
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Kansas City Board of Public Utilities

Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

PRESIDENT'S MESSAGE

The Kansas City Board of Public Utilities (BPU) has been providing electric and water services to Wyandotte County for more than 100 years. As a non-profit organization, its mission remains the same as it was nearly a century ago – to provide quality dependable utility services to the community at the lowest possible price.

BPU undertook a number of initiatives in 2018 continuing its commitment to customer service, maintaining open transparent communications with customers and key stakeholder groups, and being a productive community partner. This focus on customer satisfaction and being socially responsible, as well as numerous other accomplishments, was recognized nationally when BPU was named the 2018 American Business Awards “Gold Stevie Award” winner for Best Overall Company, Large Utility Category. BPU received this national recognition based on results in four key areas of the utility, including:

- Environmental Stewardship
- Financial Performance
- Customer Service
- Communications and Transparency; and Community Giving.

Specific BPU achievements noted in the 2018 award included:

- Sourcing 45% of its power generation from renewable energy sources
- A recent Credit Rating upgrade by Moody's
- BPU's Summer Youth Program and other support in the community; and
- BPU's new Energy Engage online portal for BPU customers to track utility usage amounts and trends, among other things.

This national recognition acknowledged the success of BPU's entire organization, including its financials, the services the utility provides, management of the publicly-owned utility, and the positive impact BPU is making throughout the community.

The utility also maintained and continued utilizing on-going and new communication channels to allow customers to get their questions answered faster, more efficiently, and with improved service in 2018. This included:

- On-Going Lobby Service Efforts – Continued training customer service reps and evaluating services in an area that helps 3,400 walk-ins a month and conducts 12,000 cashier transactions a month.
- Online Customer Service Portal Promotion – On-going promotion of this tool for customers to view recent bills, payment history, and see utility usage amounts over time.
- Automatic Payment Plan Option – BPU offers the ability for payments to be automatically withdrawn from bank accounts and electronically sent to BPU, allowing customers to avoid late charges or service disruptions due to nonpayment, as well as eliminating the need for checks, envelopes, and stamps.
- HomeServe Repair Service Program – Continued promotion of this home repair service/coverage option for sewer lines, plumbing, etc., with nearly 10,000 customers signed up to date.

On-going communication with BPU customers remained a priority in 2018, ensuring key stakeholders remained informed about the utility and its programs while allowing BPU to capture their feedback. Efforts in this area included:

- Customer Satisfaction Surveys – Undertook on-going surveys via online and phone, and more recently in the lobby itself, to identify areas for expanded, improved service, and more efficient customer service.
- BPU Connection Newsletter – An 8-page print newsletter mailed to 59,500 customers, two times a year.
- Media Outreach – 25,000 media release distributions in 2018, with 6,000 live broadcast interviews on issues like community solar, storm outage response, etc. 1.9+ million impressions.

BPU and its employees also donated, contributed and invested financially in a number of key initiatives in 2018, including:

- BPU Summer Youth Program – Provided grants to numerous area non-profits to employ 200 at-risk youth (ages 12-18) in temporary positions for job skill training and mentoring.
- BPU Annual Charity Golf Tourney – Coordinated by Foundation employees, nearly 200 persons played in the 2018 tournament raising \$43,000 for the Police Athletic League, the Wyandotte County Parks Foundation, and the Historic Northeast-Midtown Association, totaling more than \$580,000 raised since 1998.

BPU's mission in 2018 remained the same as it's been for nearly a century, offering quality dependable utility services at the lowest possible price – and being committed to improving the quality of life for all in our community.

Respectfully,



Jeff Bryant
Board President
June 13, 2019

Board of Directors – 2018

The Board of Directors is composed of six members, three of whom are elected at large and three of whom are elected by district. Every two years three members are elected for four-year terms. The Board chooses a president, vice president, and secretary from its own membership. The Board meets twice a month, on the first and third Wednesdays. Members receive a monthly salary of \$950. The treasurer of the Unified Government of Wyandotte County/Kansas City, Kansas is the ex-officio treasurer of the Board. The Board is charged with the duty to hire a General Manager, who serves as BPU's chief executive officer, and who administers the day-to-day operations of the utility.



Jeff Bryant
President
Member, Third
District
Elected 2011-2015
Re-elected 2015-2019

Mr. Bryant is the Estimator and Job Cost Analyst for Plastic Packaging Technologies in Kansas City, Kansas. He has been with the company for over 35 years serving in a variety of roles and currently holds the position of Estimator & Job Cost Analyst. Jeff and his wife, Crystal, are authors and owners of the travel website, Our Changing Lives, which features an advertisement-free resource for information related to destinations around Kansas City and beyond. He currently serves as President for the Board of Public Utilities.

He is a past member of the Armourdale Renewal Association, the Turner Lions Club and the Kansas City Chapter of the NAACP. He served a two-year term on the Schlagle Sit Council, which is committed to increasing the graduation rate of local students. He serves on the Unified Government's (UG) Finance Standing Committee and previously served on the Public Works and Safety Committee. He is Leadership 2000 Class XX graduate and has served on the Board of Directors of Leadership 2000. Mr. Bryant is a graduate of Turner High School and attended Donnelly College.



Norman Scott
Vice President
Member at Large
Elected 2015-2019

Norman is a native of Kansas City, Kansas and graduated from Wyandotte High School and attended Kansas City Kansas Community College. He currently serves as Secretary for the Board of Public Utilities.

For over 40 years, he worked in the construction industry helping build the infrastructure of the Wyandotte County community. In 2001, he retired as a business agent from the International Union of Operating Engineers, Local 101.

Board of Directors – 2018 – (continued)

Mr. Scott is an active chair member of the Missions for Wyandotte United Methodist Church, and the Wyandotte County Democrats. He previously served as President of Stoney Point Neighborhood Association, and on the Chair of Trustees for Grinter Chapel United Methodist Church. He also serves as a volunteer at Cross-Lines Community Outreach.



Ryan Eidson
Secretary
Member at Large
Elected 2018-2021

Mr. Eidson is a lifelong Wyandotte County resident and currently serves as the General Manager for Wil Fischer of Kansas (Wyandotte County Anheuser-Busch Distributor). He has served in this role since 2014 and previously held several leadership positions at Schatz Distributing. He serves as a board member for the Chris Kugler Memorial Trust and also serves on the board of directors for Helpful Hands Inc.

Mr. Eidson is a graduate of Piper High School and attended Kansas State University where he graduated with a degree in communications and advertising.

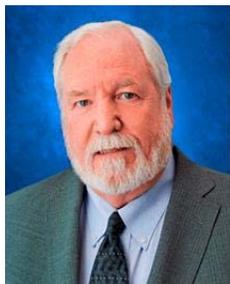


Mary L. Gonzales
Member at Large
Elected 2001-2005
Re-elected 2005-2009
Re-elected 2009-2013
Re-elected 2013-2017
Re-elected 2018-2021

Ms. Gonzales retired from teaching school in 2006 after a 33-year career. For many of those years she was an eighth-grade language arts teacher at Piper Middle School. Ms. Gonzales has a Bachelor of Arts degree in Education from the University of Montevallo in Montevallo, Alabama, and a Master's degree in Curriculum and Instruction from Emporia State University. She also served as BPU's Board President from 2005 to 2007 and previously as vice president and secretary of the BPU Board.

Besides her BPU Board and other community activities, she is a member of the American Public Power Association and the American Water Works Association. A graduate of Leadership 2000, she serves on the board for the Rosedale Development Association and also on the advisory board for the Civic Leadership Academy for Olathe, Kansas schools. Mary was also District 5 Coordinator in the successful effort to consolidate the Wyandotte County/City governments and served on the advisory board of the Wyandotte County Library. In addition, she is past President of Delta Kappa Gamma International Educational Society and is a former board member for both El Centro and City Vision Ministries.

Board of Directors – 2018 – (continued)



Tom Groneman
President
Member, Second
District
Elected 2013-2017
Re-Elected 2018-2021

Mr. Groneman is a lifelong Wyandotte County resident, graduating from Wyandotte High School in 1965. In 1969 he graduated from Bethany College, Lindsborg, KS with a Bachelor's degree in Business/Economics.

Following college, he entered the United States Navy and was trained as a Vietnamese linguist. He was stationed for 15 months at the Naval Communications Station, Philippines where he was assigned to temporary active duty with the Commander of Carrier Division 5/Task Force 77 aboard the USS Enterprise, USS Kitty Hawk and USS Constellation. He finished his tour at the National Security Agency, Ft. Meade, MD.

After the military he returned to Wyandotte County and worked briefly as a probation officer for the 29th Judicial District. In 1975 he was appointed Register of Deeds to fill out the unexpired term of Jack Reardon who had been elected mayor. He was subsequently elected to seven consecutive four-year terms as Register of Deeds. In 2003, Mr. Groneman joined the staff of Governor Kathleen Sebelius to become the Director of Alcoholic Beverage Control for the State of Kansas. He commuted for nearly eight years between Kansas City and Topeka until the change in administrations in 2011.

During his time in public service, Tom has served in numerous positions on various state and national organizations.



Robert L. Milan, Sr.
Member, First District
Elected 1991-1995
Re-elected 1995-1999
Re-elected 1999-2003
Re-elected 2003-2007
Re-elected 2007-2011
Re-elected 2011-2015
Re-elected 2015-2019

Mr. Milan has served on the BPU Board for over 25 years, having been first elected in 1991. He has served as President of the Board four times. In 2007, BPU recognized Mr. Milan's dedication to the utility by naming a new Water Division facility in his honor, the Robert L. Milan, Sr. Pump Station and Reservoir.

Board of Directors – 2018 – (continued)

Mr. Milan worked at the U.S. Department of Labor for 32 years, retiring as a Federal Representative. He is active in the Northeast Optimist Club and NAACP. In 2001 he served as State President of AARP. In 2010, the Directors of the Heritage Registry of Who's Who announced the inclusion of Mr. Milan. He has received many awards including being selected by the Kansas City Globe as one of the 100 most influential people in 1998.

A native of Kansas City, Kansas, he owned Milan's Roller Arena and Bowling establishment for many years. Mr. Milan is a Sumner High School graduate and attended Kansas City Kansas Community College, the University of Kansas extension, Donnelly College, the University of Colorado, Temple University and Pioneer College.

GENERAL MANAGER'S MESSAGE

As a non-profit municipal utility, BPU conducts business consistent with its customer-focused principles including Accountability, Appreciation, Customer Focus, Innovation, Integrity, Respect, and Responsible Communication. The utility has provided quality dependable utility service to the community and residents of Wyandotte County for more than a century.

Today the electric and water utility services nearly 70,000 commercial, industrial, and residential customers over a 150 sq. mile area. The utility's primary goal remains providing quality dependable services to ratepayers at the lowest possible price.

BPU achieved a number of important key objectives and milestones in 2018 that helped it continue delivering world-class utilities and customer service, while remaining one of the top municipally-owned utilities in the country. Accomplishments included, among other things:

- Securing multiple awards and recognitions for utility operations, programs, and communications efforts, including the 2018 “Gold Stevie” Award for Best Overall Utility, Best Corporate Social Responsibility Program for community support and environmental leadership, the Reliable Public Power Provider (RP3) award, and APPA award for the marketing and promotion of BPU's new Community Solar Farm to customers, and many others.
- Developing and maintaining a stable financial position utilizing industry best practices. Working to build up cash-on-hand levels to meet or exceed policy requirements while ensuring adequate funding reserve levels, and securing the Award for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA).
 - Bond Rating Upgrade – BPU's Credit Rating was upgraded from A3 to A2 by Moody's, while the utility's future rating Outlook was classified as Stable.
 - FY18 Utility Budget – BPU operated on a \$392 million budget in 2018, slightly higher than the previous year's budget due to an increase in fuel and purchase power, but trending well over time.
- Continued infrastructure improvements to maintain and upgrade an aging utility system, including the Rosedale Area Reliability Project to put in place a new substation, upgrading existing transmission lines, and new interconnector lines for redundancy and backup protections in an area that has seen vibrant housing and commercial retail growth in recent years.
- An on-going commitment to environmental stewardship. A leader in renewable energy and energy efficiency, BPU is one of the “greenest” public utilities in the nation, with 45% of its power generation coming from renewables like wind, hydro, etc.

- Community Solar Farm – Continued residential customer enrollment in the state’s first municipal community solar farm with over 4,000 PV panels.
- Promoting enrollment in the solar farm, and energy and water efficiency through programs and customer education; including hosting numerous efficiency workshops throughout the community.
- Providing reliable quality water, available upon demand in an efficient manner. Met and exceeded state and federal water quality standards, while continuing to maintain an award-winning water system.

BPU remained focused on providing reliable and affordable utility services to its customers in 2018, while working to improving the quality of life in the community. BPU will continue working to improve overall efficiencies and reduce costs, expand communications and outreach efforts with the community, and maintain customer excellence, as it has for more than 100 years.

Sincerely,



Don L. Gray
General Manager

June 13, 2019

Senior Management – 2018

Don L. Gray General Manager

Don Gray has worked at BPU for over 48 years. Before being appointed General Manager of the utility in 2006, he was Manager of Water Operations.

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

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

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

He is a member of the American Public Power Association and Kansas Municipal Utilities.

Over twenty-two years ago Mr. Gray turned his favorite recreational activity into a way to aid local children when he helped establish the BPU Charity Golf Tournament. Since then the tournament has raised over \$550,000 for various children's charities in Wyandotte County.

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

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

**James A. Epp, Manager
Water Operations**

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

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

**Gerald P. Ohmes, Sr., Manager
Electric Supply**

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

Executive Staff and Department Heads 2018

Jeremy Ash, Director
Electric Distribution & Service

Sperlynn R. Byers, Acting Director
Information Technology

Andrew Ferris, Director
Electric Supply Planning

Jody Franchett, Director
Administrative Services

Robert (Bobby) Gray
NERC Compliance Officer

Stephen E. Green, Director
Water Distribution

Brian D. Laverack, Director
Network Operations

Darrin McNew, Director
Electric Transmission & Substations

David E. Mehlhaff
Chief Communications Officer

Patrick J. Morrill, Director
Electrical Engineering

Tung Nguyen, Director
Electric Production Engineering

Steve Nirschl, Director
Water Processing

Randal J. Otting, Director
Accounting

Jerin Purtee, Director
Electric System Control

Ingrid Setzler, Director
Environmental Services

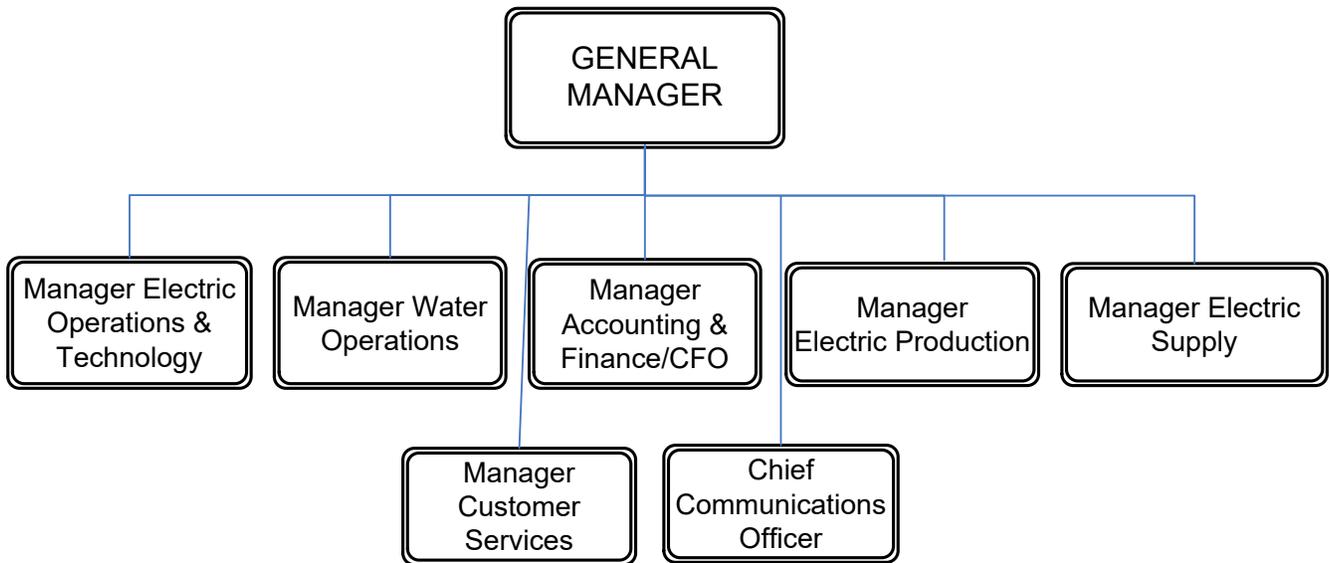
Chris D. Stewart, Director
Civil Engineering

Patrice Townsend, Director
Utility Services



Kansas City Board of Public Utilities

2018 Organizational Chart



Accounting Civil Engineering Cash Operations and Collections Corporate Compliance Customer Service Electric Metering & Services Electric Production Engineering Electric Production Maintenance Electric Production Operations Electric Supply Planning Electric System Control	Electric Transmission & Dist Electrical Engineering Employee Relations Employment Environmental Services Grounds Maintenance Information Technology Network Support OH / UG Lines Production Support Services Purchasing	Radio / Telecom & Cable Stores Street Lights Substations Traffic Signal Transportation Utility Services Water Metering & Services Water Distribution Water Processing Water System Support
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FINANCIAL SECTION



Independent Auditor's Report

The Board of Directors
Board of Public Utilities
Kansas City, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Public Utilities of Kansas City, Kansas (the BPU), an enterprise fund of the Unified Government of Wyandotte County/Kansas City, Kansas, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the BPU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit and Accounting Guide* (the Guide) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Public Utilities of Kansas City, Kansas as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements present only the BPU enterprise fund and do not purport to, and do not, present fairly the financial position of the Unified Government of Wyandotte County, Kansas City, Kansas as of December 31, 2018 and 2017, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2018, the BPU adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postretirement schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BPU's basic financial statements. The combining information, Introductory Section and Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated June 13, 2019, on our consideration of the BPU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BPU's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BPU's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
June 13, 2019



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Board of Public Utilities
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board of Public Utilities of Kansas City, Kansas's (BPU) financial statements. The BPU's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. Other required supplementary information is provided in addition to the financial statements.

Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

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

The electric and water departments are reflected as an enterprise fund on the Unified Government's financial statements consisting of the statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows. This management's discussion and analysis of the BPU's financial report presents the discussion and analysis of the BPU's financial performance for the years ended December 31, 2018 and 2017 with selected comparative information of the year ended December 31, 2016. This analysis should be read in conjunction with the financial statements and notes thereto.

Board of Public Utilities
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

The following tables summarize the financial condition and operations of the BPU as of December 31, 2018, 2017 and 2016 and for each of the years then ended:

Statements of Net Position Summary

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets and deferred outflows of resources:			
Capital assets, net	\$ 1,106,310,690	\$ 1,085,876,104	\$ 1,056,866,885
Current assets	153,241,821	139,417,951	136,509,357
Other noncurrent assets	<u>62,631,565</u>	<u>63,539,586</u>	<u>121,312,653</u>
Total assets	1,322,184,076	1,288,833,641	1,314,688,895
Deferred outflows of resources	<u>30,445,988</u>	<u>57,492,577</u>	<u>51,334,397</u>
Total assets and deferred outflows of resources	<u>\$ 1,352,630,064</u>	<u>\$ 1,346,326,218</u>	<u>\$ 1,366,023,292</u>
Liabilities, deferred inflows of resources, and net position:			
Noncurrent liabilities	\$ 770,466,235	\$ 769,220,554	\$ 786,309,054
Current liabilities	<u>87,084,961</u>	<u>83,294,183</u>	<u>110,472,530</u>
Total liabilities	857,551,196	852,514,737	896,781,584
Deferred inflows of resources	42,494,885	35,168,146	24,067,215
Net position:			
Net investment in capital assets	416,757,145	396,252,643	385,719,739
Restricted	47,761,884	24,216,477	22,897,756
Unrestricted	<u>(11,935,046)</u>	<u>38,174,215</u>	<u>36,556,998</u>
	<u>\$ 1,352,630,064</u>	<u>\$ 1,346,326,218</u>	<u>\$ 1,366,023,292</u>

Board of Public Utilities
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

Statements of Revenues, Expenses and Changes in Net Position Summary

	2018	2017*	2016*
Operating revenues:			
Residential	\$ 106,047,470	\$ 96,264,382	\$ 89,793,663
Commercial	118,435,681	113,608,013	101,480,393
Industrial	57,246,465	54,653,921	50,595,037
Other	38,572,604	20,278,405	28,665,489
Energy rate component	—	(171,983)	171,983
Payment-in-lieu of taxes	35,490,480	32,673,555	30,336,724
Total operating revenues	<u>355,792,700</u>	<u>317,306,293</u>	<u>301,043,289</u>
Operating expenses:			
Fuel	32,611,047	28,088,298	23,845,728
Purchased power	69,937,729	64,277,525	58,363,318
Production	43,485,432	43,338,443	45,580,598
Transmission and distribution	48,593,280	45,780,972	47,459,564
General and administrative	24,375,263	32,584,960	34,997,762
Depreciation and amortization	36,110,255	31,608,943	36,436,756
Total operating expenses	<u>255,113,006</u>	<u>245,679,141</u>	<u>246,683,726</u>
Operating income	<u>100,679,694</u>	<u>71,627,152</u>	<u>54,359,563</u>
Nonoperating income (expense):			
Interest expense	(29,044,525)	(27,734,117)	(23,361,060)
Payment-in-lieu of taxes	(35,490,480)	(32,673,555)	(30,336,724)
Other	2,560,008	2,029,089	(136,500)
Total nonoperating expense, net	<u>(61,974,997)</u>	<u>(58,378,583)</u>	<u>(53,834,284)</u>
Contributions and transfers:			
Contributions from developers and others	—	220,273	230,046
Change in net position	<u>38,704,697</u>	<u>13,468,842</u>	<u>755,325</u>
Net position, beginning of year (as previously reported)	458,643,335	445,174,493	444,419,168
Cumulative Effect of Change per GASB 75	(44,764,049)	—	—
Net Position, Beginning of Year, As Restated	<u>413,879,286</u>	<u>—</u>	<u>—</u>
Net position, end of year	<u>\$ 452,583,983</u>	<u>\$ 458,643,335</u>	<u>\$ 445,174,493</u>
Total revenue	\$ 358,352,708	\$ 319,335,382	\$ 300,906,789
Total expense	319,648,011	306,259,134	301,977,144

*Fiscal years 2017 and 2016 were not restated for the adoption of Governmental Accounting Standards Board Statement No. 75 as it was not practical to do so.

