OFFICES OF THE

STATE AUDITOR OF MISSOURI

JEFFERSON CITY

SPECIAL REVIEW OF BONDS ISSUED BY POLITICAL SUBDIVISIONS

MARGARET KELLY, CPA

Report No. 95-44
May 3, 1995

Contents

Missouri State Auditor's Office

Special Review of Municipal Bonds

STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

May 2, 1995

Dear Citizens of Missouri:

Debt financing is an increasingly integral part of state and local government operations in Missouri. It is through debt financing that many capital projects are undertaken and completed, providing Missourians with services or public facilities that otherwise might not be available to them.

While debt financing provides funding for many worthwhile projects, it is important that it is undertaken with caution and that officials are fully informed of the impact their decisions will have on taxpayers now as well as in the future. Due to the importance of this issue, my office undertook a survey of debt issues (in excess of $100,000) sold during the five years ended October 1993. The results of this survey are provided in this report.

As a member of the Board of Fund Commissioners, I know the State of Missouri places all of its general obligation bond issues through competitive bidding procedures. These procedures ensure that the state has protected the interests of the taxpayers of Missouri by obtaining the best financing possible. I encourage local government officials to do the same.

It is my hope that the information contained in this report will assist local officials in making sound, well-informed decisions that protect the public's trust and interests.

Sincerely,

Margaret Kelly

Margaret Kelly, CPA
State Auditor

MK:sb

BOND SURVEY REPORT

Bond Survey Report

My office mailed a bond survey to 3,397 political subdivisions in the State of Missouri. The survey requested information about all types of debt (general obligation, revenue, limited obligation, lease purchase, etc.) involving more than $100,000 per transaction entered into during a five year period. The purpose of the survey was to obtain information about the volume and types of debt issued by political subdivisions throughout the state, including the terms of the obligations and the associated costs. In addition, the survey asked whether contracts for professional services and the sale of the obligations were handled on a negotiated or competitive basis.

As of April 4, 1994, a total of 2,857 or 84.10% of the political subdivisions responded. Although my office sent a second request for the information, we did not use any legal process to compel responses. Completion of the survey was a voluntary decision for each governing entity based on its commitment to serving the public interest. Many of the non-responding political subdivisions (15.90%) were small and may not have issued any debt. However, a number of the larger entities that did not respond did have outstanding debt. A complete listing of the political subdivision responses (by county) is located in Appendix A.

Exhibit 1 is a summary of the responses by political subdivision type. There were 451 issuers reporting 685 issues with a total face amount of $2,407,286,210. Some of the response forms were incomplete and certain data (such as the interest rate and costs of issuance) could not be determined. Many answers on the survey forms were left blank and, thus, no conclusions/determinations could be made in those cases. A copy of the survey form is located in Appendix B.

Exhibit 2 shows the number of bond issues reported for each year of the survey. The number of issues reported for the year ended September 30, 1993 increased substantially. This increase was due, in part, to the decline in interest rates during that time (see Exhibits 10, 11 and 12). Many political subdivisions took advantage of the lower interest rates and refunded existing higher-interest bonds with lower-interest bonds. Almost half of the dollars reported in the survey (as shown on Exhibit 3) related to refunding issues.

Schools reported the most issues at 246 and the greatest dollar amount of debt with $985,988,018 issued. Second in both categories were municipalities with 243 issues and $731,448,809 in debt. Counties were a distant third in terms of the dollar amount of debt with $297,734,150 reported.

As shown on Exhibits 6 and 7, bonds reported in the under one million category comprised nearly half (49.1%) of the total number of issues reported, but accounted for only 5.8% of the total dollars reported. This compares with the issues of five million or more which were relatively few (15.3%), but accounted for 69.6% of the dollar value of the reported debt.

Of the three major types of debt reported (general obligation bonds, revenue bonds, and lease purchase obligations), general obligation bonds accounted for over one-half of the debt reported and were the most likely to have been sold at a competitive sale. (See Exhibits 8 and 9.) The vast majority of issues (and dollars) were sold through negotiated sales -- including seventy-five percent of the refunding issues. Exhibits 10 and 11 show a weighted average competitive/negotiated/overall interest rate comparison over the five year period while Exhibit 12 shows a weighted average interest rate comparison by size of issue. Exhibit 13 shows the difference in the overall weighted average interest rate of negotiated sales over (or under) competitive sales.

In almost 90% of the responses, political subdivisions reported they selected their bond attorney on a non-competitive basis. When a financial advisor was retained, over half reported that this selection was also on a non-competitive basis. Since the survey results showed that most bonds or financial obligations were sold on a negotiated basis without bidding and that associated professional services are usually obtained on a non-competitive basis, it appears in many instances that local officials may not be exercising effective oversight over these costs. Based on the number of incomplete forms and calls for assistance my office received, it is apparent that many local officials have very limited knowledge about the costs they incurred in undertaking these financial transactions.

Non-public, non-competitive practices do not provide objective assurance that the best services and rates are obtained at the best prices. These practices also fail to demonstrate that marketing and procurement decisions are free of self-interest, personal or political influences. Nationally-reported examples of underwriting contracts being awarded only to individuals or firms making campaign contributions to influential officials, cast a pall over the public finance industry and indicate that taxpayer and public interests may sometimes be secondary to personal profit and/or political gain.

In a June 8, 1994, article, the ***Wall Street Journal*** reported that the Government Finance Officers Association (GFOA), at its most recent meeting, adopted a policy that "urged states and localities to sell their bonds competitively in most cases and to make sure any negotiated sales are defensible." SEC Chairman Levitt was noted as hailing the (GFOA) policy as "a landmark" in his quest to encourage more competitive bond sales and as a step toward strengthening market integrity. Mr. Levitt has been promoting competitive sales as a way to combat political favoritism in the award of lucrative bond-underwriting business.

There are situations where competitive bidding will be no more effective than careful negotiations between knowledgeable parties; however, no-bid contracts are difficult to justify in the public sector. The public interest is best served by procuring professional services and marketing obligations competitively to obtain the best terms. Competitive bidding lessens the opportunity for fraud and abuse, assures the public that the best prices and rates are obtained and is fair to competing finance professionals. Unnecessary costs and higher interest rates can be avoided by selecting services and selling bonds on a competitive basis. **Therefore**, the State Auditor's Office recommends a competitive selection of professional services required in the issuance of bonds and other financing obligations and public, competitively bid sales of bonds and other obligations absent justification and documentation showing a negotiated sale to be in the best interest of the public.

BASIC PUBLIC FINANCE QUESTIONS AND INFORMATION

BASIC PUBLIC FINANCE QUESTIONS AND INFORMATION RELATING TO MUNICIPAL DEBT

Why do governments issue debt?

Historically the issuance of long-term debt has provided a major source of funding for capital needs. Because of the high cost of acquiring or replacing capital assets, governments are often not able to accumulate the cash required to "pay as you go". Debt spreads the cost of a long lived asset over the generations of taxpayers, users or rate payers that will enjoy the use and benefits of the asset acquired. Those that actually use or benefit from the asset help pay a portion of the cost. Prudent management dictates that the length of the debt not exceed the expected useful life of the asset acquired. All governments should carefully identify, plan, and prioritize their capital improvement needs.

A financially sound capital improvement program maximizes funds available for "pay as you go" financing. Since undertaking debt adds financing costs and interest expenses to the total cost of an asset or project, the decision to issue debt should only be made if no other option is feasible. Short-term and long-term financing is practical and appropriate only after carefully weighing the needs of the community against the costs and evaluating the willingness of the community to support the decision to undertake debt.

What are the types of bonds or obligations commonly used?

General Obligation (G.O.) Bonds

"G.O." bonds are "full, faith and credit" obligations that are backed by an issuer's unlimited taxing power. Due to the strength of this pledge and legal limits that act as checks and balances on the issuance of G.O. debt, these types of bonds are readily accepted in the municipal bond market and usually obtain the most favorable rates. Depending on the date of the bond election, the Missouri Constitution requires a four-sevenths or two-thirds vote to authorize the amount and purpose of general obligation debt. The constitution also limits the amount of G.O. debt that can be incurred to a percentage of the political subdivision's assessed valuation. These limits are 5% for most political subdivisions, 10% for counties, school districts, and cities, with an additional 10% allowed to cities for street and utility projects. There are separate authorizations for general obligation backing of certain industrial development bonds and neighborhood improvement bonds. Various statutes set requirements for review and approval of bonds including public hearings and registration with the State Auditor's Office. The form of the bonds, limits on the method of sale, and limits on interest rates are also set by state statute.

Limited Obligation Bonds

In some instances, the legislature has authorized limited obligation bonds that are backed by a limited tax such as the proceeds of a capital improvement sales tax. Because these bonds are a debt of the issuer, most of the same limits that apply to G.O. bonds apply to these obligations; however, the issuer's unlimited taxing power is not pledged.

