

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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For the Fiscal Years Ended
April 30, 2019 and 2018



A Department of the City of Kansas City, Missouri

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Prepared by

Sean Hennessy, CFO

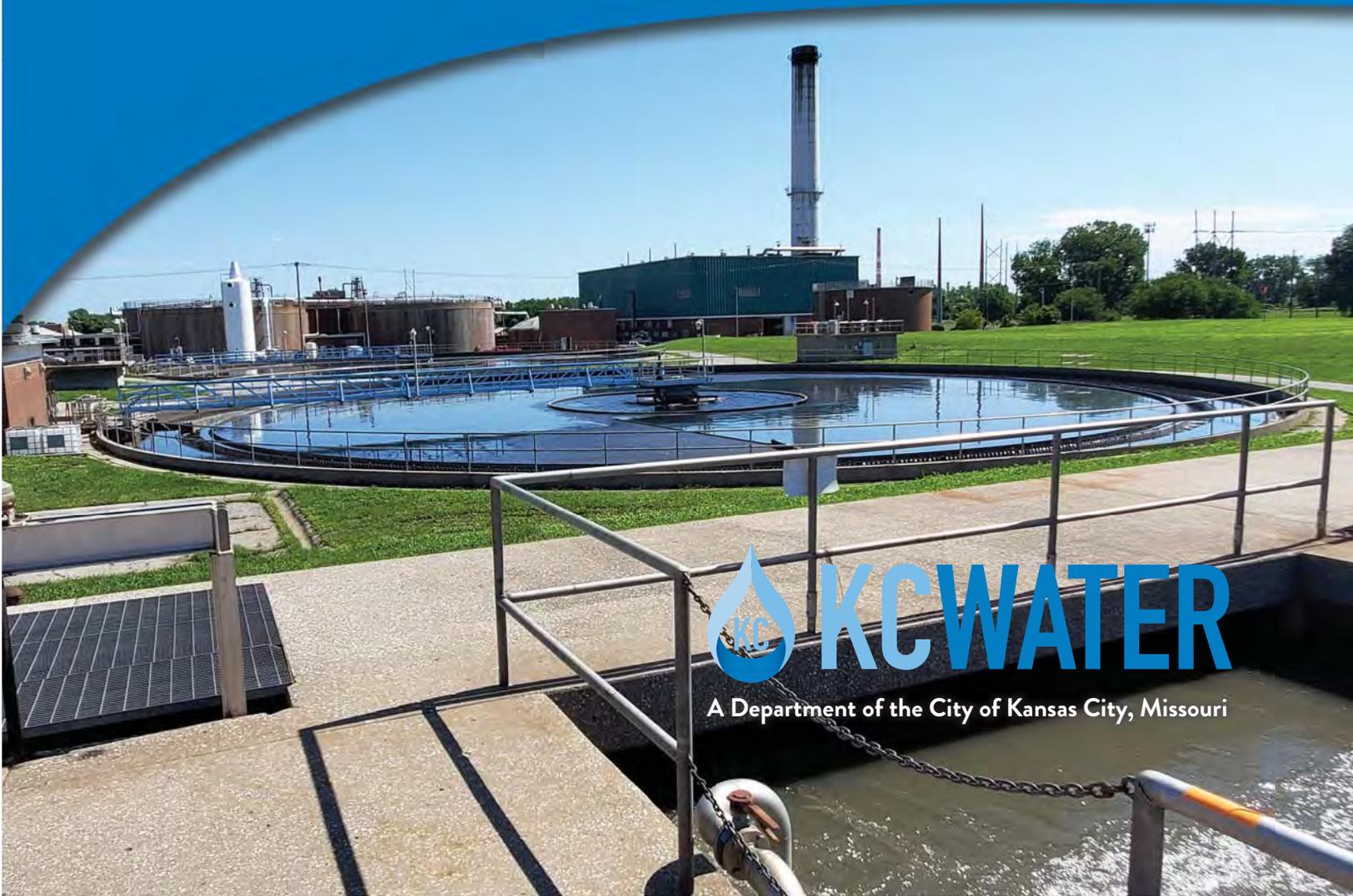
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A Department of the City of Kansas City, Missouri



KC WATER
A Department of the City of Kansas City, Missouri

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Years Ended April 30, 2019 and 2018

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Introductory Section | |
| Letter of Transmittal | i |
| Certificate of Achievement for Excellence in Financial Reporting | xi |
| Organizational Chart | xii |
| Financial Section | |
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 4 |
| Basic Financial Statements | |
| Statements of Net Position | 17 |
| Statements of Revenues, Expenses and Changes in Net Position | 19 |
| Statements of Cash Flows | 21 |
| Notes to Financial Statements | 23 |
| Required Supplementary Information (Unaudited) | |
| Schedule of the Department's Proportionate Share of the Net Pension Liability | 64 |
| Schedule of the Department's Contributions | 65 |
| Schedule of the Department's Proportionate Share of the Total OPEB Liability | 66 |
| Supplementary Information | |
| Combining Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund | 67 |
| Statistical Section | |
| Statistical Section Table of Contents | 68 |
| Financial Trends | |
| Net Position by Category | 69 |
| Changes in Net Position – Water Fund | 70 |
| Changes in Net Position – Sewer Fund | 71 |
| Revenue Capacity | |
| Residential Water Service Rates..... | 72 |
| Suburban Water Service Rates..... | 73 |
| Sewer and Stormwater Service Rates..... | 74 |
| Revenue Base and Revenues by Customer Class | 75 |
| Largest Users of the System – Water Fund | 76 |
| Largest Users of the System – Sewer Fund | 77 |
| Debt Capacity | |
| Revenue Bond Coverage Ratios | 78 |
| Schedule of Historical Revenue Bonds and Capital Leases – Water Fund | 80 |
| Schedule of Historical Revenue Bonds and Capital Leases – Sewer Fund | 81 |

| | |
|--|----|
| Ratios of Outstanding Debt | 82 |
| Demographic and Economic Information | |
| Demographic and Economic Statistics | 83 |
| Top 10 Principal Employers | 84 |
| Operating Information | |
| Operating Indicators | 85 |
| Schedule of Full-Time Equivalent Employees by Division – Water Fund | 86 |
| Schedule of Full-Time Equivalent Employees by Division – Sewer Fund | 87 |
| Schedule of Full-Time Equivalent Employees by Division – Stormwater Fund | 88 |

INTRODUCTORY SECTION





KC WATER
OFFICE OF THE DIRECTOR

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P: 816-513-0504 • F: 816-513-0185 • www.kcwater.us

October 30, 2019

The Honorable Mayor, Members of the City Council, City Manager, and Citizens of Kansas City:

City of Kansas City, Missouri Water Services Department (KC Water) is a department of Kansas City, Missouri's Municipal Government. It operates the Water, Wastewater and Stormwater Enterprise Funds, meaning it is financed by the fees collected from its customers. Kansas City municipal government has 19 departments and all of them, with the exception of KC Water and Aviation, are financed by taxes collected by the City. So, that makes KC Water a unique organization in many ways.

From a management perspective, KC Water is led by a Director who reports to the City Manager, just like the Directors of all other City departments. The two major utilities, Water and Wastewater, are each led by a utility officer. In addition, KC Water's utilities are regulated by Environmental Protection Agency (EPA) and Missouri Department of Natural Resources (MDNR) and the utilities follow standards as prescribed by the American Water Works Association (AWWA) and the Water Environment Federation (WEF).

As an entity that operates and manages three utilities (Water, Wastewater, and Stormwater), KC Water must fully recover the cost of managing each utility through its fee structure each fiscal year, essentially operating as a utility business. Each year, KC Water conducts a cost of service study with an outside third party engineering firm to determine the necessary revenue requirements and cost allocation methodology to cover the costs of operation. This cost of service study is the basis for the department's annual budget and follows guidelines as prescribed by the AWWA and the WEF. In addition, the Department manages a long term financial plan to forecast future revenue needs associated with major items such as debt service related to planned bond issues to cover capital mandates. This financial plan is a critical component into the annual cost of service study.

In terms of the annual budget approval process, the department initially submits its budget to the City Manager and Mayor six months prior to the start of the next fiscal year. After review by the City Manager and Mayor, public hearings on the budget are held around the city over the next few months. Two months before the next fiscal year starts, the budget and associated rate ordinances are presented to the six member Finance, Governance and Public Safety Committee of the City Council. Once the budget is passed out of the Finance Committee, it is presented by the Department to the full City Council, who in turn, is required to approve or not approve the proposed budget. So, from a governance structure, while the Department Director can recommend a budget and supporting rate structure to the City Manager, rates are ultimately required to receive final approval from the 13-member City Council, one month before the start of the next fiscal year.

KC Water is challenged by the fact that we have a low population density relative to other metropolitan utilities around the country. With 494,000 residents and 320 square miles of service territory, that includes 2,800 miles of water mains and 2,800 miles of sewer mains, our city must manage a network that is larger than the cities of San Francisco, Philadelphia, Boston and Miami combined (total population of 3.4 million). With a smaller base and larger territory, average bills are higher than in many other cities.

As management of KC Water, we offer readers the attached Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2019. The CAFR is prepared in conformity with generally accepted accounting principles, attested by a certified public accountant and is in accordance with local, state, and federal laws and requirements. The independent accounting firm of Allen, Gibbs & Houlik, L.C., whose report is included, has audited the financial statements and related notes.

The report is designed to fairly present KC Water's financial position and results of operations as measured by the financial activity of the various funds. KC Water is responsible for both the accuracy of the data and the completeness and fairness of the presentations, based upon a comprehensive framework of internal controls that it has established for this purpose. Sufficient internal accounting controls exist to provide reasonable, rather than absolute, assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. Management assumes full responsibility for the completeness and reliability of the information contained in this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of basic financial statements and should be read in conjunction with the basic financial statements.

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 consumption and fire protection within the City and surrounding areas. The System is comprised of three separate and distinct units: The Water, Sewer and Stormwater utilities. Each is treated as a separate and distinct enterprise fund.

LOCAL ECONOMY

Kansas City, Missouri is situated at the junction of the Missouri and Kansas rivers and sits opposite Kansas City, Kansas. It is the largest city in the Kansas City Metropolitan Area; the most populous city in Missouri, the sixth largest city in the Midwest, and the 38th most populous city in the United States. Kansas City's location makes it a national transportation hub. The most geo-central market in the nation, metro Kansas City is served by four interstate highways. Kansas City has a diversified economy including transportation, telecommunications, manufacturing, health care, legal services, trade, financial services, and governmental services. The region provides access to over one million jobs in over seven hundred occupations. The top three employers by industry within Kansas City are Government at 7.32%, Cerner Corporation at 1.26% and HCA Midwest Health System at 0.90%.

Per the Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) for Kansas City as of April 30, 2019 was 3.5%, which is 0.3 percentage points lower than the national average unemployment rate of 3.8%.

Housing in the City of Kansas City is comparatively affordable among major metropolitan cities, with values holding steady. The median price for existing homes is \$121,600, while the median home value in Missouri is \$162,400. U.S. News and World Report listed Kansas City as 16th on its “25 Best Affordable Places to Live in the U.S.” ranking, showcasing the value of residing in Kansas City.

Kansas City is officially nicknamed the “City of Fountains - Heart of the Nation” with over 200 fountains, the second most in the world just behind Rome, Italy. Kansas City’s Parks and Recreation Department oversees 158 miles of trails and bike ways, 221 urban parks, 29 lakes, 106 playgrounds, 125 ball diamonds, 116 basketball courts, 10 community centers, five public golf courses, eight museums and attractions, and 24 aquatic facilities. Swope Park is one of the nation’s largest city parks, comprising 1,805 acres, and annually attracts more than two million visitors.

Kansas City is recognized for a growing number of hot spot attractions such as the Kauffman Center for the Performing Arts, the National World War I Museum, the Nelson-Atkins Museum of Art, the American Jazz Museum, the Negro Leagues Baseball Museum, College Basketball Experience, Science City, Toy and Miniature Museum, and the Kemper Museum of Contemporary Art.

Kansas City has the honor of being the only U.S. city named a City of Music by the United Nations Educational, Scientific and Cultural Organization (UNESCO). Sixty-four cities from forty-four countries have received this distinguished designation as UNESCO Creative Cities. The City has joined the frontline of UNESCO’s efforts to foster innovation and creativity as key drivers for a more sustainable and inclusive urban development. While these cities differ geographically, demographically or economically, all Creative Cities commit to develop and exchange innovative best practices to promote creative industries, strengthen participation in cultural life, and integrate culture into sustainable urban development policies.

The Water Utility

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 173,000 customers inside and outside the City and 32 active wholesale customers. There are also connections with the transmission systems of 6 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 the 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 2019 was about 99.8 million gallons per day with a peak day demand of 158.1 million gallons, which is about 66% of the primary treatment plant's design capacity.

The number of employees within the Water Utility totaled 476 at year end, April 30, 2019, which is an increase of 1 employee over the prior year (61% labor class, 39% management class).

The table below provides a summary of System customers for the past 5 years.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------|---------|---------|---------|---------|---------|
| Retail Customers | 151,073 | 152,251 | 153,232 | 154,220 | 155,015 |
| Commercial / Industrial | 17,865 | 17,843 | 17,862 | 18,028 | 18,060 |
| Wholesale Customers | 32 | 32 | 32 | 32 | 32 |
| Total | 168,970 | 170,126 | 171,126 | 172,280 | 173,107 |

The table below sets forth the 10 largest users of the System and the percentage of total consumption applicable to each for the Fiscal Year ended April 30, 2019:

| User | Type of Business | Annual Consumption (100 cubic feet) | Percentage of Total Consumption |
|--------------------------|------------------|-------------------------------------|---------------------------------|
| City of Lee's Summit | Wholesale Water | 1,290,517 | 4.0% |
| City of Belton | Wholesale Water | 936,121 | 2.9% |
| Dogwood Energy | Utility | 702,942 | 2.2% |
| City of Raymore | Wholesale Water | 683,626 | 2.1% |
| Raytown Water Company | Wholesale Water | 603,273 | 1.9% |
| Jackson County PWS No. 1 | Wholesale Water | 599,820 | 1.9% |
| City of Blue Springs | Wholesale Water | 540,461 | 1.7% |
| Ford Motor Company | Commercial | 463,317 | 1.5% |
| Jackson County PWS No. 2 | Wholesale Water | 447,974 | 1.4% |
| KCP&L | Utility | 417,562 | 1.3% |

The Sewer Utility

The Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 167,000 customers inside and outside the City on a retail basis and agreements with 27 surrounding communities and sewage districts on a contractual basis. KC Water currently maintains 40 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations and 6 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to KC Water’s treatment plants receives secondary treatment in compliance with federal and state environmental regulations.

A summary of KC Water’s wastewater treatment plants are presented in the table below.

Existing Wastewater Treatment Facilities

| Treatment Facility | Approximate First Year of Operation | Current Design Capacity (mgd) | Average Flow (mgd) |
|--------------------|-------------------------------------|-------------------------------|--------------------|
| Blue River | 1964/1985 | 105.00 | 81.75 |
| Westside | 1977 | 22.50 | 17.18 |
| Birmingham | 1977 | 20.00 | 10.42 |
| Todd Creek | 1999 | 3.40 | 1.85 |
| Fishing River | 2000 | 2.00 | 1.00 |
| Rocky Branch | 2005 | 2.80 | 1.96 |
| TOTAL | | 155.70 | 114.16 |

The System’s wastewater collection and treatment services include the processing of biosolids. Biosolids, the stabilized product generated from treatment of wastewater, is used in land application at a City-owned facility in the cultivation of non-food agriculture. The crops harvested, soy-beans and corn, are used as sources of alternative energy, namely bio-diesel and ethanol. These activities meet the United States Environmental Protection Agency (“EPA”) treatment and pollutant content criteria Part 503.13. Biosolids can be safely recycled and applied as fertilizer to improve the quality of land for agriculture, while increasing crop yields.

The number of employees within the Sewer Utility totaled 318 at year end, April 30, 2019. This is the same as the prior year (66% labor class, 34% management class).

The table below provides a summary of Sewer customers for the past 5 years.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------|---------|---------|---------|---------|---------|
| Residential Customers | 147,475 | 148,033 | 148,501 | 149,489 | 150,261 |
| Commercial/Industrial | 16,585 | 16,576 | 16,662 | 16,778 | 16,807 |
| Inter-Jurisdictional | 28 | 28 | 28 | 28 | 27 |
| Total | 164,088 | 164,637 | 165,191 | 166,295 | 167,095 |

The table below sets forth the 10 largest users of the Sewer System and the percentage of total revenue applicable to each for the Fiscal Year ended April 30, 2019:

| User | Type of Business | % of Total Revenue |
|--------------------------------------|----------------------|--------------------|
| Johnson County, KS | Inter-Jurisdictional | 10.9% |
| Gladstone, MO | Inter-Jurisdictional | 3.3% |
| North Kansas City, MO | Inter-Jurisdictional | 2.6% |
| Ford Motor Company | Industrial | 1.4% |
| Liberty, MO | Inter-Jurisdictional | 1.1% |
| Cook Family Foods | Industrial | 0.9% |
| Raytown, MO | Inter-Jurisdictional | 0.8% |
| Hospital Corp of America | Commercial | 0.7% |
| KC Parks & Rec District 3 | Governmental | 0.6% |
| Childrens Mercy Hospital and Clinics | Commercial | 0.5% |

The Stormwater Utility

Six hundred thirty miles of storm sewer carry stormwater from more than 53,000 stormwater inlets serving Kansas City. In addition, KC Water maintains a flood risk management system that includes 13.5 miles of levee and floodwall, operates 15 flood pump stations, and maintains six detention basins. On an annual basis, the Stormwater utility cleans 18,000 storm inlets, repairs and replaces 300 catch basins, and sweeps over 14,000 miles of stormwater gutters.

What is Stormwater?

Stormwater is simply the water created by rainfall or melting snow. Stormwater is a necessary and important resource, but it can also cause water quality and water quantity issues in urban and suburban areas. When it does not soak into the ground, it runs off, traveling down street gutters and across paved surfaces, bare soil, or sloped lawns. As stormwater travels across paved surfaces, it collects pollutants such as sediment, fertilizers, pesticides, pet waste, oil, de-icing products, yard waste, and litter. It eventually makes its way to a ditch or storm drain in the street. From there, the storm drain system carries the water directly to local streams and rivers without treatment to remove pollutants.

Polluted stormwater can cause many problems, including threats to human and animal health, flooding, and erosion. Many pollutants are toxic, such as organic compounds, bacteria, and viruses. In addition, when too much stormwater runs off paved surfaces, roofs, and lawns, flooding may occur, which can cause damage to property. High volumes of stormwater flowing into a stream also can cause severe stream bank erosion.

Issues related to Stormwater

Because stormwater runoff is the number one vehicle for pollutants entering our local waterways, it is critical that we be aware of what ends up on the ground and ultimately, in our storm drains.

When rain soaks into the soil it is called infiltration. Infiltration helps clean and filter the water and recharge groundwater supplies. Paved, solid surfaces (also known as “impervious surfaces”) such as parking lots, roads, and driveways keep rain from soaking into the soil. In addition to preventing rain from soaking into the soil, impervious surfaces increase the speed and amount of water that rushes into streams, which in turn can cause erosion, damage properties, harm wildlife habitats, and fill streams with sediment.

In Kansas City, the average size home has a 1,000 square-foot roof. A rainfall of just one inch can cause over 600 gallons of water to run off that roof. Much of this water runs from gutters through downspouts onto impervious surfaces such as streets or driveways, carrying pollutants into storm drains and eventually into our rivers and streams.

In the past, cities installed pipes and storm drains to move stormwater away from homes and buildings as quickly as possible and drain it in the nearest creek or stream. This approach, still practiced in many places today, can result in polluted stormwater, stream bank erosion, and flooding in communities downstream. The new and preferred way to manage stormwater is to keep it onsite, slow it down, spread it out, and let it soak in. This allows the soil to filter out pollutants and enables water to enter streams gradually. Developers and municipalities are now using green infrastructure methods such as rain gardens, bio-retention, native plantings, and porous pavements to help manage stormwater where it falls.

Sewer Overflows

Combined sewers are older systems that carry both stormwater and sewage (also called “wastewater”) to treatment plants. Kansas City has 58 square miles of combined sewers. When stormwater runoff from rain storms completely fills combined sewer pipes, the result is a “Combined Sewer Overflow,” a discharge of untreated wastewater and stormwater into local streams. In areas where sanitary sewers and storm sewers are separate, sewer overflows can occur when downspouts, sump pumps, and floor drains from homes and businesses are connected directly to the wastewater sewer.

The Stormwater Utility Division is responsible for stormwater management for the City of Kansas City, Missouri. Its responsibilities can be classified into quantity and quality management duties. Stormwater quantity management involves the management and coordination of improvements to the stormwater system and flood risk management systems including the levees, floodwalls, flood pump stations and the flood warning system. This entails coordinating the planning, design and construction of the improvements necessary to fulfill these responsibilities. Stormwater quality management involves the coordination, oversight and protection of the city’s runoff and surface water quality through the implementation of the MS4 and Land Disturbance Permit requirements. The Stormwater division also sets the policies and standards (as well as implements existing standards) for stormwater infrastructure across the city.

In addition, the Stormwater Line Maintenance group is responsible for maintaining the rain gardens created within the city’s right of ways. This responsibility will continue to increase in the future as more rain gardens are created.

Stormwater Fees

Most homeowners pay a stormwater fee that helps the community maintain its stormwater system. This fee is often collected monthly in a water or other city utility bill, or paid annually with property taxes. Stormwater fees vary across the Kansas City metropolitan region but are generally either a flat or tiered rate, which is based on the amount of impervious surface (such as roofs and driveways) on each property. If you are a resident of Kansas City, Missouri, your stormwater fee is included in your monthly water bill.

Currently, the average Kansas City, Missouri resident pays a stormwater monthly charge of approximately \$2.50 based on a fee of 50 cents per 500 square feet of impervious surface. This rate has remained unchanged since 2003. This fee supports several Stormwater utility activities such as leaf and brush removal, street sweeping, catch-basin cleaning, floodwall and levee inspections, and pipe and inlet maintenance. With such a minimal fee, there is only enough funding to minimally maintain the current stormwater system but not enough to replace or expand existing stormwater infrastructure.

Stormwater fees raise about \$13.3 million annually, vs. stormwater utility expenses of about \$20.4 million annually. The deficit is funded through reductions in cash reserves, which is not a sustainable long-term solution to funding the operating deficit.

Stormwater Credits

In order to reduce stress on the stormwater system and encourage more green infrastructure to help reduce stormwater runoff, many communities give stormwater-fee credits to customers. KC Water is no exception, offering two types of stormwater fee credits for property owners that use best management practices on their property.

The first type of credit is a ratio credit for properties that have a large pervious area to help absorb stormwater and prevent it from entering storm drains. Property owners can receive a credit if the ratio of the total property area to the runoff surface area is at least 30:1. For example, if a property totals 30,000 square feet and paved or roofed areas make up only 1,000 square feet of the property, it qualifies for the credit. Properties that qualify are granted a 50 percent stormwater fee credit.