Financial Highlights

2018 Compared to 2017

- Net capital assets increased by \$20.4 million in 2018. The majority of the increase is attributed to an increase in property, plant and equipment for the year.
- Debt service coverage ratio for 2018 increased to 2.36 times in comparison with 1.78 for the year ended 2017.

Board of Public Utilities
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

- Other noncurrent assets decreased by \$908 thousand in 2018 as a result of expenditures for capital projects funded by revenue bonds and the addition of recording a net pension asset for 2018.
- Net position decreased by \$6.1 million during 2018, which includes the cumulative effect of a change in accounting principle for the adoption of GASB No. 75.

As of December 31, 2018, the BPU has drawn \$12.0 million from the Kansas Public Water Supply loan fund. The projects funded by this loan consist of filter media and pump replacement at the Nearman Water Treatment Plant and replacement of deteriorated water lines throughout the distribution system. In 2018, the BPU's operating revenues were approximately \$355.8 million, with the Electric Utility recognizing revenues of \$304.2 million and the Water Utility recognizing revenues of \$51.6 million. The average number of customer accounts remained stable from the prior year.

The BPU's total operating revenue increased by approximately \$38.5 million to \$355.8 million in 2018. The Electric Utility experienced increased electric sales of \$38.3 million compared to 2017. Residential, Commercial, Industrial and Wholesale sales were higher over prior year. In 2018, the BPU recognized \$4.8 million of deferred revenue from the 2018 over collection of the Energy Rate Component.

The Water Utility experienced an additional \$200 thousand in water sales compared to 2017. In comparison to the 2018 budgeted revenue, overall, the BPU collected 106% of the projected Energy and Water sales and 112% of total operating revenue.

Operating expenses for 2018 and 2017 were approximately \$255.1 million and \$245.7 million, respectively. The Electric Utility represented \$220.4 million and \$211.7 million for 2018 and 2017, respectively, while the Water Utility represented \$34.7 million and \$33.9 million for 2018 and 2017 in operating expenses, respectively. The largest component of operating expenses is fuel, purchased power and production expense. Overall, in 2018, fuel, purchased power and electric production costs totaled \$146.0 million which is \$10.3 million more than 2017. The BPU's power supply mix for fiscal years 2018 and 2017 was 18% and 20% coal, 68% and 70% net power purchases, 12% and 8% gas and 2% and 2% oil, respectively.

2017 Compared to 2016

- Net capital assets increased by \$29.0 million in 2017. The majority of the increase is attributed to Construction Work In Progress.
- Debt service coverage ratio for 2017 increased to 1.78 times in comparison with 1.57 for the year ended 2016.
- Other noncurrent assets decreased by \$57.8 million in 2017 as a result of expenditures for capital projects funded by revenue bonds.
- Noncurrent liabilities decreased by \$17.1 million in 2017 due to the payment of the current portion of long term debt.
- Net position increased by \$13.5 million during 2017.

Board of Public Utilities
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

As of December 31, 2017, the BPU has drawn \$10.0 million from the Kansas Public Water Supply loan fund. The projects funded by this loan consist of filter media and pump replacement at the Nearman Water Treatment Plant and replacement of deteriorated water lines throughout the distribution system. In 2017, the BPU's operating revenues were approximately \$317.3 million, with the Electric Utility recognizing revenues of \$265.9 million and the Water Utility recognizing revenues of \$51.4 million. The average number of customer accounts remained stable from the prior year.

The BPU's total operating revenue increased by approximately \$16.3 million to \$317.3 million in 2017. The Electric Utility experienced increased electric sales of \$14.7 million compared to 2016. Residential and Commercial usage was higher over last year. In 2017, the BPU recognized \$6.3 million of deferred revenue from the 2017 over collection of the Energy Rate Component.

The Water Utility experienced an additional \$1.6 million in water sales compared to 2016. In comparison to the 2017 budgeted revenue, overall, the BPU collected 103% of the projected Energy and Water sales and 103% of total operating revenue.

Operating expenses for 2017 and 2016 were approximately \$245.7 million and \$246.7 million, respectively. The Electric Utility represented \$211.7 million and \$211.7 million for 2017 and 2016, respectively, while the Water Utility represented \$33.9 million and \$35.0 million for 2017 and 2016 in operating expenses, respectively. The largest component of operating expenses is fuel, purchased power and production expense. Overall, in 2017, fuel, purchased power and production costs totaled \$135.7 million which is \$7.9 million more than 2016. The BPU's power supply mix for fiscal years 2017 and 2016 was 20% and 16% coal, 70% and 68% net power purchases, 8% and 14% gas and 2% and 2% oil, respectively.

Capital Assets and Debt Administration

2018 Compared to 2017

Net capital assets increased by \$20.4 million in 2018. Capital asset additions were offset by approximately \$36.1 million of depreciation and amortization expense.

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

2017 Compared to 2016

Net capital assets increased by \$29.0 million in 2017. Capital asset additions were offset by approximately \$31.6 million of depreciation and amortization expense.

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

Debt Administration

2018 Compared to 2017

Noncurrent liabilities outstanding as of December 31, 2018 and 2017 were \$770.5 million and \$769.2 million, respectively.

Board of Public Utilities
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

The BPU maintains a debt ratio that is consistent with the current provisions in the bond indenture document. This debt service ratio is a measure of the adequacy of cash to pay debt service and is the minimum amount necessary to prevent bond default. The BPU must maintain debt coverage of 1.2. The coverage requirement imposed by the bond indenture is that operating revenues be at least 120% of the maximum annual debt service.

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

As of December 31, 2018 and 2017, the BPU had debt coverage of 2.36 times and 1.78 times, respectively.

In 2018, the BPU's utility system bonds for both electric and water debt are rated A+ from both Fitch and Standard & Poor's Rating Services and A2 from Moody's Investors Service. The interest rate on the BPU's outstanding debt ranges from 2.00% to 5.20%. Interest on debt expense, net of amounts capitalized, for 2018 and 2017 was \$29.0 million and \$27.7 million, respectively.

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

2017 Compared to 2016

Noncurrent liabilities outstanding as of December 31, 2017 and 2016 were \$769.2 million and \$786.3 million, respectively.

The BPU maintains a debt ratio that is consistent with the current provisions in the bond indenture document. This debt service ratio is a measure of the adequacy of cash to pay debt service and is the minimum amount necessary to prevent bond default. The BPU must maintain debt coverage of 1.2. The coverage requirement imposed by the bond indenture is that operating revenues be at least 120% of the maximum annual debt service.

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

As of December 31, 2017 and 2016, the BPU had debt coverage of 1.78 times and 1.57 times, respectively.

In 2017, the BPU's utility system bonds for both electric and water debt are rated A+ from both Fitch and Standard & Poor's Rating Services and A3 from Moody's Investors Service. The interest rate on the BPU's outstanding debt ranges from 2.00% to 5.20%. Interest on debt expense, net of amounts capitalized, for 2017 and 2016 was \$27.7 million and \$23.4 million, respectively.

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

Board of Public Utilities
Statements of Net Position
December 31, 2018 and 2017

Assets and Deferred Outflows of Resources	2018	2017
Noncurrent assets:		
Capital assets:		
Property, plant, and equipment	\$ 1,857,044,867	\$ 1,789,028,038
Less accumulated depreciation	<u>(844,811,900)</u>	<u>(809,750,887)</u>
Plant in service, net	1,012,232,967	979,277,151
Construction work in progress	<u>94,077,723</u>	<u>106,598,953</u>
Capital assets, net	<u>1,106,310,690</u>	<u>1,085,876,104</u>
Restricted assets:		
Cash and cash equivalents	38,687,271	61,507,044
Investments	249,000	249,000
Net pension asset	<u>22,516,528</u>	<u>—</u>
Total restricted assets	61,452,799	61,756,044
System development costs, net	<u>1,178,766</u>	<u>1,783,542</u>
Total noncurrent assets	<u>1,168,942,255</u>	<u>1,149,415,690</u>
Current assets:		
Cash and cash equivalents	47,940,247	38,994,491
Cash and cash equivalents – restricted	14,185,639	13,040,150
Investments – restricted	15,193,510	14,353,502
Accounts receivable – customers and other	31,340,826	30,588,686
Accounts receivable – unbilled	15,357,775	14,618,195
Allowance for doubtful accounts	(505,927)	(644,452)
Inventories	28,082,078	24,989,139
Prepayments and other current assets	<u>1,647,673</u>	<u>3,478,240</u>
Total current assets	<u>153,241,821</u>	<u>139,417,951</u>
Total assets	<u>1,322,184,076</u>	<u>1,288,833,641</u>
Deferred outflows of resources:		
Deferred loss on bond refunding	11,502,447	12,990,591
Deferred Outflow - Pension	15,529,509	44,501,986
Deferred Outflow - Other postemployment benefits	<u>3,414,032</u>	<u>—</u>
Total deferred outflows of resources	<u>30,445,988</u>	<u>57,492,577</u>
Total assets and deferred outflows of resources	<u>\$ 1,352,630,064</u>	<u>\$ 1,346,326,218</u>

Board of Public Utilities
Statements of Net Position
December 31, 2018 and 2017

Liabilities, Deferred Inflows of Resources, and Net Position	2018	2017
Net position:		
Net investment in capital assets	\$ 416,757,145	\$ 396,252,643
Restricted	47,761,884	24,216,477
Unrestricted	<u>(11,935,046)</u>	<u>38,174,215</u>
Total net position	<u>452,583,983</u>	<u>458,643,335</u>
Liabilities:		
Noncurrent liabilities:		
Long-term debt – revenue bonds	678,283,354	705,301,036
Government loans	<u>31,553,635</u>	<u>32,076,338</u>
Total long-term debt	709,836,989	737,377,374
Postretirement benefit obligation	—	5,917,229
Total other postemployment benefit liability	54,987,646	—
Reserve for compensated absences	5,641,600	5,475,960
Net pension liability	<u>—</u>	<u>20,449,991</u>
Total noncurrent liabilities	<u>770,466,235</u>	<u>769,220,554</u>
Current liabilities:		
Current maturities of revenue bonds	23,885,000	20,735,000
Current maturities of government loans	2,821,191	2,734,035
Current maturities of capital lease obligations	—	1,003,499
Accrued interest	10,232,460	10,506,999
Customer deposits	6,733,792	5,449,008
Accounts payable	27,584,594	27,730,752
Payroll and payroll taxes	2,668,628	2,205,043
Accrued claims payable	1,379,277	1,477,153
Workers compensation reserve	880,093	674,498
Public liability reserve	535,759	1,629,837
Other accrued liabilities	5,714,877	5,694,685
Payment-in-lieu of taxes	2,700,207	2,433,487
Construction contract retainage payable	<u>1,949,083</u>	<u>1,020,187</u>
Total current liabilities	<u>87,084,961</u>	<u>83,294,183</u>
Total liabilities	<u>857,551,196</u>	<u>852,514,737</u>
Deferred inflows of resources:		
Recovery fuel purchased power	4,750,297	6,334,111
Deferred Inflow - Pension	<u>37,744,588</u>	<u>28,834,035</u>
Total deferred inflows of resources	<u>42,494,885</u>	<u>35,168,146</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,352,630,064</u>	<u>\$ 1,346,326,218</u>

Board of Public Utilities
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues:		
Residential	\$ 106,047,470	\$ 96,264,382
Commercial	118,435,681	113,608,013
Industrial	57,246,465	54,653,921
Other	38,572,604	20,278,405
Energy rate component recovery	—	(171,983)
Payment-in-lieu of taxes	35,490,480	32,673,555
Total operating revenues	355,792,700	317,306,293
Operating expenses:		
Fuel	32,611,047	28,088,298
Purchased power	69,937,729	64,277,525
Production	43,485,432	43,338,443
Transmission and distribution	48,593,280	45,780,972
General and administrative	24,375,263	32,584,960
Depreciation and amortization	36,110,255	31,608,943
Total operating expenses	255,113,006	245,679,141
Operating income	100,679,694	71,627,152
Nonoperating revenue (expense):		
Interest expense	(29,044,525)	(27,734,117)
Payment-in-lieu of taxes	(35,490,480)	(32,673,555)
Other	2,560,008	2,029,089
Total nonoperating expense, net	(61,974,997)	(58,378,583)
Income before contributions and transfers	38,704,697	13,248,569
Contributions and transfers:		
Contributions from developers and others	—	220,273
Change in net position	38,704,697	13,468,842
Net position, beginning of year, as Previously reported	458,643,335	445,174,493
Cumulative Effect of Change per GASB 75	(44,764,049)	—
Net position, Beginning of Year, As Restated	413,879,286	445,174,493
Net position, end of year	\$ 452,583,983	\$ 458,643,335

Board of Public Utilities
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 333,674,496	\$ 294,414,554
Payments to suppliers	(143,399,945)	(155,993,651)
Payments to employees	(59,981,037)	(58,449,197)
Net cash provided by operating activities	<u>130,293,514</u>	<u>79,971,706</u>
Cash flows used in noncapital financing activities – payment-in-lieu of taxes	(35,223,760)	(32,403,196)
Cash flows from capital and related financing activities:		
Purchases of property, plant, and equipment	(53,761,388)	(55,291,451)
Payments on capital leases	(1,003,499)	(1,257,694)
System development costs	(473,834)	(823,891)
Payments on revenue bonds	(20,735,000)	(19,995,000)
Payments on government loans	(2,823,818)	(2,821,442)
Issuance of government loans	2,388,271	3,555,275
Interest paid on utility system debt	(32,570,641)	(32,035,795)
Net cash used in capital and related financing activities	<u>(108,979,909)</u>	<u>(108,669,998)</u>
Cash flows from investing activities:		
Purchases of investments	(47,717,838)	(54,216,031)
Proceeds from sales and maturities of investments	46,877,830	71,574,892
Interest received	2,021,635	1,202,410
Net cash provided by investing activities	<u>1,181,627</u>	<u>18,561,271</u>
Net decrease in cash and cash equivalents	<u>(12,728,528)</u>	<u>(42,540,217)</u>
Cash and cash equivalents, beginning of year	113,541,685	156,081,902
Cash and cash equivalents, end of year	<u>\$ 100,813,157</u>	<u>\$ 113,541,685</u>
Components of cash and cash equivalents at end of fiscal year:		
Restricted	\$ 52,872,910	\$ 74,547,194
Unrestricted	47,940,247	38,994,491
	<u>\$ 100,813,157</u>	<u>\$ 113,541,685</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 100,679,694	\$ 71,627,152
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	36,110,253	31,608,943
Changes in noncash assets and noncash liabilities:		
Accounts receivable – customers and other, net	(1,630,245)	(9,486,186)
Inventories	(3,092,939)	3,908,912
Prepayments and other current assets	1,666,863	(300,872)
Customer deposits	1,284,784	1,254,534
Accounts payable	(146,158)	(12,980,594)
Payroll and payroll-related liabilities	629,225	501,809
Accrued claims payable	(986,359)	100,084
Other accrued liabilities	20,192	(516,083)
Deferred fuel costs and deferred purchased power	(1,583,814)	6,506,094
Construction contract payable	928,896	(16,625,495)
Deferred outflows - pension	8,695,263	(7,646,321)
Deferred inflows - pension	29,187,767	4,766,820
Net pension asset/liability	(42,966,519)	5,990,777
Postretirement benefit obligation	-	435,450
Total other postemployment benefit liability	480,768	-
Deferred outflows - other postemployment benefits	411,568	-
Other noncurrent assets, net	604,275	826,682
Net cash provided by operating activities	<u>\$ 130,293,514</u>	<u>\$ 79,971,706</u>
Supplemental noncash disclosure:		
Contributions of capital assets from developers	\$ -	\$ 220,273
Accounts payable incurred for purchase of capital assets	633,464	11,199,681

Board of Public Utilities

Notes to Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

Description of Business

The Board of Public Utilities of Kansas City, Kansas (the BPU) consists of the municipal electric and water utility, which provide services to approximately 65,000 electric and 51,000 water customers.

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

Basis of Accounting

The BPU accounts for the water and electric utility as an enterprise fund. Significant interdepartmental accounts, including interdepartmental sales, have been eliminated. BPU uses the economic resources measurement focus and accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. The BPU's accounting policies conform to the requirements for regulated operations. In accordance with these rules, certain costs or credits may be recorded as deferred charges or credits when it is probable that future rates established by the Board permit recovery of specific costs or require these credits to be returned to ratepayers. The BPU applies the provisions of GASB Accounting Standards Codification Section Re10, *Regulated Operations*, as appropriate.

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

Estimates and Assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of capital assets; allowances for doubtful accounts, and inventory; employee benefit obligations, environmental liabilities and other contingencies.

Board of Public Utilities

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Revenue Recognition

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

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

Operating revenues reported in the statements of revenues, expenses and changes in net position are shown net of discounts and estimated allowances for doubtful accounts.

Cash and Cash Equivalents

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

Capital Assets

Capital assets are stated at cost to acquire or cost to construct. These costs include payroll-related costs, including pensions and other fringe benefits. When capital assets are disposed, the net book value of assets retired plus the cost of removal, less salvage, is charged against accumulated depreciation with no gain or loss recognized. Repairs and maintenance are charged to maintenance expense. Contributions from developers and others are stated at acquisition value at the date donated. Currently, the BPU has a capitalization threshold of \$5,000 for plant assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The BPU has three items that meet the criterion for reporting as deferred outflows on the statement of net position, the deferred charge on bond refunding, the difference between projected and actual earnings on pension plan investments, and contributions made to retirement and other postemployment benefit plans subsequent to the measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The difference between projected and actual earnings on pension plan investments is recognized in pension expense over a five-year period, beginning in the current reporting period. These amounts are described in detail in Note 9.

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In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue and/or contra expense) until that time. The BPU will report the over recovery of revenue from the Energy Rate Component (ERC) rider and certain changes in assumptions relating to the pension plan as deferred inflows of resources on the statement of net position.

Depreciation

The BPU depreciates plant and equipment on a composite basis over their estimated useful lives on a straight-line basis. In 2014, the BPU engaged an independent third-party consulting firm to conduct a depreciation study to determine if existing depreciation rates remained applicable to the depreciable property groups. New depreciation rates resulting from the study were adopted during fiscal year 2015.

	Composite Rates	Useful Lives (in years)
Production plant	1.70%–9.69%	10–59
Transmission and distribution	1.36%–8.76%	11–74
General plant	2.52%–7.75%	13–40

Interest Capitalization

Interest costs incurred to finance construction work in progress net of interest income from tax-exempt bonds are capitalized. The BPU capitalized \$3.3 million and \$5.3 million in 2018 and 2017, respectively.

Accounts Receivable

An estimate is made for the provision for uncollectible accounts based on an analysis of the aged accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon management’s evaluation of customer credit risks. Allowances for doubtful accounts totaled \$506 thousand and \$644 thousand at December 31, 2018 and 2017, respectively.

Inventories

Inventories are stated at cost and consist of the following:

	2018	2017
Fuel	\$ 6,560,937	\$ 3,575,702
Material and supplies	21,521,141	21,413,437
Total	\$ 28,082,078	\$ 24,989,139

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Investments

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

Brushy Creek Coal Company and Liberty Coal Company

The BPU holds an indirect 50% interest in Brushy Creek Coal Company (BCCC) and a 50% indirect interest in Liberty Coal Company (Liberty). The other 50% interest is indirectly owned by the City of Sikeston, Missouri (Sikeston). BCCC was the owner and operator of a coal mine and related equipment located in Illinois. BCCC discontinued mining operations in 1997. BCCC did not have material operations during the years ended December 31, 2018 and 2017. Upon cessation of operations at BCCC, the BPU became contractually responsible for 50% of asset retirement obligations and for 50% of certain postretirement benefits to mine workers. At December 31, 2018 and 2017 the BPU has recorded an estimated liability of \$1.4 million and \$1.5 million, respectively, within accrued claims payable for its estimated remaining share of these obligations. Funding provided for these obligations was \$100,000 and \$450,000 in 2018 and 2017, respectively.

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

Customer Deposits

Customer deposits are moneys that have been collected from customers that are held by the BPU until the customer either terminates their service or the customer is in good credit standing with the BPU for 12 months. The funds are held in an interest-bearing account; after 12 months, the deposit, plus interest, is credited back to the customer.

Debt Issuance Costs

Debt issuance costs are expensed as incurred with the exception that bond insurance premiums are capitalized and amortized over the life of the bonds.

Pensions

In accordance with the BPU's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the measurement date* - an amendment of GASB Statement No. 68, the net pension liability, deferred outflows of

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resources, deferred inflows of resources and pension expense have been recognized in the financial statements.

The net pension liability (asset) is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, pension expense, and information about the fiduciary net position of the Retirement Pension Plan for Employees of the Board of Public Utilities of Kansas City, Kansas (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense have been determined on the same basis. For this purpose, benefit payments are funded on a pay-as-you-go basis. The BPU funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement benefits. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the year ended December 31, 2018, the following timeframes are used:

- Valuation Date January 1, 2018
- Measurement Date December 31, 2017
- Measurement Period January 1, 2017 to December 31, 2017

Vacation and Sick Leave

Under the terms of the BPU's personnel policy, employees are granted vacation and sick leave. In the event of termination, an employee is paid for accumulated vacation days. Employees may carry over, from year to year, a maximum of 80 hours of vacation hours for bargaining unit employees and 120 hours for nonbargaining employees. The liability for accumulated vacation of \$1,358,500 and \$1,273,390 includes current vacation of \$251,540 and \$203,200 at December 31, 2018 and 2017, respectively, which is included in reserve for compensated absences and payroll and payroll tax liabilities in the accompanying statements of net position. Sick leave can be accrued up to 1,760 hours. Employees who resign with at least 15 years of service are paid for 75% of accumulated sick leave. All employees are paid for accumulated sick leave upon retirement or death. The liability for accrued sick leave of \$5,540,800 and \$5,218,570 includes

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December 31, 2018 and 2017

current sick leave of \$1,006,160 and \$812,800 at December 31, 2018 and 2017, respectively, which is included in reserve for compensated absences and payroll and payroll taxes in the accompanying statements of net position.

