

THE WATER SYSTEM

KC Water is responsible for the operation and maintenance of the City's revenue-producing waterworks system ("System"), which includes facilities for obtaining, purifying and delivering potable water for domestic, commercial and industrial use and for fire protection within the City and surrounding areas. KC Water is also responsible for obtaining all necessary federal and state permits and compliance with applicable federal and state safe drinking water laws and regulations.

Primary System

The primary System includes a 240 million gallon per day treatment plant, 4 major pump stations, 14 re-pump stations, numerous water storage facilities, and approximately 2,800 miles of water mains. Treated water service is provided to approximately 177,000 customers inside and outside the City and 34 active wholesale customers. There are also connections with the transmission systems of six other regional water suppliers that can be activated in case of an emergency.

The City obtains its raw water for the primary System from a combination of surface and ground water sources. Surface water comes from the Missouri River and accounts for approximately 80% of the raw water. Ground water comes from a well field in the Missouri River aquifer and accounts for the remaining 20% of raw water. Water treatment is a four-step process that consists of sedimentation, softening, stabilization and filtration. The treated water produced by KC Water meets current federal and state requirements for drinking water.

Water is pumped into the transmission system from storage reservoirs located at the water treatment plant, which is located on the north side of the Missouri River. The water transmission system is comprised of two essentially separate systems, one serving customers located north of the Missouri River and the other serving customers located south of the Missouri River. Water is delivered to the southern system through two tunnels under the Missouri River. The distribution systems include booster pumping stations and elevated, underground, and ground level water storage reservoirs. The existing treated water storage capacity is 155 million gallons. The average daily flow during Fiscal Year 2025 was about 106.6 million gallons per day with a peak day demand of 157.9 million gallons, which is about 66% of the primary treatment plant's design capacity.

Additional Information

The following table shows revenues (in thousands) generated by retail (including residential, commercial and industrial) and wholesale customers of the System for the past five years.

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retail Customers | \$ 143,372 | \$ 149,314 | \$ 159,621 | \$ 168,666 | \$177,902 |
| Wholesale Customers | <u>\$ 18,513</u> | <u>\$ 17,677</u> | <u>\$ 19,498</u> | <u>\$ 21,236</u> | <u>\$ 20,939</u> |
| Total | <u>\$ 161,885</u> | <u>\$ 166,991</u> | <u>\$ 179,119</u> | <u>\$ 189,902</u> | <u>\$ 198,841</u> |

The following table shows the number of System customers for the past five years.

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Retail Customers | 156,520 | 157,232 | 157,922 | 158,366 | 159,020 |
| Commercial/Industrial | 18,168 | 18,298 | 18,260 | 18,267 | 18,332 |
| Wholesale Customers | <u>32</u> | <u>34</u> | <u>34</u> | <u>34</u> | <u>34</u> |
| Total | <u>174,720</u> | <u>175,564</u> | <u>176,216</u> | <u>176,667</u> | <u>177,386</u> |

Management Initiatives

KC Water stands as one of the nation's largest public water and wastewater utilities, having undergone a transformation in the past several years by enhancing its focus on employees, customers, and value within the organization. The KC Water management team continues to work to streamline processes and remove overhead. These efforts are helping the utilities better align with their core mission of investing in the future of the water and wastewater systems to provide high quality products and services and an excellent customer experience.

To assess the impact of management's efforts and community expectations, KC Water conducts quarterly customer satisfaction surveys. Currently the utility is actively engaged in:

- *Infrastructure Modernization:* Leveraging technologies such as smart metering, sensors, data analytics, SCADA systems, GIS, remote sensing, and mobile technologies to optimize resource utilization and minimize environmental impact. This includes the incorporation of pressure monitoring sensors and an outage map in modernization efforts. These new technologies aid in our desire to cost-effectively manage the assets that provide industry standard services our customers expect.
- *Sustainability and Environmental Stewardship:* Prioritizing sustainability by implementing innovative and eco-friendly practices that exceed regulatory standards, including energy-efficient technologies, water conservation programs, and measures that reduce our carbon footprint. Several of these practices have the benefit of providing operational enhancements as well.
- *Resilience Planning:* Developing robust contingency plans and emergency response strategies to ensure uninterrupted service delivery. This involves critical infrastructure analysis, risk assessment utilizing total risk scores, redundancy and diversity measures, and ongoing infrastructure upgrades through a 5-year Capital Improvement Plan (CIP) for the water and wastewater systems. The plan includes the replacement of approximately 1% of water mains each year and long-term capital planning that enhances resiliency. Additionally, there are ongoing projects such as Phase 2 of the wastewater SCADA upgrade and the design of horizontal collector wells for the water treatment plant to reduce dependency on the Missouri River.
- *Community Engagement and Outreach:* Cultivating robust connections with communities, KC Water has spearheaded numerous initiatives. This includes visiting schools and classrooms throughout the service area where educational programs are conducted to enlighten and engage students in water conservation efforts, environmental stewardship, and sustainable water management practices. Additionally, KC Water actively hosts tours to its water and wastewater treatment facilities, providing the public with valuable insights into the crucial processes that contribute to a responsible and sustainable water infrastructure. These efforts underscore KC Water's commitment to fostering awareness and collaboration for the betterment of water-related initiatives.
- *Financial Transparency and Accountability:* Implementing rigorous financial reporting and auditing practices to ensure transparency and accountability in capital and operating plans, which in turn, demonstrates how the utilities are optimizing costs without compromising service quality.
- *Innovation and Technology Adoption:* Leveraging technology such as PowerBI to extract data from the utilities systems and enabling real-time insights into ongoing preventative maintenance and repair of operations. The utilities dedication to progress and adoption of technology has enabled the integration of innovative solutions such as smart metering, data analytics, and predictive maintenance systems. These advancements not only enhance operational efficiency but also contribute to substantial long-term cost savings.

- *Employee Development and Training:* Evaluating existing employee training to improve consistency in response to customer concerns as it relates to asset repair and replacement. This includes the development of training associated with industry-standard processes to guarantee the safety and efficiency of the workforce as well as improved focus on the reliability of system assets.

Security of the System

As a result of the terrorist attacks of September 11, 2001, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (commonly known as the “**Bioterrorism Act**”), was signed into law on June 12, 2002. This law requires all community water systems serving more than 3,300 people to (1) conduct a vulnerability assessment; (2) certify to the United States Environmental Protection Agency (“USEPA”) that the vulnerability assessment was completed by a date specified in the law; (3) submit a paper copy of the assessment to the USEPA; (4) prepare or revise the emergency response plan based on the results of the vulnerability assessment; and (5) certify to the USEPA the emergency response plan has been developed or revised by a certain date. KC Water has focused significant attention on securing the System. Under the requirements of the Bioterrorism Act, the utility has conducted appropriate security activities and provided all required certifications to appropriate federal authorities by the prescribed deadlines concerning assessments and response planning. The City also carries property insurance for KC Water property that includes the terrorism coverage referred to in the Terrorism Risk Insurance Act of 2002.

The Environmental Protection Agency had proposed cybersecurity requirements for public water supply systems in March of 2023 in response to the legislation. This rule has been challenged in court by two professional organizations which has resulted in a ruling by a U.S. Circuit Court of Appeals in July of 2023 to stop the rule from going into effect until the current case has been decided. EPA rescinded the requirement in September of 2023 as a result of the lawsuit. We are proceeding with implementation of systems improvements and best management practices to achieve the goals of the legislation in anticipation that this or a like requirement will come into effect in the future and to continue to safeguard the water system from unauthorized intrusions and attacks.

Capital Improvement Program

In 2007, KC Water developed and implemented a five-year Capital Improvement Program (“**CIP**”). The CIP has since been updated annually, with the current five-year period extending through Fiscal Year 2031. The CIP is intended to provide facilities to meet existing and anticipated federal and state drinking water quality standards and to maintain a reliable water transmission system that can respond to changing patterns of water use throughout the System’s service area. The CIP currently identifies over the next five years (2027 – 2031), an estimated \$1.2 billion of specific major capital improvements, which are expected to be financed primarily through a combination of annual revenues, contributions from local sources, available fund balances and bond proceeds.