Special Assessment Bonds

Special assessment bonds are authorized under various laws. A special assessment bond is financed and backed by charges levied on the benefitted property in a specific area. The obligation of the issuer is limited to this pledge of assessments. The assessments are a lien on the benefitted property, but the general credit of the issuer in not pledged. These types of bonds are used by cities (usually for street or sewer improvements), by levee and drainage districts and by some road districts.

Neighborhood Improvement District (NIDs) Bonds

Neighborhood Improvement District bonds are relatively new in Missouri government financing. NID bonds are "double-barreled" in that they are backed by special assessments on the benefitted property within the NID and by the full faith and credit pledge of the city or county. A NID can be established within a city or a county by an election of the residents of the proposed NID, or by petition of the landowners of two-thirds of the land within the boundaries of the proposed NID. The governing body of the city or county holds public hearings on the issuance of the NID bonds; however, there is no city or county-wide vote on the issuance of the bonds.

If the special assessments are not paid, the city or county may levy an ad valorem property tax against all property in the city or county. Since there is no direct voter approval required for the issuance of NID bonds, local governments must take care to protect their constituents from increased property taxes by ensuring NID bonds are only issued on financially sound projects.

Revenue Bonds

Revenue bonds are issued to finance facilities that have a definable user or revenue base. These obligations are secured by the pledge of a specific source of funds from the facility or project that is financed. Citizens using the services pay for the financing costs through the rates or fees that are charged. These types of bonds typically are used to finance water, sewer and utility improvements. Market acceptance of these types of bonds is dependent on the necessity and viability of the underlying improvement. The issuing resolution and contract usually require the issuer to charge adequate fees in order to amortize the debt, maintain the financed facility, and fund certain reserve requirements. A sound debt management program is important in maintaining reasonable user fees and charges.

Lease Purchase Financing, Certificates of Participation (COPs)

Lease financing has become common not only for relatively short-term equipment acquisitions but also for major capital improvements such as jails, government office buildings and school buildings. Without a public vote, local governments are prohibited by constitutional and statutory provisions from incurring debt that cannot be repaid in the current year. To circumvent these debt limitations, leases are structured with one-year renewable terms that are subject to annual appropriation. Leases may be structured in various ways - often with a lender or non-profit corporation taking legal title to the property and leasing it back to the city, county, school or other political subdivision.

The lease can be used to back bonds that are sold to investors. Lease secured bonds are often referred to as certificates of participation (COPs). Since the backing of COPs is limited to lease revenues that are contingent on an annual renewal, the COPs carry higher risks for investors than most other types of municipal debt and this results in higher interest costs. The state legislature has enacted very few limits for this type of debt so the security of investors and the welfare of the public and the taxpayers rest heavily on the judgement of local officials. Failure to make the annual appropriation may adversely affect the issuer's credit and ability to market debt in the future.

Tax Increment Financing (TIF) Bonds

TIF bonds are not technically a debt or obligation of the county or city sponsoring the TIF district. Under a TIF program, private developers are encouraged to undertake projects in targeted areas in return for a tax freeze or abatement based on the pre-development tax value. The developer agrees to make a payment in lieu of tax based on the incremental taxes that have been abated. These funds are allocated to a special development account to pay for improvements to the public infrastructure supporting the redevelopment program. These funds, like special assessments, can be pledged to secure obligations used to finance the infrastructure improvements. Excess funds are distributed on a pro-rated basis to the affected political subdivisions. When the cost of the public improvements are paid the tax abatement ends. Additional sales taxes and other economic activity taxes in a TIF district can also be allocated to the redevelopment project. TIF bonds often are high risk obligations since they are dependent on assumptions of economic growth and the continued viability of the project, and, in some cases, the continued viability of the developer.

What is a refunding bond?

A refunding bond issue is simply a refinancing of outstanding bonds by the issuance of new bonds. The proceeds of the new bonds are either applied immediately to retire the prior bonds (current refunding) or are invested and used to retire the issuer's debt as the prior bonds mature or are called for redemption (advance or crossover refunding). A refunding may be undertaken to reduce interest costs (by obtaining a lower rate), to restructure payments, or to eliminate prior bond covenants that have become unduly restrictive given current circumstances.

Various legal restrictions may limit the ability to successfully undertake a refunding and associated costs may outweigh any savings or other benefit. Therefore, a proposed refunding should always be carefully evaluated. Particular attention should be given to reviewing costs and savings using a conservatively based present value analysis.

What are the finance and professional services that may be utilized in issuing bonds and how are these services compensated?

Financial Advisor

A financial advisor, if employed, may have varying degrees of involvement in a bond issuance depending on the knowledge and expertise of the issuer. The financial advisor may assist a governmental entity in defining its capital improvement needs and tailoring capital financing plans and alternatives to meet these needs.

In the debt issuance process, the financial advisor's role may also vary based on the type of bond sale planned. In a competitive sale, the financial advisor may develop the payment structure and call features of the bonds and advise the issuer on the timing of the sale. The financial advisor may prepare bond documents and the official statement, coordinate and plan rating agency presentations, provide advice on reducing the credit risk of the bonds through insurance or reserve requirements, as well as assist with other matters. The financial advisor may also evaluate the bids submitted for the bonds and assist in closing the transaction.

In a negotiated sale, the bond underwriter will oversee many of the tasks outlined above. In this case, the financial advisor's role is to represent the issuer's interests when structuring the issue with the underwriter and negotiating reasonable underwriting costs and fees for the issuer.

Financial advisory services are offered through underwriting firms, commercial banks, and independent firms that have no affiliation with an underwriter. Financial advisors are usually compensated on an hourly or fixed fee basis. In some cases they are compensated based on a percentage of the bonds issued. However, tying compensation to the amount of bonds issued does not necessarily reflect the amount of work undertaken and provides the financial advisor with an opportunity to maximize his fee at the issuer's expense rather than obtaining the most advantageous, lowest cost, financing structure. A financial advisor represents the issuer in a fiduciary capacity and the issuer should take care to require the advisor's independence and prohibit any conflicting interest in any aspect of the relationship or transaction.

If a financial advisor is hired, whether for a particular bond issue or to serve the issuer for a defined period, a competitive selection process will help ensure the selection of a qualified advisor at the lowest possible cost.

Underwriter

The underwriter purchases the bonds or other obligations from the issuer and resells them to investors. In a competitive sale, underwriting firms bid against one another for an issuer's bonds. The bids are submitted to the issuer on the basis of the interest rate or cost to the issuer. In a negotiated sale, the underwriter and the issuer should negotiate the spread or discount to be allowed to the underwriter as compensation. Bonds are sometimes sold to a group of underwriters acting collectively to market the bonds. The underwriting team may be referred to as a bond syndicate.

The difference between the price the underwriter pays for the bonds and the price at which the bonds are sold to the public is the "gross spread". The components of the gross spread are:

> *TAKEDOWN* - Compensation or commission to the underwriter's sales people or sales department. This will be influenced by the credit quality and desirability of the issuer's debt, as well as the effort required to sell the bonds given current economic and market conditions.
>
> *MANAGEMENT FEE* - Cost to an issuer (particularly in a negotiated sale) for financial advice, document preparation, and management of the bond syndicate.
>
> *UNDERWRITING RISK* - Compensation for the risk assumed by the underwriter in committing to buy and place the issuer's securities. Provisions in a purchase contract to guarantee a minimum spread to the underwriter (rather than selling the bonds to the underwriter at a set price) could shift the market risks to the issuer and thereby reduce the underwriter's risk.
>
> *EXPENSES* - Costs incurred by the underwriter in the sales process. Expenses are variable and include such items as travel, printing, etc. The employment of an underwriter's counsel could significantly increase the expenses incurred.

The gross spread will be reflected in the bids of underwriters when the issuer conducts a competitive sale of its bonds. In selecting the most aggressive bid, an issuer increases the likelihood that a fair price was paid for underwriting services.

In a negotiated sale, the issuer negotiates the sale of the bonds and the gross spread with the underwriter or purchaser of the bonds. Components of the gross spread offering the greatest flexibility in a negotiated sale are the management fee and the underwriting risk. The takedown is less flexible because it is determined to a large extent by market conditions, the type of investors targeted, and the type and maturity of the bonds.

Amounts paid to the underwriter should reflect the amount of effort required and the interest rate obtained in the transaction. While the underwriter's compensation usually represents the issuer's biggest cost in issuing the bonds, it is important that it be sufficient to provide an incentive for the underwriter to work aggressively on the issuer's behalf. Since an underwriter does not have a fiduciary duty to protect the interests of the issuer, the issuer should exercise great care in obtaining the services of qualified professionals.

Note: Underwriting services are not free and rarely, if ever, is there a no-fee negotiated sale. In most cases, the underwriter is paid a specific fee or discount. When a no-fee contract occurs, it simply means that the stated interest rate on the issue is above the market interest rate which results in a premium (fee or profit) for the underwriter when the bonds are sold. The issuer and its taxpayers bear the cost of the underwriter's fee and profit just as they do in other types of sales, but the cost is less apparent than when a fee or discount is specifically negotiated.