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Sick leave	\$ 5,218,570	\$ 1,006,160	\$ (683,930)	\$ 5,540,800
Vacation	1,273,390	251,540	(166,430)	1,358,500

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Sick leave	\$ 4,662,600	\$ 812,800	\$ (256,830)	\$ 5,218,570
Vacation	1,212,600	203,200	(142,410)	1,273,390

Net Position

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

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

New Accounting Pronouncements - Not Yet Effective

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018. The primary objective is to reduce inconsistency in financial reporting and enhance comparability for both the recognition and measurement for asset retirement obligations, other than landfills. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The BPU is currently assessing the impact of this statement.

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In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and this statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. At this time, the BPU is currently assessing the impact of this statement

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019. At this time, the BPU is currently assessing the impact of this statement.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. The objective of this Statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring direct borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or additional to, risks related to other types of debt. The statement also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: Significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective accelerated clauses. This Statement is effective for periods beginning after June 15, 2018. At this time, the BPU is currently assessing the impact of this statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will

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not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for periods beginning after December 15, 2019. At this time, the BPU is currently assessing the impact of this statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement is effective for periods beginning after December 15, 2018. At this time, the BPU is currently assessing the impact of this Statement.

Change in Accounting Principle

In 2018, the BPU adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenses for other postemployment benefits that are provided to retirees.

The BPU has not restated its financial statements as of and for the year ended December 31, 2017 because the actuarial information was not readily available for that period, thus making restatement of the 2017 financial statements not practical.

As a result of the implementation, unrestricted net position (deficit) as of January 1, 2018 was restated as follows:

Unrestricted net position (deficit), as previously reported	\$ 38,174,215
Cumulative effect of change in accounting principle:	
OPEB liability (measurement date of December 31, 2017) - GASB 75	(54,506,878)
OPEB obligation - GASB 45	5,917,229
Benefit payments made subsequent to the measurement date	3,825,600
Total cumulative effect of change in accounting principle	(44,764,049)
Unrestricted net position (deficit), as restated	\$ (6,589,834)

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Note 2: Cash and Investments

Kansas state statutes authorize the BPU, with certain restrictions, to invest in open accounts, time deposits, certificates of deposit, U.S. Treasury notes and U.S. agency notes. All deposits with banks are collateralized at 102% of market value, as required by the BPU's Cash and Investment Policy and Kansas state statute, less insured amounts.

The following represents the BPU's total cash and investments at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and certificates of deposit (CDs)	\$ 1,260,942	\$ 495,245
Repurchase agreements	54,913,097	45,776,426
U.S. agency	17,763,711	16,964,644
Money market funds	<u>42,317,917</u>	<u>64,907,872</u>
Total cash and investments	<u>\$ 116,255,667</u>	<u>\$ 128,144,187</u>

Cash and investments are included in the following statement of net position accounts at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 47,940,247	\$ 38,994,491
Cash and cash equivalents – restricted	14,185,639	13,040,150
Investments – restricted	15,193,510	14,353,502
Noncurrent restricted assets:		
Cash and cash equivalents	38,687,271	61,507,044
Investments	<u>249,000</u>	<u>249,000</u>
	<u>\$ 116,255,667</u>	<u>\$ 128,144,187</u>

Deposits and Investments

The BPU maintains a cash and investment program to pay for operating and capital requirements, as well as, for debt service requirements. The investment program consists of deposits, repurchase agreements, certificates of deposit and U.S. Treasury securities. Other investments using U.S. agency and money market fund securities for the debt service program are managed by the bond trustee. Nearly all maturities of securities were less than one year. At December 31, 2018 and 2017, the bank balance and certificates of deposit were \$1,260,942 and \$495,245, respectively, which were covered by federal depository insurance or collateral held in safekeeping in the BPU's name.

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The fair values, as determined by market prices, of the BPU's cash and investments at December 31, 2018 are as follows:

Investment Type	Fair Value	Investment Maturities	
		Less than 6 Months	6-12 Months
Cash and CDs	\$ 1,260,942	\$ 1,260,942	\$ -
Repurchase agreements	54,913,097	54,913,097	-
U.S. agency	17,763,711	10,235,401	7,528,310
Money market funds	42,317,917	42,317,917	-
Total	<u>\$ 116,255,667</u>	<u>\$ 108,727,357</u>	<u>\$ 7,528,310</u>

The fair values, as determined by market prices, of the BPU's cash and investments at December 31, 2017 are as follows:

Investment Type	Fair Value	Investment Maturities	
		Less than 6 Months	6-12 Months
Cash and CDs	\$ 495,245	\$ 495,245	\$ -
Repurchase agreements	45,776,426	45,776,426	-
U.S. agency	16,964,644	10,495,883	6,468,761
Money market funds	64,907,872	64,907,872	-
Total	<u>\$ 128,144,187</u>	<u>\$ 121,675,426</u>	<u>\$ 6,468,761</u>

Investment Policy

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

Credit Risk

Credit risk is the risk that an entity will not be able to honor its commitments in the event of liquidation. The BPU's investment policy states that the investment portfolio be designed and managed in accordance with the responsibility of ensuring the public's trust and is consistent with state and local laws. Two investment objectives that the BPU strives for are safety and liquidity. Investments are made so as to minimize the potential for realized losses arising from changes in market value or issuer default. Sufficient liquidity is also maintained in order to meet the anticipated cash needs of the utility. The BPU manages credit risk by requiring all investments meet the investment guidelines as established by the State of Kansas as described in K.S.A. 12-1675 and 10-131. These statutes require all investments be in (a) U.S. Treasury securities; (b) U.S. agency securities; (c) Money Market Mutual Funds; (d) Repurchase Agreement securities;

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(e) and any external investment pools and be the highest rated by nationally recognized rating agencies. All of the BPU's securities including money market mutual funds are AAA rated by Moody's. Any bank deposits and certificates of deposit are fully collateralized by the FDIC or other qualifying securities. All securities held by the BPU meet the credit quality objective.

Custody Risk

Custody risk is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The BPU believes it has no custodial risk. All securities are registered in the name of the BPU and held by a third-party safekeeping agent. Investments in money market mutual funds are not exposed to custodial risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The BPU manages credit risk by requiring all investments meet the investment guidelines as established by the state of Kansas in K.S.A. 12-1675 and 10-131 and diversifying investment holdings to avoid high concentration of any one security issuer. The BPU has a concentration of credit risk where it holds more than 5% of its investment portfolio in any one security issuer other than U.S. Treasury securities and in investment pools.

The following U.S. agency securities held in safekeeping by the BPU's bond trustee are in excess of 5% of total investments as of December 31, 2018:

Issuer	Amount	Percentage of Total Portfolio
Federal Home Loan Bank	\$ 17,763,711	15.33%

The following U.S. agency securities held in safekeeping by the BPU's bond trustee are in excess of 5% of total investments as of December 31, 2017:

Issuer	Amount	Percentage of Total Portfolio
Federal Home Loan Bank	\$ 9,485,043	7.40%
Federal Home Loan Mortgage Corp	7,479,601	5.84%

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Interest Rate Risk

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

Derivatives

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

Nonrestricted Designated Assets

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

	<u>2018</u>	<u>2017</u>
Economic development fund	\$ 500,000	\$ 500,000
Capital debt reduction	6,290,000	6,290,000
Reserve - Public Liability	1,000,000	1,000,000
Reserve - Worker's Comp	1,100,000	1,100,000
Rate stabilization fund	9,156,273	9,156,273
Sytsem development reserve	8,786,900	8,346,900
	<u>\$ 26,833,173</u>	<u>\$ 26,393,173</u>

Note 3: Restricted Assets

Restricted assets were held in the following funds at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Debt service fund	\$ 22,645,357	\$ 21,944,645
Customer deposits	6,733,792	5,449,008
Construction funds	37,436,271	60,256,043
Improvement and emergency fund	1,500,000	1,500,000
Total restricted assets	<u>\$ 68,315,420</u>	<u>\$ 89,149,696</u>

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

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Note 4: Dogwood Energy Facility (Dogwood)

The BPU owns an undivided 17% interest in the assets of the Dogwood Energy Facility (Dogwood), a natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri in Cass County, Missouri, operated by Dogwood Energy, LLC. In addition to the BPU, Kansas Power Pool (KPP), Missouri Joint Municipal Electric Utility Commission (MJMEUC) and the City of Independence, Missouri also own 10.3%, 16.4% and 12.3%, respectively, of the Dogwood Energy Facility. Dogwood Energy, LLC maintains the remaining ownership (44.0%) in the facility.

The BPU's portion of the 630 megawatt (MW) rated capability of Dogwood is approximately 110 megawatts (MW). Generation from Dogwood and operating expenses incurred by Dogwood are allocated to the BPU based on the 17% ownership interest. The BPU's proportionate share of its plant operating expenses is included in the corresponding operating expenses in the statements of net position. In addition, the BPU is required to provide its share of financing for any capital additions to Dogwood. During 2018 and 2017, the BPU's portion of fuel expense was \$7,899,115 and \$4,511,953, respectively, and its portion of operating and maintenance expense was \$2,740,027 and \$2,495,256, respectively. The BPU also receives a portion of the wholesale sales generated by the Dogwood plant. The BPU received \$11,900,842 and \$6,270,335 during 2018 and 2017, respectively, in wholesale sales from Dogwood. These amounts are included in the accompanying statements of revenues, expenses and changes in net position.

The BPU applied proportionate consolidation rules to record its undivided ownership interest in this facility. The BPU's investment includes an acquisition adjustment of \$34.8 million, which is presented as property, plant and equipment and amortized over the estimated life of the plant (29.1 years). The BPU paid 15 years of Payment-in-Lieu of Taxes (PILOT) to Cass County, Missouri in the amount of \$2.5 million. This was recorded as a prepayment and is being amortized until 2028.

The BPU Board of Directors has approved the recovery of amounts invested in this facility, including the acquisition adjustments in current rates.

Information relative to the BPU's ownership interest in Dogwood as of December 31, 2018 and 2017, is shown in the table below. These amounts are included in the 2018 and 2017 Capital Assets table in Note 5.

Facility (type)	Ownership	Net MW	Service	Depreciation	CWIP
2018					
Dogwood (combined cycle)	17%	110	\$ 37,945,897	\$ 7,116,334	\$ 1,276,445
2017					
Dogwood (combined cycle)	17%	110	\$ 39,068,395	\$ 6,075,238	\$ 378,668

The BPU has an operating agreement with Dogwood Energy, LLC, which provides for a management committee comprising one representative and an alternate from each participant. Dogwood Power Management, LLC, the project management company, controls the operating and

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maintenance decisions of Dogwood in its role as operator. The BPU and other participating entities have joint approval rights for the annual business plan, the annual budget and material changes to the budget.

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Electric:					
Production plant	\$ 892,449,100	\$ 30,860,300	\$ (64,103)	\$ 12,131,600	\$ 935,376,897
Transmission and distribution	392,882,819	15,884,729	(115,872)	152,234	408,803,910
General plant	128,753,848	1,860,678	-	52	130,614,578
Total electric	<u>1,414,085,767</u>	<u>48,605,707</u>	<u>(179,975)</u>	<u>12,283,886</u>	<u>1,474,795,385</u>
Water:					
Production plant	139,258,840	1,908,588	-	-	141,167,428
Transmission and distribution	190,999,843	4,704,332	-	1,951	195,706,126
General plant	44,683,588	712,355	(70,358)	50,343	45,375,928
Total water	<u>374,942,271</u>	<u>7,325,275</u>	<u>(70,358)</u>	<u>52,294</u>	<u>382,249,482</u>
Property, plant, and equipment	1,789,028,038	55,930,982	(250,333)	12,336,180	1,857,044,867
Construction work in progress – not depreciable					
	<u>106,598,953</u>	<u>56,947,060</u>	<u>(69,468,290)</u>	<u>-</u>	<u>94,077,723</u>
Total capital assets	<u>1,895,626,991</u>	<u>112,878,042</u>	<u>(69,718,623)</u>	<u>12,336,180</u>	<u>1,951,122,590</u>
Less accumulated depreciation:					
Electric:					
Production plant	380,862,805	17,256,521	(64,103)	416,647	398,471,870
Transmission and distribution	225,346,122	5,894,344	(96,249)	-	231,144,217
General plant	72,576,380	3,759,706	-	-	76,336,086
Total electric	<u>678,785,307</u>	<u>26,910,571</u>	<u>(160,352)</u>	<u>416,647</u>	<u>705,952,173</u>
Water:					
Production plant	57,889,719	3,743,013	-	-	61,632,732
Transmission and distribution	43,638,731	3,160,207	-	-	46,798,938
General plant	29,437,130	1,033,225	(42,298)	-	30,428,057
Total water	<u>130,965,580</u>	<u>7,936,445</u>	<u>(42,298)</u>	<u>-</u>	<u>138,859,727</u>
Combined total	<u>809,750,887</u>	<u>34,847,016</u>	<u>(202,650)</u>	<u>416,647</u>	<u>844,811,900</u>
Capital assets, net	<u>\$ 1,085,876,104</u>	<u>\$ 78,031,026</u>	<u>\$ (69,515,973)</u>	<u>\$ 11,919,533</u>	<u>\$ 1,106,310,690</u>

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Capital asset activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Electric:					
Production plant	\$ 676,541,390	\$ 217,108,842	\$ -	\$ (1,201,132)	\$ 892,449,100
Transmission and distribution	380,314,650	12,785,502	(219,894)	2,561	392,882,819
General plant	120,857,967	7,895,393	-	488	128,753,848
Total electric	<u>1,177,714,007</u>	<u>237,789,737</u>	<u>(219,894)</u>	<u>(1,198,083)</u>	<u>1,414,085,767</u>
Water:					
Production plant	135,853,387	3,405,453	-	-	139,258,840
Transmission and distribution	187,875,909	3,104,863	-	19,071	190,999,843
General plant	40,912,168	3,771,393	-	27	44,683,588
Total water	<u>364,641,464</u>	<u>10,281,709</u>	<u>-</u>	<u>19,098</u>	<u>374,942,271</u>
Property, plant, and equipment	1,542,355,471	248,071,446	(219,894)	(1,178,985)	1,789,028,038
Construction work in progress – not depreciable	<u>293,925,294</u>	<u>60,763,194</u>	<u>(248,089,535)</u>	<u>-</u>	<u>106,598,953</u>
Total capital assets	<u>1,836,280,765</u>	<u>308,834,640</u>	<u>(248,309,429)</u>	<u>(1,178,985)</u>	<u>1,895,626,991</u>
Less accumulated depreciation:					
Electric:					
Production plant	365,515,783	14,265,949	-	1,081,073	380,862,805
Transmission and distribution	222,134,596	5,516,229	(207,536)	(2,097,167)	225,346,122
General plant	70,798,969	3,424,026	-	(1,646,615)	72,576,380
Total electric	<u>658,449,348</u>	<u>23,206,204</u>	<u>(207,536)</u>	<u>(2,662,709)</u>	<u>678,785,307</u>
Water:					
Production plant	54,059,987	3,815,807	-	13,925	57,889,719
Transmission and distribution	35,637,826	3,070,976	-	4,929,929	43,638,731
General plant	31,266,719	904,185	-	(2,733,774)	29,437,130
Total water	<u>120,964,532</u>	<u>7,790,968</u>	<u>-</u>	<u>2,210,080</u>	<u>130,965,580</u>
Combined total	<u>779,413,880</u>	<u>30,997,172</u>	<u>(207,536)</u>	<u>(452,629)</u>	<u>809,750,887</u>
Capital assets, net	<u>\$ 1,056,866,885</u>	<u>\$ 277,837,468</u>	<u>\$ (248,101,893)</u>	<u>\$ (726,356)</u>	<u>\$ 1,085,876,104</u>

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Note 6: Long-Term Debt

The BPU's indebtedness as of December 31, 2018 consists of the following obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year
Revenue bonds:					
2009A	\$ 3,640,000	\$ —	\$ (1,775,000)	\$ 1,865,000	\$ 1,865,000
2010 refunding	13,370,000	—	(2,980,000)	10,390,000	825,000
2011	78,445,000	—	(3,365,000)	75,080,000	5,780,000
2012 refunding	105,045,000	—	(2,210,000)	102,835,000	2,310,000
2012B	70,675,000	—	(1,735,000)	68,940,000	1,805,000
2014	172,020,000	—	(7,325,000)	164,695,000	9,930,000
2016A	114,165,000	—	—	114,165,000	—
2016BI	4,120,000	—	(1,345,000)	2,775,000	1,370,000
2016B refunding	42,545,000	—	—	42,545,000	—
2016C	56,265,000	—	—	56,265,000	—
	<u>660,290,000</u>	<u>—</u>	<u>(20,735,000)</u>	<u>639,555,000</u>	<u>23,885,000</u>
Unamortized premium	<u>65,746,036</u>	<u>—</u>	<u>(3,132,682)</u>	<u>62,613,354</u>	
Total revenue bonds	726,036,036	—	(23,867,682)	702,168,354	
Capital leases	1,003,499	—	(1,003,499)	—	—
Government loans – Unified KCK	3,733,635	—	(283,363)	3,450,272	291,092
Government loans – KDHE	31,076,736	2,388,271	(2,540,453)	30,924,554	2,530,099
	<u>\$ 761,849,906</u>	<u>\$ 2,388,271</u>	<u>\$ (27,694,997)</u>	<u>\$ 736,543,180</u>	<u>\$ 26,706,191</u>

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The BPU's indebtedness as of December 31, 2017 consists of the following obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year
Revenue bonds:					
2009A	\$ 5,330,000	\$ —	\$ (1,690,000)	\$ 3,640,000	\$ 1,775,000
2010 refunding	16,245,000	—	(2,875,000)	13,370,000	2,980,000
2011	81,700,000	—	(3,255,000)	78,445,000	3,365,000
2012 refunding	107,200,000	—	(2,155,000)	105,045,000	2,210,000
2012B	72,340,000	—	(1,665,000)	70,675,000	1,735,000
2014	179,055,000	—	(7,035,000)	172,020,000	7,325,000
2016A	114,165,000	—	—	114,165,000	—
2016BI	5,440,000	—	(1,320,000)	4,120,000	1,345,000
2016B refunding	42,545,000	—	—	42,545,000	—
2016C	56,265,000	—	—	56,265,000	—
	<u>680,285,000</u>	<u>—</u>	<u>(19,995,000)</u>	<u>660,290,000</u>	<u>20,735,000</u>
Unamortized premium	<u>68,878,718</u>	<u>—</u>	<u>(3,132,682)</u>	<u>65,746,036</u>	
Total revenue bonds	749,163,718	—	(23,127,682)	726,036,036	
Capital leases	2,261,193	—	(1,257,694)	1,003,499	1,003,499
Government loans – Unified KCK	4,010,680	—	(277,043)	3,733,637	283,362
Government loans – KDHE	30,065,860	3,555,275	(2,544,399)	31,076,736	2,450,673
	<u>\$ 785,501,451</u>	<u>\$ 3,555,275</u>	<u>\$ (27,206,818)</u>	<u>\$ 761,849,908</u>	<u>\$ 24,472,534</u>

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Details of utility system revenue bonds outstanding at December 31, 2018 and 2017 are as follows:

Revenue Bonds	Interest Rate	Original Amount	Maturity	2018	2017
2009A	2.75-5.00 %	\$ 57,575,000	09-01-2034	\$ 1,865,000	\$ 3,640,000
2010 Refunding	2.00-5.00	32,190,000	09-01-2028	10,390,000	13,370,000
2011 Series	2.00-5.20	90,000,000	09-01-2036	75,080,000	78,445,000
2012 Refunding	3.12-5.00	110,830,000	09-01-2032	102,835,000	105,045,000
2012B	2.00-5.00	79,540,000	09-01-2037	68,940,000	70,675,000
2014 Refunding and Imp.	3.00-5.00	190,620,000	09-01-2044	164,695,000	172,020,000
2016A	3.00-5.00	114,165,000	09-01-2045	114,165,000	114,165,000
2016BI	2.00	6,775,000	11-01-2020	2,775,000	4,120,000
2016B Refunding	3.25-5.00	42,545,000	09-01-2034	42,545,000	42,545,000
2016C	5.00	56,265,000	09-01-2046	56,265,000	56,265,000
Subtotal				639,555,000	660,290,000
Current maturities				(23,885,000)	(20,735,000)
Unamortized premium				62,613,355	65,746,036
Total utility system revenue bonds, excluding current maturities				\$ 678,283,355	\$ 705,301,036

Interest on portions of the outstanding utility system revenue bonds is payable on a semiannual basis. As of December 31, 2018 and 2017, the BPU was in compliance with all required debt covenant ratios.

The BPU completed a defeasement of utility systems revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide all future debt service payments on the old 2009 Utility System Revenue Bonds. Accordingly, neither the trust account assets nor the liability for the defeased bonds are included in the BPU's financial statements. The amount of outstanding advance refunding of in substance defeased debt as of December 31, 2018 and 2017 was a total of \$42,315,000 each year.

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The debt service to maturity on the outstanding BPU revenue bonds as of December 31, 2018 is as follows:

	Principal	Interest (including Accreted)
Bond year(s) ending December 31:		
2019	\$ 23,885,000	\$ 30,718,319
2020	24,700,000	29,614,368
2021	24,400,000	28,480,068
2022	27,725,000	27,311,156
2023	28,805,000	25,932,106
2024–2028	135,580,000	110,072,644
2029–2033	154,200,000	74,701,288
2034–2038	105,445,000	41,925,688
2039–2043	80,600,000	20,986,663
2044–2046	34,215,000	2,689,750
	\$ 639,555,000	\$ 392,432,050

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

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

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

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

Total indebtedness also includes government loans, which represent the amounts borrowed from Kansas Department of Health and Environment for the purpose of Water capital improvements to be repaid in installments over 19 years ending 2036. Governmental loans also include a \$3.5 million loan with the Unified Government of Wyandotte County and Kansas City, Kansas, for improvements to the radio tower system.