From a bonding authority perspective, a question to increase the water revenue bond authorization by \$500 million was presented and passed by the voters on April 8, 2014, with 79% in favor. As of April 30, 2025, KC Water has \$15.6 million in remaining bond authorization. An ordinance is pending with the City Council to put an initiative on the ballot asking the voters to approve an additional \$750 million in water revenue bond authorization. Assuming it passes, plans for utilization of this bonding capacity include ensuring a long-term reliable supply with the installation of horizontal collector wells, increased system redundancy, the rehabilitation and upgrade of the treatment system, a systematic water main replacement program, as well as improvements to the distribution system, including pumping and storage.

In 2016, KC Water updated the City’s system-wide water master plan. The City is completing an update to the water master plan in 2026. The purpose of this comprehensive update is to analyze the performance, condition, hydraulic capacities, and improvements needed within the existing system to meet current and projected future water demands. The plan includes a review of current drinking water distribution system operations to identify potential pumping and storage operational changes, reduce energy consumption costs and improve drinking water quality within the distribution system. An associated capital improvement plan will be developed to address water supply, treatment, distribution system reinvestment needs, drinking water quality, and growth.

Regulatory Requirements

In general, the City’s drinking water supply operations must comply with the federal Safe Drinking Water Act, 42 USC Sec. 300f *et seq.*, and its amendments, including the Bioterrorism Act. The City is also subject to the federal regulations (40 CFR Part 141 *et seq.*) promulgated under the Safe Drinking Water Act and its amendments. These statutory and regulatory requirements are administered by the USEPA through the Missouri Department of Natural Resources (“MDNR”) under a delegation authority agreement from EPA. Regulations of these agencies pertain to the treatment and distribution of the City’s drinking water.

In addition to federal requirements, the City must comply with requirements of the State of Missouri. The primary State laws related to water supply operations are found in the Missouri Safe Drinking Water Act (Sections 640.100 - 640.140, RSMo.). The State’s Public Drinking Water Program is contained in state regulations at 10 CSR 60.

As a public water system, the City’s water treatment facility operates under a permit from MDNR and must comply with rigorous drinking water standards. The City is in full compliance with its permit requirements.

The City has never been sanctioned for a violation of federal or state drinking water laws or regulations. In addition, the City is following the Bioterrorism Act.

Largest Users of the System

The following table sets forth the ten largest users of the System and the percentage of total consumption applicable to each for the fiscal year ending April 30, 2025. These customers represent approximately 20% of total water consumption.

| User | Type of Business | Annual Consumption (100 cubic feet) | Percent of Total Consumption |
|----------------------|------------------|--|---------------------------------|
| City of Lee’s Summit | Wholesale Water | 1,041,138 | 3.2% |
| City of Belton | Wholesale Water | 984,521 | 3.0% |
| City of Raymore | Wholesale Water | 929,984 | 2.8% |
| Dogwood Energy | Utility | 862,921 | 2.6% |
| Niagara Bottling | Commercial | 823,395 | 2.5% |
| City of Blue Springs | Wholesale Water | 522,985 | 1.8% |
| Ford Motor Company | Commercial | 367,006 | 1.2% |
| Evergy | Commercial | 378,918 | 1.2% |
| City of Raytown | Wholesale Water | 447,270 | 1.1% |
| City of Platte City | Wholesale Water | 372,919 | 1.1% |

Billing Procedures and Collections

Water rates are reviewed annually by the City to determine if rate adjustments are required as a result of a third-party cost of service rate study. Water rates are developed based on total costs of service and customer

service requirements. The rate schedule for customers outside the City is designed to reimburse the City for operation and maintenance expense, depreciation expense, and to provide a reasonable rate of return on the plant investment serving these customers.

Charges for water services are combined on a single bill with applicable wastewater and stormwater charges. A past due payment service charge of 6% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one- and two-family dwellings, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$500 or more. For all other property classifications, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$1,000 or more. Water and wastewater service can be restored upon receipt of the full amount of the outstanding balance due, including a service restoration charge.