Bond Counsel

The primary role of the bond counsel is to provide an opinion certifying that the issuer has legal authority to issue the bonds and that the bonds are in fact valid obligations. The bond attorney also provides an opinion as to whether the interest income for the bonds is tax exempt for federal, state and/or local income tax purposes. When selecting a bond attorney the issuer should ensure that the counsel's opinion will be accepted without qualification by underwriters and investors. The review and opinion provided by an experienced and nationally recognized bond counsel reduces the risk to investors that the bond contracts may be unenforceable or that the interest income may be taxable.

The bond counsel generally advises the issuer of the legal requirements for ensuring the bond issuance is valid and usually prepares the necessary legal documents to evidence the authorization, issuance and sale of bonds.

The bond counsel is compensated on a fixed-fee or hourly basis or as a percentage of the dollar volume of bonds sold. The amount of bonds issued is not a measure of the degree of difficulty of the transaction for the bond counsel. These fees are negotiable and a competitive selection process should lower these costs. The issuer should take into account the complexity of the issue, the degree of risk involved (bond counsel stands behind his opinion), and the amount of work involved to complete the transaction. An infrequent issuer of bonds or a complex bond issue may require more time by the bond attorney to properly advise the issuer and fulfill his professional responsibilities in providing his legal opinion. A less complex transaction and an experienced issuer can reduce the amount of work required by bond counsel.

Bond Rating Agencies

Interest rates are influenced by the risk or security of the debt. Because of this, issuers may choose to obtain a credit rating by a rating agency to demonstrate the strength of their credit. The most commonly used rating agencies include Standard & Poors, Moody's, and Fitch's. These agencies issue a rating based on the credit worthiness of the issuer, in the opinion of the rating agency. For example, the ratings used by Standard and Poors are summarized as follows:

Standard and Poors' Rating		Description
AAA		Extremely strong capacity to repay
AA		Very strong capacity to repay
A		Strong capacity but somewhat susceptible to economic changes
BBB		Adequate capacity, more likely affected by economic changes
BB	Predominately Speculative	Lowest degree of speculation
B		
CCC		
CC		Highest degree of speculation
C		Income bonds with no interest paid
D		Defaulted bonds, payments are in arrears

A (+) or (-) is often used to indicate standing of issue within overall category. Standard and Poors will give provisional ratings based upon the successful completion of the project.

The other rating agencies have similar, but not identical, rating systems. A highly rated issue will be readily accepted in the market and can lower an issuer's interest costs. An issuer will need to demonstrate sound management and accounting practices and show good local economic conditions to obtain a favorable rating. Rating agencies charge a fee to the issuer for their services, based in part on the size of the issue.

Bond Insurers

Bond insurance may be an option when an issuer is new to the market or has a poor rating. A bond insurance policy will protect bondholders in the event of a default by the issuer. The issuer may be able to reduce the interest costs through the use of bond insurance because the debt will be given the credit rating of the insurer. The cost of bond insurance is based on the size and risk of the issue. Whether bond insurance should be purchased depends primarily on whether the cost is offset by interest savings to the issuer.

What are the Differences of Competitive versus Negotiated Sales?

In a competitive sale, the issuer solicits bids from underwriting firms to purchase its bonds and sells the bonds to the firm or group (syndicate) offering the lowest interest cost. With a competitive sale, the issuer takes the responsibility for preparing many of the bond documents (bond counsel may do this), structuring the issue and other tasks. A financial advisor may be hired on a fee basis to prepare the bonds for sale and advise the issuer.

Competitive sales have several advantages compared to a negotiated sale. Competition provides assurance that the bonds are sold at the lowest possible interest cost given existing market conditions. Competition spurs underwriters to submit the most aggressive bid at which they will be able to successfully market the bonds to investors. Although, the cost advantage of competitive sales over negotiated sales has narrowed in recent years, competitive sales have historically resulted in lower gross underwriting spreads (i.e., costs). A public, competitive sale, promotes a fair process where all qualified underwriters have an opportunity to earn the business, and the public can be more confident that the bonds are awarded at the lowest possible cost without improper and costly insider and political conflicts. (The State of Missouri awards all of its general obligation bonds at competitive sales including all refunding issues.) The primary disadvantages of a competitive sale are that there will be less flexibility and additional cost to move the sale date to respond to market conditions.

In a negotiated sale the issuer negotiates with one or more underwriters and enters into a sale agreement for the bonds with the selected underwriter. Often, the issuer then relies on the underwriter to assist in preparing the bonds for sale. These additional services are either paid for separately or reflected in the gross spread that is negotiated. Negotiated sales offer more flexibility in responding to market conditions when structuring and presenting the bonds and in timing the sale.

The major disadvantage of a negotiated sale is the lack of competition in pricing the bonds. Related to this is the difficulty in determining the appropriate gross spread to compensate the underwriter. Furthermore, the public and disappointed competing underwriters may perceive that improper political or personal economic motives influenced the award. To a certain extent, these disadvantages can be mitigated by hiring a knowledgeable financial advisor with no conflicting ties to the transaction to advise the issuer and assist in negotiating the award of the underwriting contract.

A negotiated sale that by-passes the underwriter can occur when municipal bonds are privately placed with a bank or other investor on favorable terms. This can reduce the costs of issuance significantly.

What can an issuer do to reduce risks to investors and thereby lower its borrowing costs?

Sound budgetary and fiscal management practices can significantly improve an issuer's credit status and rating. These practices also improve the issuer's daily operations and enhance the ability of local officials to effectively manage public assets and accomplish community objectives.

These practices include preparing periodic and annual financial statements in accordance with generally accepted accounting principles (GAAP); preparing and adhering to annual budgets; developing and implementing long-term capital improvement plans and programs; operating within available resources and establishing adequate operating reserves.

These factors will promote the economic security and vitality of an issuer and make a more favorable impression on potential investors, underwriters, bond rating agencies and bond insurers. An enhanced opportunity to borrow at favorable rates with low costs of issuance and a minimum of restrictive covenants in the bond contract will exist if these basics are in place.

EXHIBITS

Exhibit 1

Missouri State Auditor's Office
Summary of Bond Questionnaire Responses

	Total Mailed	**Responses Received** No	Yes	Total	Response Percent
01 Ambulance Districts	108	90	3	93	86.11%
02 Hospitals and Health Centers	37	21	13	34	91.89%
03 Nursing Home Districts	35	26	4	30	85.71%
04 Public Water Supply Districts	210	115	59	175	83.33%
05 Soil and Water Conservation Districts	112	104	0	104	92.86%
06 Soil and Water Conservation Subdistricts	35	31	0	31	88.57%
07 Drainage and Levee Districts	138	117	2	119	86.23%
08 Special Road Districts	290	215	3	218	75.17%
09 Municipalities	940	626	152	778	82.77%
10 Tax Supported Public Libraries	171	155	1	156	91.23%
11 Townships	324	257	3	260	80.25%
12 Fire Protection Districts	231	184	15	199	86.15%
13 Sewer Districts	66	57	3	60	90.91%
14 Street Light Maintenance Districts	3	2	0	2	66.67%
15 Miscellaneous	30	18	0	18	60.00%
20 Special Road District Subdistricts	1	0	1	1	100.00%
25 Junior Colleges	13	5	8	13	100.00%
30 School Districts	538	293	167	460	85.50%
35 Counties	115	89	17	106	92.17%
Totals	3,397	2,405	451	2,857	84.10%
		84.18%	15.79%		

Exhibit 2

Number of Issues during Survey Period
(October 1 to September 30)