The second type of stormwater fee credit is a detention credit for the installation of stormwater detention structures on your property. These types of structures are installed and maintained to hold stormwater on the property during the heaviest parts of a storm, thereby reducing flooding and erosion downstream. Typically, detention basins are professionally designed stormwater management systems that are carefully built to ensure that they catch the required amount of water per rain storm for a given area.

The number of employees within the Stormwater Utility totaled 90 at year end, April 30, 2019. This is 5% less than the prior year (63% labor class, 37% management class).

Capital Improvement Projects

The Water Fund will have invested approximately \$424 million over five years in water capital improvement projects. The projects are dedicated to water distribution; replacement of water transmission mains; rehabilitation of water treatment plants, pump stations, and storage facilities. The largest allocation, or 74% of the total capital investment is committed to the water distribution system. The projects are designed to improve system performance and reliability, reduce water main breaks, enhance fire protection, and deliver safe drinking water to customers.

The Water Main Replacement (WMR) Program uses a strategic, data-driven approach to prioritize the replacement of the water distribution system. It is based on replacing approximately 1% of the system annually, approximately 28 miles/year. The capital investment is structured to reduce O&M costs through systematic replacement of aging infrastructure in order to increase system reliability and improve customer service through reduced service interruptions. The prioritization process is based on a business risk exposure assessment of each pipe segment in the system. The 2,800-mile distribution system was divided into more than 70,000 individual segments. Each segment was analyzed for a consequence-of-failure score and a likelihood-of-failure score to create a business risk exposure (BRE) score for each segment. Those segments with the highest BRE score are scheduled for replacement the following year. The model is a dynamic model updated with the latest information and run each year to establish the prioritization for the following year.

Overflow Control Program

The Overflow Control Program (OCP) was developed to meet regulatory requirements set forth by the Environmental Protection Agency and the Missouri Department of Natural Resources. The regulations require minimizing overflows from the combined sewer system and preventing overflows from the separate sanitary sewer system. The parties have agreed to allow a 25-year period to meet those objectives by completing a planned list of improvements within five years. The implementation schedule is targeted to treat 88% of combined sewer flows and eliminate sanitary sewer overflows during a twenty-four hour rainfall event.

The Sewer Fund will have invested approximately \$600 million over five years in capital improvement projects. Of this amount, \$362 million is committed to the 25-year federally mandated OCP. The estimated total cost of OCP over the next 25 years is approximately \$4.5 billion, adjusted for inflation. In addition, annual expenditures for operations and maintenance are expected to increase by approximately \$72 million. It is anticipated that OCP will be financed primarily by the Sewer Fund.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KC Water for its Comprehensive Annual Financial Report for the fiscal year ended April 30, 2018. This was the second year that KC Water submitted a CAFR for consideration and the second consecutive year the award has been achieved. To be awarded the Certificate of Achievement, a government must publish an easily readable and organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and legal requirements. A Certificate of Achievement is

valid for a period of one year only. This report is intended to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for a certificate.

Respectfully submitted,



Sean Hennessy
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

KC Water
Missouri

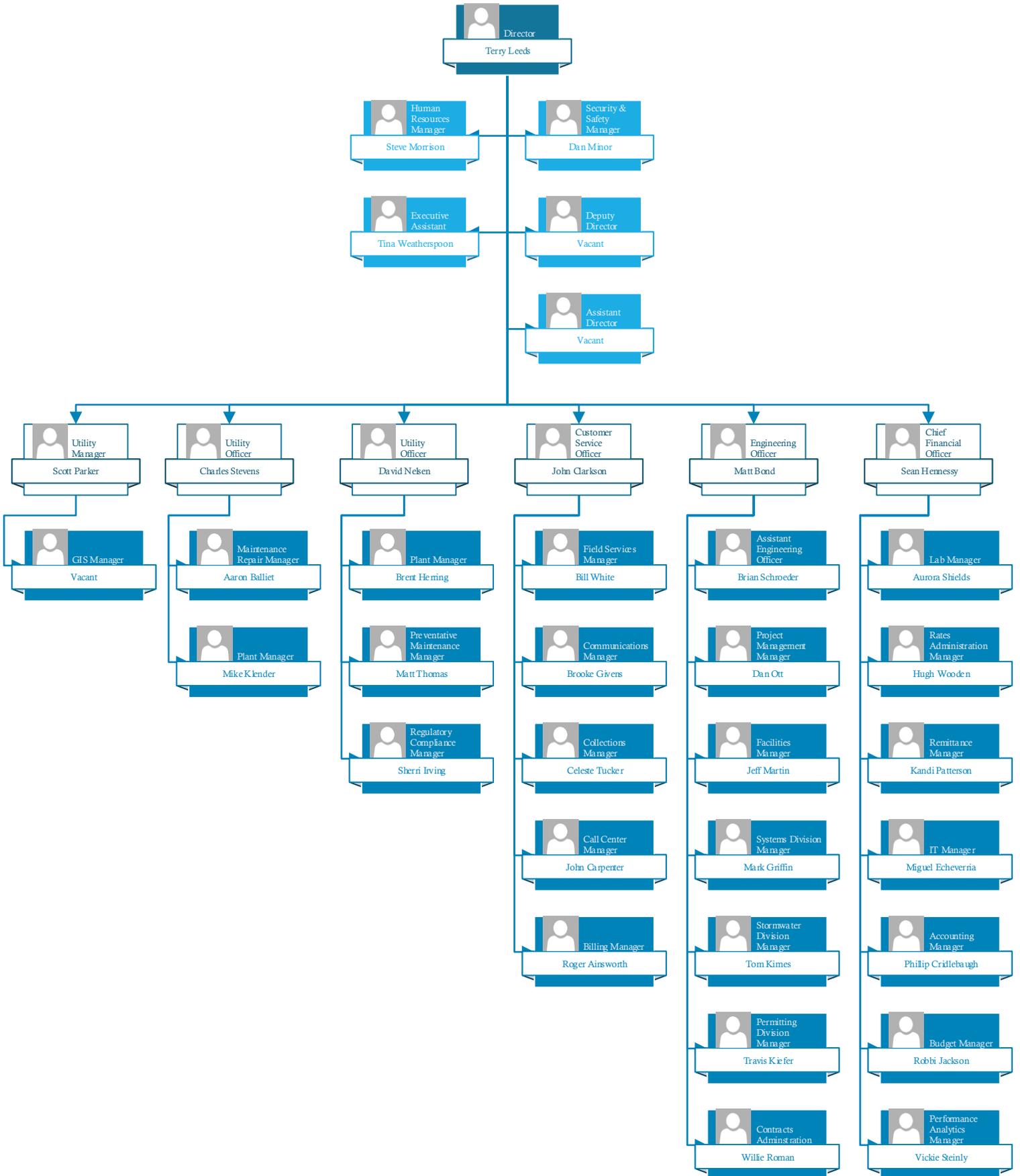
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2018

Christopher P. Morrill

Executive Director/CEO

KC Water Organizational Chart



FINANCIAL SECTION

*Basic Financial Statements
Required Supplementary Information (Unaudited)
Supplementary Information*



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
and the City Manager
**KC Water, a Department of the
City of Kansas City, Missouri**

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Water Services Department of the City of Kansas City, Missouri (KC Water or Department), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the KC Water'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 opinions on these financial statements based on our audit. We conducted our audit 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of KC Water, as of April 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of KC Water, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kansas City, Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Kansas City, Missouri as of April 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, in 2019, KC Water adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, and GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinions are not modified with respect to this matter.

Other Matters

Report on Prior-Period Information

The financial statements of KC Water, as of and for the year ended April 30, 2018, were audited by other auditors, whose report, dated October 30, 2018 expressed unmodified opinions with respect to those financial statements. The audit report included an emphasis of a matter paragraph to emphasize that the financial statements present only KC Water and not the City of Kansas City, Missouri, as similarly disclosed in the emphasis of matters section of this report.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KC Water's basic financial statements. The Combining Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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 States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of KC Water'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 KC Water'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 KC Water's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 30, 2019
Wichita, KS

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Management's discussion and analysis (MD&A) of KC Water, a department of the City of Kansas City, Missouri (comprised of three separate and distinct enterprise funds: Water, and the Combined Sewer Fund, which includes Wastewater and Stormwater) provides readers a narrative overview and analysis of each Fund's financial statements and activities for the fiscal years ended April 30, 2019 and 2018, with selected comparative information for the fiscal year ended April 30, 2017.

Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes in order to provide a complete understanding of the financial performance and activities during the years ended April 30, 2019 and 2018.

Overview of the Financial Statements

The accompanying financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets include land, buildings, improvements, equipment and infrastructure assets, such as water mains, pumping stations and treatment plants. Capital assets, except land, are depreciated over their estimated useful lives. Major outlays for capital improvements are capitalized as projects during construction. Capital assets not completed by year-end have been reported as construction-in-progress. (See Notes to Financial Statements for significant accounting policies).

The statements of net position present information about each fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources reported as net position.

The statements of revenues, expenses and changes in net position present information showing how each fund's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect each fund's cash accounts through operating activities, noncapital financing activities, capital and related financing activities and investing activities are presented in the statements.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Financial Position and Assessment

Summary of Net Position
(in thousands)

| | April 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| Assets | | | |
| Current assets - unrestricted | \$ 132,136 | \$ 126,163 | \$ 104,141 |
| Current assets - restricted | 43,805 | 118,535 | 68,807 |
| Noncurrent investments - unrestricted | 401,161 | 317,414 | 292,648 |
| Noncurrent investments - restricted | 240,479 | 285,580 | 248,607 |
| Capital assets | 2,366,096 | 2,241,096 | 2,106,631 |
| Other assets | 9,432 | 13,177 | 6,296 |
| Total assets | 3,193,109 | 3,101,965 | 2,827,130 |
| Deferred Outflows of Resources | | | |
| Loss on refunding | 3,493 | 3,106 | 3,675 |
| Items related to pension plan | 12,816 | 23,710 | 31,927 |
| Items related to OPEB | 926 | -- | -- |
| Total deferred outflows of resources | 17,235 | 26,816 | 35,602 |
| Total assets and deferred outflows of resources | \$ 3,210,344 | \$ 3,128,781 | \$ 2,862,732 |
| Liabilities | | | |
| Current liabilities | 41,777 | 53,130 | 45,535 |
| Liabilities payable from restricted assets | 68,604 | 73,496 | 60,452 |
| Long-term liabilities | 1,019,188 | 1,069,067 | 936,081 |
| Total liabilities | 1,129,569 | 1,195,693 | 1,042,068 |
| Deferred inflows of resources | | | |
| Items related to pension plan | 1,125 | 967 | 1,124 |
| Net Position | | | |
| Net investment in capital assets | 1,565,390 | 1,502,642 | 1,425,852 |
| Restricted | 90,558 | 95,726 | 93,666 |
| Unrestricted | 423,702 | 333,753 | 300,022 |
| Total net position | 2,079,650 | 1,932,121 | 1,819,540 |
| Total liabilities, deferred inflows of resources and net position | \$ 3,210,344 | \$ 3,128,781 | \$ 2,862,732 |

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Water Fund

Within the Water Fund, total assets increased by \$36.2 million or 2.8% from the previous year. Restricted cash and investments decreased by \$34.9 million or 28.8%. Unrestricted cash and investments used in daily operation increased by 17.4%. However, notes receivable decreased by 12.3%. Capital assets increased by \$48.4 million or 4.9% as anticipated by the ongoing capital improvement program. Total liabilities decreased by \$21.9 million or 4.3%.

At the close of FY2019, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in a net position of \$875.7 million, of this amount, \$155.7 million is considered unrestricted. The unrestricted net position may be used to meet ongoing business activities of the Water Fund and may not be used to fund the City's governmental activities. Total net position increased by \$52.3 million or 6.4% over the previous year, indicating that the Water Fund improved its financial position. The largest portion of net position, \$681.5 million or 77.8%, consists of investment in capital assets (e.g., land, buildings, water treatment facility, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to the customers of the water collection, processing and distribution systems.

In FY2018, total assets of the Water Fund increased by \$34.8 million or 2.7% from the previous year. Restricted cash and investments decreased by \$32.9 million or 21.3%. Unrestricted cash assets used in daily operations increased by 2.5%. Capital assets increased by \$46.8 million or 4.9% as anticipated from the ongoing capital improvements program. Total liabilities of the Water Fund decreased by \$18.4 million or 3.5%.

At the close of FY2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$823.4 million, of this amount, \$137.1 million is considered unrestricted. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$48.2 million or 6.2% over the previous year, indicating that the Fund improved its financial position. The largest portion of net position, \$647.5 million or 78.6%, consists of investment in capital assets (e.g., land, buildings, water treatment facilities, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the water collection, processing and distribution systems.

The Sewer Fund

Within the Sewer Fund, total assets increased by \$54.9 million or 3.1% from the prior year. During FY2019, there were \$42 million of Sanitary Sewer System Refunding Revenue Bonds issued, refunding the outstanding balance of Series 2009A Sanitary Sewer System Revenue Bonds. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement decreased by \$84.9 million or 30.2%. Unrestricted assets used in daily operations increased by 27.4%. Capital assets increased by \$76.6 million or 6.2% as anticipated from the ongoing capital improvements program. Total liabilities decreased by \$44.2 million or 6.4%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

At the close of the year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$1,203.9 million for the Sewer Fund. Of this amount, \$268.0 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$95.2 million or 8.6% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$883.9 million or 73.4%, consists of net investment in capital assets (e.g., land, buildings, wastewater treatment facilities, sewer and stormwater utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the wastewater and stormwater systems.

In FY2018, total assets of the Sewer Fund increased by \$240.0 million or 15.5% from the prior year. During the year, there were \$165 million of new Sewer Revenue Bonds issued. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement increased by \$118.6 million or 73.1%. Unrestricted assets used in daily operations increased by approximately 13.8%. Capital assets increased by \$87.6 million or 7.6% as anticipated from the ongoing capital improvements program.

Total liabilities increased by \$172.0 million or 33.1%. Post-employment benefits (pension and OPEB) decreased by \$1.1 million or 3.4%.

At the close of FY2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$1,108.7 million for the Sewer Fund. Of this amount, \$196.7 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$64.4 million or 6.2% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$855.2 million or 77.1%, consists of net investment in capital assets (e.g., land, buildings, wastewater treatment facilities, sewer and stormwater utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the wastewater and stormwater systems.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Summary of Revenues, Expenses and Changes in Net Position
(in thousands)

| | April 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| Operating revenues | \$ 422,856 | \$ 392,674 | \$ 375,255 |
| Operating expenses | (265,647) | (268,782) | (237,887) |
| Operating income | 157,209 | 123,892 | 137,368 |
| Nonoperating expenses, net | (11,276) | (22,529) | (18,121) |
| Excess of revenues over expenses before capital contributions and transfers | 145,933 | 101,363 | 119,247 |
| Capital contributions | 11,899 | 15,614 | 11,013 |
| Payment-in-lieu of taxes | (6,401) | (4,396) | (2,960) |
| Change in net position | 151,431 | 112,581 | 127,300 |
| Net position, beginning of year as previously reported | 1,932,121 | 1,819,540 | 1,692,240 |
| Prior period adjustment for change in accounting principle | (3,902) | -- | -- |
| Net position, beginning of year, restated | 1,928,219 | 1,819,540 | 1,692,240 |
| Net position, end of year | <u>\$ 2,079,650</u> | <u>\$ 1,932,121</u> | <u>\$ 1,819,540</u> |

Summary of Operating Revenues
(in thousands)

| | April 30, | | |
|--|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| Residential and commercial sales | \$ 360,280 | \$ 341,597 | \$ 324,597 |
| Intermunicipal sewer charges | 43,408 | 33,518 | 33,688 |
| Other operating revenue | 12,099 | 10,475 | 10,110 |
| Income from jobbing, contract work and miscellaneous revenues | 7,069 | 7,084 | 6,860 |
| Total operating revenues | <u>\$ 422,856</u> | <u>\$ 392,674</u> | <u>\$ 375,255</u> |
| Operating revenues - water | 170,945 | 167,214 | 165,357 |
| Operating revenues - sewer | 251,911 | 225,460 | 209,898 |
| Total operating revenues | <u>\$ 422,856</u> | <u>\$ 392,674</u> | <u>\$ 375,255</u> |

KC WATER

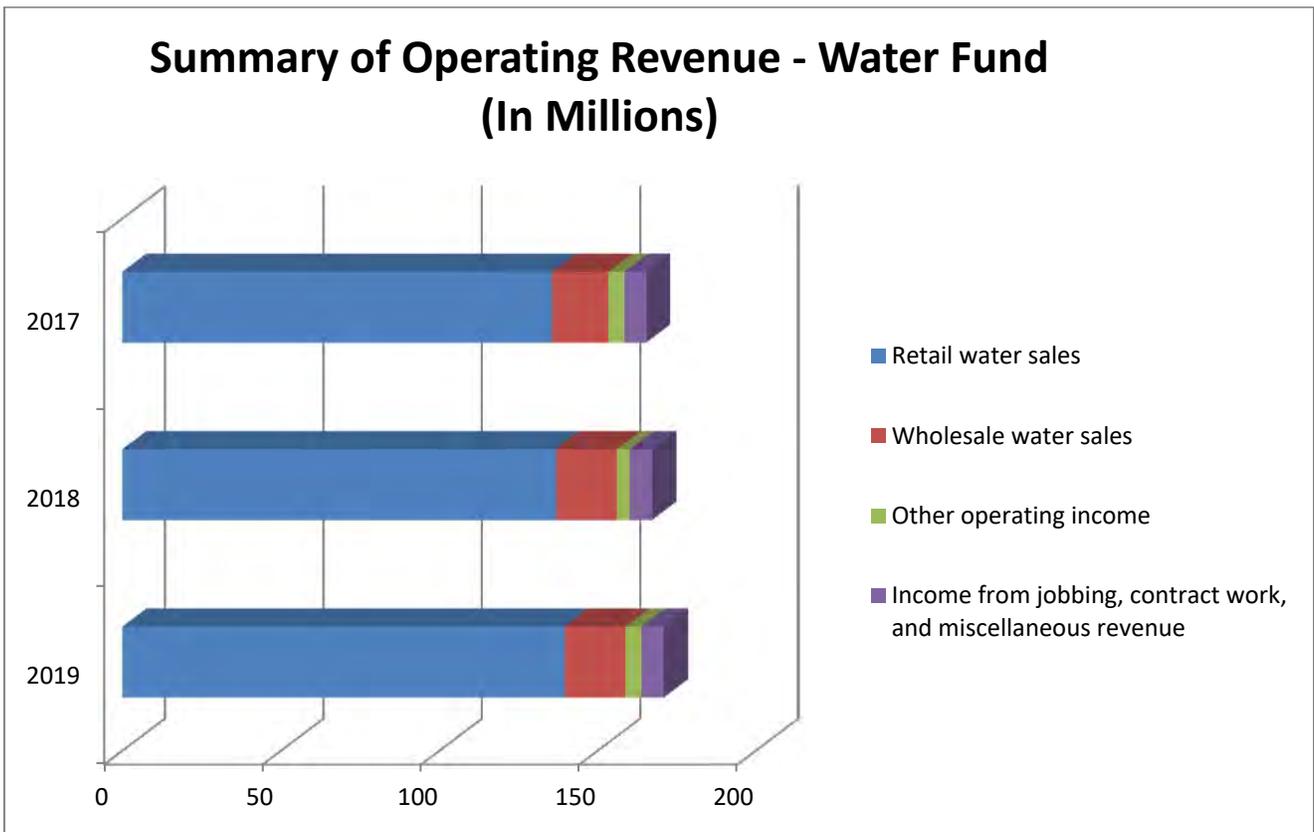
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Water Fund

Within the Water Fund, in FY2019, total operating revenues increased by \$3.7 million or 2.2%. The scheduled 1.5% rate increase contributed additional revenue while water consumption increased. Overall water billed to customers increased by 0.9 million CCF (hundred cubic feet) or 2.9%. Income from jobbing, contract work and miscellaneous revenue decreased by 0.2%, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.



At the close of FY2018, the Water Fund total operating revenues increased by \$1.9 million or 1.1%. The scheduled 1% rate increase contributed additional revenue while water consumption decreased. Overall water consumption by customers decreased by 1.04 million CCF or 2.5%. Income from jobbing, contract work and miscellaneous revenue increased by \$0.2 million or 3.3%, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.

KC WATER

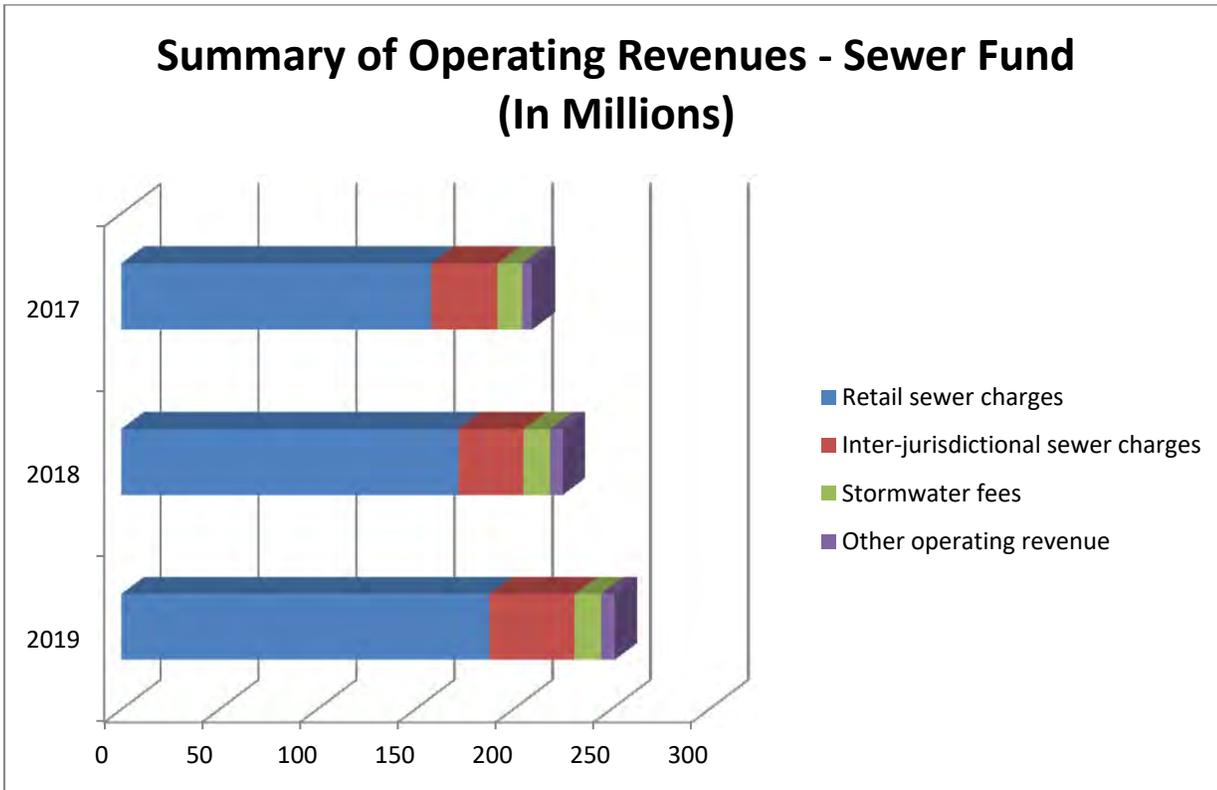
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Sewer Fund

Within the Sewer Fund, total operating revenues increased by \$26.5 million or 11.7% in FY2019. Residential and commercial retail sewer charges contributed \$15.9 million or 60.2% to the increase, primarily due to the scheduled 9.5% sewer rate increase in effect all year. Revenue from inter-jurisdictional services increased \$9.9 million. Stormwater fees decreased \$0.2 million or 1.3% during the year. There was a 9.6% increase in other operating revenue that consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots.