Rate Structure

The City has historically increased water rates on an annual basis, which typically go into effect at the beginning of the City's Fiscal Year (May 1st). On March 20, 2025, the City Council approved Committee Substitute for Ordinance No. 250171 ("Ordinance No. 250171"), which established the following water rates reflected below, which became effective as of May 1, 2025, and represent an approximate 6.0% water rate increase over the City's previous water rates, which had been in effect since May 1, 2024.

| | | <u>Service Charge</u> | | | |
|----------------------|--------------------|-----------------------|---------------------|-------------------------------|--------------|
| | <u>Inside City</u> | | <u>Outside City</u> | | |
| Meter | Billed | | Billed | | |
| <u>Size (Inches)</u> | <u>Monthly</u> | | <u>Monthly</u> | <u>Fire Protection Charge</u> | |
| 5/8 | \$17.95 | | \$18.35 | Connection | Rate per |
| 3/4 | \$19.75 | | \$20.15 | <u>Size (Inches)</u> | <u>Annum</u> |
| 1 | \$24.20 | | \$24.70 | 4 or less | \$148.00 |
| 1-1/2 | \$29.20 | | \$30.20 | 6 | \$435.00 |
| 2 | \$46.10 | | \$47.10 | 8 | \$928.00 |
| 3 | \$158.00 | | \$161.50 | 10 | \$1,670.00 |
| 4 | \$199.50 | | \$203.00 | 12 | \$2,697.00 |
| 6 | \$296.00 | | \$302.00 | 16 | \$5,746.00 |
| 8 | \$428.00 | | \$436.00 | | |
| 10 | \$564.00 | | \$575.00 | | |
| 12 | \$663.00 | | \$676.00 | | |

| | | <u>Commodity Charge</u> | | | |
|----------------|--------------------|-------------------------|---------------------|------------------------|-------------------|
| | <u>Inside City</u> | | <u>Outside City</u> | | Charge / 100 |
| Cubic | Charge / 100 | Cubic | Charge / 100 | <u>Wholesale</u> | <u>Cubic Feet</u> |
| <u>Feet</u> | <u>Cubic Feet</u> | <u>Feet</u> | <u>Cubic Feet</u> | Unrestricted | \$2.83 |
| First 600 | \$6.02 | First 5,000 | \$6.41 | Restricted | \$2.71 |
| Next 4,400 | \$6.69 | Over 5,000 | \$5.14 | | |
| Next 995,000 | \$5.72 | | | 1 st Repump | \$0.24 |
| Over 1,000,000 | \$3.96 | | | 2 nd Repump | \$0.33 |

The City is not required to raise rates annually. The City makes no representation as to whether a rate increase will be approved in any future fiscal years, or, if a rate increase is approved in any fiscal year, as to the nature and extent of any such rate increase. Nevertheless, the City will maintain its debt service coverage requirements under existing bond ordinances. No rate increase has been approved yet by the City Council for Fiscal Year 2027 (beginning May 1, 2026), so the above schedule is still currently in effect.

Operating Revenues and Expenses

Approximately 89% of water sales revenues are derived from charges to retail customers. The remaining water revenues are from sales of water provided on a wholesale basis under inter-jurisdictional agreements with 34 surrounding cities and water districts. The total number of customers in Fiscal Year 2025 was approximately 177,000.

Operation and maintenance expenses include the cost of labor, materials, supplies and contractual services and represent the normal cost of System operations. Operation and maintenance expenses are expected to increase 5% in Fiscal Year 2026 and Fiscal Year 2027. The projected increase in operation and maintenance expenses in Fiscal Years 2026 and 2027 takes into consideration growth in the System and price inflation as well as improvements in cost efficiencies.

Accounting, Budgeting and Auditing Procedures

KC Water is an enterprise activity whose financial records are audited annually and reported in conformity with generally accepted accounting principles for governmentally-owned water utilities. KC Water operates the System on the accrual basis of accounting, where revenues are recorded when earned and expenses are recorded when incurred.

An annual budget of estimated receipts and disbursements for the coming fiscal year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March of each year for approval after a public hearing. The fiscal year of the System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. It also includes a statement of the rates required to raise each amount shown on the budget as coming from System revenues.

The financial records of the System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The annual audit was performed by Allen, Gibbs & Houlik, LC, Wichita, Kansas (“AGH”). Copies of the audit reports for the past five years are on file in the City Clerk’s office and on KC Water’s website available for review.