The debt service to maturity on the outstanding BPU government loans as of December 31, 2018 is as follows:

	Principal	Interest (including Accreted)
Year(s) ending December 31:		
2019	\$ 2,821,191	\$ 909,220
2020	2,908,781	828,897
2021	2,999,540	745,941
2022	3,105,738	659,166
2023	3,193,890	569,467
2024–2028	11,402,064	1,716,831
2029–2033	7,425,468	655,747
2034–2036	518,154	68,592
	\$ 34,374,826	\$ 6,153,861

In July 2014, the BPU entered into a Kansas Public Water Supply loan fund agreement, for which the amount is not to exceed \$13.0 million. The projects to be funded by this loan consist of filter media and pump replacement at the Nearman Water Treatment Plant and replacement of deteriorated water lines throughout the distribution system. As of December 31, 2018, and 2017, the BPU has drawn approximately \$11.9 million and \$9.5 million of the \$13.0 million, respectively. This amount is included in the principal column of the above debt service schedule. Also, in the above debt service schedule, the interest including accreted balances column includes \$225 thousand and \$1.0 million in accreted scheduled interest on the July 2014 Kansas Public Water Supply loan fund agreement for the years ended December 31, 2018 and 2017, respectively.

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The BPU has pledged specific revenue streams to secure the repayment of certain outstanding debt issuances. The corresponding debt issuances are for utility system revenue bonds and the purpose of the debt is for utility improvements. The following table lists those revenues, the amount and term of pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year and the approximate percentage of the revenue stream that has been committed:

Type revenue pledged	Amount of pledge	Term of commitment	Percentage of revenue pledged	Principal and interest for the year ended 2018	Pledged revenue recognized for the year ended 2018
Electric and water operating revenue	\$ 1,031,987,050	Through 2046	14.6%	\$ 52,290,494	\$ 62,748,593

Note 7: Regulatory Assets and Deferred Inflows

The BPU is subject to the provisions of GASB Codification Section Re10, *Regulated Operations*, and has recorded assets and deferred inflows on its statements of net position resulting from the effects of the rate-making process, which would not be recorded under U.S. generally accepted accounting principles for nonregulated entities. Regulatory assets represent costs incurred that have been deferred because future recovery in customer rates is probable. Deferred inflows generally represent probable future reductions in revenue or refunds to customers. Management regularly assesses whether regulatory assets and deferred inflows are probable of future recovery or refund. If recovery or refund of regulatory assets or deferred inflows is not approved by the BPU Board of Directors, which is authorized to approve rates charged to customers or is no longer deemed probable, these regulatory assets or deferred inflows are recognized in the current period results of operations. Additionally, these factors could result in an impairment of utility plant assets if the cost of the assets could not be expected to be recovered in customer rates. Regulatory assets and deferred inflows as of December 31, 2018 and 2017 are as follows:

	Amortization Ending	2018	2017
Deferred inflows:			
Recovery fuel purchased power	2019	\$ 4,750,297	\$ 6,334,111
Total deferred inflows		<u>\$ 4,750,297</u>	<u>\$ 6,334,111</u>

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

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

The BPU is exempt from federal and state income taxes and local property taxes because it is an administrative agency of the Unified Government. However, the BPU is required by a Charter Ordinance to pay a percentage of gross operating revenues to the Unified Government. The Charter Ordinance established a range of 5.0% – 15.0%. The payment-in-lieu of tax was established at 11.9% in 2018 and 2017, which amounted to \$35,490,480 and \$32,673,555, respectively. The PILOT is billed and collected by the BPU by a supplemental rate rider.

In addition to these payments to the Unified Government, the BPU also contributes services to the Unified Government, such as electricity, water, street lighting, fire hydrant services, traffic signals, billing and collection of the Unified Government sewer, storm water and trash fees at no charge. These service contributions approximated \$10,134,369 and \$10,040,300 or 3.1% and 3.5% of total operating revenue, for 2018 and 2017, respectively. Expenses associated with these service contributions are recorded in the relevant operating expense caption on the statements of revenues, expenses and changes in net position.

Note 9: Commitments and Contingencies

Power Purchase and Sales Agreements

On December 21, 2006, the BPU entered into a Renewable Energy Purchase Agreement with TradeWind Energy to receive 25% of the energy output of Phase 1 of the Smoky Hills Wind Farm. This contract is a 20-year fixed price contract for 25% of the output of 100.8 MW of turbines as well as the Renewable Energy Credits associated with the output. The wind farm, which was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties, began commercial operation in January 2008. Total power purchased under this agreement was \$3,846,936 and \$4,240,598 in 2018 and 2017, respectively.

On November 3, 2010, the BPU entered into an agreement with Lawrence, Kansas based Bowersock Mills and Power Company to purchase 7 MW of hydroelectric power over the next 25 years, providing additional renewable energy resources to BPU's existing power generating mix. Total power purchased under this agreement was \$2,474,415 and \$2,531,763 in 2018 and 2017, respectively.

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In December 2013, the BPU completed negotiations with OwnEnergy Inc., a developer of mid-sized wind projects, for the purchase of 25 megawatts of energy generated by wind turbines. The wind farm will be located south of Alexander, Kansas in Rush County. Construction began in December 2013, and ties into the Southwest Power Pool (SPP) Midwest Energy transmission system. The contract between BPU and OwnEnergy Inc. is a 20-year renewable energy Purchase Power Agreement (PPA). The wind farm was completed in 2015 with commercial production beginning in December 2015. Total power purchased under this agreement was \$3,179,054 and \$3,331,510 in 2018 and 2017, respectively.

The BPU has contracts with the Southwestern Power Administration (“SPA”) entitling the BPU to annually purchase 38.6 MW of hydroelectric peaking capacity. These contracts provide the BPU with hydro allocations until July 1, 2020. The BPU counts the full SPA capacity as a firm supply resource, reducing the need for additional capacity purchases and delaying the need for additional firm generation or other firm purchase power agreements. The energy available from this capacity is equal to 1,200 hours per MW of capacity per year, the scheduling of such energy being at the BPU’s discretion (with certain minimum and maximum monthly and seasonal limitations). Total power purchased under this agreement was \$3,286,224 and \$3,251,670 in 2018 and 2017, respectively. The BPU also has an allotment of 5 MW of hydroelectric power from the Western Area Power Administration (“WAPA”) until September 30, 2024. Total power purchased under this agreement was \$468,077 and \$545,554 in 2018 and 2017, respectively.

In January 2016, the BPU completed negotiations with Tradewind Energy, Inc., a renewable energy developer, for the purchase of 200 megawatts of energy generated by wind turbines. Construction began on the wind farm in 2016 with commercial operations beginning in April of 2017. The facility is located just south of Minneola, Kansas and ties into the Southwest Power Pool (SPP) in the Sunflower Energy transmission system. The contract between BPU and the Cimarron Bend Wind Project, LLC is a 20-year renewable energy Purchase Power Agreement (PPA). Total power purchased under this agreement was \$18,003,499 and \$15,397,636 in 2018 and 2017, respectively.

In November 2016, the BPU finalized an agreement with MC Power, a solar developer, for the purchase of a 1 megawatt alternating current solar photovoltaic facility to be located at the Kansas City Board of Public Utilities Nearman Creek Power facility in Kansas City, Kansas. The contract between the BPU and MCP-KCBPU, LLC is a 25-year renewable energy PPA with commercial operations beginning in September of 2017. The project is intended to serve as a community solar project whereas BPU customers can license panels within the project to reduce their overall monthly electric expenses, while supporting greener initiatives. Total power purchased under this agreement was \$138,366 and \$428,751 in 2018 and 2017, respectively.

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

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Coal Contracts

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

Coal delivery to Nearman is contracted between WFA and Union Pacific Railroad which is effective until December 31, 2020. The delivery cost is established from a base price and is adjusted by indices set out in the contract.

The BPU is committed to purchase coal through WFA for the duration of the Nearman plant. The estimated coal purchase for Nearman station is \$19,300,000 and \$19,000,000 for 2019 and 2020, respectively. Any additional coal required will be bought through spot market.

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

Retirement Plan

Plan Description

The Retirement Pension Plan for the Board of Public Utilities of Kansas City, Kansas (the “Plan”) is a contributory, single-employer defined benefit pension plan administered by the Board of Pension Trustees of the Retirement Pension Plan of the Board of Public Utilities of Kansas City, Kansas (“the Board”) of Pension Trustees.

The Plan is governed by Kansas State statutes, which provide for the establishment of a Board of Pension Trustees and provides authorization for the Plan to take control and custody of all assets, property and funds presently held, controlled and in the possession of the Plan’s Board of Pension Trustees. The Plan was established and may be amended only by the Board of Pension Trustees. The Board of Pension Trustees is represented equally by three management seats, appointed by the General Manager, and three non-management seats elected by the BPU members. The Plan membership includes all persons employed by the BPU on a regular, permanent basis.

Separate, stand-alone financial statements of the Plan can be obtained from the Pension Administrator, in care of the Human Resources Department of the BPU, 540 Minnesota Avenue, Kansas City, KS 66101.

Benefits Provided

The primary benefits provided by the Plan are retirement benefits. However, the Plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire. An employee of the BPU is eligible for coverage at the time of employment as a regular, permanent BPU employee. An employee remains a Member of the Plan as long as they continue employment with the BPU. Vesting is achieved upon the completion of five years of service. For Tier 1 members, retirement is at age 55,

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regardless of service. Benefits are calculated using the compensation for the three highest years of service within the last 10 years of service, multiplied by the total years of service and the formula factor of 1.80 percent, plus final average salary multiplied by the total years of service prior to January 1, 2004 and the formula factor of 0.40 percent. Benefits vest after five years of service. For Tier 2 members, retirement is at age 65, with five years of service or age 60, with 30 years of service. Benefits are calculated using the compensation for the member’s entire career, multiplied by the formula factor of 1.50 percent. Benefits vest after five years of service.

Cost of Living Adjustment (COLA)

The COLA is an automatic, simple 3% for members who retired before January 1, 1993. The COLA is not automatic, but discretionary for members who retired on or after January 1, 1993. The COLA can vary from 0% to 3% of the previous year’s pension as determined by the Pension Board every year. If, on the first January 1 following benefit commencement, benefits have been received for less than a full calendar year, the increase is a fraction of the determined increase equal to the ratio of number of monthly benefit payments received divided by 12.

Employees Covered by Benefit Terms

The data required regarding the membership of the Plan was furnished by the Pension Administrator of the Plan. The following table summarizes the membership of the Plan as of January 1, 2018 and 2017, the respective measurement dates.

	2018	2017
Inactive Members or Beneficiaries Currently Receiving Benefits	810	817
Disabled Members	8	11
Inactive Members Entitled To But Not Yet Receiving Benefits	20	24
Inactive Non-vested Members Entitled to a Refund of Member Contributions	1	—
Active Members	554	538
Total	1,393	1,390

Contributions

Benefit and contribution provisions are established by and may only be amended by the Pension Board of Trustees. Contribution rates are determined annually by the Pension Board of Trustees. The BPU contributes a fixed contribution rate, equal to that of the members, currently 8.50% of pensionable earnings as of December 31, 2018 and 2017.

For the years ended December 31, 2018 and 2017, the BPU contributed \$4,393,307 and \$4,256,839, respectively to the Plan.

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Net Pension Liability/Asset

The total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of January 1, 2018 and 2017 and rolled forward to the measurement date. As of December 31, 2018, the Plan reported a net pension asset of \$22,516,528. As of December 31, 2017, the Plan reported a net pension liability of \$20,449,991.

Actuarial Assumptions

The total pension liability/asset based on the January 1, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, and applied to all periods included in the respective measurement:

Price inflation	3.10 percent
Salary inflation	4.70 - 11.00 percent
Long-term rate of return, net of investment expenses; and including inflation rate assumption	8.00 percent

Pre-retirement mortality rates were based on the RP-2000 Employee Table with generational mortality projections using Scale AA. Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table with generational mortality projections using Scale AA.

The actuarial assumptions used in the valuations were based on the results of the most recent actuarial experience study, which covered the five-year period ending December 31, 2012. The experience study report is dated June 18, 2014.

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience study prepared for the Plan. The results of the most recent experience study were presented in a report dated June 18, 2014. Several factors are considered in evaluating the long-term rate or return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by some investment consultants are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The investment consultant for the BPU does provide capital market assumptions for a 50-year period and those were used as part of the analysis. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The target asset allocation and best estimates of arithmetic real rates of return for each major asset class used for the experience study dated June 18, 2014, as provided by the Plan’s investment consultant, Demarche, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	20.0 %	5.9 %
Domestic Small Cap Equity	20.0	7.2
International Equity	13.0	6.1
International Small Cap Equity	4.0	7.4
Emerging Market Equities	3.0	8.9
Real Estate	14.0	5.5
Fixed Income - Intermediate	21.0	3.4
Fixed Income - High Yield	5.0	5.2
Cash and Cash Equivalents	0.0	1.0
	<u>100.0 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed the plan contributions from members and BPU will be made at the current contribution rates as determined annually by the Pension Board in effect on the measurement date:

- i. Employee contribution rate: 8.5% of annual compensation
- ii. BPU contribution rate: Same as member contributions (8.5% of annual compensation)
- iii. Administrative expenses for the current and future years were assumed to be .60% of the current member’s proportionate share of covered payroll.

Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments of 8.0% was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension (Asset) Liability

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) are:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2017	\$ 484,051,193	\$ 463,601,202	\$ 20,449,991
Changes for the year:			
Service cost	7,440,404	-	7,440,404
Interest on total pension liability	37,460,630	-	37,460,630
Difference between expected and actual experience	(10,311,840)	-	(10,311,840)
Changes of assumptions	5,161,410	-	5,161,410
Employer contributions	-	4,250,560	(4,250,560)
Employee contributions	-	4,250,560	(4,250,560)
Net investment income	-	74,677,580	(74,677,580)
Benefit payments, including member refunds	(32,206,227)	(32,206,227)	-
Administrative expenses	-	(461,577)	461,577
Net changes	7,544,377	50,510,896	(42,966,519)
Balances at December 31, 2018	\$ 491,595,570	\$ 514,112,098	\$ (22,516,528)

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	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 474,063,287	\$ 459,604,073	\$ 14,459,214
Changes for the year:			
Service cost	7,297,782	-	7,297,782
Interest on total pension liability	36,679,579	-	36,679,579
Difference between expected and actual experience	(14,572,637)	-	(14,572,637)
Changes of assumptions	12,331,048	-	12,331,048
Employer contributions	-	4,252,025	(4,252,025)
Employee contributions	-	4,252,025	(4,252,025)
Net investment income	-	27,612,362	(27,612,362)
Benefit payments, including member refunds	(31,747,866)	(31,747,866)	-
Administrative expenses		(371,417)	371,417
Net changes	9,987,906	3,997,129	5,990,777
Balances at December 31, 2017	\$ 484,051,193	\$ 463,601,202	\$ 20,449,991

- Within the January 1, 2017 valuation, the assumed COLA for post January 1, 1993 retirees was changed from 1% through 2022 and 3% thereafter to 1% through 2021 and 3% thereafter.
- Within the January 1, 2016 valuation, the assumed COLA for post January 1, 1993 retirees was changed from 1% through 2025 and 3% thereafter to 1% through 2022 and 3% thereafter.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability (asset) of the BPU has been calculated using a discount rate of 8.0%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate:

	2018		
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability (asset)	\$32,120,704	(\$22,516,528)	(\$68,594,236)
	2017		
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability (asset)	\$74,388,738	\$20,449,991	(\$24,974,382)

Pension Expense

For the fiscal years ended December 31, 2018 and 2017, the BPU recognized pension expense of (\$695,241) and \$7,368,115, respectively. Annual pension expense consists of service cost, interest and administrative expenses on pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period.

Deferred Outflows/Inflows of Resources related to Pensions

In accordance with GASB Statements No. 67 and 68, the BPU recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion and contributions subsequent to the measurement date as deferred outflow/inflows of resources.

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As of December 31, 2018, the BPU reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 19,842,136
Changes in assumptions	11,136,202	7,349,622
Difference between projected and actual earnings on pension plan investment	—	10,552,830
Contributions subsequent to the measurement date	<u>4,393,307</u>	<u>—</u>
Total	<u>\$ 15,529,509</u>	<u>\$ 37,744,588</u>

As of December 31, 2017, the BPU reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 16,890,898
Changes in assumptions	9,690,567	11,943,137
Difference between projected and actual earnings on pension plan investment	30,555,801	—
Contributions subsequent to the measurement date	<u>4,255,618</u>	<u>—</u>
Total	<u>\$ 44,501,986</u>	<u>\$ 28,834,035</u>

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The amount reported as deferred outflows of resources as of December 31, 2018 resulting from contributions subsequent to the measurement date of \$4,393,307 will be recognized as a reduction in the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended December 31:

2019	\$	(5,667,264)
2020		(4,918,995)
2021		(7,456,210)
2022		(8,565,917)
		(26,608,386)
	\$	(26,608,386)

Other Postemployment Benefits

Plan Description

The BPU provides certain postemployment healthcare and life insurance benefits to eligible retirees and their dependents in accordance with provisions established by the BPU’s Board of Directors. The plan is a single-employer defined-benefit healthcare plan administered by the BPU. The BPU currently determines the eligibility, benefits provided, and changes to those provisions applicable to eligible retirees. The OPEB plan does not issue separate financial statements. Employees are given a 90-day window to retire with medical coverage at ages 55 and above with seven consecutive years of service.

Benefits Policy

The post retirement benefit plan is a comprehensive major medical plan with a \$100 deductible per individual or \$200 per family. For individuals, the plan pays 80% of the next \$12,500 of allowable charges and 100% thereafter for the remainder of that calendar year. For families, the plan pays 80% of the next \$25,000 of allowable charges and 100% thereafter for the remainder of that calendar year. The plan has a lifetime maximum of \$750,000. Benefits cease at the first of the month that the retired employee attains age 65 or death. Spouse benefits end at the first of the month that the retired employee attains age 65, the end of the month of the retiree’s death, or on the date of the spouse’s death. Retirees are not required to contribute toward the cost of the postretirement benefits.

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Funding Policy

The contribution requirements of plan members and the BPU are established and can be amended by the BPU’s Board. The required contribution is based on a pay-as-you-go financing requirement. For the years ended December 31, 2018 and 2017, the BPU paid \$3,414,000 and \$3,825,597, respectively, for retirees medical. GASB Statement 75 does not require funding of the OPEB liability, and the BPU has chosen not to fund it. The BPU funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement benefits. A schedule of funding progress is included as required supplementary information.

Employees Covered by Benefit Terms

As of January 1, 2018 (the actuarial valuation date), the OPEB plan membership consisted of the following:

Number of Participants	
Retirees (with medical coverage)	183
Retiree Spouses (with medical coverage)	<u>128</u>
Total	<u>311</u>

GASB 75 Disclosures (2018)

Total OPEB Liability

The total OPEB liability of \$54,987,646 was measured as of December 31, 2017, and was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

- Discount rate:** 3.03% per annum
- Salary increases:** 2.50% per annum
- Healthcare cost trend rate:** Medical: 8.0% graded down to 5.0% over 10 years

The discount rate used for the plan was the S&P Municipal Bond 20-Year High Grade Index as of December 29, 2017.

Mortality rates were based on the RP-2014 total dataset adjusted to 2006 using MP-2014 and projected forward generationally using improvement scale MP-2017.

The actuarial cost method was Entry Age Normal Level Percent of Salary.

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The BPU's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for December 31 are as follows:

Changes in Total OPEB Liability

Balance at January 1, 2018	\$ 54,506,878
Service costs	2,689,238
Interest costs	1,617,127
Benefits payments	<u>(3,825,597)</u>
Net change	<u>480,768</u>
Balance at December 31, 2018	<u><u>\$ 54,987,646</u></u>

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the net OPEB liability calculated using the stated healthcare cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

	Healthcare cost trend rate		
	1% Decrease	Current	1% Increase
	7% decreasing to 4% over 10 years	8% decreasing to 5% over 10 years	9% decreasing to 6% over 10 years
Net OPEB Liability	\$ 50,390,373	\$ 54,987,646	\$ 60,321,874

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate		
	1% Decrease	Current	1% Increase
	2.03%	3.03%	4.03%
Net OPEB Liability	\$ 58,570,739	\$ 54,987,646	\$ 51,665,292

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the BPU recognized OPEB expense of \$4,306,365. At December 31, 2018, the BPU reported deferred outflows of resources related to OPEB from the following source:

Contributions subsequent to the measurement date	\$ 3,491,303
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Other Postretirement Benefits under GASB 45 - 2017

Plan Description

The BPU provides certain postemployment healthcare and life insurance benefits to eligible retirees and their dependents in accordance with provisions established by the BPU's Board of Directors. The plan is a single-employer defined-benefit healthcare plan administered by the BPU. The plan does not issue separate financial statements. Employees are given a 90-day window to retire with medical coverage at ages 55 and above with seven consecutive years of service. The retiree plan is a comprehensive major medical plan with a \$100 deductible per individual or \$200 per family. For individuals, the plan pays 80% of the next \$12,500 of allowable charges and 100% thereafter for the remainder of that calendar year. For families, the plan pays 80% of the next \$25,000 of allowable charges and 100% thereafter for the remainder of that calendar year. The plan has a lifetime maximum of \$750,000. Benefits cease at the first of the month that the retired employee attains age 65 or death. Spouse benefits end at the first of the month that the retired employee attains age 65, the end of the month of the retiree's death, or on the date of the spouse's death. Retirees are not required to contribute toward the cost of the postretirement benefits. There were 361 participants eligible to receive benefits under this plan as of December 31, 2017.

Funding Policy

The contribution requirements of plan members and the BPU are established and can be amended by the BPU's Board. Contributions are made to the plan based on a pay-as-you-go basis.

The BPU's annual Other Postemployment Benefits (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The BPU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017, 2016 and 2015 are as follows:

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	Annual OPEB Expense	Annual OPEB Contributed		Net OPEB
Fiscal year ended:				
December 31, 2017	\$ 4,462,496	90%	\$	5,917,229
December 31, 2016	4,687,591	91%		5,481,779
December 31, 2015	4,863,731	83%		5,074,739

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

	2017
Normal costs	\$ 1,793,169
Amortization payment	2,751,044
Annual required contribution (ARC)	4,544,213
Amortization of net OPEB obligation	(342,102)
Interest on net OPEB obligation	260,385
Total OPEB expense	4,462,496
Annual employer contribution	4,027,046
Change in OPEB obligation	435,450
Net OPEB obligation – beginning of year	5,481,779
Net OPEB obligation – end of year	\$ 5,917,229

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2017 is as follows:

	2017
Actuarial accrued liability (AAL)	\$ 43,407,651
Actuarial value of plan assets	—
Unfunded actuarial accrued liability (UAAL)	43,407,651
Funded ratio	—
Covered payroll	\$ 45,019,626
UAAL as a percentage of covered payroll	96.4%

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Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan member to that point. The actuarial methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. The valuation of the liabilities is based on a closed group. In the actuarial valuation as of December 31, 2017, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.75% discount rate, which includes an annual healthcare cost trend of 8.0% in 2017, reduced by decrements to an ultimate rate of 5% over 10 years. The projected annual salary increase is 2.5%. The unfunded actuarial accrued liability is being amortized over 20 years (closed) as a level percentage of payrolls.