At the close of FY2018, the Sewer Fund total operating revenues increased by \$15.6 million or 7.4%. The increase was attributable mostly to the scheduled 9% sewer rate increase in effect all year. Additional sales, net of bad debt expense, to residential and commercial retail customers contributed \$14.4 million to operating revenues, while inter-jurisdictional charges decreased by \$0.2 million. Other operating revenue consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots. Other operating revenue increased by approximately \$1.3 million or 26.4%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Summary of Operating Expenses (in thousands)

| | April 30, | | |
|--|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| Power and pumping | \$ 5,990 | \$ 5,954 | \$ 5,901 |
| General and electrical maintenance | 6,052 | 6,827 | 6,152 |
| Purification | 13,889 | 14,156 | 13,186 |
| Laboratory services | 2,783 | 2,915 | 2,907 |
| Transmission and distribution | 22,389 | 18,678 | 19,437 |
| Customer service | 7,095 | 7,087 | 8,263 |
| Mechanical maintenance | 1,987 | 2,206 | 2,306 |
| Customer accounting and collection | 8,103 | 7,597 | 6,659 |
| Sewage treatment and pumping | 31,052 | 35,706 | 29,346 |
| Sewer maintenance | 39,505 | 36,806 | 30,900 |
| Industrial and household waste control | 1,594 | 1,471 | 1,409 |
| Administrative and general | 64,929 | 74,367 | 62,393 |
| Depreciation and amortization | 60,279 | 55,012 | 49,028 |
| Total operating expenses | <u>\$ 265,647</u> | <u>\$ 268,782</u> | <u>\$ 237,887</u> |
| Operating expenses - water | 111,115 | 110,236 | 106,344 |
| Operating expenses - sewer | <u>154,532</u> | <u>158,546</u> | <u>131,543</u> |
| Total operating expenses | <u>\$ 265,647</u> | <u>\$ 268,782</u> | <u>\$ 237,887</u> |

KC WATER

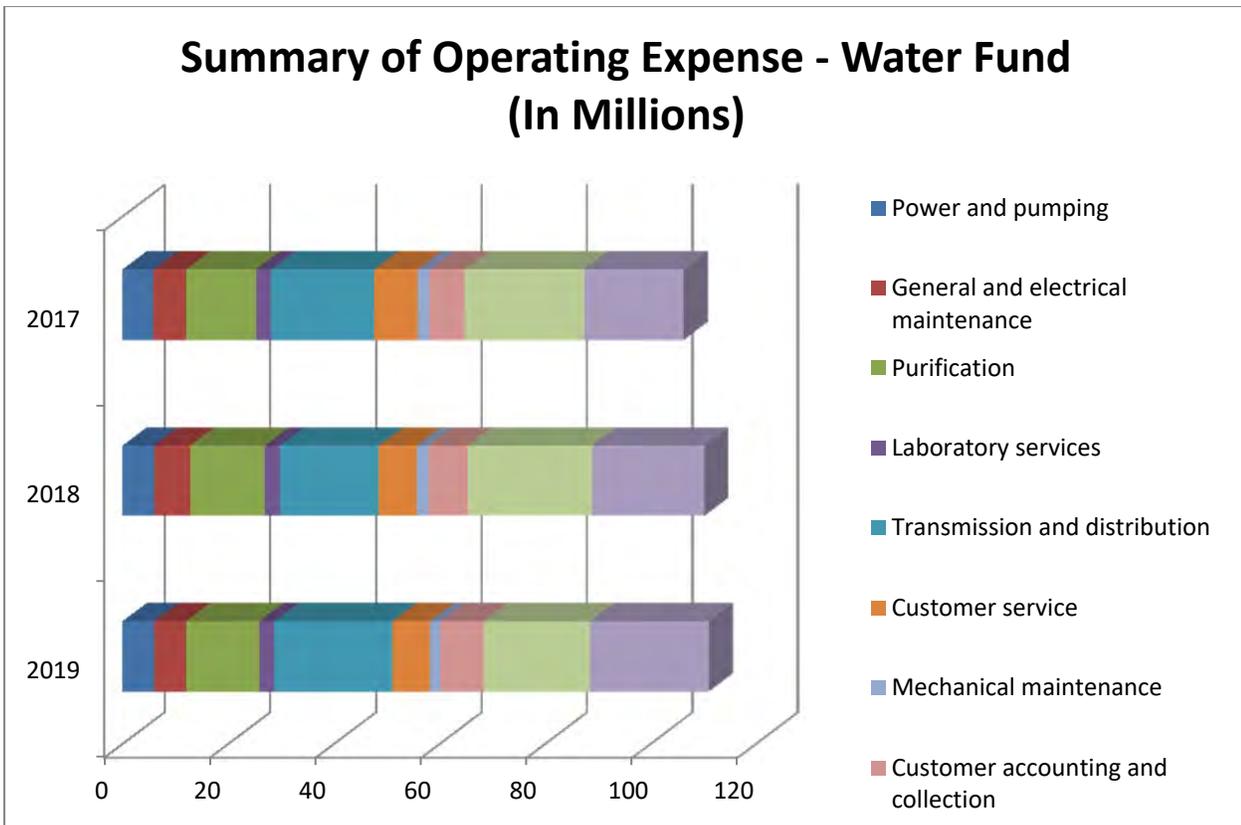
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Water Fund

Total operating expenses of the Water Fund increased by \$0.9 million or 0.8% over the previous year. General and electrical maintenance expenses decreased by \$0.7 million or 11.4%. This was due to a reduction in repairs and maintenance of equipment costs compared to the prior year. Transmission and distribution expense increased by \$3.7 million or 19.9%. This was due to using additional supplemental work forces for pipeline repair in FY2019. Administrative and general expenses decreased by \$3.2 million or 13.6%. Depreciation and amortization increased by \$1.2 million or 5.7% as anticipated by the ongoing capital improvement plan.



In FY2018, total operating expenses of the Water Fund increased by \$3.9 million or 3.7% over the previous year. General and electrical maintenance expenses rose by \$0.7 million or 11.0%. This was due to an increase in repairs and maintenance of equipment costs. Transmission and distribution expense decreased by \$0.8 million or 3.9%. This was due to using less supplemental work forces for pipeline repair. Administrative and general expenses increased by \$0.8 million or 3.6%. Depreciation and amortization increased by \$2.5 million or 13.0% as anticipated by the ongoing capital improvement plan.

KC WATER

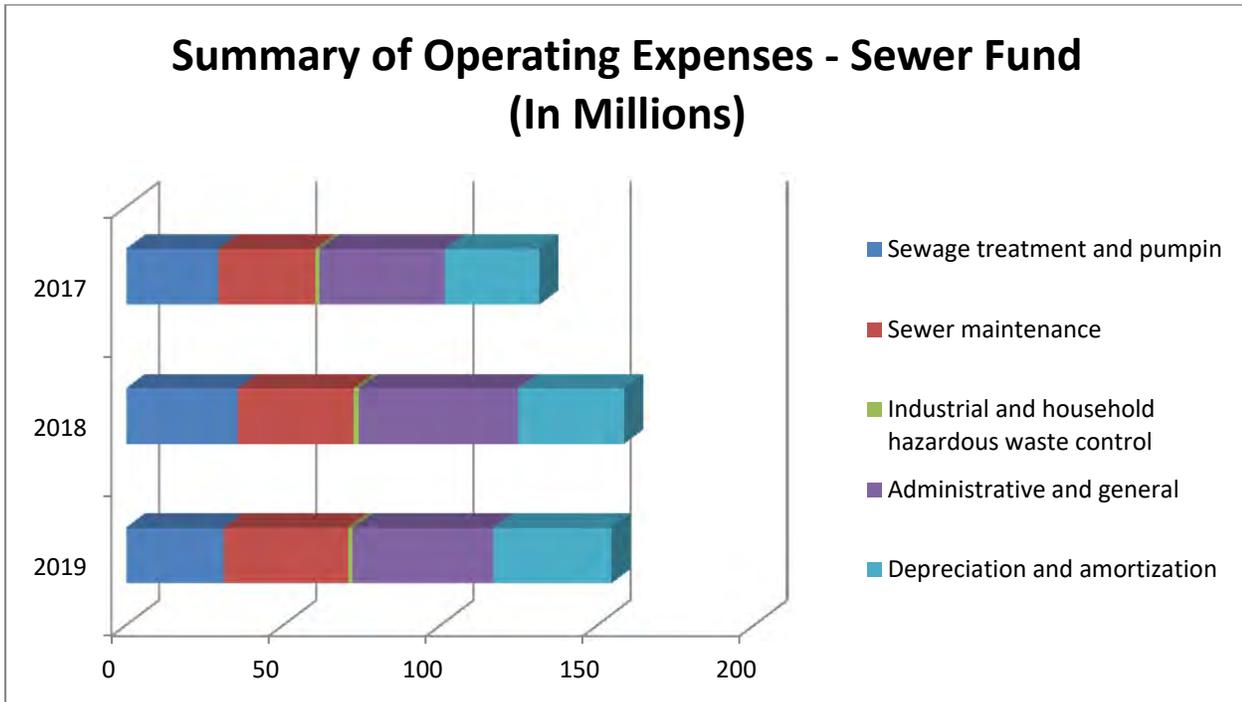
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Sewer Fund

Total operating expenses of the Sewer Fund decreased by \$4.0 million or 2.5% over the previous year. The Fund continues investing in sewer system improvements in order to comply with the Overflow Control Program (OCP) as mandated by the Environmental Protection Agency (EPA). Sewage treatment and pumping expenses decreased by \$4.7 million or 13.0%, sewer maintenance expenses increased by \$2.7 million or 7.3%, administrative and general expenses decreased by \$6.2 million or 12.3% and depreciation and amortization expenses increased by \$4.1 million or 12.1%.



In FY2018, total operating expenses of the Sewer Fund increased by \$27.0 million or 20.5% over the previous year. The Fund continues investing in sewer system improvements in order to comply with the Overflow Control Program (OCP) as mandated by the Environmental Protection Agency (EPA). Sewage treatment and pumping expenses increased by \$6.4 million or 21.7%, sewer maintenance expenses increased \$5.9 million or 19.1%, administrative and general expenses increased by \$11.2 million or 28.1% and depreciation and amortization expenses increased by \$3.5 million or 11.7%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Capital Assets

Water Fund – Capital assets in the Water Fund totaled \$1,044.6 million (net of accumulated depreciation) and accounted for 77.4% of total assets at April 30, 2019. Construction activities are ongoing to replace older and undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling \$53.2 million were completed. Capital asset additions included \$47.9 million of constructed water mains and appurtenances and \$1.9 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$4.3 million in assets contributed from property developers. Additions and replacements of machinery and equipment totaled \$16.1 million. The increases in depreciable capital assets were offset by disposals and retirements of \$23.2 million.

At year end 2018 capital assets totaled \$996.2 million (net of accumulated depreciation) and accounted for 75.9% of total assets at April 30, 2018. Construction activities are ongoing to replace older and undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling \$82.7 million were completed. They included \$69.6 million of constructed water mains and appurtenances and \$3.1 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$4.8 million in assets contributed from property developers. Additions and replacements of machinery and equipment totaled \$2.9 million. The increases in depreciable capital assets were offset by disposals and retirements of \$10.4 million.

Sewer Fund – At April 30, 2019, capital assets of the Sewer Fund totaled \$1,321.5 million (net of accumulated depreciation) and accounted for 71.7% of total assets. Construction activities are ongoing to repair and improve the City's wastewater system and comply with the Federal Consent Decree to reduce pollutants discharged into streams and waterways. See additional discussion of the Overflow Control Program (OCP) in the next section. During the year, projects totaling \$103.9 million were completed. Capital asset additions included \$86.5 million for sanitary sewer rehabilitation and replacement; \$4.9 million for storm sewer and waterways improvements; and \$4.8 million for pumping stations and equipment. In addition to completed projects, there was \$7.6 million in contributed assets from property developers and assets transferred from Public Works. The increases in depreciable capital assets were offset by disposals and retirements of \$25.3 million.

At April 30, 2018, capital assets totaled \$1,244.9 million (net of accumulated depreciation) and accounted for 69.6% of total assets. Construction activities are ongoing to repair and improve the City's wastewater system and comply with the Federal Consent Decree to reduce pollutants discharged into streams and waterways. See additional discussion of the Overflow Control Program (OCP) in the next section. During the year, projects totaling \$185.9 million were completed. The investment in infrastructure included \$104.9 million for sanitary sewer rehabilitation and replacement; \$13.0 million for storm sewer and waterways improvements; and \$8.4 million for pumping stations and equipment. In addition to completed projects, there was \$10.8 million in contributed assets from property developers and assets transferred from Public Works. The increases in depreciable capital assets were offset by disposals and retirements of \$27.6 million.

Additional information on the Department's capital assets can be found in Note 5: Capital Assets.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Debt Administration

Debt Administration provides long-term debt planning, issuance and administration in accordance with the approved Capital Improvement Program to meet the City's capital infrastructure needs. The City promotes effective communication with bond rating agencies in order to maintain its high credit rating and manages debt in accordance with established debt policies. Water revenue bond proceeds are used to finance improvements to the water collection, processing and distribution systems. Wastewater revenue bond proceeds are used to finance improvements to the stormwater management and control systems, and wastewater collection and processing systems. The Fund's outstanding debt is aligned in such a manner to meet the most stringent debt service requirements. In addition, water system net revenues secure outstanding bonds of the Water Fund and wastewater system net revenues secure outstanding bonds of the Sewer Fund.

Moody's Investors Service maintains an Aa2 rating on the City's senior lien water revenue debt and the senior and junior sanitary sewer revenue bonds. Water revenue bond proceeds have been used to fund critical water main replacements and extensions, water treatment plant and pump station improvements and enhancements to service reliability for customers. Sanitary sewer bond proceeds will fund treatment plant, pumping station and sewer conveyance system improvements.

Moody's rating affirmation reflects the:

- Large service area that covers the majority of the Kansas City, Missouri, metropolitan area
- Stable regional economy
- Debt service coverage levels that have improved following consecutive rate increases
- Adequate net working capital
- Favorable debt profile with future borrowing expected
- Satisfactory legal covenants for bondholders

| Credit Rating Agencies | Water and Wastewater Bonds Credit Rating |
|-------------------------------|---|
| Moody's | Aa2 |
| Standard & Poor's | Water - AA+ Wastewater - AA |

Standard & Poor's Ratings Services has maintained an AA+ rating on the City's existing water revenue secured debt and AA rating on the City's existing wastewater secured debt. The rating reflects their assessment of the water and sewer systems:

- Large service base that serves much of the Kansas City metropolitan area (MSA)
- Rates are affordable, given the combined water and sewer rates are below 4% of the City's median household effective buying income
- Strong financial performance

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

In April 2014, the City received citizens' approval of an additional \$500 million in water revenue bonds, of which \$362.1 million remains for the purpose of extending and improving the water system.

In August 2012, citizens voted to authorize \$500 million in additional sewer revenue bonds. Following the Series 2018A bond issue, the City has approximately \$100.0 million remaining from its original bond authorization.

The Water and Sewer Funds have the right under the respective bond ordinances to issue additional bonds payable from the same sources and secured by the same revenues, but only in accordance with and subject to the terms and conditions set forth in the respective bond ordinances. The Funds are both required to meet an earnings test before issuing any additional bonds on parity with existing debt.

Additional information about the Department's long-term debt can be found in Note 6: Long-Term Obligations and Restricted Assets.

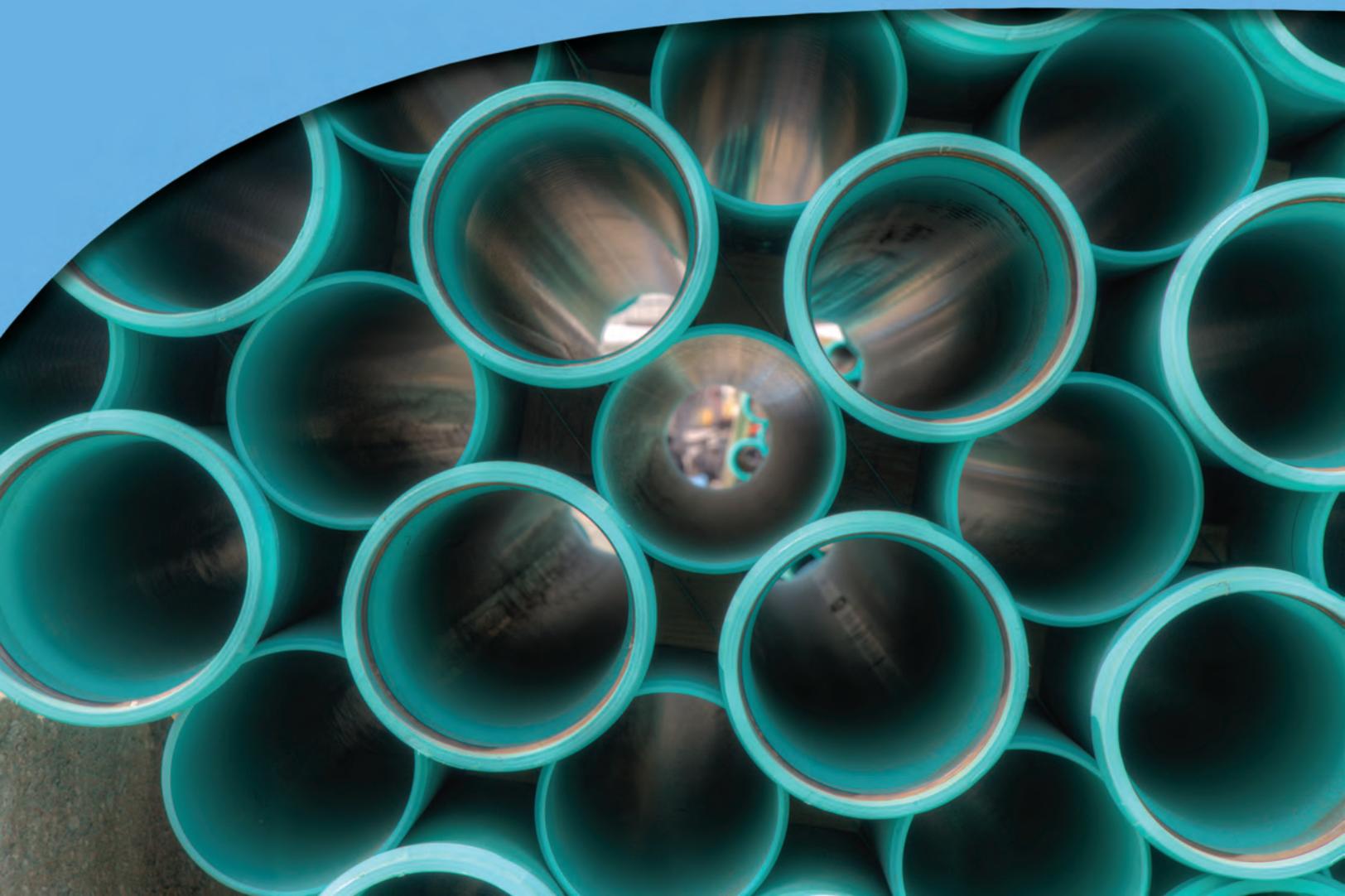
Request for Information

This financial report is designed to provide the Department's management, investors, creditors and customers with a general view of the Department's finances and to demonstrate the Department's accountability for the funds it receives and expends. For additional information about this report or if you need additional financial information, please contact:

Sean P. Hennessy
Chief Financial Officer
KC Water
4800 East 63rd Street
Kansas City, Missouri 64130

FINANCIAL SECTION

Basic Financial Statements



KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF NET POSITION

April 30, 2019

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|-------------------------|-------------------------|-------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 5,995,258 | \$ 9,848,885 | \$ 15,844,143 |
| Investments | 14,479,008 | 23,806,826 | 38,285,834 |
| Accounts receivable, net | 20,497,384 | 39,241,943 | 59,739,327 |
| Accrued interest receivable | 975,296 | 1,919,372 | 2,894,668 |
| Current portion of notes receivable | 552,588 | -- | 552,588 |
| Inventories | 1,970,481 | 562,060 | 2,532,541 |
| Due from other City funds | 12,284,681 | 2,595 | 12,287,276 |
| | <u>56,754,696</u> | <u>75,381,681</u> | <u>132,136,377</u> |
| Total unrestricted current assets | | | |
| Restricted assets | | | |
| Cash and cash equivalents | 1,971,084 | 13,020,348 | 14,991,432 |
| Investments | 16,236,164 | 10,758,738 | 26,994,902 |
| Accrued interest receivable | 489,939 | 1,328,606 | 1,818,545 |
| | <u>18,697,187</u> | <u>25,107,692</u> | <u>43,804,879</u> |
| Total restricted current assets | | | |
| | <u>75,451,883</u> | <u>100,489,373</u> | <u>175,941,256</u> |
| Total current assets | | | |
| Investments | 151,711,887 | 249,449,307 | 401,161,194 |
| Restricted investments | 68,290,266 | 172,188,671 | 240,478,937 |
| Notes receivable | 3,207,530 | -- | 3,207,530 |
| Due from other City funds | 4,550,000 | -- | 4,550,000 |
| Prepaid bond insurance, net | 1,673,219 | -- | 1,673,219 |
| Capital assets, depreciable, net | 1,010,300,735 | 1,264,494,605 | 2,274,795,340 |
| Capital assets, nondepreciable | 34,289,745 | 57,011,253 | 91,300,998 |
| | <u>1,349,475,265</u> | <u>1,843,633,209</u> | <u>3,193,108,474</u> |
| Total assets | | | |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Loss on refunding | 1,561,173 | 1,932,225 | 3,493,398 |
| Items related to pension plan | 6,775,911 | 6,040,284 | 12,816,195 |
| Items related to OPEB plan | 488,787 | 436,759 | 925,546 |
| | <u>8,825,871</u> | <u>8,409,268</u> | <u>17,235,139</u> |
| Total deferred outflows of resources | | | |
| Total assets and deferred outflows of resources | <u>\$ 1,358,301,136</u> | <u>\$ 1,852,042,477</u> | <u>\$ 3,210,343,613</u> |

The accompanying notes are an integral
part of these financial statements.