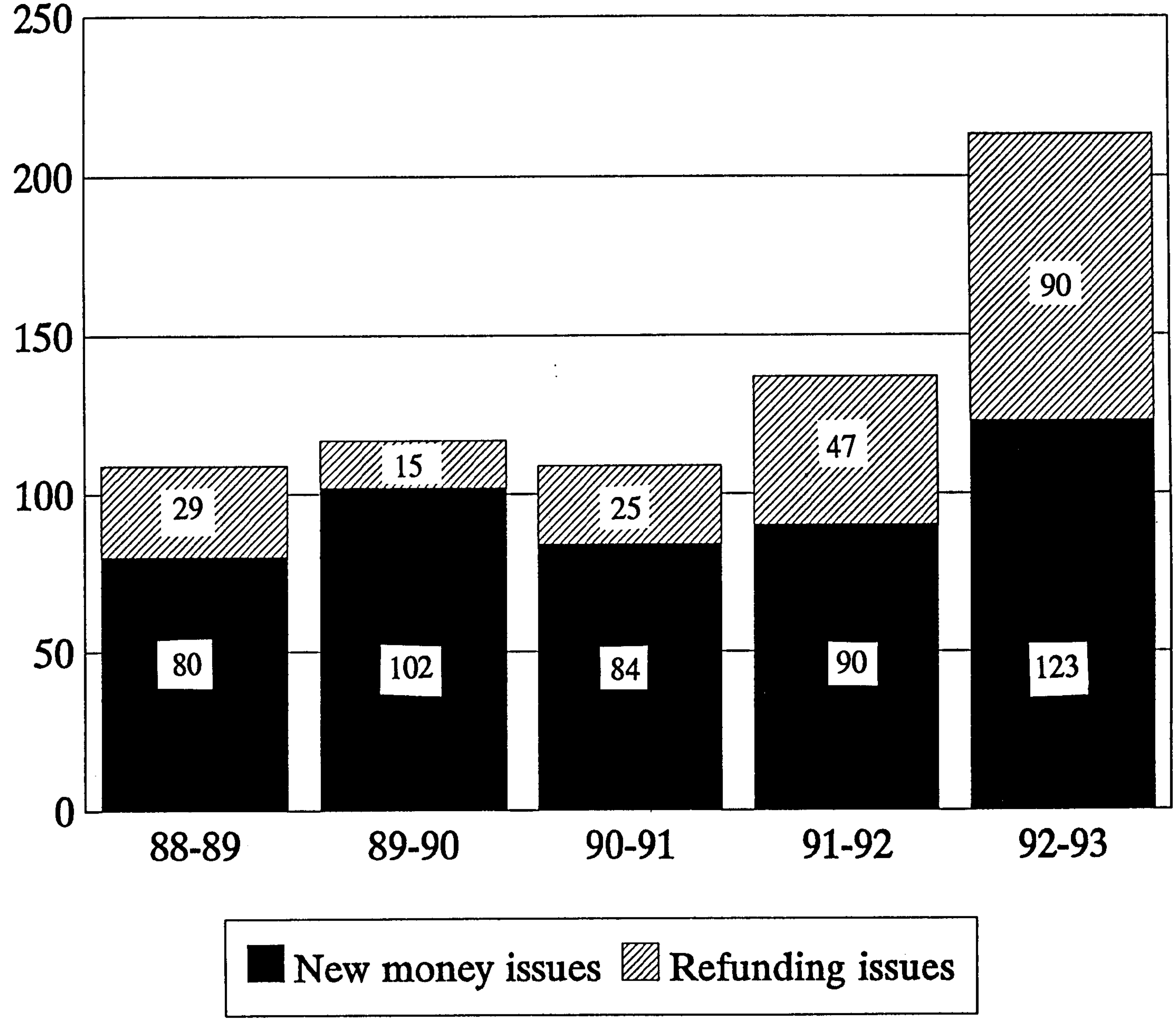


Exhibit 3

Missouri State Auditor's Office
New Issues by Type of Issue

Political Subdivision Type	****** Competitive *******		******* Negotiated *******		******** Unknown *********		********* Total **********	
	#	Amount	#	Amount	#	Amount	#	Amount
01 Ambulance Districts	0	0.00	2	2,145,000.00	0	0.00	2	2,145,000.00
02 Hospitals and Health Centers	2	15,420,000.00	5	26,400,000.00	1	2,455,000.00	8	44,275,000.00
03 Nursing Home Districts	0	0.00	2	2,415,000.00	1	650,000.00	3	3,065,000.00
04 Public Water Supply Districts	5	3,405,000.00	30	18,680,900.00	14	11,181,800.00	49	33,267,700.00
07 Drainage and Levee Districts	0	0.00	2	2,675,000.00	0	0.00	2	2,675,000.00
08 Special Road Districts	1	160,000.00	1	171,000.00	1	150,000.00	3	481,000.00
09 Municipalities	33	148,336,941.00	107	140,123,563.90	34	33,282,731.78	174	321,743,236.68
10 Tax Supported Public Libraries	0	0.00	1	2,500,000.00	0	0.00	1	2,500,000.00
11 Townships	3	410,000.00	0	0.00	0	0.00	3	410,000.00
12 Fire Protection Districts	6	7,485,887.00	4	4,183,375.00	3	1,000,273.41	13	12,669,535.41
13 Sewer Districts	3	6,900,000.00	0	0.00	0	0.00	3	6,900,000.00
20 Special Road District Subdistricts	0	0.00	1	105,000.00	0	0.00	1	105,000.00
25 Junior Colleges	4	26,925,000.00	8	16,228,683.00	0	0.00	12	43,153,683.00
30 School Districts	79	244,837,950.00	92	354,537,776.80	12	5,624,439.00	183	605,000,165.80
35 Counties	5	61,681,796.00	9	65,110,790.00	8	3,848,795.16	22	130,641,381.16
	141	515,562,574.00	264	635,276,088.70	74	58,193,039.35	479	1,209,031,702.05

Refunding Issues by Type of Issue

Political Subdivision Type	****** Competitive *******		******* Negotiated *******		******** Unknown *********		********* Total **********	
	#	Amount	#	Amount	#	Amount	#	Amount
01 Ambulance Districts	0	0.00	1	185,038.00	1	101,884.00	2	286,922.00
02 Hospitals and Health Centers	2	21,680,000.00	4	46,355,000.00	1	5,000,000.00	7	73,035,000.00
03 Nursing Home Districts	1	935,000.00	1	250,000.00	0	0.00	2	1,185,000.00
04 Public Water Supply Districts	10	28,590,000.00	23	37,663,300.00	7	5,474,800.00	40	71,728,100.00
09 Municipalities	10	32,410,000.00	50	358,517,572.60	9	18,778,000.00	69	409,705,572.60
12 Fire Protection Districts	0	0.00	1	490,000.00	2	1,018,291.60	3	1,508,291.60
13 Sewer Districts	1	13,350,000.00	0	0.00	0	0.00	1	13,350,000.00
25 Junior Colleges	1	6,975,000.00	8	72,400,000.00	0	0.00	9	79,375,000.00
30 School Districts	4	26,840,000.00	53	347,538,852.20	6	6,609,000.00	63	380,987,852.20
35 Counties	4	131,170,000.00	6	35,922,769.20	0	0.00	10	167,092,769.20
	33	261,950,000.00	147	899,322,532.00	26	36,981,975.60	206	1,198,254,507.60

Exhibit 4

Largest Types of Issuers
By dollars issued

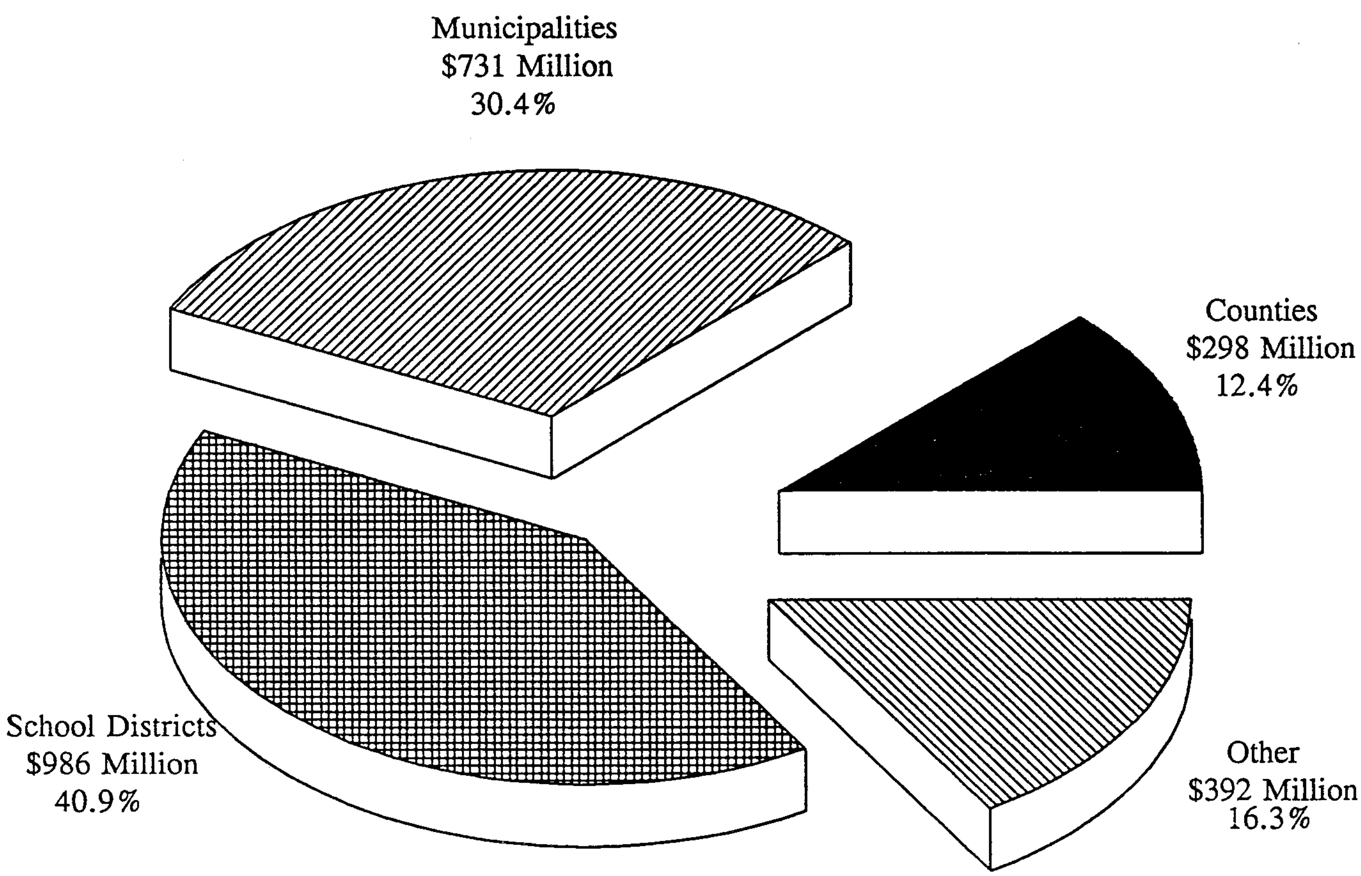


Exhibit 5

Type of Sales per Year
(October 1 to September 30)