Risk Management

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

The BPU is self-insured for workers' compensation, healthcare, certain general liability claims and a portion of the automobile and small vehicle fleet.

The BPU is responsible for the first \$750,000 of a workers' compensation claim per employee/per occurrence and workers' compensation claims greater than \$750,000 and up to \$35,000,000 per employee/per occurrence are fully insured. At December 31, 2018 and 2017, an asset of \$1,100,000 is within current assets-cash and cash equivalents and a liability of \$881,000 and \$675,000 as of December 31, 2018 and 2017 is within current liabilities-workers' compensation reserve in the statements of net position. Claims for worker's compensation in 2018 and 2017 were \$418,000 and \$470,000, respectively.

At December 31, 2018 and 2017, an asset of \$1,000,000 is within current assets-cash and cash equivalents and a liability of approximately \$536,000 and \$1,630,000 as of December 31, 2018 and 2017 is within current liabilities-public liability in the statements of net position. Public liability and healthcare claims paid were \$13,161,000 and \$13,098,000 as of December 31, 2018 and 2017, respectively.

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The BPU is essentially 100% self-insured for healthcare claims and is responsible for the first \$500,000 of general liability and automobile insurance claims. In addition, any general liability or automobile claims greater than \$35,000,000 are the responsibility of the BPU. Settlements did not exceed insurance coverage for the past three years. At December 31, 2018 and 2017, the BPU has established a liability of \$1,416,000 and \$2,305,000 for workers' compensation and public liability reserves, respectively, which is based on estimates of the amounts needed to pay prior and current year claims. The liability is based on the requirement that a liability for claims incurred prior to the statement of net position date be recorded if information related to such claims is available prior to the issuance of the financial statements and the amount of loss can be reasonably estimated. The total amount of claims and judgments is expected to become due within one year.

Changes in the workers' compensation and public liability reserves for 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Beginning accruals	\$ 2,305,000	\$ 2,622,000	\$ 3,154,000
Additional accruals	12,711,000	12,783,000	12,208,000
Charges for claim payments	(13,600,000)	(13,100,000)	(12,740,000)
Ending accruals	\$ 1,416,000	\$ 2,305,000	\$ 2,622,000

Environmental Compliance

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

In 2007, the BPU received from the EPA a Clean Air Act Section 114 information request seeking information about the types of projects that have been the subject of new source review permitting investigations. On November 25, 2008, EPA issued the BPU a Notice of Violation (NOV) alleging violation of Clean Air Act new source review permitting requirements. On December 19, 2008, the BPU received a supplemental Clean Air Act Section 114 information request to the 2007 information request. The BPU responded to both information requests. The NOV alleges violations of the Clean Air Act new source review permitting requirements and corresponding requirements under the Kansas State Implementation Plan at the Utility's Nearman plant dating back to 1994 (four violations) and Quindaro plant dating back to 2001 (two violations). The NOV states such fines and/or penalties could be as much as \$25,000 to \$32,500 per day (depending upon when the violation occurred) commencing from date of the violation. Settlements of numerous similar notice of violation have included penalties and injunctive relief requiring capital expenditures for air pollution control equipment in the hundreds of millions of dollars. The NOV issued to BPU offers opportunity for conference with EPA and the Department of Justice ("DOJ") regarding the allegations and a first conference was held in February 2009. Subsequently, EPA and DOJ made an offer of settlement to the BPU and the parties have had exchanges regarding settlement, the most recent in August 2011. Recent court decisions have limited EPA's ability to

Board of Public Utilities
Notes to Financial Statements
December 31, 2018 and 2017

successfully enforce through imposition of penalties and injunctive relief allegations in notices of violation like those in NOV issued to the BPU. In addition, pursuant to requirements of law, the utility has implemented measures and installed much of the pollution control equipment typically part of injunctive relief in enforcement of such notice of violation, the costs of which may be significant in addition to fines and penalties. The BPU is not presently able to evaluate what, if any, liability might be imposed and has not accrued anything for this possible obligation.

On July 16, 2012, the BPU and the Unified Government received from the Kansas Chapter of the Sierra Club a notice of intent to sue the BPU, under the Clean Air Act citizen suit provisions, for alleged violations of opacity emissions limits at the Nearman Station and Quindaro Station. The Sierra Club and the BPU signed a consent decree approved by the U.S. District Court on December 5, 2013. The Consent Decree requires that coal no longer be combusted at the Quindaro Station as of April 16, 2015 (which has been accomplished) and that the Nearman Station install and operate particulate matter pollution control equipment by June 1, 2017. The BPU has completed its obligations under the Consent Decree and intends to seek termination of the Decree.

Other Legal Matters

In the normal course of business, the BPU is subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. Management believes the amounts provided in the financial statements, as prescribed by U.S. generally accepted accounting principles, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in the BPU's financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2018 and 2017 cannot be reasonably determined.

Note 10: Principal Customers

Electric and water charges to the BPU's six largest retail customers expressed as a percentage of total operating revenues for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Principal retail customers:		
General Motors Corporation	3.9%	3.8%
CertainTeed Corp	4.0%	3.8%
Griffin Wheel Co	2.0%	2.3%
Johnson County WaterDistrict # 1	2.0%	2.0%
Univ. of Kansas Hosp. Auth.	2.0%	2.3%
Owens Corning Sales, LLC	<u>2.0%</u>	<u>2.0%</u>
Total principal retail customers	<u><u>15.9%</u></u>	<u><u>16.2%</u></u>

Board of Public Utilities
Notes to Financial Statements
December 31, 2018 and 2017

Note 11: Disclosures About Fair Value of Assets and Liabilities

The BPU categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The BPU has the following recurring fair value measurements:

- Federal agency securities of \$17,763,711 and \$16,964,644 as of December 31, 2018 and 2017, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets (Level 2 inputs)

Board of Public Utilities
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fiscal Years Ended December 31,
(Unaudited)

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 7,440,404	\$ 7,297,782	\$ 7,339,629	\$ 7,560,923
Interest on total pension liability	37,460,630	36,679,579	38,033,409	36,958,626
Difference between expected and actual experience	(10,311,840)	(14,572,637)	(9,622,386)	-
Assumption changes	5,161,410	12,331,048	(21,130,167)	-
Benefit payments, including member refunds	(32,206,227)	(31,747,866)	(31,346,590)	(30,832,788)
Net change in total pension liability	7,544,377	9,987,906	(16,726,105)	13,686,761
Total pension liability, beginning	484,051,193	474,063,287	490,789,392	477,102,631
Total pension liability, ending (a)	<u>\$ 491,595,570</u>	<u>\$ 484,051,193</u>	<u>\$ 474,063,287</u>	<u>\$ 490,789,392</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 4,250,560	\$ 4,252,025	\$ 4,172,968	\$ 4,278,318
Employee contributions	4,250,560	4,252,025	4,172,968	4,278,318
Net investment income	74,677,580	27,612,362	3,875,505	27,423,709
Benefit payments, including member refunds	(32,206,227)	(31,747,866)	(31,346,590)	(30,832,788)
Administrative expenses	(461,577)	(371,417)	(332,625)	(338,801)
Net change in plan fiduciary net position	50,510,896	3,997,129	(19,457,774)	4,808,756
Plan fiduciary net position, beginning	463,601,202	459,604,073	479,061,847	474,253,091
Plan fiduciary net position, ending (b)	<u>\$ 514,112,098</u>	<u>\$ 463,601,202</u>	<u>\$ 459,604,073</u>	<u>\$ 479,061,847</u>
Net pension liability, ending (a) - (b)	<u>\$ (22,516,528)</u>	<u>\$ 20,449,991</u>	<u>\$ 14,459,214</u>	<u>\$ 11,727,545</u>
Fiduciary net position as a percentage of the total pension liability	104.58%	95.78%	96.95%	97.61%
Covered payroll	\$ 50,272,605	\$ 50,070,440	\$ 50,400,000	\$ 49,091,000
Net pension liability as a percentage of covered payroll	-44.79%	40.84%	28.69%	23.89%

Note: Required schedule is intended to show 10-year trend. GASB 68 was adopted in 2015, as such, only four years are presented herein. Additional years will be added as they become available.

Board of Public Utilities
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fiscal Years Ended December 31,
(Unaudited)

Changes of actuarial assumptions and methods:

- In 2018, the assumed COLA for post January 1, 1993 retirees was changed from 1% through 2022 and 3% thereafter to 1% through 2021 and 3% thereafter, for TPL purposes only.
- In 2017, the assumed COLA for post January 1, 1993 retirees was changed from 1% through 2025 and 3% thereafter to 1% through 2022 and 3% thereafter for TPL purposes only.
- In 2016, the assumed COLA for post January 1, 1993 retirees was changed from 1% through 2020 and 3% thereafter to 1% through 2025 and 3% thereafter for TPL purposes only.

Board of Public Utilities
Required Supplementary Information
Schedule of Employer 10 Year Contributions
December 31,
(Dollar amounts in thousands)
(Unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$6,458	\$5,781	\$7,263	\$7,428	\$7,887	\$8,398	\$7,257	\$5,817	\$5,269	\$6,959
Actual employer contributions	4,398	4,251	4,252	4,173	4,278	4,269	4,332	4,255	4,155	3,365
Contribution deficiency (excess)	\$2,060	\$1,530	\$3,011	\$3,255	\$3,609	\$4,129	\$2,925	\$1,562	\$1,114	\$3,594
Covered payroll	\$51,910	\$50,273	\$50,070	\$49,091	\$50,128	\$50,792	\$51,357	\$50,254	\$49,254	\$50,111
Contribution as a percentage of covered payroll	8.47%	8.46%	8.49%	8.50%	8.53%	8.41%	8.43%	8.47%	8.44%	6.72%

Board of Public Utilities
Required Supplementary Information
Schedule of Employer 10 Year Contributions
December 31,
(Dollar amounts in thousands)
(Unaudited)

Notes to Required Supplementary Information for Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contribution reported in the most recent actuarial valuation (January 1, 2017):

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed, 15-year floor; 30-year level percent of payroll, open, if a surplus exists on a funding basis
Remaining amortization period	21 years
Asset valuation method	8 year smoothed market
Inflation	3.10 percent
Salary increases	4.70 percent - 11.00 percent, including inflation
Investment rate of return	8.00 percent
Cost-of-living adjustments	3.00 percent

Changes of benefits and funding tiers: In 2010, The Pension Board Trustees adopted a new plan design for members hired on or after January 1, 2010. The new plan is a career average defined benefit plan. The Pension Board Trustees increased the member contribution rate from 5.5 percent to 8.5 percent. This also increased the BPU's matching contribution rate.

Board of Public Utilities
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Fiscal Years Ended December 31,
(Unaudited)

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 2,689,238
Interest on total OPEB liability	1,617,127
Benefit Payments/Refunds	<u>(3,825,597)</u>
Net change in total OPEB liability	480,768
Total OPEB liability, beginning	54,506,878
Total OPEB liability, ending	<u>\$ 54,987,646</u>
Fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	\$ 48,709,400
Total OPEB liability as a percentage of covered employee payroll	112.89%

Notes to Schedule:

Changes of benefit terms: There were no changes of benefit terms in 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in 2018.

This schedule is intended to show information for 10 years. Additional years will be included as they become available. This information is presented as of the measurement date.

Board of Public Utilities
Required Supplementary Information
Schedule of Funding Progress - Postretirement
December 31,
(In millions)
(Unaudited)

Actuarial valuation date, January 1	Actuarial value of assets	Actuarial accrued liability (AAL)	Funded ratio	Unfunded AAL	Covered payroll	UAAL as a percentage of covered payroll
2016	—	\$ 47.8	—	\$ 47.8	\$ 49.6	96.3 %
2017	—	45.9	—	45.9	44.8	102.7
2018	—	43.4	—	43.4	45.0	96.4

The actuarial assumptions included a 4.75% discount rate, which includes an annual healthcare cost trend of 7.5% initially, reduced by decrements to an ultimate rate of 5.0% in 2019. The projected salary increase is 2.5%. The unfunded actuarial accrued liability is being amortized over 20 years as a level percent of payroll.

See accompanying independent auditor's report.

Board of Public Utilities
Combining Statements of Net Position
Years Ended December 31, 2018 and 2017

Assets and Deferred Outflows of Resources	Electric		Water		Total Utility	
	2018	2017	2018	2017	2018	2017
Noncurrent assets:						
Capital assets:						
Property, plant, and equipment	\$ 1,474,795,385	\$ 1,414,085,767	\$ 382,249,482	\$ 374,942,271	\$ 1,857,044,867	\$ 1,789,028,038
Less accumulated depreciation	(705,952,173)	(678,785,307)	(138,859,727)	(130,965,580)	(844,811,900)	(809,750,887)
Plant in service, net	768,843,212	735,300,460	243,389,755	243,976,691	1,012,232,967	979,277,151
Construction work in progress	66,208,571	82,452,665	27,869,152	24,146,288	94,077,723	106,598,953
Capital assets, net	835,051,783	817,753,125	271,258,907	268,122,979	1,106,310,690	1,085,876,104
Restricted assets:						
Cash and cash equivalents	38,537,271	61,357,044	150,000	150,000	38,687,271	61,507,044
Investments	249,000	249,000	—	—	249,000	249,000
Net pension asset	18,013,222	—	4,503,306	—	22,516,528	—
Total restricted assets	56,799,493	61,606,044	4,653,306	150,000	61,452,799	61,756,044
System development costs	1,045,539	1,605,140	133,227	178,402	1,178,766	1,783,542
Total noncurrent assets	892,896,815	880,964,309	276,045,440	268,451,381	1,168,942,255	1,149,415,690
Current assets:						
Cash and cash equivalents	30,902,437	23,106,340	17,037,810	15,888,151	47,940,247	38,994,491
Cash and cash equivalents – restricted	11,752,908	10,908,046	2,432,731	2,132,104	14,185,639	13,040,150
Investments – restricted	12,685,615	11,730,513	2,507,895	2,622,989	15,193,510	14,353,502
Accounts receivable – customers and other	27,627,671	26,363,848	3,713,155	4,224,838	31,340,826	30,588,686
Accounts receivable – unbilled	12,889,121	12,004,243	2,468,654	2,613,952	15,357,775	14,618,195
Allowance for doubtful accounts	(423,963)	(538,574)	(81,964)	(105,878)	(505,927)	(644,452)
Inventories	25,991,702	22,846,325	2,090,376	2,142,814	28,082,078	24,989,139
Prepayments and other current assets	1,658,576	3,636,234	(10,903)	(157,994)	1,647,673	3,478,240
Total current assets	123,084,067	110,056,975	30,157,754	29,360,976	153,241,821	139,417,951
Total assets	1,015,980,882	991,021,284	306,203,194	297,812,357	1,322,184,076	1,288,833,641
Deferred outflows of resources:						
Deferred loss on bond refunding	9,485,479	10,678,441	2,016,968	2,312,150	11,502,447	12,990,591
Deferred outflow - Pension	12,423,607	35,580,519	3,105,902	8,921,467	15,529,509	44,501,986
Deferred outflow - OPEB	2,731,226	—	682,806	—	3,414,032	—
Total deferred outflow of resources	24,640,312	46,258,960	5,805,676	11,233,617	30,445,988	57,492,577
Total assets and deferred outflows of resources	\$ 1,040,621,194	\$ 1,037,280,244	\$ 312,008,870	\$ 309,045,974	\$ 1,352,630,064	\$ 1,346,326,218

Board of Public Utilities
Combining Statements of Net Position
Years Ended December 31, 2018 and 2017

Liabilities, Deferred Inflows of Resources, and Net Position	Electric		Water		Total utility	
	2018	2017	2018	2017	2018	2017
Net position:						
Net investment in capital assets	\$ 250,124,558	\$ 238,812,338	\$ 166,632,587	\$ 157,440,305	\$ 416,757,145	\$ 396,252,643
Restricted	39,158,308	20,065,948	8,603,576	4,150,529	47,761,884	24,216,477
Unrestricted	13,624,038	49,407,679	(25,559,084)	(11,233,464)	(11,935,046)	38,174,215
Total net position	<u>302,906,904</u>	<u>308,285,965</u>	<u>149,677,079</u>	<u>150,357,370</u>	<u>452,583,983</u>	<u>458,643,335</u>
Liabilities:						
Noncurrent liabilities:						
Long-term debt – revenue bonds	609,698,736	630,893,638	68,584,618	74,407,398	678,283,354	705,301,036
Government loans	1,769,141	1,932,152	29,784,494	30,144,186	31,553,635	32,076,338
Total long-term debt	<u>611,467,877</u>	<u>632,825,790</u>	<u>98,369,112</u>	<u>104,551,584</u>	<u>709,836,989</u>	<u>737,377,374</u>
Postretirement benefit obligation	—	4,568,991	—	1,348,238	—	5,917,229
Total other postemployment benefit liability	43,990,117	—	10,997,529	—	54,987,646	—
Reserve for compensated absences	4,908,192	4,764,085	733,408	711,875	5,641,600	5,475,960
Net pension liability	—	16,359,993	—	4,089,998	—	20,449,991
Noncurrent liabilities	<u>660,366,186</u>	<u>658,518,859</u>	<u>110,100,049</u>	<u>110,701,695</u>	<u>770,466,235</u>	<u>769,220,554</u>
Current liabilities:						
Current maturities of revenue bonds	18,422,850	15,509,400	5,462,150	5,225,600	23,885,000	20,735,000
Current maturities of government loans	163,012	158,683	2,658,179	2,575,352	2,821,191	2,734,035
Current maturities of capital lease obligations	—	682,379	—	321,120	—	1,003,499
Accrued interest	9,139,714	9,344,348	1,092,746	1,162,651	10,232,460	10,506,999
Customer deposits	5,523,438	4,474,444	1,210,354	974,564	6,733,792	5,449,008
Accounts payable	25,641,170	23,324,581	1,943,424	4,406,171	27,584,594	27,730,752
Payroll and payroll taxes	1,313,042	987,276	1,355,586	1,217,767	2,668,628	2,205,043
Accrued claims payable	1,379,277	1,477,153	—	—	1,379,277	1,477,153
Workers compensation reserve	712,832	491,083	167,261	183,415	880,093	674,498
Public liability reserve	307,997	1,280,091	227,762	349,746	535,759	1,629,837
Other accrued liabilities	5,660,593	5,640,894	54,284	53,791	5,714,877	5,694,685
Payment-in-lieu of taxes	2,318,084	2,047,050	382,123	386,437	2,700,207	2,433,487
Construction Contract Retainage Payable Current	1,795,236	699,019	153,847	321,168	1,949,083	1,020,187
Interdepartmental balances	(29,996,178)	(25,042,320)	29,996,178	25,042,320	—	—
Total current liabilities	<u>42,381,067</u>	<u>41,074,081</u>	<u>44,703,894</u>	<u>42,220,102</u>	<u>87,084,961</u>	<u>83,294,183</u>
Total liabilities	<u>702,747,253</u>	<u>699,592,940</u>	<u>154,803,943</u>	<u>152,921,797</u>	<u>857,551,196</u>	<u>852,514,737</u>
Deferred inflows of resources:						
Recovery fuel purchased power	4,750,297	6,334,111	—	—	4,750,297	6,334,111
Deferred Inflow - Pension	30,216,740	23,067,228	7,527,848	5,766,807	37,744,588	28,834,035
Total deferred inflows of resources	<u>34,967,037</u>	<u>29,401,339</u>	<u>7,527,848</u>	<u>5,766,807</u>	<u>42,494,885</u>	<u>35,168,146</u>
Total liabilities, deferred inflows of resources & net position	<u>\$ 1,040,621,194</u>	<u>\$ 1,037,280,244</u>	<u>\$ 312,008,870</u>	<u>\$ 309,045,974</u>	<u>\$ 1,352,630,064</u>	<u>\$ 1,346,326,218</u>

Board of Public Utilities
Combining Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2018 and 2017

	Electric		Water		Total utility	
	2018	2017	2018	2017	2018	2017
Operating revenues:						
Residential	\$ 81,811,709	\$ 72,054,974	\$ 24,235,761	\$ 24,209,408	\$ 106,047,470	\$ 96,264,382
Commercial	106,882,111	102,217,692	11,553,570	11,390,321	118,435,681	113,608,013
Industrial	51,385,553	48,680,080	5,860,912	5,973,841	57,246,465	54,653,921
Other	34,031,887	15,788,511	4,540,717	4,489,894	38,572,604	20,278,405
Energy rate component recovery	—	(171,983)	—	—	—	(171,983)
Payment-in-lieu of taxes	30,108,224	27,380,552	5,382,256	5,293,003	35,490,480	32,673,555
Total operating revenues	<u>304,219,484</u>	<u>265,949,826</u>	<u>51,573,216</u>	<u>51,356,467</u>	<u>355,792,700</u>	<u>317,306,293</u>
Operating expenses:						
Fuel	32,611,047	28,088,298	—	—	32,611,047	28,088,298
Purchased power	69,937,729	64,277,525	—	—	69,937,729	64,277,525
Production	38,111,686	38,062,253	5,373,746	5,276,190	43,485,432	43,338,443
Transmission and distribution	33,400,078	32,512,805	15,193,202	13,268,167	48,593,280	45,780,972
General and administrative	18,257,246	25,015,201	6,118,017	7,569,759	24,375,263	32,584,960
Depreciation and amortization	28,105,307	23,785,734	8,004,948	7,823,209	36,110,255	31,608,943
Total operating expenses	<u>220,423,093</u>	<u>211,741,816</u>	<u>34,689,913</u>	<u>33,937,325</u>	<u>255,113,006</u>	<u>245,679,141</u>
Operating income	<u>83,796,391</u>	<u>54,208,010</u>	<u>16,883,303</u>	<u>17,419,142</u>	<u>100,679,694</u>	<u>71,627,152</u>
Nonoperating income (expense):						
Interest expense	(25,405,068)	(23,703,904)	(3,639,457)	(4,030,213)	(29,044,525)	(27,734,117)
Payment-in-lieu of taxes	(30,108,224)	(27,380,552)	(5,382,256)	(5,293,003)	(35,490,480)	(32,673,555)
Other	2,313,872	2,033,128	246,136	(4,039)	2,560,008	2,029,089
Total nonoperating expense, net	<u>(53,199,420)</u>	<u>(49,051,328)</u>	<u>(8,775,577)</u>	<u>(9,327,255)</u>	<u>(61,974,997)</u>	<u>(58,378,583)</u>
Income before contributions and transfers	30,596,971	5,156,682	8,107,726	8,091,887	38,704,697	13,248,569
Contributions and transfers:						
Contributions from developers and others	—	—	—	220,273	—	220,273
Change in net position	<u>30,596,971</u>	<u>5,156,682</u>	<u>8,107,726</u>	<u>8,312,160</u>	<u>38,704,697</u>	<u>13,468,842</u>
Net position, beginning of year, as previously reported	308,285,965	303,129,283	150,357,370	142,045,210	458,643,335	445,174,493
Cumulative Effect of Change per GASB 75	<u>(35,976,032)</u>	<u>—</u>	<u>(8,788,017)</u>	<u>—</u>	<u>(44,764,049)</u>	<u>—</u>
Net Position, Beginning of Year, as restated	272,309,933	—	141,569,353	—	413,879,286	—
Net position, end of year	<u>\$ 302,906,904</u>	<u>\$ 308,285,965</u>	<u>\$ 149,677,079</u>	<u>\$ 150,357,370</u>	<u>\$ 452,583,983</u>	<u>\$ 458,643,335</u>