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|-------------------------|-------------------------|-------------------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 9,986,956 | \$ 18,302,321 | \$ 28,289,277 |
| Current portion of compensated absences | 864,786 | 761,801 | 1,626,587 |
| Accrued payroll and related expenses | 1,987,937 | 1,691,840 | 3,679,777 |
| Contracts and retainage payable | 312,079 | 706,888 | 1,018,967 |
| Other liabilities | 313,138 | -- | 313,138 |
| Current portion of due to other City funds | 305 | 113,853 | 114,158 |
| Current portion of claims liability | 4,363,637 | 2,371,329 | 6,734,966 |
| | <u>17,828,838</u> | <u>23,948,032</u> | <u>41,776,870</u> |
| Total current liabilities, less those payable from restricted assets | | | |
| Liabilities payable from restricted assets | | | |
| Accrued interest and fiscal agent fees | 6,606,177 | 7,462,411 | 14,068,588 |
| Current portion of revenue bonds and notes payable | 20,425,000 | 24,019,000 | 44,444,000 |
| Contracts and retainage payable | 1,857,502 | 4,713,172 | 6,570,674 |
| Customer deposits | 3,520,583 | -- | 3,520,583 |
| | <u>32,409,262</u> | <u>36,194,583</u> | <u>68,603,845</u> |
| Total liabilities payable from restricted assets | | | |
| Total current liabilities | | | |
| | <u>50,238,100</u> | <u>60,142,615</u> | <u>110,380,715</u> |
| Claims liability | | | |
| Compensated absences | 14,399,931 | 7,742,323 | 22,142,254 |
| Net pension liability | 2,730,924 | 2,180,549 | 4,911,473 |
| Total other postemployment benefit liability | 26,886,735 | 22,882,403 | 49,769,138 |
| Revenue bonds and notes payable, net of current portion | 7,812,576 | 6,716,068 | 14,528,644 |
| | <u>379,924,238</u> | <u>547,911,797</u> | <u>927,836,035</u> |
| Total liabilities | | | |
| | <u>481,992,504</u> | <u>647,575,755</u> | <u>1,129,568,259</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Items related to pension plan | 594,737 | 530,170 | 1,124,907 |
| | <u>594,737</u> | <u>530,170</u> | <u>1,124,907</u> |
| NET POSITION | | | |
| Net investment in capital assets | | | |
| Restricted | 681,493,169 | 883,896,794 | 1,565,389,963 |
| Capital projects | 23,416,702 | 34,995,770 | 58,412,472 |
| Debt service | 15,116,893 | 17,028,614 | 32,145,507 |
| Unrestricted | 155,687,131 | 268,015,374 | 423,702,505 |
| | <u>875,713,895</u> | <u>1,203,936,552</u> | <u>2,079,650,447</u> |
| Total net position | | | |
| Total liabilities, deferred inflows of resources and net position | | | |
| | <u>\$ 1,358,301,136</u> | <u>\$ 1,852,042,477</u> | <u>\$ 3,210,343,613</u> |

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF NET POSITION

April 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|-------------------------|-------------------------|-------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 4,297,595 | \$ 6,499,609 | \$ 10,797,204 |
| Investments | 16,160,547 | 24,480,237 | 40,640,784 |
| Accounts receivable, net | 24,339,811 | 38,646,565 | 62,986,376 |
| Accrued interest receivable | 292,043 | 218,413 | 510,456 |
| Current portion of notes receivable | 526,276 | -- | 526,276 |
| Inventories | 2,319,374 | 723,187 | 3,042,561 |
| Due from other City funds | 7,650,679 | 8,302 | 7,658,981 |
| | <u>55,586,325</u> | <u>70,576,313</u> | <u>126,162,638</u> |
| Total unrestricted current assets | | | |
| Restricted assets | | | |
| Cash and cash equivalents | 14,206,586 | 10,896,830 | 25,103,416 |
| Investments | 6,531,290 | 85,048,457 | 91,579,747 |
| Accrued interest receivable | 650,398 | 1,201,013 | 1,851,411 |
| | <u>21,388,274</u> | <u>97,146,300</u> | <u>118,534,574</u> |
| Total restricted current assets | | | |
| Total current assets | | | |
| | <u>76,974,599</u> | <u>167,722,613</u> | <u>244,697,212</u> |
| Investments | 126,217,735 | 191,196,502 | 317,414,237 |
| Restricted investments | 100,680,438 | 184,899,659 | 285,580,097 |
| Notes receivable | 3,760,119 | -- | 3,760,119 |
| Due from other City funds | 7,620,827 | -- | 7,620,827 |
| Prepaid bond insurance, net | 1,796,401 | -- | 1,796,401 |
| Capital assets, depreciable, net | 967,539,676 | 1,184,610,980 | 2,152,150,656 |
| Capital assets, nondepreciable | 28,653,480 | 60,291,809 | 88,945,289 |
| | <u>1,313,243,275</u> | <u>1,788,721,563</u> | <u>3,101,964,838</u> |
| Total assets | | | |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Loss on refunding | 1,969,672 | 1,136,750 | 3,106,422 |
| Items related to pension plan | 12,619,821 | 11,089,740 | 23,709,561 |
| | <u>14,589,493</u> | <u>12,226,490</u> | <u>26,815,983</u> |
| Total deferred outflows of resources | | | |
| Total assets and deferred outflows of resources | <u>\$ 1,327,832,768</u> | <u>\$ 1,800,948,053</u> | <u>\$ 3,128,780,821</u> |

The accompanying notes are an integral
part of these financial statements.

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|-------------------------|-------------------------|-------------------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 10,899,790 | \$ 34,255,114 | \$ 45,154,904 |
| Current portion of compensated absences | 873,522 | 726,119 | 1,599,641 |
| Accrued payroll and related expenses | 1,662,152 | 1,538,787 | 3,200,939 |
| Contracts and retainage payable | 361,988 | (3,880,494) | (3,518,506) |
| Other liabilities | 319,126 | -- | 319,126 |
| Current portion of due to other City funds | 392,259 | 29,852 | 422,111 |
| Current portion of claims liability | 4,189,080 | 1,762,357 | 5,951,437 |
| | <u>18,697,917</u> | <u>34,431,735</u> | <u>53,129,652</u> |
| Total current liabilities, less those payable from restricted assets | | | |
| Liabilities payable from restricted assets | | | |
| Accrued interest and fiscal agent fees | 6,935,528 | 7,201,254 | 14,136,782 |
| Current portion of revenue bonds and notes payable | 19,625,000 | 25,236,300 | 44,861,300 |
| Contracts and retainage payable | 2,214,345 | 9,229,704 | 11,444,049 |
| Customer deposits | 3,053,522 | -- | 3,053,522 |
| | <u>31,828,395</u> | <u>41,667,258</u> | <u>73,495,653</u> |
| Total liabilities payable from restricted assets | | | |
| Total current liabilities | | | |
| | <u>50,526,312</u> | <u>76,098,993</u> | <u>126,625,305</u> |
| Claims liability | | | |
| Claims liability | 14,411,633 | 5,962,977 | 20,374,610 |
| Compensated absences | 2,749,028 | 2,070,230 | 4,819,258 |
| Net pension liability | 29,029,374 | 24,792,427 | 53,821,801 |
| Other postemployment benefit obligation | 5,463,202 | 4,616,767 | 10,079,969 |
| Revenue bonds and notes payable, net of current portion | 401,742,928 | 578,228,912 | 979,971,840 |
| | <u>503,922,477</u> | <u>691,770,306</u> | <u>1,195,692,783</u> |
| Total liabilities | | | |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Items related to pension plan | 521,618 | 445,486 | 967,104 |
| NET POSITION | | | |
| Net investment in capital assets | | | |
| Restricted | 647,464,407 | 855,177,897 | 1,502,642,304 |
| Capital projects | 23,714,871 | 35,129,621 | 58,844,492 |
| Debt service | 15,118,951 | 21,762,305 | 36,881,256 |
| Unrestricted | 137,090,444 | 196,662,438 | 333,752,882 |
| | <u>823,388,673</u> | <u>1,108,732,261</u> | <u>1,932,120,934</u> |
| Total net position | | | |
| Total liabilities, deferred inflows of resources and net position | | | |
| | <u>\$ 1,327,832,768</u> | <u>\$ 1,800,948,053</u> | <u>\$ 3,128,780,821</u> |

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2019

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|-----------------------|-------------------------|-------------------------|
| OPERATING REVENUES | | | |
| Residential and commercial sales | \$ 158,860,825 | \$ 201,418,539 | \$ 360,279,364 |
| Intermunicipal sewer charges | -- | 43,408,413 | 43,408,413 |
| Other operating revenue | 5,015,315 | 7,083,659 | 12,098,974 |
| Income from jobbing, contract work and miscellaneous revenues | <u>7,069,352</u> | <u>--</u> | <u>7,069,352</u> |
| Total operating revenues | <u>170,945,492</u> | <u>251,910,611</u> | <u>422,856,103</u> |
| OPERATING EXPENSES | | | |
| Power and pumping | 5,991,337 | -- | 5,991,337 |
| General and electrical maintenance | 6,052,038 | -- | 6,052,038 |
| Purification | 13,888,584 | -- | 13,888,584 |
| Laboratory services | 2,782,649 | -- | 2,782,649 |
| Transmission and distribution | 22,389,216 | -- | 22,389,216 |
| Customer service | 7,095,014 | -- | 7,095,014 |
| Mechanical maintenance | 1,986,562 | -- | 1,986,562 |
| Customer accounting and collection | 8,102,814 | -- | 8,102,814 |
| Sewage treatment and pumping | -- | 31,051,997 | 31,051,997 |
| Sewer maintenance | -- | 39,505,164 | 39,505,164 |
| Industrial and household waste control | -- | 1,593,859 | 1,593,859 |
| Administrative and general | 20,261,798 | 44,667,120 | 64,928,918 |
| Depreciation and amortization | <u>22,565,048</u> | <u>37,713,934</u> | <u>60,278,982</u> |
| Total operating expenses | <u>111,115,060</u> | <u>154,532,074</u> | <u>265,647,134</u> |
| Operating income | <u>59,830,432</u> | <u>97,378,537</u> | <u>157,208,969</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 8,537,682 | 15,609,263 | 24,146,945 |
| Interest expense and fiscal agent fees | (15,338,719) | (19,854,995) | (35,193,714) |
| Other | <u>(156,198)</u> | <u>(73,735)</u> | <u>(229,933)</u> |
| Total nonoperating revenues (expenses) | <u>(6,957,235)</u> | <u>(4,319,467)</u> | <u>(11,276,702)</u> |
| Excess of revenues over expenses before capital contributions and transfers | 52,873,197 | 93,059,070 | 145,932,267 |
| Capital contributions | 4,306,335 | 7,593,230 | 11,899,565 |
| Payment-in-lieu of taxes | <u>(2,793,824)</u> | <u>(3,606,848)</u> | <u>(6,400,672)</u> |
| Increase in net position | 54,385,708 | 97,045,452 | 151,431,160 |
| Net position, beginning of year as previously reported | 823,388,673 | 1,108,732,261 | 1,932,120,934 |
| Prior period adjustment for change in accounting principle | <u>(2,060,486)</u> | <u>(1,841,161)</u> | <u>(3,901,647)</u> |
| Net position, beginning of year, restated | 821,328,187 | 1,106,891,100 | 1,928,219,287 |
| Net position, end of year | <u>\$ 875,713,895</u> | <u>\$ 1,203,936,552</u> | <u>\$ 2,079,650,447</u> |

The accompanying notes are an integral
part of these financial statements.

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|-----------------------|-------------------------|-------------------------|
| OPERATING REVENUES | | | |
| Residential and commercial sales | \$ 156,118,392 | \$ 185,478,250 | \$ 341,596,642 |
| Intermunicipal sewer charges | -- | 33,517,836 | 33,517,836 |
| Other operating revenue | 4,011,261 | 6,463,802 | 10,475,063 |
| Income from jobbing, contract work and miscellaneous revenues | 7,084,210 | -- | 7,084,210 |
| | <u>167,213,863</u> | <u>225,459,888</u> | <u>392,673,751</u> |
| OPERATING EXPENSES | | | |
| Power and pumping | 5,953,828 | -- | 5,953,828 |
| General and electrical maintenance | 6,827,393 | -- | 6,827,393 |
| Purification | 14,156,235 | -- | 14,156,235 |
| Laboratory services | 2,914,501 | -- | 2,914,501 |
| Transmission and distribution | 18,678,483 | -- | 18,678,483 |
| Customer service | 7,087,348 | -- | 7,087,348 |
| Mechanical maintenance | 2,205,877 | -- | 2,205,877 |
| Customer accounting and collection | 7,597,356 | -- | 7,597,356 |
| Sewage treatment and pumping | -- | 35,705,684 | 35,705,684 |
| Sewer maintenance | -- | 36,805,512 | 36,805,512 |
| Industrial and household waste control | -- | 1,470,939 | 1,470,939 |
| Administrative and general | 23,460,691 | 50,906,139 | 74,366,830 |
| Depreciation and amortization | 21,354,867 | 33,656,813 | 55,011,680 |
| | <u>110,236,579</u> | <u>158,545,087</u> | <u>268,781,666</u> |
| Operating income | <u>56,977,284</u> | <u>66,914,801</u> | <u>123,892,085</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 1,265,617 | 1,455,586 | 2,721,203 |
| Interest expense and fiscal agent fees | (12,984,672) | (12,347,984) | (25,332,656) |
| Other | 53,426 | 29,550 | 82,976 |
| | <u>(11,665,629)</u> | <u>(10,862,848)</u> | <u>(22,528,477)</u> |
| Excess of revenues over expenses before capital contributions and transfers | 45,311,655 | 56,051,953 | 101,363,608 |
| Capital contributions | 4,764,615 | 10,849,031 | 15,613,646 |
| Payment-in-lieu of taxes | (1,893,742) | (2,502,435) | (4,396,177) |
| Increase in net position | 48,182,528 | 64,398,549 | 112,581,077 |
| Net position, beginning of year | 775,206,145 | 1,044,333,712 | 1,819,539,857 |
| Net position, end of year | <u>\$ 823,388,673</u> | <u>\$ 1,108,732,261</u> | <u>\$ 1,932,120,934</u> |

The accompanying notes are an integral
part of these financial statements.

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF CASH FLOWS

Year Ended April 30, 2019

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|---------------------|----------------------|----------------------|
| OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 170,106,100 | \$ 250,315,679 | \$ 420,421,779 |
| Receipts from interfund services provided | 4,679,878 | 1,005,261 | 5,685,139 |
| Cash paid to employees, including benefits | (34,813,961) | (34,500,261) | (69,314,222) |
| Cash paid to suppliers | (50,016,743) | (92,543,311) | (142,560,054) |
| Cash paid for interfund services used | (6,276,952) | (9,928,506) | (16,205,458) |
| Net cash flow from operating activities | <u>83,678,322</u> | <u>114,348,862</u> | <u>198,027,184</u> |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Payment-in-lieu of taxes | (2,793,824) | (3,606,848) | (6,400,672) |
| Loan to Flood Control Fund | (1,479,173) | -- | (1,479,173) |
| Net cash flow from noncapital financing activities | <u>(4,272,997)</u> | <u>(3,606,848)</u> | <u>(7,879,845)</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (61,469,038) | (96,566,752) | (158,035,790) |
| Proceeds from issuance of revenue bonds | -- | 47,260,650 | 47,260,650 |
| Principal payments on revenue bonds and notes payable | (19,625,000) | (22,890,692) | (42,515,692) |
| Refunding of bond principal | -- | (54,459,957) | (54,459,957) |
| Fiscal agent fees and interest paid on revenue bonds and notes payable | (16,653,261) | (21,520,461) | (38,173,722) |
| Debt issuance costs | -- | (313,268) | (313,268) |
| Proceeds from sale of capital assets | 390,285 | 19,236 | 409,521 |
| Proceeds from repayment of notes receivable | 526,277 | -- | 526,277 |
| Net cash flow from capital and related financing activities | <u>(96,830,737)</u> | <u>(148,471,244)</u> | <u>(245,301,981)</u> |
| INVESTING ACTIVITIES | | | |
| Investment purchases | (109,876,442) | (179,812,723) | (289,689,165) |
| Investment maturities and sales | 111,855,476 | 214,466,644 | 326,322,120 |
| Interest received on investments | 4,908,539 | 8,548,103 | 13,456,642 |
| Net cash flow from investing activities | <u>6,887,573</u> | <u>43,202,024</u> | <u>50,089,597</u> |
| Net change in cash and cash equivalents | (10,537,839) | 5,472,794 | (5,065,045) |
| Cash and cash equivalents, beginning of year | 18,504,181 | 17,396,439 | 35,900,620 |
| Cash and cash equivalents, end of year | <u>\$ 7,966,342</u> | <u>\$ 22,869,233</u> | <u>\$ 30,835,575</u> |

The accompanying notes are an integral part of these financial statements.

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------|-----------------------|-----------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Operating income | \$ 59,830,432 | \$ 97,378,537 | \$ 157,208,969 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation and amortization | 22,565,048 | 37,713,934 | 60,278,982 |
| Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources | | | |
| (Increase) decrease in: | | | |
| Accounts receivable | 3,842,427 | (595,378) | 3,247,049 |
| Inventories | 348,893 | 161,127 | 510,020 |
| Due from other funds | (84,002) | 5,707 | (78,295) |
| Deferred outflows related to pension plan | 5,843,910 | 5,049,456 | 10,893,366 |
| Deferred outflows related to OPEB | (488,787) | (436,759) | (925,546) |
| Decrease (increase) in: | | | |
| Accounts payable | (6,929,886) | (26,131,935) | (33,061,821) |
| Compensated absences | (26,840) | 146,001 | 119,161 |
| Accrued payroll and related expenses | 325,785 | 153,053 | 478,838 |
| Other liabilities | (5,988) | -- | (5,988) |
| Due to other funds | (391,954) | 84,001 | (307,953) |
| Claims liability | 162,855 | 2,388,318 | 2,551,173 |
| Customer deposits | 467,061 | -- | 467,061 |
| Net pension liability | (2,142,639) | (1,910,024) | (4,052,663) |
| Total other postemployment benefit liability | 288,888 | 258,140 | 547,028 |
| Deferred inflows related to pension plan | 73,119 | 84,684 | 157,803 |
| Total adjustments | <u>23,847,890</u> | <u>16,970,325</u> | <u>40,818,215</u> |
| Net cash flow from operating activities | <u>\$ 83,678,322</u> | <u>\$ 114,348,862</u> | <u>\$ 198,027,184</u> |
| COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR-END | | | |
| Unrestricted | \$ 5,995,258 | \$ 9,848,885 | \$ 15,844,143 |
| Restricted | <u>1,971,084</u> | <u>13,020,348</u> | <u>14,991,432</u> |
| | <u>\$ 7,966,342</u> | <u>\$ 22,869,233</u> | <u>\$ 30,835,575</u> |
| NONCASH ACTIVITIES | | | |
| Contributions of capital assets | \$ 4,306,335 | \$ 7,593,230 | \$ 11,899,565 |
| Change in fair value of investments | 3,106,349 | 5,232,608 | 8,338,957 |
| Accounts payable for purchase of capital assets | 6,017,052 | 10,179,142 | 16,196,194 |

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF CASH FLOWS

Year Ended April 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 159,133,861 | \$ 218,535,722 | \$ 377,669,583 |
| Receipts from interfund services provided | 5,025,098 | 487,548 | 5,512,646 |
| Cash paid to employees, including benefits | (30,497,058) | (30,961,655) | (61,458,713) |
| Cash paid to suppliers | (48,826,464) | (87,032,081) | (135,858,545) |
| Cash paid for interfund services used | (6,545,240) | (10,447,535) | (16,992,775) |
| Net cash flow from operating activities | <u>78,290,197</u> | <u>90,581,999</u> | <u>168,872,196</u> |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Payment-in-lieu of taxes | (1,893,742) | (2,502,435) | (4,396,177) |
| Loan to Flood Control Fund | (15,241,653) | -- | (15,241,653) |
| Net cash flow from noncapital financing activities | <u>(17,135,395)</u> | <u>(2,502,435)</u> | <u>(19,637,830)</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (56,029,439) | (87,474,608) | (143,504,047) |
| Proceeds from issuance of revenue bonds | -- | 181,295,210 | 181,295,210 |
| Principal payments on revenue bonds and notes payable | (19,610,000) | (19,959,800) | (39,569,800) |
| Fiscal agent fees and interest paid on revenue bonds and notes payable | (16,739,498) | (17,561,884) | (34,301,382) |
| Proceeds from sale of capital assets | 158,339 | 208,735 | 367,074 |
| Proceeds from repayment of notes receivable | 597,866 | -- | 597,866 |
| Net cash flow from capital and related financing activities | <u>(91,622,732)</u> | <u>56,507,653</u> | <u>(35,115,079)</u> |
| INVESTING ACTIVITIES | | | |
| Investment purchases | (171,872,343) | (454,571,475) | (626,443,818) |
| Investment maturities and sales | 206,649,713 | 311,406,117 | 518,055,830 |
| Interest received on investments | (821,180) | (915,693) | (1,736,873) |
| Net cash flow from investing activities | <u>33,956,190</u> | <u>(144,081,051)</u> | <u>(110,124,861)</u> |
| Net increase in cash and cash equivalents | <u>3,488,260</u> | <u>506,166</u> | <u>3,994,426</u> |
| Cash and cash equivalents, beginning of year | 15,015,921 | 16,890,273 | 31,906,194 |
| Cash and cash equivalents, end of year | <u>\$ 18,504,181</u> | <u>\$ 17,396,439</u> | <u>\$ 35,900,620</u> |

The accompanying notes are an integral part of these financial statements.