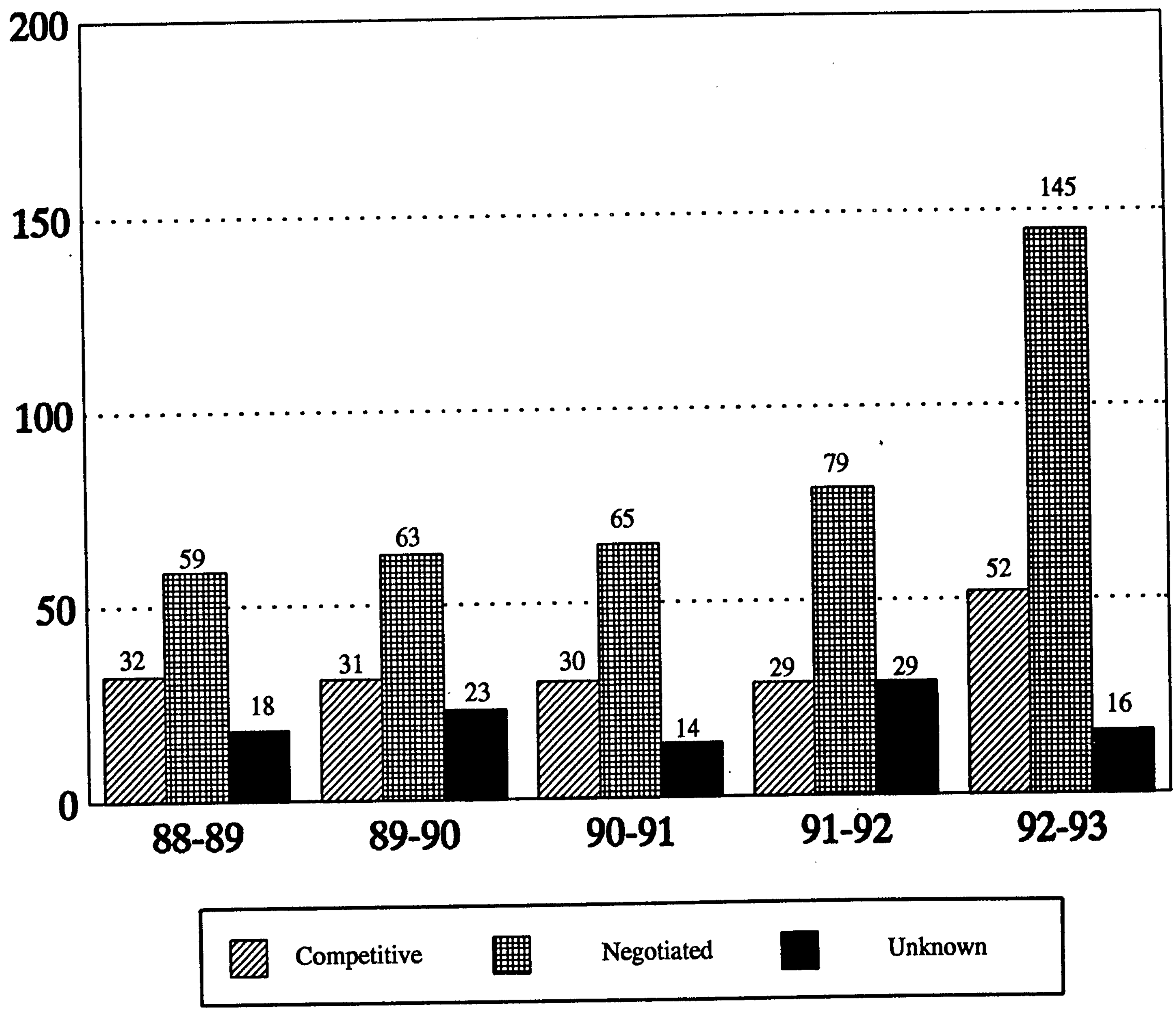
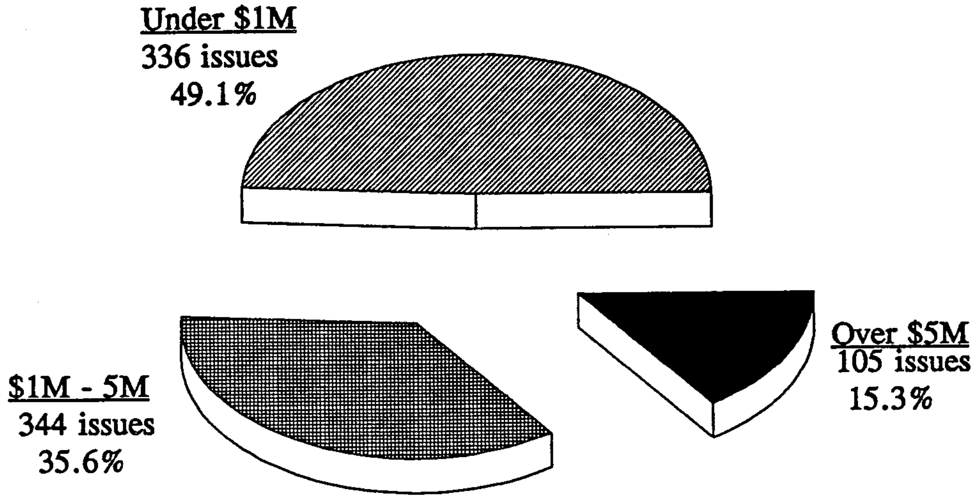


Exhibit 6

Missouri State Auditor's Office
No. of Bond Issues By Face Amount By Sale Type

Face Amount Range	Type of Bond Sale: Competitive #	%	Amount	Negotiated #	%	Amount	Unknown #	%	Amount	Total Bonds	Total Face Amount
0 - 999,999.99	61	18.2	25,687,574.00	203	60.4	86,794,712.40	72	21.4	27,144,814.95	336	139,627,101.35
1,000,000 - 4,999,999.99	75	30.7	191,995,000.00	143	58.6	344,871,531.30	26	10.7	54,630,200.00	244	591,496,731.30
over 4,999,999.99	38	36.2	559,830,000.00	65	61.9	1,102,932,377.00	2	1.9	13,400,000.00	105	1,676,162,377.00
Total # of Bonds	174	25.4	777,512,574.00	411	60.0	1,534,598,620.70	100	14.6	95,175,014.95	685	2,407,286,209.65