Financial Statements

The City maintains its financial records on the basis of a fiscal year ending April 30. Such financial statements have been audited by AGH. The City did not ask AGH to perform any additional work or any post-audit procedures more recently than the April 30, 2025, audit with respect thereto.

The tables on the following pages provide the Water Fund’s statement of net position and statement of revenues, expenses and changes in fund net position for the fiscal years ended April 30, 2021, through 2025, as well as historical debt service coverage.

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KC Water - Water Fund
Statement of Net Position
Audited Fiscal Years ending April 30, 2021-2025

| Assets | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 2,772,835 | \$ 7,054,066 | \$ 8,377,543 | \$ 11,497,322 | \$ 8,463,612 |
| Investments | \$ 14,287,471 | \$ 5,763,808 | \$ 6,959,147 | \$ 8,395,530 | \$ 3,621,828 |
| Accounts receivable, net | \$ 19,138,483 | \$ 21,069,186 | \$ 23,750,091 | \$ 23,522,373 | \$ 23,505,372 |
| Accrued interest receivable | \$ 648,917 | \$ 500,699 | \$ 854,291 | \$ 1,086,183 | \$ 775,380 |
| Current portion of notes receivable | \$ 576,001 | \$ 578,851 | \$ 268,794 | \$ 280,377 | \$ 290,030 |
| Inventories | \$ 1,923,185 | \$ 2,102,645 | \$ 3,993,716 | \$ 5,543,919 | \$ 5,853,948 |
| Prepaid Expenses | \$ 12,627 | \$ - | \$ - | \$ - | \$ - |
| Due from funds | \$ - | \$ 644,561 | \$ 512,679 | \$ 105,566 | \$ 522,520 |
| Total unrestricted current assets | \$ 39,359,519 | \$ 37,713,816 | \$ 44,716,261 | \$ 50,431,270 | \$ 43,032,690 |
| Restricted Assets: | | | | | |
| Cash and cash equivalents | \$ 956,710 | \$ 2,469,296 | \$ 3,319,706 | \$ 1,707,821 | \$ 20,362,441 |
| Investments | \$ 26,478,918 | \$ 21,993,638 | \$ 35,086,649 | \$ 57,589,880 | \$ 52,386,597 |
| Accrued interest receivable | \$ 460,482 | \$ 267,607 | \$ 614,554 | \$ 1,063,667 | \$ 1,956,230 |
| Total restricted current assets | \$ 27,896,110 | \$ 24,730,541 | \$ 39,020,909 | \$ 60,361,368 | \$ 74,705,268 |
| Total current assets | \$ 67,255,629 | \$ 62,444,357 | \$ 83,737,170 | \$ 110,792,638 | \$ 117,737,958 |
| Investments | \$ 160,125,808 | \$ 154,648,105 | \$ 146,736,487 | \$ 151,077,474 | \$ 189,738,700 |
| Restricted assets-investments | \$ 98,497,841 | \$ 65,041,224 | \$ 78,184,871 | \$ 105,221,996 | \$ 187,308,919 |
| Notes Receivable | \$ 2,051,287 | \$ 1,472,436 | \$ 1,203,640 | \$ 923,263 | \$ 606,527 |
| Due from other City funds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Prepaid Bond Insurance | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital Assets, depreciable, net | \$ 1,086,726,770 | \$ 1,123,921,432 | \$ 1,203,755,286 | \$ 1,224,804,821 | \$ 1,220,118,197 |
| Capital Assets, nondepreciable, net | \$ 53,859,846 | \$ 81,500,468 | \$ 67,972,859 | \$ 132,398,797 | \$ 206,896,652 |
| Total assets | \$ 1,468,517,181 | \$ 1,489,028,022 | \$ 1,581,590,313 | \$ 1,725,218,989 | \$ 1,922,406,953 |
| Deferred outflows of resources - Loss on Refunding | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred outflows of resources - Pension Plan | \$ 16,076,486 | \$ 4,651,839 | \$ 10,772,352 | \$ 17,132,159 | \$ 17,123,355 |
| Deferred outflows of resources - OPEB Plan | \$ 831,790 | \$ 1,506,295 | \$ 1,292,932 | \$ 1,163,300 | \$ 1,371,550 |
| Total assets and deferred outflows of resources | \$ 1,485,425,457 | \$ 1,495,186,156 | \$ 1,593,655,597 | \$ 1,743,514,448 | \$ 1,940,901,858 |