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------|----------------------|-----------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Operating income | \$ 56,977,284 | \$ 66,914,801 | \$ 123,892,085 |
| Adjustments to reconcile operating income to net cash flow from operating activities | | | |
| Depreciation and amortization | 21,354,867 | 33,656,813 | 55,011,680 |
| Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources | | | |
| Accounts receivable | (3,847,307) | (6,435,570) | (10,282,877) |
| Inventories | 987,333 | 122,529 | 1,109,862 |
| Due from other funds | 224,076 | (1,048) | 223,028 |
| Accounts payable | (3,046,119) | (6,393,562) | (9,439,681) |
| Compensated absences | 67,548 | (53,390) | 14,158 |
| Accrued payroll and related expenses | 126,967 | 276,736 | 403,703 |
| Due to other funds | 2,578 | (224,033) | (221,455) |
| Claims liability | 1,937,067 | 376,549 | 2,313,616 |
| Customer deposits | 568,327 | -- | 568,327 |
| Net pension liability | (1,694,594) | (1,135,464) | (2,830,058) |
| Deferred outflows of resources - pensions | 4,694,890 | 3,522,107 | 8,216,997 |
| Deferred inflows of resources - pensions | (88,132) | (69,083) | (157,215) |
| Other postemployment benefit obligation | 25,412 | 24,614 | 50,026 |
| Total adjustments | <u>21,312,913</u> | <u>23,667,198</u> | <u>44,980,111</u> |
| Net cash provided by operating activities | <u>\$ 78,290,197</u> | <u>\$ 90,581,999</u> | <u>\$ 168,872,196</u> |
| COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR-END | | | |
| Unrestricted | \$ 4,297,595 | \$ 6,499,609 | \$ 10,797,204 |
| Restricted | 14,206,586 | 10,896,830 | 25,103,416 |
| | <u>\$ 18,504,181</u> | <u>\$ 17,396,439</u> | <u>\$ 35,900,620</u> |
| NONCASH ACTIVITIES | | | |
| Contributions of capital assets | \$ 4,764,615 | \$ 10,849,031 | \$ 15,613,646 |
| Change in fair value of investments | (1,864,122) | (1,915,553) | (3,779,675) |
| Accounts payable for purchase of capital assets | 6,041,531 | 20,862,575 | 26,904,106 |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The financial statements of the Water Services Department (KC Water or Department) of the City of Kansas City, Missouri (City) have been prepared in conformity with accounting principles generally accepted in the United States of America.

KC Water is comprised of the Water, Sewer and Storm funds, enterprise funds of the City of Kansas City, Missouri. The financial statements of KC Water present each major fund and the respective changes in their financial position and, where applicable, cash flows thereof as of April 30, 2019 and 2018, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements are not intended to present fairly the financial position of the City. The Water Fund is supported wholly by water service charges and is responsible for the administration, promotion, operation and maintenance of the water system. The Sewer Fund includes sewer and stormwater accounts. The Sewer Fund is supported wholly by sewer service charges and is responsible for the administration, promotion, operation and maintenance of the wastewater and stormwater systems.

Basis of Accounting and Presentation

The financial statements of KC Water have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in non-operating revenues and expenses. KC Water first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Cash and Cash Equivalents

For purposes of the statements of cash flows, KC Water's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments

All investments are reported at fair value. The fair value of marketable securities is based on quotations that are generally obtained from national securities exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or pricing services.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable balances are recorded at the invoiced amount. KC Water provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Revenue Recognition

Revenues are recognized when earned. Unbilled revenue representing estimated consumer usage for the period between the last billing date and the end of the period is accrued by the Department.

Inventories

Inventories, consisting of repair parts, materials, supplies, chemicals, rock and fuel, are valued at cost.

Prepaid Bond Insurance

Prepaid bond insurance, net of accumulated amortization, represents insurance costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Capital Assets and Depreciation/Amortization

Capital assets are stated at cost, including capitalized interest on construction, prior to the adoption of Governmental Accounting Standards Board Statement No. 89, or estimated historical cost. These include assets funded by revenue and general obligation bonds, contributions and special assessments. Contributed assets are valued at acquisition value at the date of contribution. KC Water has a capitalization threshold of \$100,000 for building improvements, \$25,000 for land improvements, and \$5,000 for all other capitalizable assets.

Depreciation is provided on the straight-line method. Buildings, water lines and improvements are depreciated on a composite basis ranging from 40 to 100 years. Machinery and equipment are depreciated on a unit basis over useful lives of 3 to 20 years. Sewer and storm lines are depreciated on a composite basis with a useful life of 100 and 40 years, respectively. Treatment plants and other facilities are depreciated on a composite basis with useful lives of 25 to 55 years. Green infrastructure is depreciated on a composite basis with useful lives of 25 to 100 years. Land improvements are depreciated on a composite basis with useful lives of 20 to 30 years.

At the time of retirement or other disposition of assets for which depreciation is computed on the composite method, the original cost of the assets, net of any proceeds from their sale, are removed from the asset and accumulated depreciation accounts and no retirement gain or loss is recorded. For retirements or dispositions of assets for which depreciation is computed on the unit method, the asset and related depreciation accounts are eliminated and the difference between the net carrying value and any proceeds is recorded as a gain or loss.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any conspicuous or known events, or changes in circumstances, affecting a capital asset are reviewed by the Department to determine whether there is a significant and unexpected decline in the service utility of the capital asset, which could indicate asset impairment.

Expenses for maintenance and repairs of property are charged to operations as incurred.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Department that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Water Fund – As of April 30, 2019 and 2018, the Water Fund's deferred outflows of resources of \$8,825,871 and \$14,589,493, respectively, were comprised of deferred losses on bond refundings, deferred outflows related to pension, and deferred outflows related to OPEB. As of April 30, 2019 and 2018, the Water Fund's deferred inflows of resources of \$594,737 and \$521,618, respectively, were comprised of deferred inflows related to pension.

Sewer Fund – As of April 30, 2019 and 2018, the Sewer Fund's deferred outflows of resources of \$8,409,268 and \$12,226,490, respectively, were comprised of deferred losses on bond refundings, deferred outflows related to pension, and deferred outflows related to OPEB. As of April 30, 2019 and 2018, the Sewer Fund's deferred inflows of resources of \$530,170 and \$445,486, respectively, were comprised of deferred inflows related to pension.

Compensated Absences

Under the terms of the City's personnel policy, KC Water employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at the annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period. The maximum amount of vacation that may be carried forward, which is accrued in the Water and Sewer Funds, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit.

Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; and employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan

For the purpose of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employees' Retirement System (Plan) and additions/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 employer contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for the retirement plan description.

Net Position

Net position of each major fund is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets, net of unspent proceeds. Restricted net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to each respective fund, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure 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.

Impact of Adoption of New Accounting Standard

In 2019, the Department adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 10 for additional information about the impact of implementing the provisions of this standard.

In 2019, the Department adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expense in the period in which the costs are incurred. The Department has implemented the provisions of GASB 89 on a prospective basis, as required by the standard. Thus, there was no impact to previously reported amounts.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). The statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this standard. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

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. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments based on the principle that leases are financing of the right to use an underlying asset.

The main rules of GASB 87 with respect to government entities that are lessees require that the lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability, and (c) note disclosures about the lease.

Under GASB 87, government entities that are lessors must:

- Recognize: (a) a lease receivable, and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable, and (c) note disclosures about the lease.

GASB 87 provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. GASB 87 also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements), and leases with related parties. The provisions of this statement are effective for the Department for the year ending April 30, 2021.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88): GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90). GASB 90's primary objective is 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. GASB 90 defines a majority equity interest and specifies these reporting requirements. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of this statement are effective for the Department for the year ending April 30, 2022.

The Department has not completed its assessment of the impact of the adoption of these statements.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements and other investments with maturities of less than five years. The Department's allocation of this pool was approximately 49.15% and 47.39% as of April 30, 2019 and 2018, respectively. As of April 30, 2019 and 2018, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account was approximately \$43,755,000 and \$30,015,000, respectively, which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. The Department's allocation of deposits was \$20,538,472 and \$14,603,543 at April 30, 2019 and 2018, respectively.

The City of Kansas City, Missouri is empowered by City Charter to invest in the following types of securities:

1. *United States Treasury Securities (Bills, Notes, Bonds and Strips)*. The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. *United States Agency/GSE Securities*. The City may invest in obligations issued or guaranteed by any agency of the United States government and in obligations issued by any government-sponsored enterprise (GSE) that has a liquid market and a readily determinable market value that are described as follows:
 - a. U.S. Government Agency Coupon and Zero Coupon Securities.
 - b. U.S. Government Agency Callable Securities. Restricted to securities callable at par only.
 - c. U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.
 - d. U.S. Government Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.
 - e. U.S. Government Agency Mortgage-Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than five (5) years when analyzed in a +300 basis point interest rate environment.
3. *Repurchase Agreements*. The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

4. *Bankers' Acceptances.* The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
5. *Commercial Paper.* The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City's aggregate investment portfolio.
6. *Municipal Securities (State and Local Government Obligations).* The City may invest in municipal obligations that are issued in either tax-exempt or taxable form. The City's portfolio may not contain municipal obligations of any one issuer, the total value of which exceeds two percent (2%) of the City's aggregate investment portfolio, unless the obligation is pre-refunded or escrowed to maturity with securities guaranteed by the United States government.
 - a. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
 - b. Any full faith and credit obligations of any city, county or school district in the State of Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - c. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least A or Aa2 by Standard and Poor's or Moody's.
 - d. Any full faith and credit obligation of any state or territory of the United States of America rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - e. Any full faith and credit obligations of any city, county or school district in any state or territory of the United States of America rated at least AAA or Aaa by Standard and Poor's or Moody's.
 - f. Any revenue bonds issued by the Missouri Department of Transportation rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - g. Any municipal obligation that is pre-refunded or escrowed to maturity as to both principal and interest with escrow securities that are fully guaranteed by the United States government, without regard to rating by Standard and Poor's or Moody's.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any security owned to a maximum of five years. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Blended Bloomberg Barclay, U.S. Treasury/Agency 1-3 year Government/Agency index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates. As of April 30, 2019, the City had the following investments and maturities (amounts are in thousands):

| Investment Type | Fair Value | Investment Maturities (in Years) | | | | Weighted Average |
|----------------------------|---------------------|----------------------------------|-------------------|-------------------|-------------------|------------------|
| | | Less than 1 | 1 - 2 | 2 - 3 | 3 - 5 | |
| Pooled investments | | | | | | |
| U.S. Treasury bills | \$ 89,286 | \$ 89,286 | \$ -- | \$ -- | \$ -- | 0.33 |
| U.S. Treasury notes/bonds | 184,619 | 79,873 | 16,977 | 19,946 | 67,823 | 2.07 |
| U.S. Agency discounts | 7,499 | 7,499 | -- | -- | -- | 0.01 |
| U.S. Agencies- noncallable | 624,693 | 162,899 | 114,634 | 76,638 | 270,522 | 2.51 |
| U.S. Agencies- callable | 228,300 | 66,996 | 51,118 | 70,950 | 39,236 | 1.87 |
| Total pooled | <u>1,134,397</u> | <u>406,553</u> | <u>182,729</u> | <u>167,534</u> | <u>377,581</u> | <u>2.12</u> |
| Non-pooled investments | | | | | | |
| U.S. Treasury notes/bonds | 22,354 | 14,924 | 7,430 | -- | -- | 0.59 |
| U.S. Agency discounts | 36,747 | 36,747 | -- | -- | -- | 0.28 |
| U.S. Agencies- noncallable | 124,429 | 92,228 | 32,201 | -- | -- | 0.66 |
| U.S. Agencies- callable | 8,357 | 1,991 | 2,448 | 2,934 | 984 | 1.59 |
| Total non-pooled | <u>191,887</u> | <u>145,890</u> | <u>42,079</u> | <u>2,934</u> | <u>984</u> | <u>0.62</u> |
| | <u>\$ 1,326,284</u> | <u>\$ 552,443</u> | <u>\$ 224,808</u> | <u>\$ 170,468</u> | <u>\$ 378,565</u> | <u>1.90</u> |

The Department's allocation of pooled investments at April 30, 2019 was \$560,872,903. The Department's non-pooled investments at April 30, 2019 were \$153,015,827.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of April 30, 2018, the City had the following investments and maturities (amounts are in thousands):

| Investment Type | Fair Value | Investment Maturities (in Years) | | | | Weighted Average |
|----------------------------|---------------------|----------------------------------|-------------------|-------------------|-------------------|------------------|
| | | Less than 1 | 1 - 2 | 2 - 3 | 3 - 5 | |
| Pooled investments | | | | | | |
| U.S. Treasury bills | \$ 34,852 | \$ 34,852 | \$ -- | \$ -- | \$ -- | 0.23 |
| U.S. Treasury notes/bonds | 208,656 | 97,682 | 74,653 | 16,885 | 19,436 | 1.24 |
| U.S. Agency discounts | 19,948 | 19,948 | -- | -- | -- | 0.15 |
| U.S. Agencies- noncallable | 608,153 | 219,430 | 146,667 | 113,372 | 128,684 | 1.84 |
| U.S. Agencies- callable | 153,000 | 31,478 | -- | 21,904 | 99,618 | 3.05 |
| Total pooled | 1,024,609 | 403,390 | 221,320 | 152,161 | 247,738 | 1.79 |
| Non-pooled investments | | | | | | |
| U.S. Treasury bills | 57,343 | 57,343 | -- | -- | -- | 0.15 |
| U.S. Treasury notes/bonds | 44,471 | 27,320 | 9,805 | 7,346 | -- | 1.11 |
| U.S. Agency discounts | 24,848 | 24,848 | -- | -- | -- | 0.32 |
| U.S. Agencies- noncallable | 163,313 | 74,331 | 81,663 | 7,319 | -- | 1.02 |
| U.S. Agencies- callable | 17,036 | -- | 1,972 | 12,176 | 2,888 | 2.39 |
| Total non-pooled | 307,011 | 183,842 | 93,440 | 26,841 | 2,888 | 0.90 |
| | <u>\$ 1,331,620</u> | <u>\$ 587,232</u> | <u>\$ 314,760</u> | <u>\$ 179,002</u> | <u>\$ 250,626</u> | <u>1.59</u> |

The Department's allocation of pooled investments at April 30, 2018 was \$485,197,861. The Water Fund's non-pooled investments at April 30, 2018 were \$267,441,678.

Some of the restricted assets are held by a trustee associated with the proceeds from sewer state revolving bonds within the Sewer Fund. The amount held by the trustee includes investments that are insured or registered or for which securities are held by the Sewer Fund or its agent in the Sewer Fund's name or under joint agreements. Restricted assets held by the trustee were \$3,329,240 and \$3,872,403 at April 30, 2019 and 2018, respectively, and consisted primarily of money market funds.

Callable Agency Securities – The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2019 and 2018, the total fair value of the City's callable bond portfolio (pooled and non-pooled) is \$236,657,000 and \$170,036,000, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to prevent over concentration by investment type and thereby mitigate credit risk, the City's investment policy provides for diversification of the portfolio by investment type as follows:

| <u>Investment Type</u> | <u>Maximum</u> |
|---|----------------|
| U.S. Treasury securities and government guaranteed securities | 100% |
| Collateralized time and demand deposits | 100% |
| U.S. government agency and GSE securities | 80% |
| Collateralized repurchase agreements | 50% |
| U.S. agency callable securities | 30% |
| Commercial paper | 30% |
| Bankers acceptances | 30% |
| Qualified municipal obligations | 30% |

As of April 30, 2019, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

| | <u>Fair Value</u> | <u>Moody's/ S&P Ratings</u> |
|------------------------|-------------------|-------------------------------------|
| U.S. Agency securities | \$1,030,025 | Aaa/AA+ |

As of April 30, 2018, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

| | <u>Fair Value</u> | <u>Moody's/ S&P Ratings</u> |
|------------------------|-------------------|-------------------------------------|
| U.S. Agency securities | \$986,298 | Aaa/AA+ |

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party (*i.e.*, the City's safekeeping institution).

The City's investment policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102 percent of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2019 and 2018, all deposits were adequately and fully collateralized.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investment policy required that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2019 and 2018, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. government guaranteed) or U.S. agency (Aaa/AA+ rated) obligations. In addition, there are three Irrevocable Letters of Credit issued in the City's favor by the Federal Home Loan Bank, two in the amount of \$5,000,000 each, and one in the amount of \$2,000,000, to secure Certificates of Deposit. The three Letters of Credit expire November 18, 2019, December 16, 2020, and May 30, 2019, respectively, and are safekept in the City's cash vault in the Cash Operations section of the Treasury Division.

Concentration of Credit Risk

At April 30, 2019, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 14%, 31%, 15% and 17%, respectively, of the City's total investments.

At April 30, 2018, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 7%, 31%, 13% and 21%, respectively, of the City's total investments.

In the City's opinion, the debt securities issued by these agencies do not have an explicit government guarantee, but rather an implied guarantee and, therefore, the City does not impose limits as to the concentration of any one agency. However, total agency securities in the portfolio are limited by the investment policy to 80% of the total portfolio value.

Summary

The following is a complete listing of cash and investments held by KC Water at April 30, 2019 and 2018:

| | 2019 | | |
|------------------------|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | Total |
| Deposits | \$ 7,965,139 | \$ 12,573,333 | \$ 20,538,472 |
| Pooled investments | 220,885,192 | 339,987,711 | 560,872,903 |
| Non-pooled investments | 29,833,336 | 123,182,491 | 153,015,827 |
| Trustee accounts | -- | 3,329,240 | 3,329,240 |
| | \$ 258,683,667 | \$ 479,072,775 | \$ 737,756,442 |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

| | 2018 | | |
|------------------------|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | Total |
| Deposits | \$ 6,031,681 | \$ 8,571,862 | \$ 14,603,543 |
| Pooled investments | 199,920,510 | 285,277,351 | 485,197,861 |
| Non-pooled investments | 62,142,000 | 205,299,678 | 267,441,678 |
| Trustee accounts | -- | 3,872,403 | 3,872,403 |
| | <u>\$ 268,094,191</u> | <u>\$ 503,021,294</u> | <u>\$ 771,115,485</u> |

The deposits and investments of KC Water at April 30, 2019 and 2018 are reflected in the statements of net position as follows:

| | 2019 | | |
|---------------------------|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | Total |
| Current assets | | | |
| Unrestricted | | | |
| Cash and cash equivalents | \$ 5,995,258 | \$ 9,848,885 | \$ 15,844,143 |
| Investments | 14,479,008 | 23,806,826 | 38,285,834 |
| Restricted | | | |
| Cash and cash equivalents | 1,971,084 | 13,020,348 | 14,991,432 |
| Investments | 16,236,164 | 10,758,738 | 26,994,902 |
| Non-current assets | | | |
| Investments | 151,711,887 | 249,449,307 | 401,161,194 |
| Restricted investments | 68,290,266 | 172,188,671 | 240,478,937 |
| | <u>\$ 258,683,667</u> | <u>\$ 479,072,775</u> | <u>\$ 737,756,442</u> |

| | 2018 | | |
|---------------------------|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | Total |
| Current assets | | | |
| Unrestricted | | | |
| Cash and cash equivalents | \$ 4,297,595 | \$ 6,499,609 | \$ 10,797,204 |
| Investments | 16,160,547 | 24,480,237 | 40,640,784 |
| Restricted | | | |
| Cash and cash equivalents | 14,206,586 | 10,896,830 | 25,103,416 |
| Investments | 6,531,290 | 85,048,457 | 91,579,747 |
| Non-current assets | | | |
| Investments | 126,217,735 | 191,196,502 | 317,414,237 |
| Restricted investments | 100,680,438 | 184,899,659 | 285,580,097 |
| | <u>\$ 268,094,191</u> | <u>\$ 503,021,294</u> | <u>\$ 771,115,485</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTS RECEIVABLE

A summary of accounts receivable at April 30, 2019 and 2018 is as follows:

| | 2019 | | |
|--------------------------------------|----------------------|----------------------|----------------------|
| | Water | Sewer | Total |
| Residential and commercial customers | \$ 23,728,779 | \$ 30,599,907 | \$ 54,328,686 |
| Unbilled utility revenue | 9,045,531 | 11,991,247 | 21,036,778 |
| Intermunicipal sewer customers | -- | 13,529,887 | 13,529,887 |
| Other accounts receivable | 581,566 | 63,936 | 645,502 |
| | <u>33,355,876</u> | <u>56,184,977</u> | <u>89,540,853</u> |
| Allowance for doubtful accounts | (12,858,492) | (16,943,034) | (29,801,526) |
| Net accounts receivable | <u>\$ 20,497,384</u> | <u>\$ 39,241,943</u> | <u>\$ 59,739,327</u> |
| | | | |
| | 2018 | | |
| | Water | Sewer | Total |
| Residential and commercial customers | \$ 25,934,393 | \$ 30,813,229 | \$ 56,747,622 |
| Unbilled utility revenue | 10,001,844 | 12,880,683 | 22,882,527 |
| Intermunicipal sewer customers | -- | 8,741,622 | 8,741,622 |
| Other accounts receivable | 521,112 | 89,107 | 610,219 |
| | <u>36,457,349</u> | <u>52,524,641</u> | <u>88,981,990</u> |
| Allowance for doubtful accounts | (12,117,538) | (13,878,076) | (25,995,614) |
| Net accounts receivable | <u>\$ 24,339,811</u> | <u>\$ 38,646,565</u> | <u>\$ 62,986,376</u> |