Number of Issues Per Size Category



Dollar Amount Per Size Category

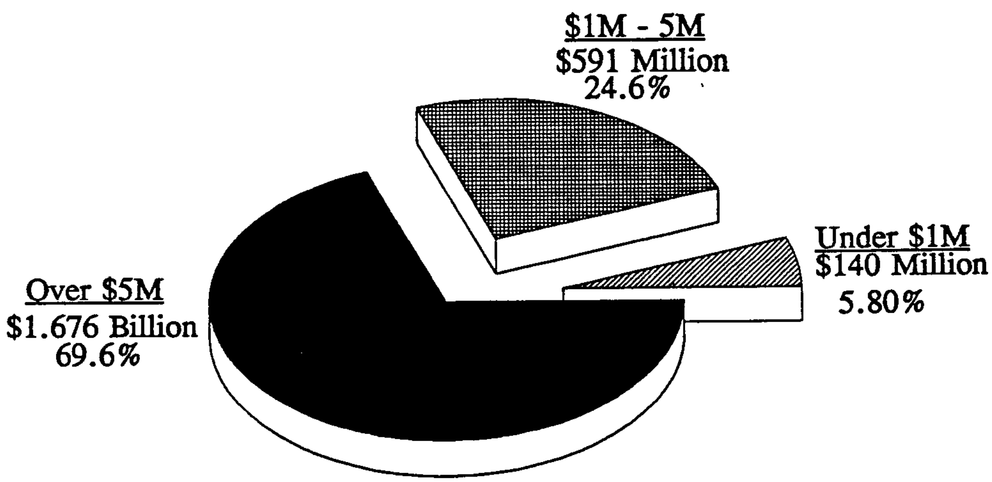


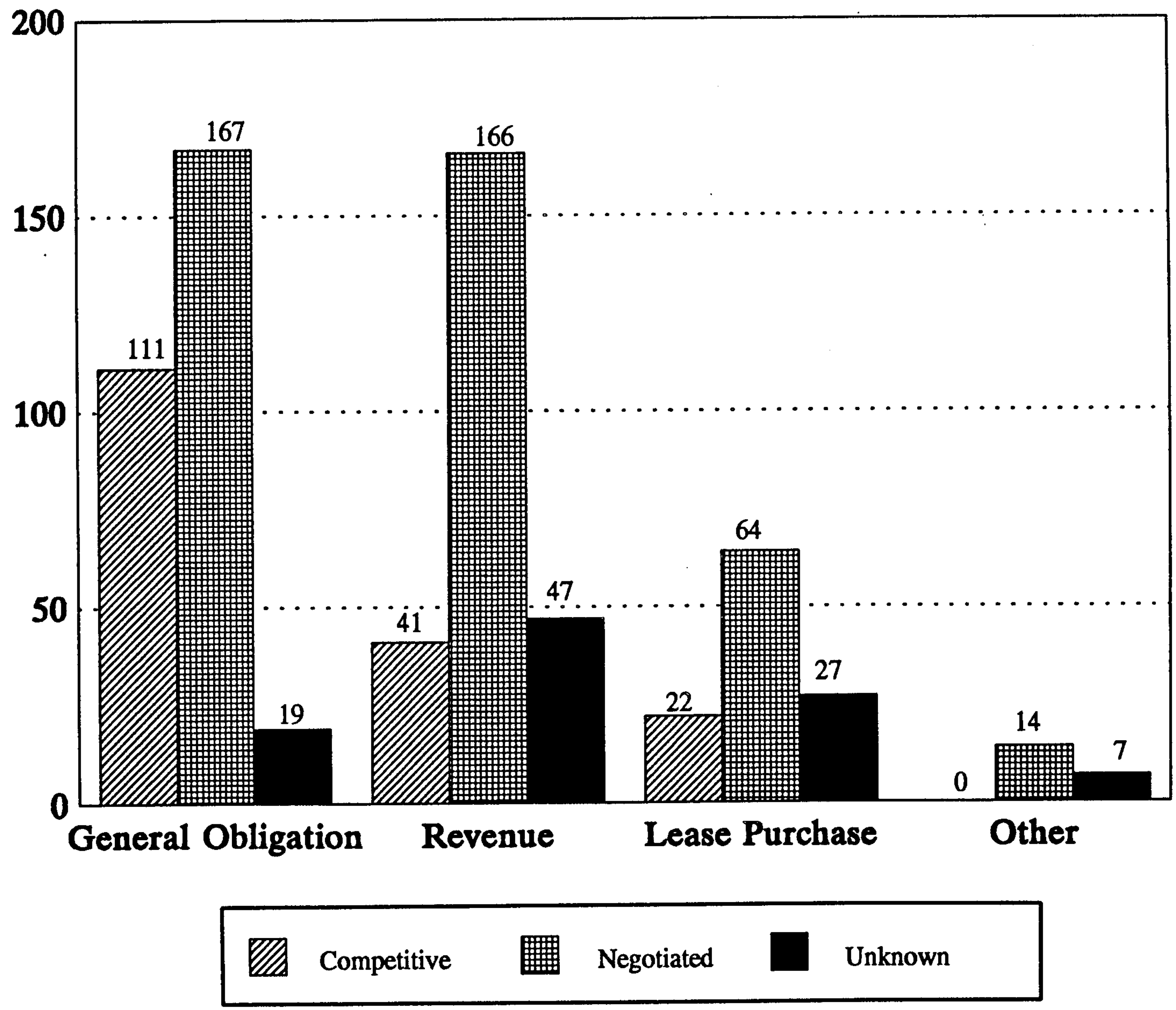
Exhibit 8

Missouri State Auditor's Office
No. of Bond Issues By Obligation Type By Method of Sale

	*************************** Type of Bond Sale ***************************										
	*********** Competitive ***********			*********** Negotiated ************			************ Unknown **************				
Obligation Type	#	%	Amount	#	%	Amount	#	%	Amount	Total Bonds	Total Face Amount
General Obligation	111	37.4	645,302,000.00	167	56.2	608,975,279.20	19	6.4	16,790,592.28	297	1,271,067,871.48
Revenue	41	16.1	106,345,000.00	166	65.4	579,469,724.90	47	18.5	63,056,900.00	254	748,871,624.90
Special Assessment	0	0.0	0.00	2	100.0	2,675,000.00	0	0.0	0.00	2	2,675,000.00
Sales Tax	0	0.0	0.00	6	85.7	47,190,000.00	1	14.3	725,000.00	7	47,915,000.00
Lease Purchase	22	19.5	25,865,574.00	64	56.6	272,841,852.80	27	23.9	12,934,683.17	113	311,642,109.97
Notes	0	0.0	0.00	1	20.0	236,763.80	4	80.0	1,162,839.50	5	1,399,603.30
Other	0	0.0	0.00	5	71.4	23,210,000.00	2	28.6	505,000.00	7	23,715,000.00
Total # of Bonds	174	25.4	777,512,574.00	411	60.0	1,534,598,620.70	100	14.6	95,175,014.95	685	2,407,286,209.65

Exhibit 9

Method of Sale by Bond Type



Missouri State Auditor's Office
Bond Issues Weighted Average Interest Rates
All Inclusive

Exhibit 10

Date Range	Under $1,000,000	$1,000,000 - $4,999.999.99	Over $4,999,999.99	All	Total Bonds
10/01/1988 - 3/31/1989	7.759	7.458	7.228	7.304	42
4/01/1989 - 9/30/1989	7.408	7.054	6.940	7.038	65
10/01/1989 - 3/31/1990	7.345	6.818	6.998	6.988	47
4/01/1990 - 9/30/1990	7.058	7.215	6.704	7.036	70
10/01/1990 - 3/31/1991	6.969	6.756	6.805	6.796	53
4/01/1991 - 9/30/1991	7.118	6.676	6.650	6.692	56
10/01/1991 - 3/31/1992	6.564	6.386	6.240	6.286	46
4/01/1992 - 9/30/1992	6.434	6.318	6.034	6.084	88
10/01/1992 - 3/31/1993	5.834	5.556	5.786	5.735	89
4/01/1993 - 9/30/1993	5.297	5.274	5.393	5.361	123
					679 *

Competitive Sales Only

Date Range	Under $1,000,000	$1,000,000 - $4,999.999.99	Over $4,999,999.99	All	Total Bonds
10/01/1988 - 3/31/1989	8.441	6.896	7.049	7.067	9
4/01/1989 - 9/30/1989	6.931	6.781	6.817	6.804	23
10/01/1989 - 3/31/1990	7.239	6.320	6.683	6.649	11
4/01/1990 - 9/30/1990	6.939	6.794	6.751	6.778	20
10/01/1990 - 3/31/1991	7.437	6.545	6.444	6.486	15
4/01/1991 - 9/30/1991	6.599	6.508	6.613	6.577	15
10/01/1991 - 3/31/1992	6.896	6.029	6.241	6.191	11
4/01/1992 - 9/30/1992	5.729	6.127	5.709	5.815	18
10/01/1992 - 3/31/1993	5.282	6.053	5.688	5.759	20
4/01/1993 - 9/30/1993	5.174	5.356	5.341	5.340	32
					174