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

The Board of Directors
Board of Public Utilities
Kansas City, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Board of Public Utilities of Kansas City, Kansas (BPU), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2019, which contained "Emphasis of Matters" paragraphs regarding presentation of only BPU financial statements and adoption of a new accounting pronouncement.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BPU's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BPU's internal control. Accordingly, we do not express an opinion on the effectiveness of the BPU's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
June 13, 2019

STATISTICAL SECTION

(Unaudited)

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





Statistical Section (Unaudited)

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

<i>Contents</i>	Page
<u>Financial Trends</u>	84
These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	86
These schedules contain information to help the reader assess the utility's most significant local revenue source.	
<u>Debt Capacity</u>	88
These schedules present information to help the reader assess the affordability of the utility's current levels of outstanding debt and the utility's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	91
These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities takes place.	
<u>Operating Information</u>	96
These schedules contain service and infrastructure data to help the readers understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	



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Financial Trends





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Board of Public Utilities

Net Position By Component Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Position invested in Capital Assets, net of related Debt:										
Capital assets, net of depreciation	\$ 689,463,474	\$ 678,544,095	\$ 706,397,621	\$ 823,905,500	\$ 840,462,907	\$ 866,886,249	\$ 937,144,580	\$ 1,056,866,885	\$ 1,085,876,104	\$ 1,106,310,690
Bonds and notes payable:										
Principal, long term	(321,601,392)	(311,697,479)	(333,859,746)	(445,759,661)	(448,634,819)	(467,692,007)	(523,972,467)	(611,647,461)	(645,044,993)	(640,847,083)
Government Loans	(20,657,540)	(19,645,748)	(18,701,155)	(17,633,390)	(25,897,005)	(30,415,148)	(31,193,378)	(31,425,644)	(32,076,338)	(31,553,635)
Capital Leases	(367,952)	(74,989)	-	-	(690,070)	(854,126)	(2,261,192)	(1,003,499)	-	-
Principal, current	(7,951,515)	(13,935,000)	(15,680,000)	(16,970,000)	(19,030,000)	(18,230,000)	(19,340,000)	(19,995,000)	(20,735,000)	(23,885,000)
Government Loans, current	(1,053,360)	(1,071,373)	(1,112,511)	(1,155,230)	(1,688,935)	(1,748,714)	(2,081,722)	(2,650,896)	(2,734,035)	(2,821,191)
Capital Leases, current	(282,091)	(292,964)	(74,989)	-	(321,746)	(600,093)	(1,551,182)	(1,257,694)	(1,003,499)	-
Retainage Liability	-	-	-	-	-	-	-	(17,645,683)	(1,020,187)	(1,949,083)
Deferred Outflow of Resources	-	-	-	7,387,844	7,012,191	13,379,768	12,226,051	14,478,732	12,990,591	11,502,447
Net Investment in Capital Assets:	\$ 337,549,623	\$ 331,826,542	\$ 336,969,220	\$ 349,775,063	\$ 351,212,523	\$ 360,725,929	\$ 368,970,690	\$ 385,719,740	\$ 396,252,643	\$ 416,757,145
Restricted Net Position (A)										
Bond covenant requirements	\$ 55,170,663	\$ 50,980,822	\$ 97,519,802	\$ 66,873,587	\$ 46,162,140	\$ 135,307,603	\$ 53,414,286	\$ 140,494,752	\$ 84,472,520	\$ 62,681,627
Bond proceeds designated for project construction (B)	37,936,865	34,560,938	78,919,255	28,148,696	25,458,437	(109,205,755)	(31,487,584)	(117,521,257)	(60,256,043)	(37,436,271)
Bond principal unspent	(37,936,865)	(34,560,938)	(78,919,255)	(28,148,696)	(25,458,437)	-	-	-	-	-
Funds segregated under City Ordinance due to	3,270,411	3,345,722	3,388,815	3,579,724	3,612,072	3,796,842	4,103,492	4,118,734	5,449,008	6,733,792
Liability for customer deposits	(3,270,411)	(3,345,722)	(3,388,815)	(3,579,724)	(3,612,072)	(3,796,842)	(4,103,492)	(4,194,474)	(5,449,008)	(6,733,792)
Net Pension Asset	-	-	-	-	-	-	-	-	-	22,516,528
Total Restricted Net Position	\$ 55,170,663	\$ 50,980,822	\$ 97,519,802	\$ 66,873,587	\$ 46,162,140	\$ 26,101,848	\$ 21,926,702	\$ 22,897,755	\$ 24,216,477	\$ 47,761,884
Unrestricted Net Position										
Other designated funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve funds	-	-	-	-	-	-	-	-	-	-
Funds held for future improvements	-	-	-	-	-	-	-	-	-	-
Project construction accounts	-	-	-	-	-	-	-	-	-	-
Unrestricted - Other	(2,784,373)	23,941,008	(27,779,967)	(10,699,699)	18,906,563	37,943,638	53,521,776	36,556,998	38,174,218	(11,935,046)
Total Unrestricted Net Position	\$ (2,784,373)	\$ 23,941,008	\$ (27,779,967)	\$ (10,699,699)	\$ 18,906,563	\$ 37,943,638	\$ 53,521,776	\$ 36,556,998	\$ 38,174,218	\$ (11,935,046)
Total Net Position	\$ 389,935,914	\$ 406,748,372	\$ 406,709,054	\$ 405,948,951	\$ 416,281,226	\$ 424,771,415	\$ 444,419,168	\$ 445,174,493	\$ 458,643,338	\$ 452,583,983

Footnote A

Per Question 95 of "Guide to Implementation of GASB Statement 34 on Basic Financial Statements - and Management's discussion and Analysis - For State and Local Governments" (Implementation Guide), restricted Net Position should be reported when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
- b. Imposed by law through constitutional provisions or enabling legislation.

The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions or through formal due process.

Footnote B

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

Board of Public Utilities

Combined Operating Statements Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues										
Residential	\$ 67,889,344	\$ 72,383,530	\$ 79,631,157	\$ 86,729,958	\$ 86,654,645	\$ 89,816,917	\$ 86,380,759	\$ 89,793,663	\$ 96,264,382	\$ 106,047,470
Commercial	76,989,419	74,233,899	88,910,745	101,859,200	99,649,009	104,306,455	101,468,567	101,480,393	113,608,013	118,435,681
Industrial	45,520,902	44,277,063	43,860,628	45,902,344	44,178,102	47,842,971	50,923,573	50,595,037	54,653,921	57,246,465
Other	32,001,538	33,932,880	31,057,374	28,121,275	28,305,763	43,412,193	35,805,009	28,665,489	20,278,405	38,572,604
Deferred Energy Rate Component	(12,332,254)	12,332,254	-	(1,296,801)	1,296,801	(5,129,895)	(2,112,487)	171,983	(171,983)	-
Payment-in-lieu of taxes	21,540,269	27,831,160	28,303,139	28,052,962	27,333,943	31,291,744	30,658,851	30,336,724	32,673,555	35,490,480
Total Operating Revenues	231,609,218	264,990,786	271,763,043	289,368,938	287,418,263	311,540,385	303,124,272	301,043,289	317,306,293	355,792,700
Operating Expenses										
Production	(1) 116,062,263	104,447,219	121,079,793	133,651,887	122,778,881	139,651,369	118,860,432	127,789,644	135,704,266	146,034,208
Transmission & Distribution	34,548,626	37,287,338	41,157,088	41,157,296	42,336,766	41,865,301	47,304,341	47,459,564	45,780,972	48,593,280
General and Administrative	34,518,980	29,900,838	30,376,612	29,832,976	31,747,806	34,179,058	35,096,181	34,997,762	32,584,960	24,375,263
Depreciation & Amortization	31,986,166	31,705,944	32,380,345	32,818,565	33,613,655	32,939,640	47,538,375	36,436,756	31,608,943	36,110,255
Total Operating Expense	217,116,035	203,341,339	224,993,838	237,460,724	230,477,108	248,635,368	248,799,329	246,683,726	245,679,141	255,113,006
Operating Income	14,493,183	61,649,447	46,769,205	51,908,214	56,941,155	62,905,017	54,324,943	54,359,563	71,627,152	100,679,694
Interest Income/(Expense)	(2) (17,604,368)	(17,306,717)	(18,564,432)	(19,288,063)	(19,509,494)	(23,329,806)	(23,725,356)	(23,497,562)	(25,705,028)	(26,484,517)
Payment-in-lieu of taxes	(21,540,269)	(27,831,160)	(28,303,139)	(28,052,962)	(27,333,943)	(31,291,744)	(30,658,851)	(30,336,724)	(32,673,555)	(35,490,480)
Nonoperating Income/(Expense)	(39,144,637)	(45,137,877)	(46,867,571)	(47,341,025)	(46,843,437)	(54,621,550)	(54,384,206)	(53,834,286)	(58,378,583)	(61,974,997)
Income/Loss	(24,651,454)	16,511,570	(98,366)	4,567,189	10,097,718	8,283,467	(59,263)	525,277	13,248,569	38,704,697
Contributions	209,965	300,888	59,048	130,878	234,557	206,722	951,950	230,046	220,273	-
Change In Net Position	\$(24,441,489)	\$ 16,812,458	\$ (39,318)	\$ 4,698,067	\$ 10,332,275	\$ 8,490,189	\$ 892,687	\$ 755,323	\$ 13,468,842	\$ 38,704,697

Footnotes:

- (1) Includes fuel, purchased power and production.
- (2) Includes other non operating income.

Revenue Capacity





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Board of Public Utilities

ELECTRIC UTILITY SYSTEMS SALES

LAST TEN FISCAL YEARS

Residential						Commercial					
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Monthly kWh	Average Sales /\$s	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2009	\$ 49,968,396	536,644,287	56,907	9,430	786	\$ 878.07	\$ 69,038,969	864,936,202	6,952	124,415	\$ 9,930.81
2010	\$ 53,468,956	609,507,300	56,357	10,815	901	\$ 948.75	\$ 65,639,995	880,896,928	6,905	127,574	\$ 9,506.15
2011	\$ 58,399,854	593,262,827	56,297	10,538	878	\$ 1,037.35	\$ 79,123,112	947,700,453	6,782	139,738	\$ 11,666.63
2012	\$ 63,637,856	575,632,270	56,161	10,250	854	\$ 1,133.13	\$ 90,921,884	1,002,859,658	6,824	146,961	\$ 13,323.84
2013	\$ 62,720,564	570,101,207	56,607	10,071	839	\$ 1,108.00	\$ 88,739,827	974,198,305	6,867	141,867	\$ 12,922.65
2014	\$ 66,175,299	570,452,010	57,104	9,990	832	\$ 1,158.86	\$ 93,289,110	972,781,805	6,897	141,044	\$ 13,526.04
2015	\$ 62,913,435	553,722,235	57,138	9,691	808	\$ 1,101.08	\$ 90,640,767	971,810,982	6,946	139,909	\$ 13,049.35
2016	\$ 65,823,214	578,784,449	57,952	9,987	832	\$ 1,135.82	\$ 90,335,199	976,063,357	6,836	142,783	\$ 13,214.63
2017	\$ 72,054,974	565,191,151	58,432	9,673	806	\$ 1,233.14	\$ 102,217,692	963,303,327	6,826	141,123	\$ 14,974.76
2018	\$ 81,811,709	615,850,423	58,556	10,517	876	\$ 1,397.15	\$ 106,882,111	1,031,359,796	6,837	150,850	\$ 15,632.90

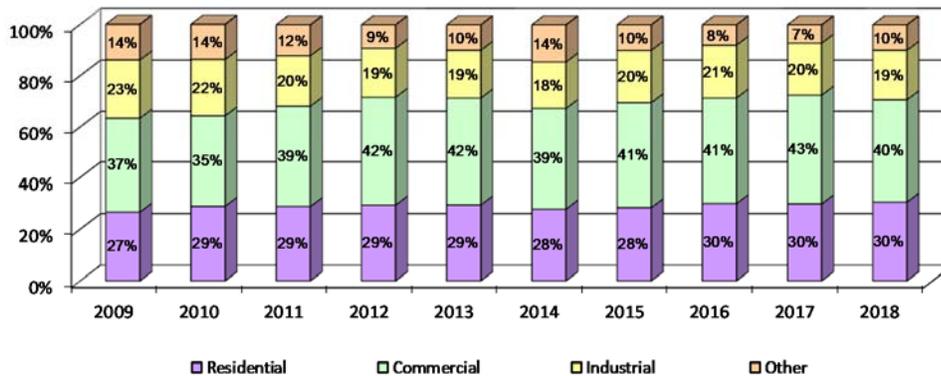
Industrial					
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2009	\$ 42,666,801	689,322,900	94	7,333,222	\$ 453,902.14
2010	\$ 40,758,341	751,421,546	94	7,993,846	\$ 433,599.38
2011	\$ 39,556,941	617,010,984	94	6,563,947	\$ 420,818.52
2012	\$ 41,183,223	558,120,634	93	6,001,297	\$ 442,830.35
2013	\$ 39,454,295	539,561,698	90	5,995,130	\$ 438,381.06
2014	\$ 42,828,672	554,090,999	90	6,156,557	\$ 475,874.13
2015	\$ 45,014,967	622,671,779	88	7,075,816	\$ 511,533.72
2016	\$ 44,967,833	599,924,592	87	6,895,685	\$ 516,871.64
2017	\$ 48,680,080	558,582,767	83	6,729,913	\$ 586,506.99
2018	\$ 51,385,553	594,719,707	83	7,165,298	\$ 619,103.05

Other					
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
\$ 26,074,666	419,910,237	232	1,809,958	\$ 112,390.80	
\$ 25,318,233	417,673,813	233	1,792,591	\$ 108,661.94	
\$ 24,325,345	375,029,948	203	1,847,438	\$ 119,829.29	
\$ 19,663,998	209,451,130	203	1,031,779	\$ 96,866.99	
\$ 21,028,399	264,080,917	203	1,300,891	\$ 103,588.17	
\$ 34,251,771	397,969,989	199	1,999,849	\$ 172,119.45	
\$ 21,934,068	352,047,700	195	1,805,373	\$ 112,482.40	
\$ 17,322,688	355,559,247	197	1,804,869	\$ 87,932.43	
\$ 17,131,916	265,561,130	175	1,517,492	\$ 97,896.66	
\$ 26,472,362	432,377,270	178	2,429,086	\$ 148,721.13	

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

Total					
	Dollars/\$s	(Kwh)	Customers	Average kWh	Average Sales /\$s
2009	\$ 187,748,832	2,510,813,626	64,185	39,118	2,925
2010	\$ 185,185,525	2,659,499,587	63,589	41,823	2,912
2011	\$ 201,405,252	2,533,004,212	63,376	39,968	3,178
2012	\$ 215,406,961	2,346,063,692	63,281	37,074	3,404
2013	\$ 211,943,085	2,347,942,127	63,767	36,821	3,324
2015	\$ 236,544,852	2,495,293,903	64,290	38,813	3,679
2015	\$ 220,503,237	2,500,252,696	64,367	38,844	3,426
2016	\$ 218,448,934	2,510,331,645	65,072	38,578	3,357
2017	\$ 240,084,662	2,352,638,375	65,516	35,909	3,665
2018	\$ 266,551,735	2,674,307,196	65,654	40,733	4,060

Percentage of Electric Utility Sales



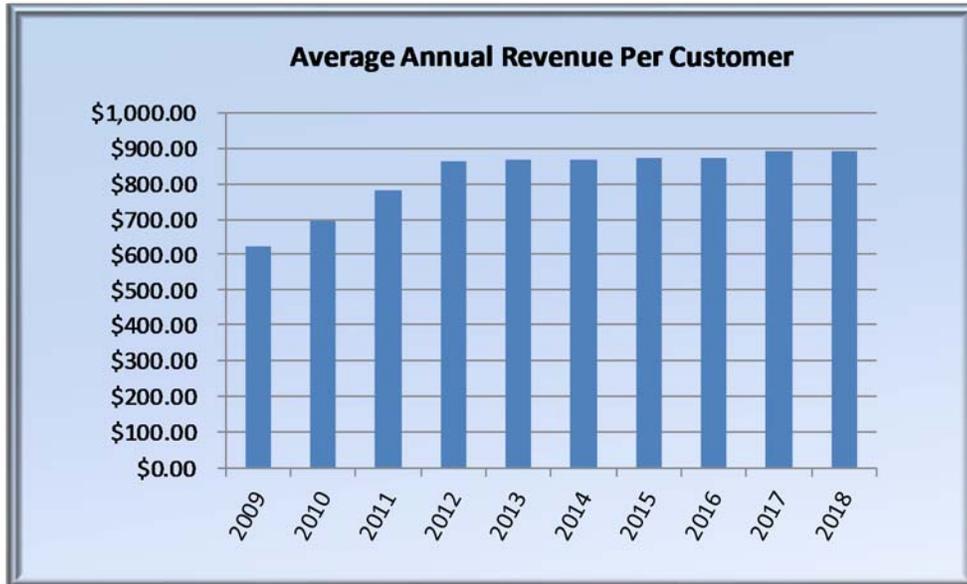
Board of Public Utilities

Water Sales

Last Ten Fiscal Years

Fiscal Year	Gallons Pumped	Gallons Sold	Operating Revenue	Average Number of Customers	Average Revenue Per Customer
2009	10,867,240,000	6,015,566,000	\$ 31,545,660	50,483	\$624.88
2010	11,088,290,000	6,422,126,000	\$ 34,731,824	49,987	\$694.82
2011	11,435,840,000	6,662,349,000	\$ 38,855,138	49,833	\$779.71
2012	12,373,150,000	6,848,172,000	\$ 43,178,953	49,982	\$863.89
2013	11,239,380,000	6,217,618,000	\$ 43,245,833	49,927	\$866.18
2014	10,708,060,000	6,240,941,000	\$ 43,714,822	50,384	\$867.63
2015	10,335,230,000	6,377,958,000	\$ 44,451,047	51,060	\$870.56
2016	10,621,330,000	6,473,999,000	\$ 44,588,234	51,232	\$870.32
2017	10,446,880,000	6,405,780,000	\$ 46,063,465	51,683	\$891.27
2018	10,935,800,000	6,917,117,000	\$ 46,190,960	51,923	\$889.60

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



Debt Capacity





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Board of Public Utilities

Utility System Revenue Bonded Indebtedness

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Current Year Net Revenue Available for Debt Service	Maximum Outstanding Annual Debt Service (3)	Debt Service					
					Principal (3)	Interest (3)	Total (3)	Coverage (4)	Percentage of Personal Income (5)	Per Capita (6)
2009	\$ 233,062,328	\$ 185,129,869	\$ 47,932,459	\$ 34,270,503	385,592,415	243,196,901	628,789,316	1.39	9.2%	\$ 2,507
2010	\$ 265,907,854	\$ 171,635,396	\$ 94,272,458	\$ 33,934,990	376,147,121	214,362,010	590,509,131	2.78	8.3%	\$ 2,421
2011	\$ 273,231,435	\$ 192,613,493	\$ 80,617,942	\$ 38,594,328	440,913,666	255,860,571	696,774,237	2.07	7.4%	\$ 2,837
2012	\$ 290,217,990	\$ 204,642,159	\$ 85,575,831	\$ 44,144,619	498,523,619	285,077,454	783,601,073	1.94	6.1%	\$ 3,270
2013	\$ 287,771,566	\$ 196,863,453	\$ 90,908,113	\$ 44,144,619	490,350,940	264,673,442	755,024,382	2.06	6.6%	\$ 3,241
2014	\$ 311,682,145	\$ 215,695,728	\$ 95,986,417	\$ 49,344,896	580,178,862	348,063,141	928,242,003	1.94	9.1%	\$ 3,873
2015	\$ 304,013,043	\$ 201,260,954	\$ 102,752,089	\$ 50,117,164	563,060,100	322,942,821	886,002,921	2.03	9.3%	\$ 3,735
2016	\$ 300,906,787	\$ 210,246,970	\$ 90,659,817	\$ 58,791,060	714,361,539	463,204,520	1,177,566,059	1.57	15.3%	\$ 4,763
2017	\$ 319,335,382	\$ 214,070,198	\$ 105,265,184	\$ 58,791,060	695,100,373	431,129,444	1,126,229,817	1.78	14.4%	\$ 4,609
2018	\$ 358,352,708	\$ 219,002,751	\$ 139,349,957	\$ 58,791,060	670,929,825	398,385,911	1,069,315,736	2.36	13.5%	\$ 4,435

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

- (1) Total operating revenues, interest on investments, other interest and income (excluding Construction Fund) and other.
- (2) Total operating expenses exclusive of depreciation and amortization.
- (3) Beginning in 2004 the maximum outstanding annual debt service and debt service includes the payments required for the government loans.
- (4) Current Year Net Revenue Available for Debt Service divided by Maximum Outstanding Annual Debt Service
- (5) Details regarding outstanding debt can be found in the notes to the financial statements.
- (6) Population and personal income data can be found in the Demographic Schedule.