KC Water - Water Fund
Statement of Net Position (Continued)
Audited Fiscal Years ending April 30, 2021-2025

| Liabilities and Net Assets | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Current Liabilities: | | | | | |
| Accounts payable | \$ 10,985,780 | \$ 17,072,652 | \$ 15,169,007 | \$ 21,609,116 | \$ 17,724,531 |
| Current portion of compensated absences | \$ 852,749 | \$ 750,120 | \$ 776,720 | \$ 792,919 | \$ 878,249 |
| Accrued payroll and related expenses | \$ 790,847 | \$ 549,256 | \$ 437,847 | \$ 1,145,389 | \$ 1,471,031 |
| Contracts and retainage payable | \$ 1,295,846 | \$ 1,731,228 | \$ 2,580,469 | \$ 1,673,391 | \$ 1,746,709 |
| Other liabilities | \$ 319,126 | \$ 320,126 | \$ 323,002 | \$ 314,940 | \$ 274,780 |
| Current portion of due to other funds | \$ 1,163 | \$ - | \$ 66,041 | \$ 12,398 | \$ 208,798 |
| Current portion of claims liability | \$ 5,084,805 | \$ 8,199,885 | \$ 9,397,777 | \$ 8,113,281 | \$ 9,222,302 |
| Current portion of other postemployment benefit liability | \$ - | \$ - | \$ 559,438 | \$ 502,890 | \$ 634,591 |
| Total current liabilities | \$ 19,330,316 | \$ 28,623,267 | \$ 29,310,301 | \$ 34,164,324 | \$ 32,160,991 |
| Liabilities payable from restricted assets: | | | | | |
| Accrued interest and fiscal agent fees | \$ 6,433,609 | \$ 6,006,984 | \$ 6,225,986 | \$ 7,236,227 | \$ 7,562,115 |
| Current portion of revenue bonds payable | \$ 19,410,000 | \$ 19,310,000 | \$ 20,435,000 | \$ 21,205,000 | \$ 23,020,000 |
| Contracts and retainage payable | \$ 939,959 | \$ 2,304,226 | \$ 2,188,825 | \$ 2,517,688 | \$ 3,725,701 |
| Customer Deposits | \$ 3,628,246 | \$ 3,983,411 | \$ 6,468,026 | \$ 3,749,491 | \$ 3,612,148 |
| Total liabilities payable from restricted assets | \$ 30,411,814 | \$ 31,604,621 | \$ 35,317,837 | \$ 34,708,406 | \$ 37,919,964 |
| Total current liabilities | \$ 49,742,130 | \$ 60,227,888 | \$ 64,628,138 | \$ 68,872,730 | \$ 70,080,955 |
| Claims liability | \$ 16,746,971 | \$ 25,966,304 | \$ 29,759,626 | \$ 25,692,057 | \$ 29,203,958 |
| Compensated absences | \$ 2,486,817 | \$ 2,266,498 | \$ 2,631,454 | \$ 2,605,820 | \$ 3,017,424 |
| Pension liability | \$ 42,746,714 | \$ 16,873,890 | \$ 35,633,047 | \$ 46,613,703 | \$ 50,991,651 |
| Other postemployment benefit liability | \$ 6,976,709 | \$ 8,014,993 | \$ 5,574,436 | \$ 5,513,866 | \$ 11,291,942 |
| Revenue bonds payable | \$ 392,469,031 | \$ 365,321,721 | \$ 399,989,331 | \$ 469,308,858 | \$ 597,647,240 |
| Total liabilities | \$ 511,168,372 | \$ 478,671,294 | \$ 538,216,032 | \$ 618,607,034 | \$ 762,233,170 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | \$ 803,373,054 | \$ 853,347,148 | \$ 907,378,993 | \$ 965,048,093 | \$ 1,005,553,884 |
| Restricted | \$ 38,548,966 | \$ 38,217,021 | \$ 38,952,387 | \$ 39,691,531 | \$ 39,351,760 |
| Unrestricted | \$ 127,522,831 | \$ 104,477,376 | \$ 100,398,148 | \$ 113,226,673 | \$ 127,043,515 |
| Total net position | \$ 969,444,851 | \$ 996,041,545 | \$ 1,046,729,528 | \$ 1,117,966,297 | \$ 1,171,949,159 |
| Deferred Inflow of Resources | \$ 4,812,234 | \$ 20,473,317 | \$ 8,710,037 | \$ 6,942,117 | \$ 6,719,529 |
| Liabilities, Net Position and Deferred Inflow | \$ 1,485,425,457 | \$ 1,495,186,156 | \$ 1,593,655,597 | \$ 1,743,515,448 | \$ 1,940,901,858 |