Negotiated Sales Only

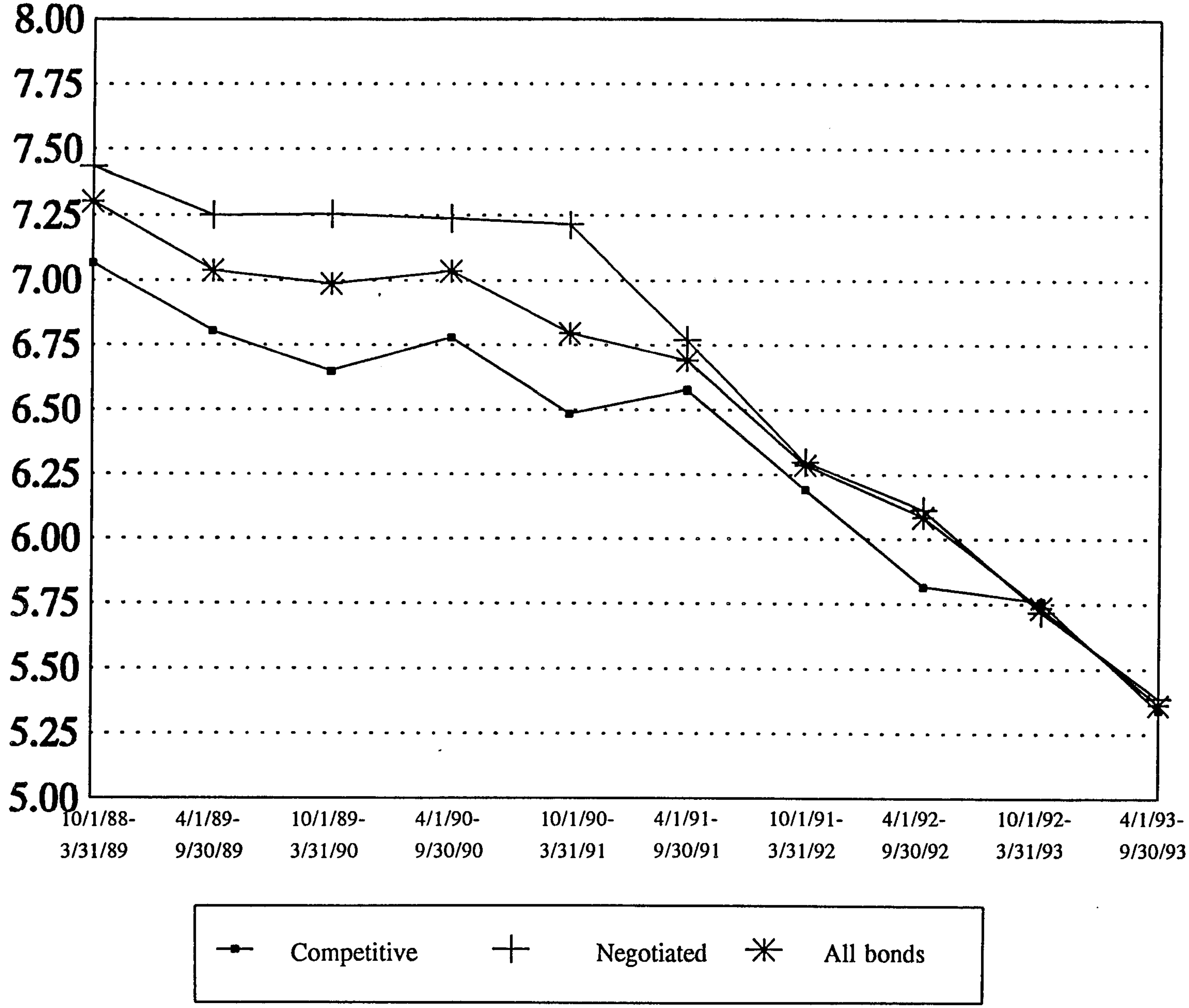
Date Range	Under $1,000,000	$1,000,000 - $4,999.999.99	Over $4,999,999.99	All	Total Bonds
10/01/1988 - 3/31/1989	7.717	7.552	7.373	7.436	24
4/01/1989 - 9/30/1989	7.520	7.661	7.035	7.252	33
10/01/1989 - 3/31/1990	7.255	6.903	7.612	7.256	26
4/01/1990 - 9/30/1990	7.336	7.313	6.410	7.240	37
10/01/1990 - 3/31/1991	6.906	7.011	7.436	7.216	29
4/01/1991 - 9/30/1991	7.254	6.916	6.671	6.771	36
10/01/1991 - 3/31/1992	6.582	6.574	6.240	6.299	23
4/01/1992 - 9/30/1992	6.612	6.344	6.076	6.112	55
10/01/1992 - 3/31/1993	5.987	5.357	5.818	5.720	61
4/01/1993 - 9/30/1993	5.366	5.252	5.441	5.385	83
					407

**** Although 685 issues were reported, 6 issues are not included in the interest rate exhibits for one of two reasons : (1) no rate could be determined based on the information submitted or (2) the issue was outstanding for only one day with no stated interest rate.**

Exhibit 11

Interest Rates - By Method of Sale

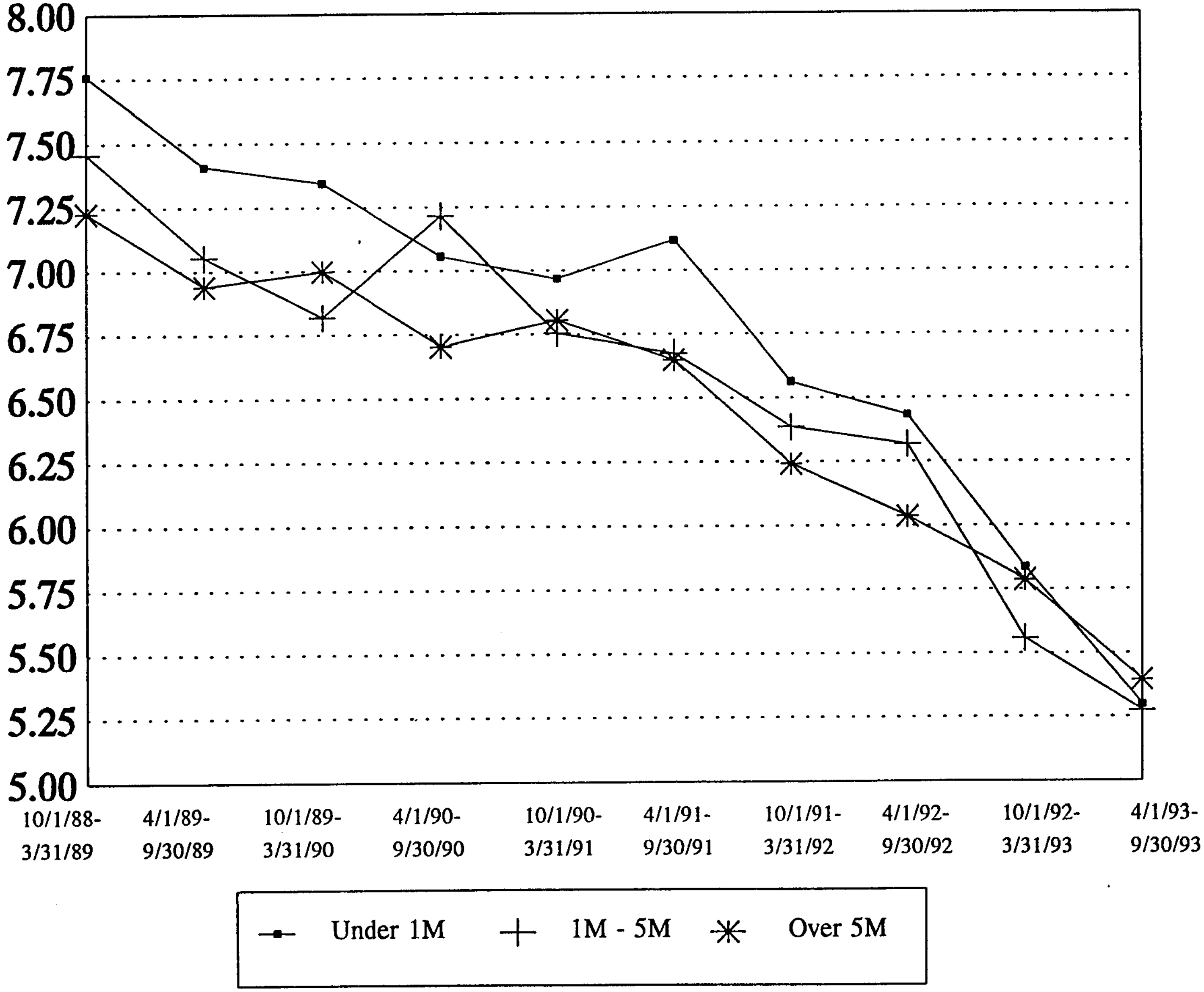
(using a weighted average interest rate by period)



This exhibit shows that competitive sales obtain the most favorable interest rates.