Board of Public Utilities

UNIFIED GOVERNMENT OF WYANDOTTE COUNTY / KANSAS CITY, KANSAS RATIOS OF OUTSTANDING DEBT Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Capital Leases	Revolving Loan	Total Debt ⁽¹⁾	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
2009	367,489,773	650,042	21,710,900	389,850,715	9.2%	\$ 2,507
2010	360,193,417	367,952	20,717,121	381,278,490	8.3%	\$ 2,421
2011	428,459,001	74,989	19,813,666	448,347,656	7.4%	\$ 2,837
2012	502,501,364	-	18,788,619	521,289,983	6.1%	\$ 3,270
2013	493,123,256	1,011,816	27,585,940	521,721,012	6.6%	\$ 3,241
2014	594,842,762	1,454,219	32,448,862	628,745,843	9.1%	\$ 3,873
2015	574,800,051	3,812,374	33,275,100	611,887,525	9.3%	\$ 3,735
2016	749,163,718	2,261,193	34,076,540	785,501,451	15.3%	\$ 4,763
2017	726,036,036	1,003,499	34,810,371	761,849,906	14.4%	\$ 4,609
2018	702,168,354	-	34,374,826	736,543,180	13.5%	\$ 4,455

(1) Details regarding outstanding debt can be found in the notes to the financial statements.

(2) Population and personal income data can be found in the Demographic Schedule.

Board of Public Utilities

Debt per Customer

Last Ten Fiscal Years

Year	Total Electric				
	Principal	Interest	Total	Customers	Debt / Customer
2009	4,478,044	17,505,067	21,983,111	64,408	341
2010	5,576,178	18,202,133	23,778,311	64,185	370
2011	10,307,294	14,467,224	24,774,518	63,589	390
2012	11,548,703	16,048,952	27,597,655	63,376	435
2013	12,990,212	17,556,873	30,547,085	63,281	483
2014	6,006,202	13,967,449	19,973,651	63,767	313
2015	13,374,647	23,175,436	36,550,083	64,290	569
2016	13,132,257	21,674,172	34,806,429	64,367	541
2017	15,109,395	27,432,979	42,542,374	65,072	654
2018	15,668,083	28,121,516	43,789,600	65,516	668
Total	108,191,015	198,151,801	306,342,817	64,185	476

Year	Total Water				
	Principal	Interest	Total	Customers	Debt / Customer
2009	3,273,065	6,462,151	9,735,216	50,483	193
2010	3,410,459	5,954,275	9,364,734	49,987	187
2011	4,699,079	4,808,237	9,507,316	49,833	191
2012	5,243,808	5,238,741	10,482,549	49,982	210
2013	5,135,018	5,430,078	10,565,096	49,927	212
2014	3,553,934	4,034,112	7,588,046	50,384	151
2015	6,528,435	5,080,064	11,608,499	51,060	227
2016	7,183,067	4,648,256	11,831,323	51,232	231
2017	7,536,501	4,645,095	12,181,596	51,683	236
2018	7,800,952	4,419,018	12,219,971	51,923	235
Total	54,364,318	50,720,027	105,084,346	50,649	235

Year	Total Combined				
	Principal	Interest	Total	Customers	Debt / Customer
2009	7,751,109	23,967,218	31,718,327	114,891	276
2010	8,986,637	24,156,408	33,143,045	114,172	290
2011	15,006,373	19,275,461	34,281,834	113,422	302
2012	16,792,511	21,287,693	38,080,204	113,358	336
2013	18,125,230	22,986,951	41,112,181	113,208	363
2014	9,560,136	18,001,561	27,561,697	114,151	241
2015	19,903,082	28,255,500	48,158,582	115,350	417
2016	20,315,324	26,322,428	46,637,752	115,599	403
2017	22,645,896	32,078,074	54,723,970	116,755	469
2018	23,469,036	32,540,534	56,009,570	117,439	477
Total	162,555,334	248,871,828	411,427,162	108,999	358

Demographic and Economic Information





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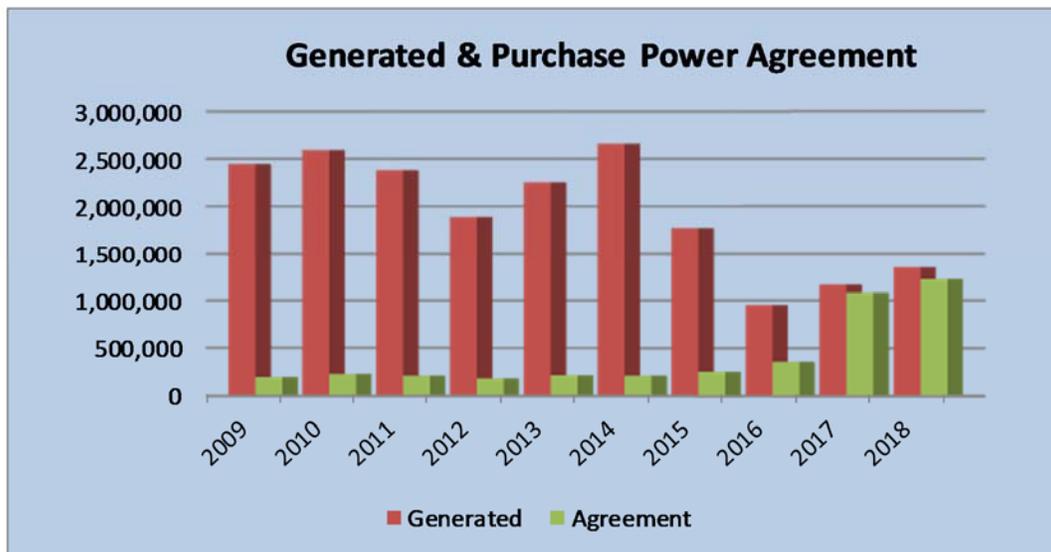
Board of Public Utilities

Electric Load Statistics in Megawatts

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Generated</u>	<u>Purchase Power Agreement</u>	<u>Market Purchases/(Sales)</u>	<u>Total Load</u>	<u>System Peak</u>	<u>Maximum Net Capability</u>
2009	2,444,808	198,278	(266,876)	2,376,210	471	594
2010	2,590,447	233,373	(293,552)	2,530,268	501	633
2011	2,382,961	214,335	(132,021)	2,465,275	502	599
2012	1,887,972	185,993	351,079	2,425,044	495	747
2013	2,252,961	218,782	(121,528)	2,350,215	454	747
2014	2,661,052	214,332	(464,931)	2,410,453	459	728
2015	1,767,688	257,821	382,733	2,408,242	485	718
2016	954,458	360,986	1,116,577	2,432,021	480	718
2017	1,164,228	1,083,830	104,101	2,352,158	494	726
2018	1,350,390	1,224,246	(39,637)	2,534,999	496	726

- NOTES:**
- Generated amounts include BPU's owned generating assets less system usage.
 - Starting in 2013, BPU's portion of Dogwood's generations is included in the generated amounts.
 - Purchase power agreements (PPA) represent renewable energy generated outside BPU's service territory and sold directly through the Southwest Power Pool.
 - Total load is the amount of power supplied to BPU's retail and borderline customers.



Board of Public Utilities

PRINCIPAL CUSTOMERS (Ten year history)			
<u>2009</u>	<u>Revenue</u>	<u>2010</u>	<u>Revenue</u>
Owens Corning Fiberglass (Insulation)	\$ 8,411,448	General Motor's (Auto Production)	\$ 9,175,537
General Motor's (Auto Production)	7,775,949	Owens Corning Fiberglass (Insulation)	7,616,293
CertainTeed Corp. (Insulation)	4,980,249	CertainTeed Corp. (Insulation)	4,839,908
Procter & Gamble Co. (Cleaning Products)	4,678,197	Griffin Wheel (Railroad Wheels)	3,987,251
Griffin Wheel (Railroad Wheels)	4,131,327	Procter & Gamble Co. (Cleaning Products)	3,720,138
Univ. of Kansas Medical Ctr. (Hospital)	3,849,712	WaterOne of Johnson County (Water Utility)	3,643,474
WaterOne of Johnson County (Water Utility)	3,394,275	Univ. of Kansas Hospital Authority (Hospital)	3,455,220
Univ. of Kansas Hospital Authority (Hospital)	3,224,570	Univ. of Kansas Medical Center (Hospital)	2,679,192
Magellan Pipeline Company (Petroleum Pipeline)	1,866,769	Constar Plastics (Plastic Containers)	1,666,777
Burlington Northern/Sante Fe (Railroad)	1,855,297	Magellan Pipeline Company (Petroleum Pipeline)	1,642,803
2011			
	<u>Revenue</u>		<u>Revenue</u>
General Motor's (Auto Production)	\$ 10,095,840	General Motor's (Auto Production)	\$ 11,109,840
CertainTeed Corp. (Insulation)	\$ 6,959,810	WaterOne of Johnson County (Water Utility)	\$ 6,403,823
Owens Corning Fiberglass (Insulation)	\$ 5,345,680	CertainTeed Corp. (Insulation)	\$ 5,991,417
Griffin Wheel (Railroad Wheels)	\$ 5,183,123	Owens Corning Fiberglass (Insulation)	\$ 5,880,369
WaterOne of Johnson County (Water Utility)	\$ 4,744,739	Griffin Wheel (Railroad Wheels)	\$ 5,568,105
Univ. of Kansas Hospital Authority (Hospital)	\$ 3,979,728	Univ. of Kansas Hospital Authority (Hospital)	\$ 4,786,604
Procter & Gamble Co. (Cleaning Products)	\$ 3,912,967	Procter & Gamble Co. (Cleaning Products)	\$ 4,584,365
Univ. of Kansas Medical Center (Hospital)	\$ 3,406,181	Univ. of Kansas Medical Center (Hospital)	\$ 4,060,018
Sara Lee Foods Corporation (Packaged Foods)	\$ 1,770,958	Sara Lee Foods Corporation (Packaged Foods)	\$ 2,303,146
Magellan Pipeline Company (Petroleum Pipeline)	\$ 1,731,142	Keebler Company (Food Manufacturer)	\$ 2,024,924
2013			
	<u>Revenue</u>		<u>Revenue</u>
General Motor's (Auto Production)	\$ 9,270,426	General Motor's (Auto Production)	\$ 11,111,432
Griffin Wheel (Railroad Wheels)	\$ 5,630,110	Griffin Wheel (Railroad Wheels)	\$ 6,616,049
Owens Corning Fiberglass (Insulation)	\$ 5,399,261	Owens Corning Fiberglass (Insulation)	\$ 5,787,124
WaterOne of Johnson County (Water Utility)	\$ 5,058,926	WaterOne of Johnson County (Water Utility)	\$ 5,086,239
Univ. of Kansas Hospital Authority (Hospital)	\$ 4,338,344	Univ. of Kansas Hospital Authority (Hospital)	\$ 4,582,043
CertainTeed Corp. (Insulation)	\$ 4,070,531	CertainTeed Corp. (Insulation)	\$ 4,168,566
Univ. of Kansas Medical Center (Hospital)	\$ 3,933,091	Univ. of Kansas Medical Center (Hospital)	\$ 4,128,363
Procter & Gamble Co. (Cleaning Products)	\$ 3,900,600	Procter & Gamble Co. (Cleaning Products)	\$ 3,581,800
Magellan Pipeline Company (Petroleum Pipeline)	\$ 2,018,430	Magellan Pipeline Company (Petroleum Pipeline)	\$ 2,277,962
Sara Lee Foods Corporation (Packaged Foods)	\$ 1,958,357	Keebler Company (Food Manufacturer)	\$ 2,088,604
2015			
	<u>Revenue</u>		<u>Revenue</u>
General Motor's (Auto Production)	\$ 14,149,360	General Motor's (Auto Production)	\$ 12,137,710
Griffin Wheel (Railroad Wheels)	\$ 6,847,075	CertainTeed Corp. (Insulation)	\$ 9,374,453
CertainTeed Corp. (Insulation)	\$ 6,584,360	Griffin Wheel (Railroad Wheels)	\$ 5,705,991
Owens Corning Fiberglass (Insulation)	\$ 5,622,261	Univ. of Kansas Hospital Authority (Hospital)	\$ 4,909,834
Univ. of Kansas Hospital Authority (Hospital)	\$ 5,135,283	WaterOne of Johnson County (Water Utility)	\$ 4,896,004
WaterOne of Johnson County (Water Utility)	\$ 4,637,054	Owens Corning Fiberglass (Insulation)	\$ 4,825,533
Univ. of Kansas Medical Center (Hospital)	\$ 4,406,627	Procter & Gamble Co. (Cleaning Products)	\$ 4,356,090
Procter & Gamble Co. (Cleaning Products)	\$ 4,373,082	Univ. of Kansas Medical Center (Hospital)	\$ 4,265,334
P Q Corporation (Chemicals Manufacturer)	\$ 2,430,849	P Q Corporation (Chemicals Manufacturer)	\$ 2,670,974
Hillshire Brands (Food Manufacturer)	\$ 2,274,983	GNB Battery (Battery Manufacturer)	\$ 2,312,000
2017			
	<u>Revenue</u>		<u>Revenue</u>
General Motor's (Auto Production)	\$ 10,945,178	General Motor's (Auto Production)	\$ 12,542,607
CertainTeed Corp. (Insulation)	\$ 10,726,179	CertainTeed Corp. (Insulation)	\$ 11,253,924
Griffin Wheel (Railroad Wheels)	\$ 6,656,822	Griffin Wheel (Railroad Wheels)	\$ 7,823,039
Univ. of Kansas Hospital Authority (Hospital)	\$ 6,631,641	WaterOne of Johnson County (Water Utility)	\$ 6,892,251
Owens Corning Fiberglass (Insulation)	\$ 5,777,506	Univ. of Kansas Hospital Authority (Hospital)	\$ 6,426,046
WaterOne of Johnson County (Water Utility)	\$ 5,752,958	Owens Corning Fiberglass (Insulation)	\$ 6,183,292
Univ. of Kansas Medical Center (Hospital)	\$ 4,801,206	Procter & Gamble Co. (Cleaning Products)	\$ 4,961,457
Procter & Gamble Co. (Cleaning Products)	\$ 4,677,147	Univ. of Kansas Medical Center (Hospital)	\$ 4,959,198
P Q Corporation (Chemicals Manufacturer)	\$ 2,935,005	P Q Corporation (Chemicals Manufacturer)	\$ 3,065,642
GNB Battery (Battery Manufacturer)	\$ 2,823,661	Keebler Company (Food Manufacturer)	\$ 2,812,566
2018			
	<u>Revenue</u>		<u>Revenue</u>

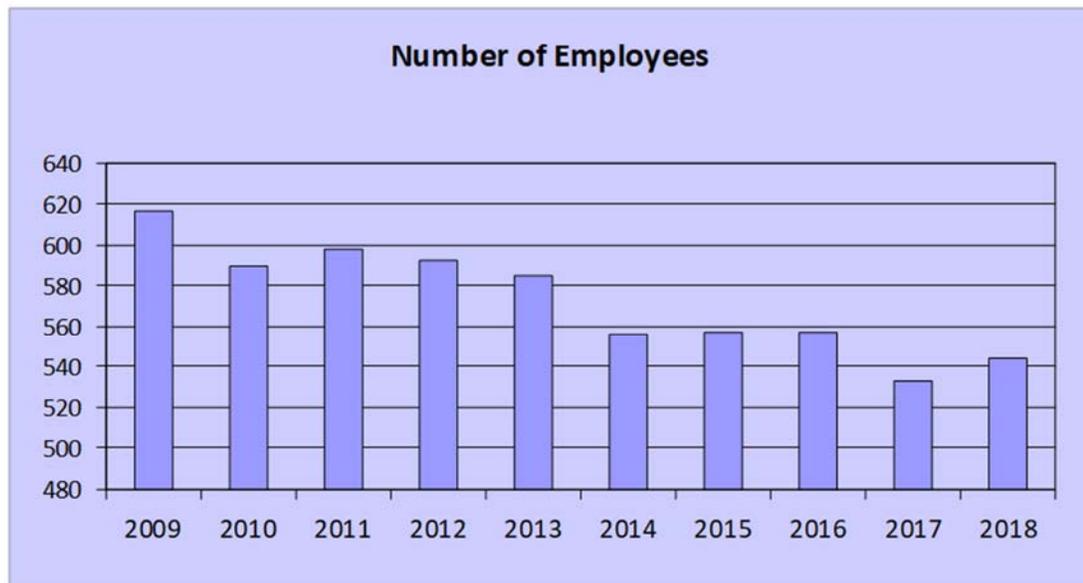
Board of Public Utilities

Employee Data

Last Ten Fiscal Year

Fiscal Year	Salaries	Employee Benefits and Payroll Taxes (1)	Total Salary And Benefits (2)	Number of Employees As of December 31, (3)
2009	\$ 50,111,000	\$ 29,879,099	\$ 70,923,124	617
2010	\$ 49,253,884	\$ 28,047,842	\$ 68,758,964	590
2011	\$ 50,254,375	\$ 29,605,619	\$ 71,778,420	598
2012	\$ 51,356,748	\$ 39,509,248	\$ 82,877,013	592
2013	\$ 50,791,860	\$ 24,823,381	\$ 67,604,414	585
2014	\$ 50,128,257	\$ 28,327,841	\$ 70,156,566	556
2015	\$ 49,616,092	\$ 26,999,213	\$ 69,373,164	557
2016	\$ 50,386,498	\$ 26,829,378	\$ 69,763,315	557
2017	\$ 50,446,956	\$ 28,680,273	\$ 71,303,334	533
2018	\$ 52,109,160	\$ 28,343,762	\$ 72,511,843	544

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



Board of Public Utilities

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

Year	County Population ¹	Personal Income ² <i>(thousands of dollars)</i>	Per Capita ² Personal Income	County-wide Public School Enrollment ³	Unemployment Rate
2009	155,499	\$4,258,048	\$27,223	28,538	10.7%
2010	157,505	\$4,575,257	\$29,023	28,455	10.1%
2011	158,020	\$6,072,087	\$38,426	28,462	9.5%
2012	159,411	\$8,514,739	\$53,394	29,284	8.4%
2013	160,984	\$7,910,231	\$49,150	29,753	7.9%
2014	162,320	\$6,912,435	\$42,641	30,200	6.9%
2015	163,832	\$6,574,820	\$40,242	30,414	6.0%
2016	164,934	\$5,141,826	\$31,273	30,826	5.5%
2017	165,313	\$5,303,254	\$32,085	31,578	5.2%
2018	165,324	\$5,435,835	\$32,663	31,436	4.8%

Sources and Notes:

¹ U.S. Dept of Commerce, Bureau of Census, Local Population Estimates; non-decennial Census figures are time-series data updated annually with release of annual population estimate. 2010 population from the U.S. Census Count.

² Personal Income and Per Capita Personal Income per U.S. Bureau of Economic Analysis. Most recent year is an estimate based on trends.

³ School enrollment of Kansas City, Kansas #500, Turner #202, Piper #203, Bonner Springs #204 and parochial schools in Wyandotte County.

Board of Public Utilities

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

	2018			2009		
	Employees in County (Employment Range)	Rank	Percentage of Total County Employment	Employees in County (Employment Range)	Rank	Percentage of Total County Employment
Kansas University Hospital	5,000+	1	7.00%	2500-3499	3	4.10%
Amazon Fulfillment Center	3500-4000	2	4.12%	-	-	-
University of Kansas Medical Center	3500-4000	3	4.05%	2500-3499	4	3.35%
Kansas City, KS School District #500	3500-4000	4	3.60%	3500-4000	1	4.59%
Cerner	2500-3499	5	3.11%	-	-	-
Burlington Northern/Santa Fe Railroad	2500-3499	6	2.57%	1000-2499	5	3.05%
Unified Government of Wyandotte Co/KCK	1000-2499	7	2.41%	1000-2499	6	2.80%
General Motors Corporation	1000-2499	8	2.30%	3500-4000	2	4.39%
Providence Medical Center	1000-2499	9	1.22%	1000-2499	7	1.46%
Nebraska Furniture Mart	1000-2499	10	1.17%	1000-2499	8	1.45%
Associated Wholesale Grocers	-	-	0.00%	1000-2499	9	1.28%
United Parcel Service	-	-	-	750-999	10	1.13%
	30,655		31.54%	22,650		27.60%

Source: Unified Government Finance Department, Research Division.

Operating Information





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Board of Public Utilities

Electric Rates 2009 thru 2018

	Jan-09		Jul-10		Jan-11		Jan-12		Jan-13		Mar-17		Dec-18	
	Summer	Winter												
Residential														
Rate Code 100														
Customer Charge	\$ 6.60	\$ 6.60	\$ 7.06	\$ 7.06	\$ 13.00	\$ 13.00	\$ 14.50	\$ 14.50	\$ 16.00	\$ 16.00	\$ 19.00	\$ 19.00	\$ 22.00	\$ 22.00
Energy Charge:														
First 1,000 kWh	0.05630	0.05630	0.06020	0.06020	0.06400	0.04950	0.06790	0.05260	0.07240	0.05610	0.06406	0.06406	0.06466	0.06466
Next 1,000 kWh	0.06720	0.02660	0.07190	0.02850	0.07500	0.04800	0.07960	0.05100	0.08480	0.05430	0.06406	0.06406	0.06466	0.06466
All Additional kWh	0.09920	0.02660	0.10610	0.02850	0.09400	0.04800	0.09980	0.05100	0.10630	0.05430	0.06406	0.06406	0.06466	0.06466
Residential Electric Heating														
Rate Code 101 (Started Jan-2011)														
Customer Charge					13.00	13.00	14.50	14.50	16.00	16.00	19.00	19.00	22.00	22.00
Energy Charge:														
First 1,000 kWh					0.06400	0.04950	0.06790	0.05260	0.07240	0.05610	0.06406	0.06406	0.06466	0.06466
Next 1,000 kWh					0.07500	0.03500	0.07960	0.03720	0.08480	0.03960	0.06406	0.03960	0.06466	0.03960
All Additional kWh					0.09400	0.03000	0.09980	0.03190	0.10630	0.03400	0.06406	0.03960	0.06466	0.03960
Small General Service														
Rate Code 200														
Customer Charge	16.50	16.50	17.66	17.66	25.00	25.00	27.50	27.50	30.00	30.00	35.00	35.00	40.00	40.00
Energy Charge:														
First 3,500 kWh	0.07080	0.07080	0.07580	0.07580	0.07600	0.06600	0.08080	0.07020	0.08570	0.07450	0.04677	0.04677	0.04733	0.04733
All Additional kWh	0.01120	0.01120	0.01200	0.01200	0.03200	0.02200	0.03400	0.02340	0.03610	0.02480	0.04677	0.04677	0.04733	0.04733
Facilities Charge:														
Secondary Service	2.47	2.47	2.64	2.64	2.40	2.40	2.55	2.55	2.71	2.71	3.26	3.26	3.30	3.30
Primary Service	1.29	1.29	1.38	1.38	1.90	1.90	2.02	2.02	2.14	2.14	2.62	2.62	2.65	2.65
Demand Charge:														
First 10 kW	No Charge													
All Additional kW	6.05	6.05	6.47	6.47	6.50	6.50	6.91	6.91	7.33	7.33	5.50	5.50	5.57	5.57
*Metering Adjustment:														
Primary	-2.30%	-2.30%	-2.30%	-2.30%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Secondary	NA													
Customers without Demand Meters														
All kWh	0.0762	0.0762	0.0815	0.0815	0.0910	0.0840	0.0967	0.0893	0.1026	0.0947	0.09280	0.09280	0.08846	0.08846
Small General Service Electric Heating														
Rate Code 201 (Started Mar-2017)														
Customer Charge											35.00	35.00	40.00	40.00
Energy Charge:														
First 3,500 kWh											0.04677	0.04677	0.04733	0.04733
All Additional kWh											0.04677	0.02677	0.04733	0.02709
Facilities Charge:														
Secondary Service											3.26	3.26	3.30	3.30
Primary Service											2.62	2.62	2.65	2.65
Demand Charge:														
First 10 kW											No Charge	No Charge	No Charge	No Charge
All Additional kW											5.50	5.50	5.50	5.57
*Metering Adjustment:														
Primary											-2.00%	-2.00%	-2.00%	-2.00%
Secondary											NA	NA	NA	NA

*Metering Adjustment:

For years 2007-2010 when a meter was installed, which did not compensate for transformer losses, the customer's total bill, including any adjustments, was adjusted according to the percentages. For years 2011-Current when a meter is installed which does not compensate for transformer losses, the customer's metered kWh and kW is adjusted according to the percentages.