4. NOTES RECEIVABLE

The Water Fund has built several major transmission mains to reach wholesale customers. These customers agree to pay for a proportionate share of the main based on their projected use of the capacity. At the time they start using the main, they can either pay the entire amount or pay the Water Fund over a time period at an interest rate related to the bond interest rate. The monthly payment is included in their water billing. Notes receivable outstanding consist of the following issues at April 30, 2019 and 2018:

| Customer | Interest Rates | Loan Completion Date | 2019 | 2018 |
|-----------------------|-----------------------|-----------------------------|---------------------|---------------------|
| Dogwood Energy | 5.565% | February 2023 | \$ 1,203,451 | \$ 1,466,368 |
| Platte County PWSD #2 | 4.126% | April 2026 | 189,476 | 212,354 |
| City of Dearborn | 4.126% | April 2026 | 115,602 | 161,286 |
| Lee's Summit | 4.238% | March 2028 | 1,738,834 | 1,896,022 |
| Cass County PWSD #10 | 4.238% | November 2029 | 512,755 | 550,365 |
| | | | <u>3,760,118</u> | <u>4,286,395</u> |
| Current portion | | | (552,588) | (526,276) |
| Non-current portion | | | <u>\$ 3,207,530</u> | <u>\$ 3,760,119</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2019 is as follows:

| Water Fund | May 1, 2018 | Additions | Retirements/ Adjustments | April 30, 2019 |
|--|-------------------------|-----------------------|-------------------------------------|-------------------------|
| Depreciable assets | | | | |
| Buildings | \$ 183,061,164 | \$ 7,151,709 | \$ (2,992,911) | \$ 187,219,962 |
| Utility lines and improvements | 912,195,201 | 48,013,483 | (11,121,241) | 949,087,443 |
| Machinery and equipment | 99,000,740 | 16,135,261 | (14,477,630) | 100,658,371 |
| Total depreciable assets | <u>1,194,257,105</u> | <u>71,300,453</u> | <u>(28,591,782)</u> | <u>1,236,965,776</u> |
| Accumulated depreciation | | | | |
| Buildings | (74,342,283) | (3,266,728) | 2,992,910 | (74,616,101) |
| Utility lines and improvements | (113,552,862) | (13,412,741) | 5,386,188 | (121,579,415) |
| Machinery and equipment | (38,822,284) | (5,885,579) | 14,238,338 | (30,469,525) |
| Total accumulated depreciation | <u>(226,717,429)</u> | <u>(22,565,048)</u> | <u>22,617,436</u> | <u>(226,665,041)</u> |
| Total depreciable assets, net | <u>967,539,676</u> | <u>48,735,405</u> | <u>(5,974,346)</u> | <u>1,010,300,735</u> |
| Nondepreciable assets | | | | |
| Land and permanent right of ways | 4,902,914 | 12,013 | 5,405,236 | 10,320,163 |
| Construction in process | 23,750,566 | 57,885,884 | (57,666,868) | 23,969,582 |
| Total nondepreciable assets | <u>28,653,480</u> | <u>57,897,897</u> | <u>(52,261,632)</u> | <u>34,289,745</u> |
| Capital assets, net | <u>\$ 996,193,156</u> | <u>\$ 106,633,302</u> | <u>\$ (58,235,978)</u> | <u>\$ 1,044,590,480</u> |
| Sewer Fund | | | | |
| Depreciable assets | | | | |
| Sewage treatment plant and other facilities | \$ 339,497,071 | \$ 7,332,850 | \$ (5,409,347) | \$ 341,420,574 |
| Sewer lines | 1,069,971,069 | 94,114,485 | (5,508,807) | 1,158,576,747 |
| Equipment | 158,473,765 | 16,778,011 | (12,320,585) | 162,931,191 |
| Land improvements | 9,929,089 | 436,124 | (2,073,684) | 8,291,529 |
| Green infrastructure | 8,671,373 | 2,084,996 | -- | 10,756,369 |
| Total depreciable assets | <u>1,586,542,367</u> | <u>120,746,466</u> | <u>(25,312,423)</u> | <u>1,681,976,410</u> |
| Accumulated depreciation | | | | |
| Sewage treatment plant and other facilities | (216,135,602) | (8,480,750) | 5,409,353 | (219,206,999) |
| Sewer lines | (129,564,686) | (17,375,351) | 4,687,109 | (142,252,928) |
| Equipment | (55,720,416) | (11,490,455) | 12,067,054 | (55,143,817) |
| Land improvements | (438,641) | (184,279) | -- | (622,920) |
| Green infrastructure | (72,042) | (183,099) | -- | (255,141) |
| Total accumulated depreciation | <u>(401,931,387)</u> | <u>(37,713,934)</u> | <u>22,163,516</u> | <u>(417,481,805)</u> |
| Total depreciable assets, net | <u>1,184,610,980</u> | <u>83,032,532</u> | <u>(3,148,907)</u> | <u>1,264,494,605</u> |
| Nondepreciable assets | | | | |
| Land and permanent right of ways | 13,880,395 | 507,795 | -- | 14,388,190 |
| Construction in process | 46,411,414 | 100,608,998 | (104,397,349) | 42,623,063 |
| Total nondepreciable assets | <u>60,291,809</u> | <u>101,116,793</u> | <u>(104,397,349)</u> | <u>57,011,253</u> |
| Capital assets, net | <u>\$ 1,244,902,789</u> | <u>\$ 184,149,325</u> | <u>\$ (107,546,256)</u> | <u>\$ 1,321,505,858</u> |
| Total Department capital assets, net | <u>\$ 2,241,095,945</u> | <u>\$ 290,782,627</u> | <u>\$ (165,782,234)</u> | <u>\$ 2,366,096,338</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended April 30, 2018 is as follows:

| Water Fund | May 1, 2017 | Additions | Retirements/ Adjustments | April 30, 2018 |
|--|-------------------------|-----------------------|-------------------------------------|-------------------------|
| Depreciable assets | | | | |
| Buildings | \$ 178,150,081 | \$ 6,801,103 | \$ (1,890,020) | \$ 183,061,164 |
| Utility lines and improvements | 845,509,347 | 71,946,325 | (5,260,471) | 912,195,201 |
| Machinery and equipment | 99,023,157 | 3,223,758 | (3,246,175) | 99,000,740 |
| Total depreciable assets | <u>1,122,682,585</u> | <u>81,971,186</u> | <u>(10,396,666)</u> | <u>1,194,257,105</u> |
| Accumulated depreciation | | | | |
| Buildings | (73,278,817) | (2,953,486) | 1,890,020 | (74,342,283) |
| Utility lines and improvements | (106,087,875) | (12,725,457) | 5,260,470 | (113,552,862) |
| Machinery and equipment | (36,360,886) | (5,552,740) | 3,091,342 | (38,822,284) |
| Total accumulated depreciation | <u>(215,727,578)</u> | <u>(21,231,683)</u> | <u>10,241,832</u> | <u>(226,717,429)</u> |
| Total depreciable assets, net | <u>906,955,007</u> | <u>60,739,503</u> | <u>(154,834)</u> | <u>967,539,676</u> |
| Nondepreciable assets | | | | |
| Land and permanent right of ways | 4,178,312 | 724,602 | -- | 4,902,914 |
| Construction in process | 38,215,233 | 54,012,879 | (68,477,546) | 23,750,566 |
| Total nondepreciable assets | <u>42,393,545</u> | <u>54,737,481</u> | <u>(68,477,546)</u> | <u>28,653,480</u> |
| Capital assets, net | <u>\$ 949,348,552</u> | <u>\$ 115,476,984</u> | <u>\$ (68,632,380)</u> | <u>\$ 996,193,156</u> |
| Sewer Fund | | | | |
| Depreciable assets | | | | |
| Sewage treatment plant and other facilities | \$ 339,584,763 | \$ 13,649,992 | \$ (13,737,684) | \$ 339,497,071 |
| Sewer lines | 962,542,618 | 115,670,216 | (8,241,765) | 1,069,971,069 |
| Equipment | 126,592,273 | 37,522,903 | (5,641,411) | 158,473,765 |
| Land improvements | -- | 9,874,427 | 54,662 | 9,929,089 |
| Green infrastructure | -- | 8,671,373 | -- | 8,671,373 |
| Total depreciable assets | <u>1,428,719,654</u> | <u>185,388,911</u> | <u>(27,566,198)</u> | <u>1,586,542,367</u> |
| Accumulated depreciation | | | | |
| Sewage treatment plant and other facilities | (221,559,092) | (8,261,658) | 13,685,148 | (216,135,602) |
| Sewer lines | (122,178,690) | (15,627,759) | 8,241,763 | (129,564,686) |
| Equipment | (51,599,049) | (9,258,839) | 5,137,472 | (55,720,416) |
| Land improvements | -- | (436,515) | (2,126) | (438,641) |
| Green infrastructure | -- | (72,042) | -- | (72,042) |
| Total accumulated depreciation | <u>(395,336,831)</u> | <u>(33,656,813)</u> | <u>27,062,257</u> | <u>(401,931,387)</u> |
| Total depreciable assets, net | <u>1,033,382,823</u> | <u>151,732,098</u> | <u>(503,941)</u> | <u>1,184,610,980</u> |
| Nondepreciable assets | | | | |
| Land and permanent right of ways | 13,401,078 | 479,317 | -- | 13,880,395 |
| Construction in process | 110,498,840 | 102,502,021 | (166,589,447) | 46,411,414 |
| Total nondepreciable assets | <u>123,899,918</u> | <u>102,981,338</u> | <u>(166,589,447)</u> | <u>60,291,809</u> |
| Capital assets, net | <u>\$ 1,157,282,741</u> | <u>\$ 254,713,436</u> | <u>\$ (167,093,388)</u> | <u>\$ 1,244,902,789</u> |
| Total Department capital assets, net | <u>\$ 2,106,631,293</u> | <u>\$ 370,190,420</u> | <u>\$ (235,725,768)</u> | <u>\$ 2,241,095,945</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS

Revenue bonds and notes payable outstanding consist of the following issues at April 30, 2019 and 2018:

| Issue | Interest Rates | Maturities Through | 2019 | 2018 |
|---|----------------|-----------------------|-----------------------|-----------------------|
| Water Fund | | | | |
| Series 2008A | 4.66% | December 2027 | \$ 20,390,000 | \$ 22,175,000 |
| Series 2009A | 2.00 - 5.25% | December 2032 | 87,375,000 | 97,625,000 |
| Series 2012A | 1.00 - 5.00% | December 2036 | 37,770,000 | 39,255,000 |
| Series 2013A | 2.00 - 4.00% | December 2037 | 49,335,000 | 51,090,000 |
| Series 2014A | 2.00 - 5.00% | December 2038 | 48,645,000 | 50,280,000 |
| Series 2015A | 3.25 - 5.00% | December 2039 | 57,395,000 | 58,380,000 |
| Series 2017A | 3.00 - 5.00% | December 2041 | 73,970,000 | 75,700,000 |
| Sewer Fund | | | | |
| State Series 1998A | 3.90% - 5.25% | January 2019 | -- | 695,000 |
| State Series 1999A | 3.625% - 5.25% | January 2020 | 445,000 | 870,000 |
| State Series 2000A | 4.60% - 5.75% | July 2020 | 1,565,000 | 2,320,000 |
| State Series 2000B | 4.25% - 5.625% | July 2020 | 1,410,000 | 2,090,000 |
| Stormwater 2000 | 1.70% | December 2020 | 146,800 | 218,800 |
| Stormwater 2001 & 2002 | 1.60% | December 2021 | 989,000 | 1,313,000 |
| State Series 2001B | 3.00% - 5.375% | July 2022 | 4,090,000 | 5,050,000 |
| State Series 2002J | 2.00% - 5.50% | July 2022 | 2,445,000 | 3,015,000 |
| State Series 2004H | 3.00% - 5.25% | January 2025 | 3,680,000 | 4,235,000 |
| Stormwater 2007 | 1.40% | June 2027 | 203,000 | 223,000 |
| Series 2009A | 2.50% - 5.25% | January 2034 | -- | 53,105,000 |
| State Series 2009B | 1.48% | January 2030 | 8,700,600 | 9,390,900 |
| Series 2011A | 2.00% - 5.00% | January 2037 | 70,090,000 | 73,135,000 |
| Series 2012A | 2.00% - 5.00% | January 2037 | 62,130,000 | 65,245,000 |
| Series 2016A | 2.00% - 5.00% | January 2040 | 164,660,000 | 170,885,000 |
| Series 2018A | 3.125% - 5.00% | January 2042 | 160,285,000 | 165,000,000 |
| Series 2018B | 5.00% | January 2034 | 42,055,000 | -- |
| | | | 897,774,400 | 951,295,700 |
| Unamortized premiums | | | 75,867,988 | 75,012,864 |
| Unamortized discounts | | | (1,362,353) | (1,475,424) |
| Net revenue bonds and notes payable | | | 972,280,035 | 1,024,833,140 |
| Less current portion | | | (44,444,000) | (44,861,300) |
| Noncurrent portion of revenue bonds and notes payable | | | <u>\$ 927,836,035</u> | <u>\$ 979,971,840</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

Changes in long-term obligations during the year ended April 30, 2019 are as follows:

| | May 1, 2018 | | | | Due Within |
|--|-------------------------|----------------------|-------------------------|-------------------------|----------------------|
| | As Restated | Additions | Reductions | April 30, 2019 | One Year |
| Water Fund | | | | | |
| Revenue bonds | \$ 394,505,000 | \$ -- | \$ (19,625,000) | \$ 374,880,000 | \$ 20,425,000 |
| Unamortized bond premium | 27,349,057 | -- | (1,416,429) | 25,932,628 | -- |
| Unamortized bond discount | (486,129) | -- | 22,739 | (463,390) | -- |
| Net pension liability | 29,029,374 | 15,504,023 | (17,646,662) | 26,886,735 | -- |
| Net other postemployment benefit liability | 7,523,688 | 568,409 | (279,521) | 7,812,576 | -- |
| Compensated absences | 3,622,550 | 768,012 | (794,852) | 3,595,710 | 864,786 |
| Claims payable | 18,600,713 | 3,993,010 | (3,830,155) | 18,763,568 | 4,363,637 |
| | <u>480,144,253</u> | <u>20,833,454</u> | <u>(43,569,880)</u> | <u>457,407,827</u> | <u>25,653,423</u> |
| Total Water Fund | | | | | |
| Sewer Fund | | | | | |
| Revenue bonds | 556,790,700 | 42,055,000 | (75,951,300) | 522,894,400 | 24,019,000 |
| Unamortized bond premium | 47,663,806 | 5,205,651 | (2,934,097) | 49,935,360 | -- |
| Unamortized bond discount | (989,294) | -- | 90,331 | (898,963) | -- |
| Net pension liability | 24,792,427 | 13,820,829 | (15,730,853) | 22,882,403 | -- |
| Net other postemployment benefit liability | 6,457,928 | 507,906 | (249,766) | 6,716,068 | -- |
| Compensated absences | 2,796,349 | 684,494 | (538,493) | 2,942,350 | 761,801 |
| Claims payable | 7,725,334 | 6,458,436 | (4,070,118) | 10,113,652 | 2,371,329 |
| | <u>645,237,250</u> | <u>68,732,316</u> | <u>(99,384,296)</u> | <u>614,585,270</u> | <u>27,152,130</u> |
| Total Sewer Fund | | | | | |
| Total Department | <u>\$ 1,125,381,503</u> | <u>\$ 89,565,770</u> | <u>\$ (142,954,176)</u> | <u>\$ 1,071,993,097</u> | <u>\$ 52,805,553</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

Changes in long-term obligations during the year ended April 30, 2018 are as follows:

| | <u>May 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>April 30, 2018</u> | <u>Due Within One Year</u> |
|--|-----------------------|-----------------------|------------------------|-------------------------|--------------------------------|
| Water Fund | | | | | |
| Revenue bonds | \$ 414,115,000 | \$ -- | \$ (19,610,000) | \$ 394,505,000 | \$ 19,625,000 |
| Unamortized bond premium | 28,765,487 | -- | (1,416,430) | 27,349,057 | -- |
| Unamortized bond discount | (508,869) | -- | 22,740 | (486,129) | -- |
| Net pension liability | 30,723,968 | 1,492,703 | (3,187,297) | 29,029,374 | -- |
| Net other postemployment benefit obligation | 5,437,790 | 577,556 | (552,144) | 5,463,202 | -- |
| Compensated absences | 3,555,002 | 708,296 | (640,748) | 3,622,550 | 873,522 |
| Claims payable | 16,663,646 | 5,621,922 | (3,684,855) | 18,600,713 | 4,189,080 |
| Total Water Fund | <u>498,752,024</u> | <u>8,400,477</u> | <u>(29,068,734)</u> | <u>478,083,767</u> | <u>24,687,602</u> |
| Sewer Fund | | | | | |
| Revenue bonds | 411,750,500 | 165,000,000 | (19,959,800) | 556,790,700 | 25,236,300 |
| Unamortized bond premium | 32,819,892 | 16,557,891 | (1,713,977) | 47,663,806 | -- |
| Unamortized bond discount | (764,785) | (262,682) | 38,173 | (989,294) | -- |
| Net pension liability | 25,927,891 | 1,586,635 | (2,722,099) | 24,792,427 | -- |
| Net other postemployment benefit obligation | 4,592,153 | 507,130 | (482,516) | 4,616,767 | -- |
| Compensated absences | 2,849,739 | 516,581 | (569,971) | 2,796,349 | 726,119 |
| Claims payable | 7,348,785 | 1,734,391 | (1,357,842) | 7,725,334 | 1,762,357 |
| Total Sewer Fund | <u>484,524,175</u> | <u>185,639,946</u> | <u>(26,768,032)</u> | <u>643,396,089</u> | <u>27,724,776</u> |
| Total Department | <u>\$ 983,276,199</u> | <u>\$ 194,040,423</u> | <u>\$ (55,836,766)</u> | <u>\$ 1,121,479,856</u> | <u>\$ 52,412,378</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

The annual requirements to retire the bonds and notes payable outstanding as of April 30, 2019 are as follows:

| Year Ending April 30 | Water Fund | | Sewer Fund | | Total | |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | 20,425,000 | 15,854,824 | 24,019,000 | 22,297,655 | 44,444,000 | 38,152,479 |
| 2021 | 21,245,000 | 15,011,019 | 24,500,300 | 21,258,576 | 45,745,300 | 36,269,595 |
| 2022 | 20,515,000 | 14,047,592 | 23,816,000 | 20,245,637 | 44,331,000 | 34,293,229 |
| 2023 | 21,315,000 | 13,207,645 | 23,576,600 | 19,264,679 | 44,891,600 | 32,472,324 |
| 2024 | 21,005,000 | 12,232,171 | 22,769,700 | 18,319,408 | 43,774,700 | 30,551,579 |
| 2025 - 2029 | 88,625,000 | 48,019,243 | 116,350,800 | 76,020,866 | 204,975,800 | 124,040,109 |
| 2030 - 2034 | 87,600,000 | 28,832,044 | 134,037,000 | 47,374,165 | 221,637,000 | 76,206,209 |
| 2035 - 2039 | 75,745,000 | 12,092,338 | 113,720,000 | 20,551,012 | 189,465,000 | 32,643,350 |
| 2040 - 2044 | 18,405,000 | 1,304,475 | 40,105,000 | 2,845,432 | 58,510,000 | 4,149,907 |
| | <u>\$ 374,880,000</u> | <u>\$ 160,601,351</u> | <u>\$ 522,894,400</u> | <u>\$ 248,177,430</u> | <u>\$ 897,774,400</u> | <u>\$ 408,778,781</u> |

On October 4, 2018, the Department issued Series 2018B Sewer Utility refunding revenue bonds in the amount of \$42,055,000 with a net interest cost of 3.67% with maturities through January 1, 2034. The bond proceeds were used to refund \$53,105,000 of Series 2009A Sewer Utility revenue bonds on a current basis. The Department completed the refunding to reduce its total debt service payments by \$10,807,615 and to obtain an economic gain (the difference between the present value of the old and new debt service payments) of \$5,558,072.

All funds obtained through the issuance of water revenue bonds are restricted for the purpose of extending and improving the facilities of the Water Fund. All debt service requirements are payable solely from revenues generated by the Water Fund. Under the terms of the ordinances enacted at the time of the issuance of the revenue bonds, the 2009A, 2012A, 2013A, 2014A, 2015A and 2017A bonds (Senior Bonds) share equal claim to the revenue generated by the Water Fund. The pledge of revenue is senior to the pledge of such revenues for the payment of the 2008A bonds (Subordinate Bond). The ordinances require the City to maintain adequate insurance coverage and establish the priority for the allocation of revenue generated by the Water Fund.

All funds obtained through the issuance of sewer revenue bonds are restricted for the purpose of extending and improving the sewerage system. All debt service requirements of these bonds are payable solely from revenues generated by the Sewer Fund. The revenue bond ordinances require the Sewer Fund to maintain adequate insurance coverage and employ an independent consulting engineer to evaluate the physical condition and operation of the sewerage system on a periodic basis. In addition, the ordinance established the priority for the allocation of revenue generated by the sewerage system.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

After the Water and Sewer Funds meet normal operating and maintenance expenses of each fund, respectively, all remaining moneys are to be allocated to the following accounts in the order listed below:

| Account | Restriction |
|-------------------------|--|
| Principal and interest | For the monthly accumulation of moneys to meet the maturing revenue bond principal and interest requirement. Each month, the City is to set aside 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment. |
| Construction | For recording bond proceeds to be used to finance construction. |
| Renewal and replacement | For the monthly accumulation of moneys, up to an amount equal to the prior year annual depreciation plus additional amounts to cover future budgeted capital improvements, to pay for the maintenance and replacements necessary to keep the system operating efficiently. |

The bond ordinances also require that the Water and Sewer Funds establish additional reserve accounts for the retirement of the bonds totaling \$69,360,303 and \$74,120,466 at April 30, 2019, and 2018, respectively. However, in lieu of setting aside cash, the ordinances allow the Funds to obtain insurance policies. The Water and Sewer Funds have obtained insurance policies to satisfy \$15,304,827 per year of the reserve requirements. As of April 30, 2019 and 2018, both the Water and Sewer Fund's debt service coverage ratios were above the 130% threshold, so the remaining bond reserve accounts were not required to be funded.

Restricted accounts are reported on the accompanying statements of net position as restricted assets for 2019 and 2018 as follows:

| | April 30, 2019 | | |
|----------------------------|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | Total |
| Principal and interest | \$ 15,202,217 | \$ 17,144,120 | \$ 32,346,337 |
| Construction | 38,074,787 | 138,819,606 | 176,894,393 |
| Renewal and replacement | 30,169,926 | 41,279,123 | 71,449,049 |
| Retention pond maintenance | -- | 53,514 | 53,514 |
| Customer deposits | 3,540,523 | -- | 3,540,523 |
| | <u>\$ 86,987,453</u> | <u>\$ 197,296,363</u> | <u>\$ 284,283,816</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

| | April 30, 2018 | | |
|----------------------------|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | Total |
| Principal and interest | \$ 15,395,672 | \$ 17,171,558 | \$ 32,567,230 |
| Debt service revenue | -- | 5,008,338 | 5,008,338 |
| Construction | 73,503,324 | 218,645,538 | 292,148,862 |
| Renewal and replacement | 30,105,460 | 41,168,183 | 71,273,643 |
| Retention pond maintenance | -- | 52,342 | 52,342 |
| Customer deposits | 3,064,256 | -- | 3,064,256 |
| | \$ 122,068,712 | \$ 282,045,959 | \$ 404,114,671 |

7. PLEDGED REVENUES

Water Fund – The City has pledged revenues of the Water Fund, net of specified operating expenses, to repay \$374,880,000 in water revenue bonds. The bonds were issued to provide improvements to the water system and facilities. The various issues and maturity dates are listed in Note 6.

The bonds are payable solely from the revenues derived by the Water Fund. Annual principal and interest payments on the bonds and capital leases are expected to require approximately 25% of net revenues on average over the next 23 years. The total principal and interest remaining to be paid on the bonds is \$535,481,351. Principal and interest paid for the year ended April 30, 2019 and total net revenues were \$36,270,267 and \$95,028,340, respectively.

Sewer Fund – The City has pledged revenues of the Sewer Fund, net of specified operating expenses, to repay \$522,894,400 in sewer system revenue bonds and loans. The bonds were issued to provide improvements to the sewer system and facilities. The loans were issued to fund stormwater basin studies and improvements. The various issues and maturity dates are listed in Note 6.