KC Water - Water Fund
Statements of Revenues, Expenses, and Changes in Fund Net Position
Audited Fiscal Years ending April 30, 2021-2025

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-----------------|-----------------|------------------|------------------|------------------|
| Operating revenues | | | | | |
| Water sales | \$ 161,885,246 | \$ 166,990,659 | \$ 179,119,388 | \$ 189,901,920 | \$ 198,841,016 |
| Other water revenue | \$ 1,287,030 | \$ 8,280,927 | \$ 4,779,063 | \$ 6,227,839 | \$ 1,379,669 |
| Income from jobbing, contract work and miscellaneous revenues | \$ 5,774,043 | \$ 8,111,840 | \$ 8,038,565 | \$ 7,149,946 | \$ 8,400,695 |
| Total operating revenues | \$ 168,946,319 | \$ 183,383,426 | \$ 191,937,016 | \$ 203,279,705 | \$ 208,621,380 |
| Operating expenses | | | | | |
| Power and pumping | \$ 5,850,899 | \$ 5,580,960 | \$ 5,598,545 | \$ 5,697,452 | \$ 5,193,591 |
| General and electrical maintenance | \$ 7,778,145 | \$ 7,759,491 | \$ 8,477,882 | \$ 9,651,106 | \$ 10,928,836 |
| Purification | \$ 13,846,331 | \$ 13,360,780 | \$ 16,111,784 | \$ 18,432,333 | \$ 22,050,666 |
| Laboratory services | \$ 2,955,645 | \$ 2,317,688 | \$ 2,721,332 | \$ 3,272,924 | \$ 3,467,084 |
| Transmission and distribution | \$ 22,219,704 | \$ 18,636,961 | \$ 24,189,815 | \$ 21,683,134 | \$ 20,066,485 |
| Customer service | \$ 7,149,332 | \$ 5,967,611 | \$ 9,113,169 | \$ 9,614,954 | \$ 10,328,213 |
| Mechanical Maintenance | \$ 2,400,326 | \$ 2,751,694 | \$ 2,869,582 | \$ 2,822,581 | \$ 1,625,474 |
| Customer accounting and collection | \$ 8,680,969 | \$ 9,446,085 | \$ 9,385,987 | \$ 6,921,716 | \$ 8,309,918 |
| Administrative and general | \$ 20,912,653 | \$ 47,338,845 | \$ 27,301,841 | \$ 26,037,273 | \$ 41,549,395 |
| Depreciation and Amortization | \$ 24,580,868 | \$ 25,006,185 | \$ 26,892,685 | \$ 28,391,282 | \$ 28,665,673 |
| Total operating expenses | \$ 116,374,872 | \$ 138,166,300 | \$ 132,662,622 | \$ 132,524,755 | \$ 152,185,335 |
| Operating income | \$ 52,571,447 | \$ 45,217,126 | \$ 59,274,394 | \$ 70,754,950 | \$ 56,436,045 |
| Nonoperating revenues (expenses) | | | | | |
| Interest on investments | \$ 1,198,033 | \$ (7,831,754) | \$ 4,914,563 | \$ 8,668,177 | \$ 19,930,793 |
| Interest expense and fiscal agent fees | \$ (13,565,813) | \$ (11,173,909) | \$ (11,705,778) | \$ (13,574,938) | \$ (15,698,331) |
| Other | \$ 102,777 | \$ 293,390 | \$ 125,920 | \$ 44,420 | \$ 97,262 |
| Total nonoperating revenues (expenses) | \$ (12,265,003) | \$ (18,712,273) | \$ (6,665,295) | \$ (4,862,341) | \$ 4,329,724 |
| Net income before capital contributions | \$ 40,306,444 | \$ 26,504,853 | \$ 52,609,099 | \$ 65,892,609 | \$ 60,765,769 |
| Capital Contributions | \$ 7,588,784 | \$ 6,046,790 | \$ 6,482,391 | \$ 13,962,895 | \$ 1,886,474 |
| Payment-in-Lieu of Taxes (PILOT) | \$ (4,238,057) | \$ (5,743,569) | \$ (7,887,482) | \$ (8,434,705) | \$ (8,668,381) |
| Transfers to Other Funds | \$ - | \$ (211,380) | \$ (516,030) | \$ (185,030) | \$ - |
| Increase in net position | \$ 43,657,171 | \$ 26,596,694 | \$ 50,687,978 | \$ 71,235,769 | \$ 53,983,862 |
| Net position - beginning of year, as originally reported | \$ 925,787,680 | \$ 969,444,851 | \$ 996,041,550 | \$ 1,046,729,528 | \$ 1,117,965,297 |
| Adjustment for Restatement (GASB Nos. 68 and 71) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net position - beginning of year, as adjusted | \$ 925,787,680 | \$ 969,444,851 | \$ 996,041,550 | \$ 1,046,729,528 | \$ 1,117,965,297 |
| Total net position - end of year | \$ 969,444,851 | \$ 996,041,550 | \$ 1,046,729,528 | \$ 1,117,965,297 | \$ 1,171,949,159 |