Notes:

Source: Board of Public Utilities approved rate tariffs.

Rate Component Information Available for 2009-2018

Years represented are for years with rate tariff adjustments.

Board of Public Utilities

Electric Rates 2009 thru 2018

	Jan-09		Jul-10		Jan-11		Jan-12		Jan-13		Mar-17		Dec-18	
	Summer	Winter												
Medium General Service Rate														
Rate Code 250 (Started Jan-2011)														
Customer Charge					55.00	55.00	60.00	60.00	65.00	65.00	75.00	75.00	85.00	85.00
Energy Charge:														
First 300 kWh per kW					0.04500	0.03500	0.04730	0.03680	0.04950	0.03850	0.03637	0.03637	0.03724	0.03724
All Additional kWh					0.01500	0.01300	0.01580	0.01370	0.01650	0.01430	0.02137	0.02137	0.02188	0.02188
Facilities Charge:														
Secondary Service					2.96	2.96	3.11	3.11	3.26	3.26	4.02	4.02	4.11	4.11
Primary Service					2.34	2.34	2.46	2.46	2.58	2.58	3.46	3.46	3.54	3.54
Demand Charge:														
All Additional kW					6.55	6.55	6.88	6.88	7.21	7.21	6.50	6.50	6.66	6.66
*Metering Adjustment:														
Primary					NA									
Secondary					2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Medium General Service Rate Electric Heating														
Rate Code 251 (Started Mar-2017)														
Customer Charge											75.00	75.00	85.00	85.00
Energy Charge:														
First 300 kWh per kW											0.03637	0.03637	0.03724	0.03724
All Additional kWh											0.02137	0.01137	0.02188	0.01164
Facilities Charge:														
Secondary Service											4.02	4.02	4.11	4.11
Primary Service											3.46	3.46	3.54	3.54
Demand Charge:														
All Additional kW											6.50	6.50	6.66	6.66
*Metering Adjustment:														
Primary											NA	NA	NA	NA
Secondary											2.0%	2.0%	2.0%	2.0%
Large General Service Rate														
Rate Code 300														
Customer Charge	38.48	38.48	41.17	41.17	120.00	120.00	130.00	130.00	140.00	140.00	155.00	155.00	170.00	170.00
Energy Charge:														
First 300 kWh per kW	0.03470	0.03470	0.03710	0.03710	0.03900	0.03000	0.04130	0.03170	0.04360	0.03340	0.03540	0.03540	0.03636	0.03636
All Additional kWh	0.01020	0.01020	0.01090	0.01090	0.01300	0.01300	0.01380	0.01380	0.01460	0.01460	0.01540	0.01540	0.01582	0.01582
Facilities Charge:														
Secondary Service	2.42	2.42	2.59	2.59	2.96	2.96	3.13	3.13	3.3	3.3	4.02	4.02	4.13	4.13
Primary Service	1.26	1.26	1.35	1.35	2.34	2.34	2.48	2.48	2.62	2.62	3.46	3.46	3.56	3.56
Demand Charge:														
All Additional kW	5.77	5.77	6.17	6.17	7.55	7.55	7.99	7.99	8.43	8.43	8.43	8.43	8.66	8.66
*Metering Adjustment:														
Secondary	2.3%	2.3%	2.3%	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Primary	NA													

*Metering Adjustment:

For years 2007-2010 when a meter was installed, which did not compensate for transformer losses, the customer's total bill, including any adjustments, was adjusted according to the percentages. For years 2011-Current when a meter is installed which does not compensate for transformer losses, the customer's metered kWh and kW is adjusted according to the percentages.

Notes:

Source: Board of Public Utilities approved rate tariffs.

Rate Component Information Available for 2009-2018

Years represented are for years with rate tariff adjustments.

Board of Public Utilities

Electric Rates 2009 thru 2018

	Jan-09		Jul-10		Jan-11		Jan-12		Jan-13		Mar-17		Dec-18	
	Summer	Winter												
Large General Service Rate Electric Heating														
Rate Code 301 (Started Mar-2017)														
Customer Charge											155.00	155.00	170.00	170.00
Energy Charge:														
First 300 kWh per kW											0.03540	0.03540	0.03636	0.03636
All Additional kWh											0.00540	0.00540	0.00555	0.00555
Facilities Charge:														
Secondary Service											4.02	4.02	4.13	4.13
Primary Service											3.46	3.46	3.56	3.56
Demand Charge:														
All Additional kW											8.43	8.43	8.66	8.66
*Metering Adjustment:														
Secondary											2.0%	2.0%	2.0%	2.0%
Primary											NA	NA	NA	NA
Large Power Service Rate														
Rate Code 400														
Customer Charge	109.94	109.94	117.64	117.64	250.00	250.00	275.00	275.00	300.00	300.00	350.00	350.00	400.00	400.00
Energy Charge:														
First 300 kWh per kW	0.02030	0.02030	0.02170	0.02170	0.02140	0.01940	0.02310	0.02100	0.02490	0.02260	0.02081	0.02081	0.02183	0.02183
All Additional kWh	0.01010	0.01010	0.01080	0.01080	0.01020	0.00920	0.01100	0.01000	0.01190	0.01080	0.01050	0.01050	0.01101	0.01101
Facilities Charge:														
Secondary Service	2.42	2.42	2.59	2.59	2.42	2.42	2.62	2.62	2.83	2.83	3.24	3.24	3.4	3.4
Primary Service	1.26	1.26	1.35	1.35	1.93	1.93	2.09	2.09	2.25	2.25	2.75	2.75	2.88	2.88
Substation Service	0.38	0.38	0.41	0.41	0.73	0.73	0.79	0.79	0.85	0.85	0.95	0.95	1	1
Demand Charge:														
All Additional kW	6.82	6.82	7.30	7.30	7.94	7.94	8.59	8.59	9.26	9.26	9.26	9.26	9.71	9.71
*Metering Adjustment:														
Primary	NA													
Secondary	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Substation Service	-3.8%	-3.8%	-3.8%	-3.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%
Transmission	-4.3%	-4.3%	-4.3%	-4.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%
Large Power Service Rate Electric Heating														
Rate Code 401 (Started Mar-2017)														
Customer Charge											350.00	350.00	400.00	400.00
Energy Charge:														
First 300 kWh per kW											0.02081	0.02081	0.02183	0.02183
All Additional kWh											0.01050	0.00550	0.01101	0.00577
Facilities Charge:														
Secondary Service											3.24	3.24	3.4	3.4
Primary Service											2.75	2.75	2.88	2.88
Substation Service											0.95	0.95	1	1
Demand Charge:														
All Additional kW											6.95	6.95	8.56	8.56
*Metering Adjustment:														
Primary											NA	NA	NA	NA
Secondary											2.0%	2.0%	2.0%	2.0%
Substation Service											-2.8%	-2.8%	-2.8%	-2.8%
Transmission											-3.3%	-3.3%	-3.3%	-3.3%

*Metering Adjustment:
For years 2007-2010 when a meter was installed, which did not compensate for transformer losses, the customer's total bill, including any adjustments, was adjusted according to the percentages. For years 2011-Current when a meter is installed which does not compensate for transformer losses, the customer's metered kWh and kW is adjusted according to the percentages.

Notes:
Source: Board of Public Utilities approved rate tariffs.
Rate Component Information Available for 2009-2018
Years represented are for years with rate tariff adjustments.

Board of Public Utilities

Electric Rates 2009 thru 2018

	Jan-09		Jul-10		Jan-11		Jan-12		Jan-13		Mar-17		Dec-18	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
Large Power High Load Factor														
Rate Code 450 (Started Mar-2017)														
Customer Charge											350.00	350.00	400.00	400.00
Facilities Charge:														
Secondary Service											3.24	3.24	3.4	3.4
Primary Service											2.75	2.75	2.88	2.88
Substation Service											0.95	0.95	1	1
Demand Charge:														
All Additional kW											17.50	17.50	17.93	17.93
*Metering Adjustment:														
Primary											NA	NA	NA	NA
Secondary											2.0%	2.0%	2.0%	2.0%
Substation Service											-2.8%	-2.8%	-2.8%	-2.8%
Transmission											-3.3%	-3.3%	-3.3%	-3.3%
Average Monthly Residential kWh	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
	786	901	878	854	839	832	808	832	806	876				
Average Energy Rate Component (ER)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
	0.03102	0.02370	0.02761	0.03445	0.03038	0.03490	0.03139	0.02939	0.03539	0.03340				
Environmental Surcharge (ESC)	2009	2010	2011	2012	2013	2014	2015	2016	Jan - Feb 2017	Mar-Dec 2017	2018			
Rate Code 100 (kWh)	NA	NA	0.00068	0.00094	0.00097	0.00124	0.00304	0.00444	0.00664	0.00899	0.01000			
Rate Code 200 (kWh)	NA	NA	0.00101	0.00140	0.00144	0.00179	0.00443	0.00656	0.00973	0.01128	0.01134			
Rate Code 250 (kW)	NA	NA	0.20896	0.38985	0.38662	0.47525	1.19839	1.70924	2.61501	3.98803	3.92962			
Rate Code 300 (kW)	NA	NA	0.20896	0.38985	0.38662	0.47525	1.19839	1.70924	2.61501	2.14008	3.77993			
Rate Code 400 (kW)	NA	NA	0.20033	0.40618	0.43575	0.56661	1.50282	2.03925	2.90730	3.69120	4.11948			
Rate Code USD500 (kWh)	NA	NA	0.00090	0.00136	0.00142	0.00168	0.00382	0.00535	0.00841	0.01125	0.01063			

*Metering Adjustment:

For years 2007-2010 when a meter was installed, which did not compensate for transformer losses, the customer's total bill, including any adjustments, was adjusted according to the percentages. For years 2011-Current when a meter is installed which does not compensate for transformer losses, the customer's metered kWh and kW is adjusted according to the percentages.

Notes:

Source: Board of Public Utilities approved rate tariffs.

Rate Component Information Available for 2008-2018

Years represented are for years with rate tariff adjustments.

Board of Public Utilities

Water Rates

2009 thru 2018

Meter Size	Jan-09		Jul-10		Jan-11		Jan-12		Jan-13	
	Inside City	Outside City								
Monthly Customer Access Charge										
5/8"	\$ 12.69	\$ 12.89	\$ 13.65	\$ 13.65	\$ 15.55	\$ 15.55	\$ 17.50	\$ 17.50	\$ 19.35	
3/4"	13.18	13.40	16.60	16.60	18.95	18.95	21.30	21.30	23.55	
1"	15.27	15.59	20.70	20.70	23.60	23.60	26.55	26.55	29.35	
1.5"	20.58	21.16	32.50	32.50	37.00	37.00	41.60	41.60	46.00	
2"	26.95	27.84	44.20	44.20	50.40	50.40	56.70	56.70	62.60	
3"	47.09	49.00	96.00	96.00	109.50	109.50	123.00	123.00	136.00	
4"	73.62	76.86	154.50	154.50	176.00	176.00	198.00	198.00	219.00	
6"	142.55	144.78	301.00	301.00	343.00	343.00	386.00	386.00	427.00	
8"	200.89	204.03	449.00	449.00	512.00	512.00	575.00	575.00	635.00	
10"	317.55	322.52	596.00	596.00	679.00	679.00	763.00	763.00	843.00	
12" and Larger	464.36	471.63	682.00	682.00	778.00	778.00	875.00	875.00	967.00	
Monthly Minimum Bill										
5/8"	12.69	24.36	13.98	25.57	15.90	24.00	17.87	21.92	19.74	
3/4"	26.80	35.20	32.16	38.78	35.49	40.07	38.60	40.80	41.83	
1"	37.10	52.81	45.33	56.67	49.78	57.76	53.90	58.03	58.22	
1.5"	66.74	92.04	80.99	98.45	88.35	100.63	95.03	101.39	101.77	
2"	100.02	144.92	121.21	151.18	131.84	153.02	141.29	152.42	150.51	
3"	180.31	262.43	231.21	289.41	252.34	293.17	271.19	292.18	289.51	
4"	290.99	432.83	372.64	473.62	406.33	477.25	436.82	473.39	465.99	
6"	577.73	815.36	734.48	900.35	800.51	917.17	860.14	920.56	916.71	
8"	912.23	1,149.00	1,172.03	1,291.92	1,274.98	1,359.40	1,365.55	1,409.43	1,451.07	
10"	1,370.86	1,816.28	1,681.32	1,927.22	1,824.19	1,997.03	1,949.46	2,038.82	2,067.43	
12" and Larger	1,767.17	2,655.98	2,030.68	2,625.77	2,201.03	2,619.47	2,349.25	2,565.81	2,488.27	
CCF Units Per Month										
0 to 7	2.959	3.275	3.310	3.310	3.520	3.520	3.680	3.680	3.890	
8 to 160	2.945	3.275	2.910	2.910	3.070	3.070	3.180	3.180	3.280	
161 to 2000	2.750	3.275	2.910	2.910	3.070	3.070	3.180	3.180	3.280	
2001 to 8000	2.063	3.275	2.063	2.063	2.060	2.060	2.450	2.450	3.030	
All over 8000	1.320	3.275	1.620	1.620	1.990	1.990	2.450	2.450	3.030	
Private Fire Protection Rates										
2"	7.97	7.97	7.97	7.97	7.97	7.97	7.97	7.97	7.97	
4"	20.44	20.44	20.44	20.44	20.44	20.44	20.44	20.44	20.44	
6"	49.86	49.86	49.86	49.86	49.86	49.86	49.86	49.86	49.86	
8"	100.21	100.21	100.21	100.21	100.21	100.21	100.21	100.21	100.21	
10"	175.95	175.95	175.95	175.95	175.95	175.95	175.95	175.95	175.95	
12" and Larger	281.10	281.10	281.10	281.10	281.10	281.10	281.10	281.10	281.10	

Notes:

Source: Board of Public Utilities approved rate tariffs.

Rate Component Information Available for 2009-2018

Years represented are for years with rate tariff adjustments.

Board of Public Utilities

Capital Operating Indicators LAST 10 FISCAL YEARS

Water System:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Miles of Water Mains	963.18	964.75	966.56	965.55	967.55	967.04	966.85	967.74	970.14	966.64
Number of New Service Taps	129	117	123	117	166	155	187	205	311	257
Max. Day Pumped (Gallons)	39,050,000	40,250,000	45,860,000	49,270,000	46,450,000	39,880,000	36,390,000	40,590,000	38,890,000	29,570,000
Min. Day Pumped (Gallons)	24,620,000	24,620,000	24,220,000	24,290,000	23,950,000	24,400,000	22,230,000	23,720,000	23,680,000	24,960,000
Max. Rate (MGD)	54	54	54	54	54	54	54	54	54	54
Water Main Breaks	457	570	637	736	590	606	499	444	481	602
Avg daily consumption (gallons)	29,770,000	30,350,000	31,320,000	33,755,000	30,850,000	29,326,000	28,251,482	29,098,630	28,612,843	30,046,990

Source: Various water divisions.

Board of Public Utilities

Staffing By Division 2009 - 2018 Budget

Department	2009 Approved	2010 Approved	2011 Approved	2012 Approved	2013 Approved	2014 Approved	2015 Approved	2016 Approved	2017 Approved	2018 Approved
1000 E S Administration	6	6	5	4	4	4	4	4	4	4
1600 Electric System Control	22	22	22	24	25	25	25	24	24	24
Total Electric Supply	28	28	27	28	29	29	29	28	28	28
1100 EP Administration	9	9	7	6	6	7	7	7	9	8
1101 Maintenance and Planning	3	3	3	3	3	2	2	2	2	2
1103 EP Engineers Common	4	4	4	4	5	5	5	5	4	4
1200 KAW Plant Common	1	1	1	1	1	1	0	0	0	0
1301 EP Maintenance-Quindaro	21	21	20	21	21	21	20	15	14	13
1302 EP Operations-Quindaro	38	38	38	38	38	38	38	29	23	21
1303 EP Engineering - Quindaro	3	3	3	3	3	3	3	3	3	3
1401 EP Maintenance-Nearman	20	20	17	16	16	20	20	22	26	27
1402 EP Operations-Nearman	35	35	35	35	35	35	35	35	38	39
1403 EP Engineering - Nearman	3	3	3	3	2	2	2	2	2	2
1500 Common Plant Maintenance	41	41	45	45	45	38	35	35	33	33
1700 Environmental Services	5	5	7	6	6	5	5	5	4	4
1701 Environmental Air Quality	0	0	0	3	3	3	3	3	3	3
Total Electric Production	183	183	183	184	184	180	175	163	161	159
1900 EO Administration	2	2	3	3	4	2	2	2	2	2
2000 EO Planning	0	0	0	0	0	4	4	2	2	2
2100 EO Transmission	86	87	87	87	86	85	85	82	81	81
2200 EO Substation / Relay	12	12	12	12	13	13	13	13	14	14
2300 Telecommunications	7	7	7	7	7	7	8	8	8	8
2410 IT Administration	1	1	1	1	1	1	1	1	1	1
2420 Desktop	2	2	4	6	7	7	9	11	11	12
2430 Applications	8	8	12	12	12	12	15	14	16	17
2500 EO Grounds / Claims	1	1	2	2	1	1	1	2	2	2
2600 EO Fleet Maintenance	24	24	23	23	23	23	23	21	21	21
2700 EO Electrical Engineering	24	24	24	24	25	25	25	23	22	22
2800 EO Elec Meters & Services	23	23	21	19	16	15	23	23	22	20
2810 Meter Reading	0	0	0	16	15	8	0	0	0	0
2820 Revenue Protection	0	0	0	4	3	5	0	0	0	0
2900 EO Traffic Signal	6	5	5	5	5	5	5	4	4	4
Total Electric Operations & Technology	196	196	201	221	218	213	214	206	206	206
3700 Water Meters/Services	25	26	26	23	23	24	24	26	25	26
3900 Maintenance Nearman	7	7	6	7	6	6	7	7	6	7
4000 Process Administration	2	3	3	3	3	3	3	3	3	2
4100 Laboratory	10	9	9	9	10	9	9	8	8	8
4200 W O Mains	33	33	33	39	39	37	39	37	38	37
4400 WP Support Services	6	6	6	6	6	4	4	5	5	5
4500 Water Administration	2	1	1	1	1	1	1	1	1	1
4600 Water Civil Engineering	15	15	15	15	15	16	16	15	15	15
4800 Operations Nearman	8	8	9	8	8	8	8	7	8	8
Total Water	108	108	108	111	111	110	111	108	109	109
5000 Customer Relations	13	12	12	15	14	14	15	17	17	17
5100 Cash Operations	8	8	8	8	8	8	8	8	8	8
5200 Collections	19	19	19	19	19	15	15	14	14	12
5300 Meter Reading - Moved to Electric Ops	28	27	22	0	0	0	0	0	0	0
5600 Revenue Protection - Moved to Electric Ops	5	5	4	0	0	0	0	0	0	0
5800 CS Administration	6	6	6	5	6	7	6	6	6	6
6200 Customer Accounting	8	8	8	8	8	8	8	8	8	8
Total Customer Service	87	85	79	55	55	52	52	53	53	51
6100 Accounting	18	18	18	18	18	18	18	16	16	16
6300 Purchasing	5	5	4	4	4	4	5	5	5	5
6400 Stores	26	26	24	24	24	24	23	22	22	22
6900 Corp Compliance	0	0	0	0	3	3	3	3	4	4
7000 General Managers Office	5	7	5	7	6	6	5	4	3	3
7100 Marketing & Corporate Communications	1	1	2	2	3	3	4	3	3	2
7200 HR Administration	1	0	0	0	0	0	0	0	0	0
7300 Internal Audit	0	0	0	0	0	0	0	0	0	0
7400 Employee Relations	7	5	5	6	6	6	6	5	5	9
7500 Employment Wage/Salary	1	1	1	1	1	1	1	1	1	0
7600 Safety & Security	2	2	2	2	2	2	2	2	2	0
7700 Training & Career Development	1	1	1	1	1	1	1	1	1	0
7900 Utility Svcs	2	2	3	3	3	3	3	3	3	3
8600 Administrative Services	3	3	3	3	3	3	3	3	3	3
8700 Image Processing	5	5	5	5	5	7	8	7	7	7
8800 Central Mail	2	2	2	2	2	0	0	0	0	0
Total Administrative	79	78	75	78	81	81	82	75	75	74
Overall Total Number Of Approved Positions	681	678	673	677	678	665	663	633	632	627

Source: Board of Public Utilities approved annual budget.