The bonds are payable solely from the revenues derived by the Sewer Fund. Total principal and interest remaining to be paid on those bonds is \$769,684,558 and is expected to require approximately 22% of net sewer revenues on average over the next 23 years. The stormwater loans are payable from stormwater revenues. Total principal and interest on those loans is \$1,387,272 and is expected to require more than what is available from the net stormwater revenues. Principal and interest paid for the year ended April 30, 2019 and net revenues for the Sewer Fund were \$43,925,088 and \$150,092,269, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

8. DUE TO/FROM OTHER CITY FUNDS

Amounts due to/from other City funds at April 30, 2019 were as follows:

| <u>Payables</u> | <u>Receivables</u> | | <u>Total</u> |
|--------------------|----------------------|-----------------|----------------------|
| | <u>Water</u> | <u>Sewer</u> | |
| Water Fund | \$ -- | \$ 305 | \$ 305 |
| Sewer Fund | 113,853 | -- | 113,853 |
| Flood Control Fund | 16,720,828 | -- | 16,720,828 |
| General Fund | -- | 2,290 | 2,290 |
| | <u>\$ 16,834,681</u> | <u>\$ 2,595</u> | <u>\$ 16,837,276</u> |

Amounts due to/from other City funds at April 30, 2018 were as follows:

| <u>Payables</u> | <u>Receivables</u> | | | <u>Total</u> |
|--------------------|----------------------|-----------------|-------------------|----------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>General</u> | |
| Water Fund | \$ -- | \$ 7,259 | \$ 385,000 | \$ 392,259 |
| Sewer Fund | 29,852 | -- | -- | 29,852 |
| Flood Control Fund | 15,241,654 | -- | -- | 15,241,654 |
| General Fund | -- | 1,043 | -- | 1,043 |
| | <u>\$ 15,271,506</u> | <u>\$ 8,302</u> | <u>\$ 385,000</u> | <u>\$ 15,664,808</u> |

Amounts due from and due to the Water and Sewer Funds represent reimbursement of operating costs between the two funds. Amounts due from and due to the General Fund represent reimbursement of operating costs between the funds.

In 2018, the Water Fund transferred \$15,241,654 to the City's Flood Control Fund to assist with flood control projects. During 2019, the City's Flood Control Fund repaid 7,620,826 of this amount and the Water Fund advanced an additional \$9,100,000. This receivable is recorded on the statement of net position as due from other funds and is expected to be repaid with general obligation bonds issued by the City in Fiscal year 2020 and 2021. The notes bear interest at a rate of 2.00%.

9. PAYMENT-IN-LIEU OF TAXES (PILOT) AND ADMINISTRATIVE SERVICE FEES

The Water and Sewer Funds are exempt from federal and state income taxes and local property taxes because they are enterprise funds of the City of Kansas City, Missouri. However the funds are required by a City Ordinance to pay a percentage of gross operating revenues to the General Fund of the City of Kansas City, Missouri. The payment-in-lieu of tax was established at 1.0% of residential and commercial revenue, effective as of May 1, 2016, and increased to 1.5% as of May 1, 2017. Management does not consider the amount transferred for the PILOT to be commensurate with the services received. As such, management has classified this as a transfer on the statement of revenues, expenses and changes in net position.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

9. PAYMENT-IN-LIEU OF TAXES (PILOT) AND ADMINISTRATIVE SERVICE FEES (CONTINUED)

In addition to these PILOT payments, the Water and Sewer Funds make payments to the General Fund of the City for office space and certain administrative, data processing and accounting services. For the years ended April 30, 2019 and 2018, total payments for administrative and general expenses and transfers for PILOT's are as follows:

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Water Fund | | |
| Administrative, data processing and accounting | \$ 5,223,644 | \$ 5,440,070 |
| Overhead allocation for self-insured claims | 162,855 | 6,164,455 |
| PILOT | 2,793,824 | 1,893,742 |
| | | |
| Sewer Fund | | |
| Administrative, data processing and accounting | 5,274,619 | 5,592,944 |
| Overhead allocation for self-insured claims | 2,388,319 | 2,682,158 |
| PILOT | 3,606,848 | 2,502,435 |
| | \$ 19,450,109 | \$ 24,275,804 |

The Water Fund provides billing and collection services for the City of Kansas City, Missouri Sewer Fund and charged the City of Kansas City, Missouri Sewer Fund \$4,505,845 and \$4,522,070 for these services for the years ended April 30, 2019 and 2018, respectively.

10. EMPLOYEES' RETIREMENT SYSTEM

The City sponsors a contributory, single-employer defined benefit pension plan, the Employees' Retirement System (Plan), covering substantially all employees of the Department. However, for purposes of the Department's financial statements, the City has allocated the pension related items and the Department has disclosed the Plan as a cost-sharing multiple employer defined benefit pension plan in accordance with the requirements of GASB statement No. 68.

The Board of Trustees of the Employees' Retirement System of the City of Kansas City, Missouri (Board) administers the Plan.

The Plan was established in the code of ordinances under Part II, Chapter II, Article IX, Division 2, Section 2-1172 which states, "All full-time, permanent employees in the classified and unclassified services shall become members of the retirement system as a condition of employment, including all full-time, permanent former Metropolitan Ambulance Service Trust (MAST) employees who became city employees as of April 25, 2010, and who did not become members of the Firefighters' Pension System. Former MAST employees have the option within 60 days of the passage of this ordinance to elect to become members of this plan in lieu of participation in the defined contribution plan set out in Division 10. Also included in membership are those who have retired in circumstances establishing eligibility for an annuity in this pension system and inactive members on leave of absence.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The Board of Trustees of the Plan shall consist of ten members, including the Director of Human Resources and Director of Finance, and seven shall be appointed by the Mayor as follows:

- a. One shall be a retired member of the system.
- b. Four, other than the forgoing, shall be recognized business and/or civic leaders with financial backgrounds, such as investments, management of employees' benefit plans, who are not employees of the City. At the Mayor's option, one of this group may be a City Council person with a financial background who shall serve as an ex-officio member of the Board with a right to vote.
- c. Two shall be active employees and members of the retirement system as recommended by the union.
- d. In the event that Local 42, IAFF, has 200 or more members, including retirees, participating in the Employees' Retirement System, Local 42 will have one designated member who will be vested with the same voting rights as the other trustees.

The Board is responsible for establishing or amending plan provisions. The Board issues publicly available financial reports that include financial statements and required supplementary information. The financial reports may be obtained by writing to:

Employees' Pension Systems

The Retirement Division
City Hall-10th Floor
414 East 12th Street
Kansas City, Missouri 64106
Phone 816.513.1928

Retirement Benefits

Benefit terms for the Plan are established in the City administrative code and can only be amended by the City Council. The Plan provides retirement benefits as well as pre-retirement death benefits as noted below:

Tier I Members – The Plan provides retirement benefits for those employees hired before April 20, 2014 (Tier I Members). Employees become vested for retirement benefits after five years of service. Members who retire with total age and creditable service equal to 80, or the later of age 60 and 10 years of creditable service, are entitled to an annual pension based on a percentage of final average compensation multiplied by years and months of creditable service. If married at the time of retirement, the percentage is 2.0% for general employees and 2.2% for elected officials, and if unmarried at the date of retirement, the percentage is 2.2% up to a maximum of 70% of final average compensation as defined in the Plan. If the employee has at least 10 years of creditable service, the minimum benefit is \$400 per month.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

If members terminate prior to retirement and before rendering five years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. Such refunds result in the forfeiture of all other benefits under the Plan. Members terminating prior to retirement with five or more years of service may elect to receive a refund of their member contributions with interest as a lump-sum distribution, or they may elect to receive a deferred pension. An automatic annual cost-of-living adjustment of 3%, non-compounded, is provided annually.

Tier II Members – The Plan provides retirement benefits for those employees hired on or after April 20, 2014 (Tier II Members). Employees become vested for retirement benefits after ten years of service. Members who retire with total age and creditable service equal to 85, or the later of age 62 and 10 years of creditable service, are entitled to an annual pension of 1.75% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 70% of final average compensation as defined in the Plan.

If employees terminate prior to retirement and before rendering ten years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. An annual cost-of-living adjustment, not to exceed 2.5%, non-compounded, per year is provided to pensioners age 62 and older if the prior year funding ratio is equal to or greater than 80% and will be equal to the percentage increase in the prior 12 months of the final national Consumer Price Index.

Death Benefits

If a retired member dies, the following benefits shall be paid:

To the member's spouse until death, a retirement benefit equal to one-half of the member's normal retirement benefit. To the member's designated beneficiary or estate, if there is no surviving spouse, any remaining member contributions and interest. If an active member dies, the member contributions and interest are distributed to the surviving spouse or, if none, to the designated beneficiary. The surviving spouse, however, may elect to receive monthly benefit payments instead of the lump-sum distribution if the member had five or more years of creditable service.

Contributions

Funding is provided by contributions from Plan members, the Fund and earnings on investments. Members contribute 5% of their base salary. The Water and Sewer Funds' contributions are set by the City Council in conjunction with its approval of the annual budget, based on the actuarially determined contribution rate set by the Plan's consulting actuary. For the years beginning May 1, 2018 and 2017, both the Water and Sewer Funds contributed 15.68% and 15.40% of payroll, respectively, which is the actuarially determined Board contribution rates for the respective years. Future contributions will be determined through the City's budgeting process.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The Plan's governing body has the authority to establish and amend the contribution requirements of the Department and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial liability. The Water and Sewer Funds are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended April 30, 2019 and 2018, employees within the Water Fund contributed \$1,103,138 and \$1,083,439, respectively, and the Water Fund contributed \$3,397,665 and \$3,187,297, respectively, to the Plan. For the years ended April 30, 2019 and 2018, employees within the Sewer Fund contributed \$965,816 and \$966,801, respectively, and the Sewer Fund contributed \$3,028,798 and \$2,722,121, respectively, to the Plan.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net pension liabilities are reported when the employer's total pension liability exceeds the Plan's fiduciary net position, or the employer's proportionate share of the total liability exceeds the employer's share of the Plan's fiduciary net position for cost-sharing, multiple employer plans. Net pension liability allocated to KC Water for the years ended April 30, 2019 and 2018 was as follows:

| | 2019 | 2018 |
|-----------------------|--------------|--------------|
| Water Fund | | |
| Net pension liability | \$26,886,735 | \$29,029,374 |
| Proportion | 13.15% | 13.07% |
| Sewer Fund | | |
| Net pension liability | \$22,882,403 | \$24,792,427 |
| Proportion | 11.27% | 11.16% |

The net pension liability was measured as of April 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2017 and 2016 rolled forward one year to the measurement dates. The Water and Sewer Funds' proportion of the net pension liability was based on the respective Fund's actual contributions to the pension plan for the years ended April 30, 2018 and 2017.

For the years ended April 30, 2019 and 2018, the Water Fund recognized pension expense of \$5,993,243 and \$6,800,374, respectively. For the years ended April 30, 2019 and 2018, the Sewer Fund recognized pension expense of \$5,342,586 and \$5,807,834, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At April 30, 2019 and 2018, KC Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>2019</u> | | <u>2018</u> | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Water Fund | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 1,088,301 | \$ -- | \$ 4,767,051 | \$ -- |
| Changes in assumptions | 2,264,811 | -- | 3,376,343 | -- |
| Differences between expected and actual experience | -- | 594,737 | -- | 521,618 |
| Changes in Fund proportion | -- | -- | 1,289,130 | -- |
| Fund contributions made subsequent to the measurement date of the net pension liability | <u>3,422,799</u> | <u>--</u> | <u>3,187,297</u> | <u>--</u> |
| | <u>6,775,911</u> | <u>594,737</u> | <u>12,619,821</u> | <u>521,618</u> |
| Sewer Fund | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 970,150 | \$ -- | \$ 4,071,282 | \$ -- |
| Changes in assumptions | 2,018,932 | -- | 2,883,552 | -- |
| Differences between expected and actual experience | -- | 530,170 | -- | 445,486 |
| Changes in Fund proportion | -- | -- | 1,412,785 | -- |
| Fund contributions made subsequent to the measurement date of the net pension liability | <u>3,051,202</u> | <u>--</u> | <u>2,722,121</u> | <u>--</u> |
| | <u>6,040,284</u> | <u>530,170</u> | <u>11,089,740</u> | <u>445,486</u> |
| Total Department | <u>\$ 12,816,195</u> | <u>\$ 1,124,907</u> | <u>\$ 23,709,561</u> | <u>\$ 967,104</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At April 30, 2019 and 2018, the Water Fund reported \$3,422,799 and \$3,187,297, respectively, and the Sewer Fund reported \$3,051,202 and \$2,722,121, respectively, of deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2019, related to pensions, will be recognized in pension expense as follows:

| | Water | Sewer | Total |
|------|--------------|--------------|--------------|
| 2020 | \$ 2,203,683 | \$ 1,964,441 | \$ 4,168,124 |
| 2021 | 2,434,068 | 2,169,813 | 4,603,881 |
| 2022 | (1,338,009) | (1,192,748) | (2,530,757) |
| 2023 | (541,367) | (482,594) | (1,023,961) |
| | \$ 2,758,375 | \$ 2,458,912 | \$ 5,217,287 |

Actuarial Assumptions

The total pension liability in the May 1, 2017 and 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|---|
| Inflation | 3.0% |
| Salary increases | Ranges from 3.75% to 5.0% |
| Ad hoc cost-of-living adjustments | 3.0%, simple for Tier I Members 2.5% for Tier II Members |
| Investment rate of return | 7.50% |

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table, projected using a modified scale, MP-2015 on a generational basis for healthy individuals and the RP-2000 Combined Disability Mortality Table projected using a modified scale MP-2015 on a generational basis for disabled individuals.

The actuarial assumptions used in the May 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period 2010 – 2015 and showed that there were sufficient margins in the rates to provide for potential future improvements in mortality.

The investment return assumption of 7.50% was selected based upon an analysis that included (a) capital market assumptions provided by the investment consultant, (b) the asset allocation of the fund, and (c) investment return assumptions of other public retirement systems.

The inflation assumption of 3.0% was selected based upon an analysis that included (a) input from the investment consultant, (b) historical inflation as measured by Consumer Price Index, and (c) implied inflation in long-term government bonds.

The long-term wage growth assumption of 3.75% was based upon the inflation assumption of 3.0% plus a real growth wage assumption of 0.75% which was derived from an analysis of historical increases in Social Security Average earnings.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Long-Term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates arithmetic real rates of return for each major asset class including the Plan's target asset allocation as of April 30, 2019 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------------|--------------------------|---|
| Equities | | |
| US equity | 16.25% | 3.8% |
| Emerging manager of managers | 4.00% | 3.8% |
| Non-US equity | 15.25% | 5.0% |
| Emerging markets equity | 4.50% | 7.3% |
| Global equity | 5.00% | 4.7% |
| Fixed income | | |
| Core fixed income | 20.00% | 0.5% |
| Non-core fixed income | 12.00% | 2.5% |
| Real assets | | |
| Real estate | 7.50% | 3.3% |
| Infrastructure | 2.50% | 3.0% |
| Opportunistic | 12.00% | 4.1% |
| Cash | 1.00% | (0.5%) |

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, which is the assumed long-term expected rate of return in Plan investments. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Fund contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position will be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Water and Sewer Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Water and Sewer Funds have been calculated using a discount rate of 7.50%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate:

| | April 30, 2019 | | |
|----------------------------------|-------------------------------|---|-------------------------------|
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| Water fund net pension liability | \$ 48,439,317 | \$ 26,886,735 | \$ 9,151,273 |
| Sewer fund net pension liability | 43,180,502 | 22,882,403 | 8,157,765 |
| Total Department | \$ 91,619,819 | \$ 49,769,138 | \$ 17,309,038 |
| | April 30, 2018 | | |
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| Water fund net pension liability | \$ 49,784,297 | \$ 29,029,374 | \$ 11,646,675 |
| Sewer fund net pension liability | 42,517,960 | 24,792,427 | 9,946,768 |
| Total Department | \$ 92,302,257 | \$ 53,821,801 | \$ 21,593,443 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report, located at www.kcmo.org.

Payable to the Pension Plan

At April 30, 2019 and 2018, the Water Fund reported a payable of \$163,000 and \$143,000, respectively, for the outstanding amount of contributions to the pension plan. At April 30, 2019 and 2018, the Sewer Fund reported a payable of \$146,000 and \$122,000, respectively, for the outstanding amount of contributions to the pension plan.

11. OTHER POSTEMPLOYMENT BENEFITS

During 2019, the Department adopted Governmental Accounting Standard Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The implementation of GASB 75 required the Department to record the total OPEB liability, deferred inflows of resources and deferred outflows of resources related to OPEB and resulted in a prior period adjustment for change in accounting principle of \$2,060,486 for the Water Fund and 1,841,161 for the Sewer Fund.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description

The City sponsors a single-employer, defined benefit health care plan that provides health care benefits to retirees and their dependents, including medical and pharmacy coverage. The City requires the retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other postemployment benefits (OPEB) under GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75. The City's OPEB plan does not issue a separate report.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age or dies.

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

Total OPEB liability information for the year ended April 30, 2019:

| | |
|--|-------------|
| Water Fund | |
| Total other postemployment benefit liability | \$7,812,575 |
| Proportion | 7.12% |
| Sewer Fund | |
| Total other postemployment benefit liability | \$6,716,068 |
| Proportion | 6.36% |

The total OPEB liability was measured as of April 30, 2018 and was determined by an actuarial valuation as of April 30, 2018. The Water and Sewer Funds' proportion of the net pension liability was based on the respective Fund's actual contributions to the pension plan for the years ended April 30, 2018.

For the years ended April 30, 2019 the Water Fund recognized OPEB expense of \$559,312 and the Sewer Fund recognized OPEB expense of \$499,777.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At April 30, 2019 the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|---|---|
| | <u> </u> |
| Water Fund | |
| Differences between expected and actual experience | \$ 9,097 |
| Contributions (benefit payments) made subsequent to the measurement date | <u>479,690</u> |
| | <u>488,787</u> |
| Sewer Fund | |
| Differences between expected and actual experience | \$ 8,129 |
| Contributions (benefit payments) made subsequent to the measurement date | <u>428,630</u> |
| | <u>436,759</u> |
| Total Department | <u><u>\$ 925,546</u></u> |

At April 30, 2019 the Water Fund reported \$479,690 and the Sewer Fund reported \$428,630 of deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2019, related to OPEB, will be recognized in OPEB expense as follows:

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|------------|-----------------|-----------------|------------------|
| 2020 | \$ 1,315 | \$ 1,175 | \$ 2,490 |
| 2021 | 1,315 | 1,175 | 2,490 |
| 2022 | 1,315 | 1,175 | 2,490 |
| 2023 | 1,315 | 1,175 | 2,490 |
| 2024 | 1,315 | 1,175 | 2,490 |
| Thereafter | <u>2,522</u> | <u>2,254</u> | <u>4,776</u> |
| | <u>\$ 9,097</u> | <u>\$ 8,129</u> | <u>\$ 17,226</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability in the April 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

| | |
|-------------------------|---|
| Salary increases | Service based rates from 3.0% to 5.0% |
| Discount rate | 3.71% as of measurement date; 3.72% for the prior year |
| Health care trend rates | Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years |

The discount rate was based on the Fidelity 20-Year Municipal GO AA Index

Mortality rates were based on the RP-2000 Combined Healthy Non-Annuitant Mortality Table for active members and for the employees it is multiplied by 0.956 for males and 0.96 for females. The RP 2000 Combined Healthy Annuitant Mortality Table is used for healthy retirees and multiplied 1.078 for males and 1.065 for females. The RP 2000 Combined Disabled Mortality Table is applied to disabled retirees and employees and is multiplied by 1.3 for males and 1.5 for females. Future mortality improvements were modeled using a modified Scale MP-2015.

The actuarial assumptions used in the April 30, 2018 valuation were based on an experience analysis of the plan’s past experience, the actuary’s experience with plans of similar size, plan design, and retiree contribution level.

Sensitivity of the Water and Sewer Fund’s Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Water and Sewer Funds has been calculated using a discount rate of 3.71%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current rate:

| | 1% Decrease (2.71%) | Current Discount Rate (3.71%) | 1% Increase (4.71%) |
|---------------------------------|--------------------------------|--|--------------------------------|
| Water Fund total OPEB liability | \$ 8,690,009 | \$ 7,812,576 | \$ 6,568,545 |
| Sewer Fund total OPEB liability | 7,765,018 | 6,716,068 | 5,869,369 |
| Total Department | \$ 16,455,027 | \$ 14,528,644 | \$ 12,437,914 |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Water and Sewer Fund's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The total OPEB liability of the Water and Sewer Funds has been calculated using a healthcare cost trend rate of 7.1% decreasing to 4.25%. The following presents the total OPEB liability using a healthcare cost trend rate 1% higher and 1% lower than the current rate:

| | 1% Decrease (6.1% decreasing to 3.25%) | Current Discount Rate (7.1% decreasing to 4.25%) | 1% Increase (8.1% decreasing to 5.25%) |
|---------------------------------|---|---|---|
| Water fund total OPEB liability | \$ 6,777,316 | \$ 7,812,576 | \$ 8,460,579 |
| Sewer fund total OPEB liability | 6,055,919 | 6,716,068 | 7,560,008 |
| Total Department | \$ 12,833,235 | \$ 14,528,644 | \$ 16,020,587 |

12. COMMITMENTS

At April 30, 2019 and 2018, the City had made purchase commitments primarily for additions to utility lines and improvements on behalf of the Water Fund of approximately \$48,044,000 and \$55,863,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

At April 30, 2019 and 2018, the City had made purchase commitments, primarily for additions to plant on behalf of the Sewer Fund of approximately \$182,920,000 and \$171,478,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

13. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is self-insured for workers' compensation and general liability exposures and participates in the City's self-insurance programs. The City has purchased insurance to limit the exposure to \$1,000,000 on workers' compensation claims per occurrence occurring prior to fiscal year 1997, \$500,000 exposure for all claims originating in fiscal year 1997, \$400,000 exposure for all claims originating in fiscal year 1998, \$2,000,000 exposure for all claims originating in fiscal years 2003 through 2007, \$1,000,000 exposure for all claims originating in fiscal years 2008 through 2011, and \$2,000,000 for all claims originating thereafter. The City also purchases an excess liability policy to cover torts, which are not barred by sovereign immunity. The policy has a \$2,800,000 retention and a \$10,000,000 loss limit. Current sovereign tort immunity statutes and law limit general liability and automobile claim exposure to a maximum of \$1,000,000 per person and \$3,000,000 per occurrence. Settled claims have not exceeded the self-insured retention in any of the past three fiscal years.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

13. RISK MANAGEMENT (CONTINUED)

The City also maintains commercial insurance coverage for those areas not covered by the City's self-insurance programs, such as excess general liability, property, cyber and auto. Settled claims have not exceeded commercial insurance coverage for the past three years.

All funds of the City participate in the program and make payments based on estimates of the amounts needed to pay prior and current year claims. The claims liability for the Water and Sewer Funds includes an estimate of claims incurred but not reported (IBNR), which was determined based upon historical claims experience. Activity in the Water and Sewer Fund's claims liability for the years ended April 30, 2019, 2018 and 2017 is summarized as follows:

| | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|
| Water | | | |
| Balance, beginning of the year | \$ 18,600,713 | \$ 16,663,646 | \$ 11,068,501 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 3,993,010 | 9,052,990 | 9,664,009 |
| Claims and expenses paid | (3,830,155) | (7,115,923) | (4,068,864) |
| Balance, end of the year | 18,763,568 | 18,600,713 | 16,663,646 |
| Less current portion | (4,363,637) | (4,189,080) | (4,158,719) |
| Noncurrent portion | \$ 14,399,931 | \$ 14,411,633 | \$ 12,504,927 |
| Sewer | | | |
| Balance, beginning of the year | \$ 7,725,334 | \$ 7,348,785 | \$ 5,772,528 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 6,458,436 | 5,263,103 | 3,648,323 |
| Claims and expenses paid | (4,070,118) | (4,886,554) | (2,072,066) |
| Balance, end of the year | 10,113,652 | 7,725,334 | 7,348,785 |
| Less current portion | (2,371,329) | (1,762,357) | (1,900,183) |
| Noncurrent portion | \$ 7,742,323 | \$ 5,962,977 | \$ 5,448,602 |

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS

KC Water 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; and Level 3 inputs are significant unobservable inputs.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS (CONTINUED)

The City has the following recurring fair value measurements as of April 30, 2019 and 2018:

- U.S. Treasury Bills, U.S. Treasury Notes/Bonds and Federal agencies of approximately \$1,326,283,000 and \$1,331,620,000 as of April 30, 2019 and 2018, 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.