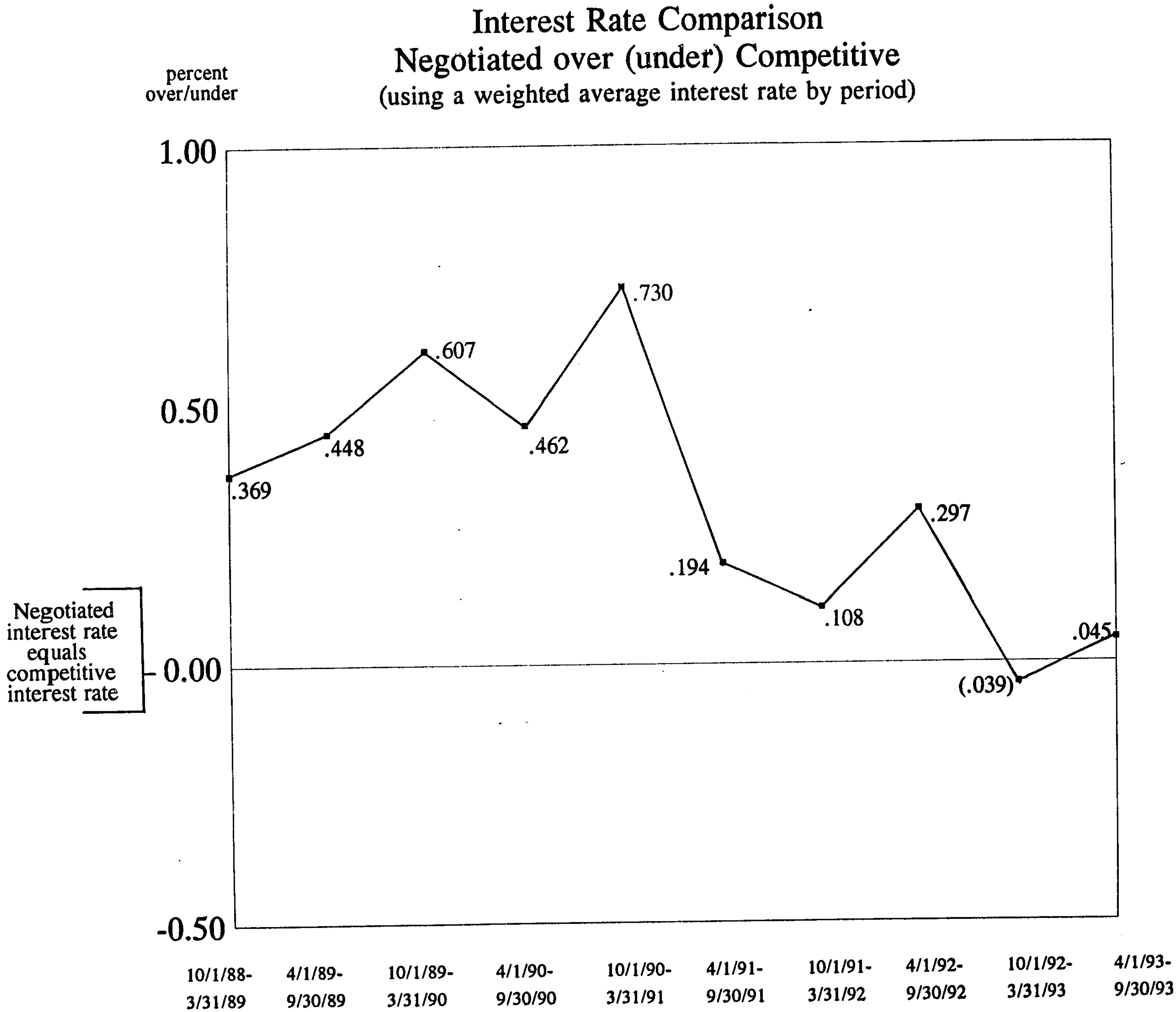
Exhibit 12

Interest Rates - All Bonds during Survey Period by Face Amount
(using a weighted average interest rate by period)



This exhibit shows that larger issues generally obtained more favorable interest rates.

Exhibit 13

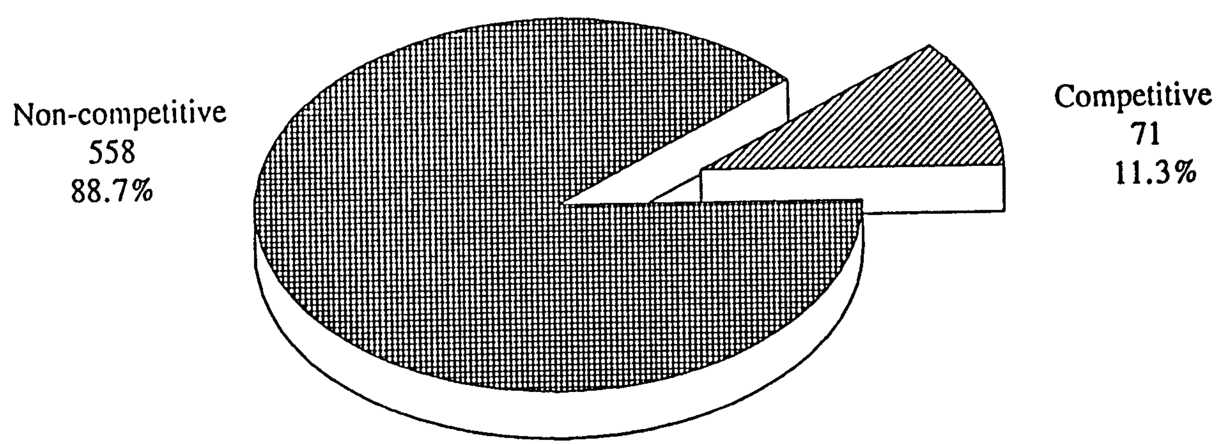


This exhibit shows the general advantage to the issuer and taxpayers of competitive sales versus negotiated sales.

Missouri State Auditor's Office
Bond Attorney Selected on Competitive Basis

	********** Under $1,000,000 *********						**** $1,000,000 - $4,999.999.99 *****						********* Over $4,999,999.99 ********						
Obligation Type	Yes		No		Unknown		Yes		No		Unknown		Yes		No		Unknown		Total Bonds
01 General Obligation	12	9.76	104	84.55	7	5.69	12	10.26	99	84.62	6	5.13	19	33.33	38	66.67	0	0.00	297
02 Revenue	9	6.52	113	81.88	16	11.59	5	5.75	73	83.91	9	10.34	6	20.69	21	72.41	2	6.90	254
03 Special Assessment	0	0.00	1	100.00	0	0.00	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00	2
04 Sales Tax	0	0.00	3	75.00	1	25.00	1	50.00	1	50.00	0	0.00	0	0.00	1	100.00	0	0.00	7
05 Lease Purchase	1	1.64	48	78.69	12	19.67	3	8.57	29	82.86	3	8.57	2	11.76	15	88.24	0	0.00	113
06 Notes	0	0.00	5	100.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	5
99 Other	1	25.00	3	75.00	0	0.00	0	0.00	2	100.00	0	0.00	0	0.00	1	100.00	0	0.00	7
	23	6.85	277	82.44	36	10.71	21	8.61	205	84.02	18	7.38	27	25.71	76	72.38	2	1.90	685

Selection of Bond Attorneys



Missouri State Auditor's Office
Financial Advisor Services Selected on Competitive Basis

Obligation Type	********** Under $1,000,000 ********* Yes		No		Unknown		**** $1,000,000 - $4,999,999.99 ***** Yes		No		Unknown		********* Over $4,999,999.99 ******** Yes		No		Unknown		Total Bonds
01 General Obligation	28	45.90	29	47.54	4	6.56	36	56.25	27	42.19	1	1.56	27	65.85	14	34.15	0	0.00	166
02 Revenue	12	30.77	24	61.54	3	7.69	9	31.03	19	65.52	1	3.45	6	42.86	8	57.14	0	0.00	82
03 Special Assessment	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
04 Sales Tax	1	33.33	1	33.33	1	33.33	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	3
05 Lease Purchase	6	31.58	11	57.89	2	10.53	13	81.25	3	18.75	0	0.00	0	0.00	5	100.00	0	0.00	40
06 Notes	0	0.00	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	1
99 Other	0	0.00	2	100.00	0	0.00	0	0.00	1	100.00	0	0.00	0	0.00	1	100.00	0	0.00	4
	47	37.60	67	53.60	11	8.80	58	52.73	50	45.45	2	1.82	33	54.10	28	45.90	0	0.00	296

Selection of Financial Advisors When Financial Advisors Retained

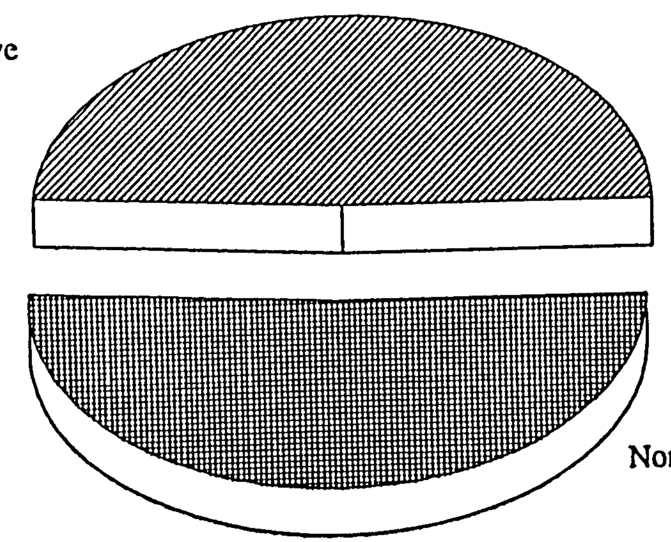


Exhibit 15