KC Water - Water Fund
Historical Debt Service Coverage Calculation - Water Fund
For Fiscal Years Ending April 30, 2021 through April 30, 2025

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Operating Revenues | \$ 168,946,319 | \$ 183,383,427 | \$ 191,937,016 | \$ 203,279,705 | \$ 208,621,380 |
| Less: Total Operating Expense | <u>\$ 116,374,872</u> | <u>\$ 138,166,300</u> | <u>\$ 132,662,622</u> | <u>\$ 132,524,755</u> | <u>\$ 152,185,335</u> |
| | \$ 52,571,447 | \$ 45,217,127 | \$ 59,274,394 | \$ 70,754,950 | \$ 56,436,045 |
| Plus: Depreciation and Amortization | \$ 24,580,868 | \$ 25,006,185 | \$ 26,892,685 | \$ 28,391,282 | \$ 28,665,673 |
| Administrative Fee | \$ 3,960,130 | \$ 3,746,060 | \$ 3,280,988 | \$ 3,467,699 | \$ 4,327,677 |
| Principal of Contracts Received from Other Governmental Units | \$ 603,996 | \$ 576,002 | \$ 578,852 | \$ 268,795 | \$ 280,377 |
| Non-Cash OPEB | \$ 109,544 | \$ 1,038,285 | \$ (124,887) | \$ (328,889) | \$ 5,909,777 |
| Interest Income | <u>\$ 1,198,033</u> | <u>\$ (7,831,754)</u> | <u>\$ 4,914,563</u> | <u>\$ 8,668,177</u> | <u>\$ 19,930,793</u> |
| | \$ 30,452,571 | \$ 22,534,777 | \$ 35,542,201 | \$ 40,467,064 | \$ 59,114,297 |
| Net Revenues Available for Debt Service | <u>\$ 83,024,018</u> | <u>\$ 67,751,905</u> | <u>\$ 94,816,595</u> | <u>\$ 111,222,014</u> | <u>\$ 115,550,342</u> |
| Debt Service - Senior Bonds | \$ 36,544,344 | \$ 34,848,044 | \$ 33,726,763 | \$ 35,940,524 | \$ 39,593,538 |
| Debt Service Coverage - Senior Bonds | 2.27 | 1.94 | 2.81 | 3.09 | 2.92 |
| Debt Service - Senior and Subordinate Bonds | \$ 36,544,344 | \$ 34,848,044 | \$ 33,726,763 | \$ 35,940,524 | \$ 39,593,538 |
| Debt Service Coverage - Senior and Subordinate Bonds | 2.27 | 1.94 | 2.81 | 3.09 | 2.92 |