15. NET POSITION

Net investment in capital assets as of April 30, 2019 and 2018 is comprised of the following:

| | April 30, 2019 | | |
|---|-----------------------|-----------------------|-------------------------|
| | Water | Sewer | Total |
| Capital Related Assets | | | |
| Land | \$ 10,320,163 | \$ 14,388,190 | \$ 24,708,353 |
| Construction in progress | 23,969,582 | 42,623,063 | 66,592,645 |
| Buildings | 187,219,962 | -- | 187,219,962 |
| Treatment plant and other facilities | -- | 341,420,574 | 341,420,574 |
| Utility line and improvements | 949,087,443 | 1,158,576,747 | 2,107,664,190 |
| Land improvements | -- | 8,291,529 | 8,291,529 |
| Green infrastructure | -- | 10,756,369 | 10,756,369 |
| Machinery and equipment | 100,658,371 | 162,931,191 | 263,589,562 |
| | <u>1,271,255,521</u> | <u>1,738,987,663</u> | <u>3,010,243,184</u> |
| Less accumulated depreciation | <u>(226,665,041)</u> | <u>(417,481,805)</u> | <u>(644,146,846)</u> |
| Capital assets, net | <u>1,044,590,480</u> | <u>1,321,505,858</u> | <u>2,366,096,338</u> |
| Deferred loss on refunding | <u>1,561,173</u> | <u>1,932,225</u> | <u>3,493,398</u> |
| Less Related Liabilities | | | |
| Current portion, bonds payable | 20,425,000 | 24,019,000 | 44,444,000 |
| Bonds and notes payable, net of premium, discount and unspent proceeds | 342,063,903 | 410,102,229 | 752,166,132 |
| Contracts and retainages payable | <u>2,169,581</u> | <u>5,420,060</u> | <u>7,589,641</u> |
| Total capital related liabilities | <u>364,658,484</u> | <u>439,541,289</u> | <u>804,199,773</u> |
| Net investment in capital assets | <u>\$ 681,493,169</u> | <u>\$ 883,896,794</u> | <u>\$ 1,565,389,963</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

15. NET POSITION (CONTINUED)

| | April 30, 2018 | | |
|---|-----------------------|-----------------------|-------------------------|
| | Water | Sewer | Total |
| Capital Related Assets | | | |
| Land | \$ 4,902,914 | \$ 13,880,395 | \$ 18,783,309 |
| Construction in progress | 23,750,566 | 46,411,414 | 70,161,980 |
| Buildings | 183,061,164 | -- | 183,061,164 |
| Treatment plant and other facilities | -- | 339,497,071 | 339,497,071 |
| Utility line and improvements | 912,195,201 | 1,069,971,069 | 1,982,166,270 |
| Land improvements | -- | 9,929,089 | 9,929,089 |
| Green infrastructure | -- | 8,671,373 | 8,671,373 |
| Machinery and equipment | 99,000,740 | 158,473,765 | 257,474,505 |
| | <u>1,222,910,585</u> | <u>1,646,834,176</u> | <u>2,869,744,761</u> |
| Less accumulated depreciation | <u>(226,717,429)</u> | <u>(401,931,387)</u> | <u>(628,648,816)</u> |
| Capital assets, net | <u>996,193,156</u> | <u>1,244,902,789</u> | <u>2,241,095,945</u> |
| Deferred loss on refunding | <u>1,969,672</u> | <u>1,136,750</u> | <u>3,106,422</u> |
| Less Related Liabilities | | | |
| Current portion, bonds payable | 19,625,000 | 25,236,300 | 44,861,300 |
| Bonds and notes payable, net of premium, discount and unspent proceeds | 328,497,088 | 360,276,132 | 688,773,220 |
| Contracts and retainages payable | <u>2,576,333</u> | <u>5,349,210</u> | <u>7,925,543</u> |
| Total capital related liabilities | <u>350,698,421</u> | <u>390,861,642</u> | <u>741,560,063</u> |
| Net investment in capital assets | <u>\$ 647,464,407</u> | <u>\$ 855,177,897</u> | <u>\$ 1,502,642,304</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

15. NET POSITION (CONTINUED)

Restricted net position as of April 30, 2019 and 2018 is comprised of the following:

| | April 30, 2019 | | |
|---|-----------------------|----------------------|----------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
| Restricted assets | | | |
| Cash and cash equivalents | \$ 1,971,084 | \$ 13,020,348 | \$ 14,991,432 |
| Investments | 84,526,430 | 182,947,409 | 267,473,839 |
| Interest receivable | 489,939 | 1,328,606 | 1,818,545 |
| | <u>86,987,453</u> | <u>197,296,363</u> | <u>284,283,816</u> |
| Less liabilities payable from restricted assets | | | |
| Debt related to unspent bond proceeds | 38,327,098 | 137,809,568 | 176,136,666 |
| Accrued interest and fiscal agent fees | 6,606,177 | 7,462,411 | 14,068,588 |
| Customer deposits | 3,520,583 | -- | 3,520,583 |
| | <u>48,453,858</u> | <u>145,271,979</u> | <u>193,725,837</u> |
| Restricted Net Position | <u>\$ 38,533,595</u> | <u>\$ 52,024,384</u> | <u>\$ 90,557,979</u> |
| | | | |
| | April 30, 2018 | | |
| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
| Restricted assets | | | |
| Cash and cash equivalents | \$ 14,206,586 | \$ 10,896,830 | \$ 25,103,416 |
| Investments | 107,211,728 | 269,948,116 | 377,159,844 |
| Interest receivable | 650,398 | 1,201,013 | 1,851,411 |
| | <u>122,068,712</u> | <u>282,045,959</u> | <u>404,114,671</u> |
| Less liabilities payable from restricted assets | | | |
| Debt related to unspent bond proceeds | 73,245,840 | 217,952,779 | 291,198,619 |
| Accrued interest and fiscal agent fees | 6,935,528 | 7,201,254 | 14,136,782 |
| Customer deposits | 3,053,522 | -- | 3,053,522 |
| | <u>83,234,890</u> | <u>225,154,033</u> | <u>308,388,923</u> |
| Restricted Net Position | <u>\$ 38,833,822</u> | <u>\$ 56,891,926</u> | <u>\$ 95,725,748</u> |

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

16. CITY SEWER OVERFLOW CONTROL PLAN

In 2003, the City Council directed the City Manager to prepare a long range plan to manage wet weather flow in both the separate and combined sewer systems within the city. In response, the Department prepared an Overflow Control Plan (Plan). Creation of the Plan was driven by requirements of the federal Clean Water Act and by policies of the United States Environmental Protection Agency (EPA) and Missouri Department of Natural Resources (MDNR) related to sewer infrastructure. The Plan is structured to prevent as much stormwater as practicable from entering the combined sewer system and separate sewer system to reduce sewer overflows and provide a platform to facilitate implementation of a comprehensive green solutions initiative in the City.

The City's Plan was developed to meet regulatory requirements related to reducing wet-weather overflows from the combined sewer system and preventing overflows from the separate sewer system. The City and its regulatory partners have agreed to meet those objectives over a 25-year time period by completing a planned list of improvements targeted at capturing for treatment 88 percent of combined sewer flows and eliminating sanitary sewer overflows from the separate sanitary system. Individual elements of the City's Overflow Control Program (OCP) became part of an enforceable document on September 27, 2010, with the entry of a Consent Decree in United States District Court for the Western District of Missouri. To date, the City has fulfilled all requirements set forth in the Consent Decree.

Beginning in mid-2013, the Department and its Overflow Control Program team members worked with EPA to modify specific components of the control measure implementation schedule to allow sufficient time for the City to better determine the sizing of any necessary infrastructure investments for control of sewer overflows in the Blue River South Basin prior to initiating construction. EPA approved these changes in November 2014. The modifications also resulted in the strategic advancement of several other projects that are intended to reduce the frequency of overflow events in the combined sewer system and to reduce the amount of excessive inflow and infiltration into the City's separate system.

In November of 2016, the Department and its Overflow Control Program team members submitted a request for a second modification that extended the completion date for six particular projects in order to better sequence construction, capitalize on the timing of other municipal infrastructure projects and to optimize the scope of particular projects to achieve greater public benefits. EPA approved these modifications in November of 2017.

The current estimated capital cost of this control plan is projected to cost approximately \$4.5 billion with estimated inflation at the end of the 25-year timeframe. In addition, there is expected to be a \$72 million increase in annual expenditures for operation and maintenance. It is anticipated that this Plan will be funded primarily from the City's sewer fund, which is separate from the general fund. The City does not anticipate that the City's general fund will be relied upon to assist in the financing of the Plan. As implementation of the Plan continues, specific financing strategies to offset the cost will be evaluated and implemented, which could include appropriation of monies from the City's general fund.

The Overflow Control Program contains some 12 overflow control measure projects to be implemented over the 25 year implementation period. The program is currently on schedule and on budget with Water Services having completed a total of 32 projects and currently implementing 48 projects.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

Debt

On June 18, 2019 the City issued its Sanitary Sewer Improvement Revenue Bonds, Series 2019A (Series 2019A Bonds) in the amount of \$59,735,000.

On July 24, 2019, the City issued its Water Refunding Revenue Bonds, Series 2019A (Series 2019A Bonds) in the amount of \$72,865,000. The Series 2019A Bonds financed the refunding of \$87,735,000 of outstanding Series 2009A Bonds.

FINANCIAL SECTION

Required Supplementary Information (Unaudited)



KC WATER
A Department of the City of Kansas City, Missouri

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF KANSAS CITY, MISSOURI**

Last Ten Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|---------------|---------------|
| Water Fund | | | | |
| Proportion of the net pension liability | 13.15% | 13.07% | 12.54% | 12.54% |
| Proportionate share of the net pension liability | \$ 26,886,735 | \$ 29,029,374 | \$ 30,723,968 | \$ 13,380,125 |
| Covered payroll | \$ 21,917,938 | \$ 21,467,220 | \$ 20,923,378 | \$ 21,020,683 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 122.67% | 135.23% | 146.84% | 63.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.84% | 83.10% | 80.69% | 91.05% |
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Sewer Fund | | | | |
| Proportion of the net pension liability | 11.27% | 11.16% | 10.58% | 10.58% |
| Proportionate share of the net pension liability | \$ 22,882,403 | \$ 24,792,427 | \$ 25,927,891 | \$ 11,291,459 |
| Covered payroll | \$ 18,653,626 | \$ 18,330,082 | \$ 17,653,058 | \$ 17,739,310 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 122.67% | 135.26% | 146.87% | 63.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.84% | 83.10% | 80.69% | 91.05% |

Notes to Schedule:

This schedule is intended to show a ten-year trend. Additional years will be reported as they become available.
This information is presented as of the measurement date for each fiscal year, which is April 30 of the prior year.

KC WATER
A Department of the City of Kansas City, Missouri

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF KANSAS CITY, MISSOURI

Last Ten Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|--------------------|-------------------|
| Water Fund | | | | |
| Contractually required contribution | \$ 3,397,928 | \$ 3,187,882 | \$ 2,889,519 | \$ 3,077,428 |
| Contributions in relation to contractually required contribution | <u>3,422,799</u> | <u>3,206,129</u> | <u>2,972,461</u> | <u>3,082,377</u> |
| Contribution deficiency (excess) | <u>\$ (24,871)</u> | <u>\$ (18,247)</u> | <u>\$ (82,942)</u> | <u>\$ (4,949)</u> |
| Covered payroll | \$ 22,574,265 | \$ 21,932,901 | \$ 20,596,705 | \$ 20,923,378 |
| Contributions as a percentage of covered payroll | 15.16% | 14.62% | 14.44% | 14.73% |
| Sewer Fund | | | | |
| Contractually required contribution | \$ 3,029,020 | \$ 2,722,017 | \$ 2,437,887 | \$ 2,596,426 |
| Contributions in relation to contractually required contribution | <u>3,051,202</u> | <u>2,737,598</u> | <u>2,508,543</u> | <u>2,601,211</u> |
| Contribution deficiency (excess) | <u>\$ (22,182)</u> | <u>\$ (15,581)</u> | <u>\$ (70,656)</u> | <u>\$ (4,785)</u> |
| Covered payroll | \$ 20,123,414 | \$ 18,727,711 | \$ 17,377,443 | \$ 17,653,058 |
| Contributions as a percentage of covered payroll | 15.16% | 14.62% | 14.44% | 14.73% |

Notes to Schedule:

This schedule is intended to show a ten-year trend. Additional years will be reported as they become available. This information is presented as of the Department's most recent fiscal year end. There are no significant changes to benefit assumptions and/ or actuarial methods.

KC WATER
A Department of the City of Kansas City, Missouri

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY

Last Ten Fiscal Years

| | <u>2019</u> |
|---|---------------|
| Water Fund | |
| Proportion of the collective total OPEB liability | 7.12% |
| Proportionate share of the collective total OPEB liability | \$ 7,812,575 |
| Covered employee-payroll | \$ 17,976,473 |
| Proportionate share of the total OPEB liability as a percentage of covered-employee payroll | 43.46% |
| | <u>2019</u> |
| Sewer Fund | |
| Proportion of the OPEB liability | 6.36% |
| Proportionate share of the OPEB liability | \$ 6,716,068 |
| Covered employee-payroll | \$ 15,453,447 |
| Proportionate share of the total OPEB liability as a percentage of covered-employee payroll | 43.46% |

Notes to Schedule:

This schedule is intended to show a ten-year trend. Additional years will be reported as they become available. There are no assets accumulated in a trust for future benefit payments. This information is presented as of the measurement date for each fiscal year, which is April 30 of the prior year.

FINANCIAL SECTION

Supplementary Information



KC WATER
A Department of the City of Kansas City, Missouri

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - SEWER FUND**

Year Ended April 30, 2019

| | <u>Wastewater</u> | <u>Stormwater</u> | <u>Total</u> |
|--|-------------------------|-----------------------|-------------------------|
| OPERATING REVENUES | | | |
| Residential and commercial sales | \$ 188,155,694 | \$ 13,262,845 | \$ 201,418,539 |
| Intermunicipal sewer charges | 43,408,413 | -- | 43,408,413 |
| Other operating revenue | 6,577,443 | 506,216 | 7,083,659 |
| | <u>238,141,550</u> | <u>13,769,061</u> | <u>251,910,611</u> |
| OPERATING EXPENSES | | | |
| Sewage treatment and pumping | 30,962,476 | 89,521 | 31,051,997 |
| Sewer maintenance | 31,583,667 | 7,921,497 | 39,505,164 |
| Industrial and household waste control | 1,593,859 | -- | 1,593,859 |
| Administrative and general | 39,174,338 | 5,492,782 | 44,667,120 |
| Depreciation and amortization | 30,754,145 | 6,959,789 | 37,713,934 |
| | <u>134,068,485</u> | <u>20,463,589</u> | <u>154,532,074</u> |
| Total operating expenses | | | |
| Operating income | <u>104,073,065</u> | <u>(6,694,528)</u> | <u>97,378,537</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 15,265,057 | 344,206 | 15,609,263 |
| Interest expense and fiscal agent fees | (19,818,256) | (36,739) | (19,854,995) |
| Other | (67,080) | (6,655) | (73,735) |
| | <u>(4,620,279)</u> | <u>300,812</u> | <u>(4,319,467)</u> |
| Total nonoperating revenues (expenses) | | | |
| Excess of revenues over expenses before capital contributions and transfers | 99,452,786 | (6,393,716) | 93,059,070 |
| Capital contributions | 2,808,102 | 4,785,128 | 7,593,230 |
| Payment-in-lieu of taxes | (3,606,848) | -- | (3,606,848) |
| | <u>98,654,040</u> | <u>(1,608,588)</u> | <u>97,045,452</u> |
| Increase in net position | | | |
| Net position, beginning of year as previously reported | 921,507,278 | 187,224,983 | 1,108,732,261 |
| Prior period adjustment for change in accounting principle | <u>(1,439,710)</u> | <u>(401,451)</u> | <u>(1,841,161)</u> |
| Net position, beginning of year, restated | 920,067,568 | 186,823,532 | 1,106,891,100 |
| Net position, end of year | <u>\$ 1,018,721,608</u> | <u>\$ 185,214,944</u> | <u>\$ 1,203,936,552</u> |

STATISTICAL SECTION

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



KC WATER
A Department of the City of Kansas City, Missouri

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 Department's overall financial health.

| | <u>Page</u> |
|---|-------------|
| Financial Trends | 69 |
| These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time. | |
| Revenue Capacity | 72 |
| These schedules contain information to help the reader assess the Department's most significant local revenue source. | |
| Debt Capacity | 78 |
| These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 83 |
| These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities takes place. | |
| Operating Information | 85 |
| 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. | |

STATISTICAL SECTION

Financial Trends



KC WATER
A Department of the City of Kansas City, Missouri
Net Position by Category
Last Ten Fiscal Years

| Water Fund | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net investment in capital assets | \$ 438,188,214 | \$ 455,704,677 | \$ 470,155,178 | \$ 488,842,664 | \$ 513,054,370 | \$ 552,399,594 | \$ 593,543,635 | \$ 614,223,737 | \$ 647,464,407 | \$ 681,493,169 |
| Restricted - expendable | 12,703,629 | 11,382,337 | 10,008,982 | 13,199,410 | 26,454,618 | 24,439,399 | 37,103,229 | 38,260,756 | 38,833,822 | 38,533,595 |
| Unrestricted | 15,160,220 | 35,888,149 | 57,021,378 | 83,331,615 | 83,631,558 | 99,975,615 | 94,221,747 | 122,721,652 | 137,090,444 | 155,687,131 |
| Total net position | 466,052,063 | 502,975,163 | 537,185,538 | 585,373,689 | 623,140,546 | 676,814,608 | 724,868,611 | 775,206,145 | 823,388,673 | 875,713,895 |
| Sewer Fund | | | | | | | | | | |
| Net investment in capital assets | 591,072,327 | 608,273,541 | 629,443,591 | 651,557,999 | 693,704,508 | 733,946,847 | 760,587,456 | 811,627,922 | 855,177,897 | 883,896,794 |
| Restricted - expendable | 7,377,826 | 7,465,340 | 7,815,116 | 11,664,261 | 22,724,620 | 31,483,449 | 55,523,858 | 55,405,867 | 56,891,926 | 52,024,384 |
| Unrestricted | 29,102,652 | 53,640,792 | 73,415,975 | 87,048,093 | 113,228,784 | 140,969,348 | 151,260,389 | 177,299,923 | 196,662,438 | 268,015,374 |
| Total net position | 627,552,805 | 669,379,673 | 710,674,682 | 750,270,353 | 829,657,912 | 906,399,644 | 967,371,703 | 1,044,333,712 | 1,108,732,261 | 1,203,936,552 |
| Total Department | | | | | | | | | | |
| Net investment in capital assets | 1,029,260,541 | 1,063,978,218 | 1,099,598,769 | 1,140,400,663 | 1,206,758,878 | 1,286,346,441 | 1,354,131,091 | 1,425,851,659 | 1,502,642,304 | 1,565,389,963 |
| Restricted - expendable | 20,081,455 | 18,847,677 | 17,824,098 | 24,863,671 | 49,179,238 | 55,922,848 | 92,627,087 | 93,666,623 | 95,725,748 | 90,557,979 |
| Unrestricted | 44,262,872 | 89,528,941 | 130,437,353 | 170,379,708 | 196,860,342 | 240,944,963 | 245,482,136 | 300,021,575 | 333,752,882 | 423,702,505 |
| Total net position | 1,093,604,868 | 1,172,354,836 | 1,247,860,220 | 1,335,644,042 | 1,452,798,458 | 1,583,214,252 | 1,692,240,314 | 1,819,539,857 | 1,932,120,934 | 2,079,650,447 |

Source: Comprehensive Annual Financial Report for 2018 and 2019 and historical audited financials for remaining years

Note: The Water and Sewer Funds adopted GASB 65 starting in 2013. Previous years have not been restated for the adoption of GASB 65.

Note: The Water and Sewer Funds adopted GASB 68 starting in 2016. Previous years have not been restated for the adoption of GASB 68.

KC WATER
A Department of the City of Kansas City, Missouri
Changes in Net Position - Water Fund
Last Ten Fiscal Years

| | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Revenues | | | | | | | | | | |
| Water sales | \$ 79,402,865 | \$ 104,809,250 | \$ 113,795,787 | \$ 139,044,243 | \$ 136,645,032 | \$ 141,805,902 | \$ 145,387,719 | \$ 153,502,388 | \$ 156,118,392 | \$ 158,860,825 |
| Other water revenue | 3,051,231 | 3,043,482 | 4,425,641 | 4,128,038 | 3,132,691 | 3,363,610 | 3,638,548 | 4,995,566 | 4,011,261 | 5,015,315 |
| Income from jobbing and contract work and miscellaneous revenues | 5,729,988 | 7,355,893 | 7,026,768 | 6,470,794 | 4,459,597 | 5,133,697 | 6,183,139 | 6,859,793 | 7,084,210 | 7,069,352 |
| Total operating revenues | 88,184,084 | 115,208,625 | 125,248,196 | 149,643,075 | 144,237,320 | 150,303,209 | 155,209,406 | 165,357,747 | 167,213,863 | 170,945,492 |
| Operating Expenses | | | | | | | | | | |
| Power and pumping | 4,540,886 | 4,955,130 | 4,844,668 | 5,391,806 | 4,924,274 | 4,958,291 | 5,287,722 | 5,900,861 | 5,953,828 | 5,991,337 |
| General and electrical maintenance | 2,517,212 | 2,541,658 | 4,034,162 | 4,347,317 | 4,758,471 | 4,733,179 | 4,676,138 | 6,151,741 | 6,827,393 | 6,052,038 |
| Purification | 11,549,618 | 11,892,058 | 11,020,685 | 12,245,660 | 12,159,176 | 12,141,165 | 13,081,316 | 13,185,929 | 14,156,235 | 13,888,584 |
| Laboratory services | 2,433,467 | 2,477,521 | 2,470,682 | 2,471,376 | 2,593,992 | 2,688,627 | 2,641,992 | 2,906,656 | 2,914,501 | 2,782,649 |
| Transmission and distribution | 13,303,041 | 11,488,867 | 21,122,053 | 23,062,262 | 20,756,589 | 16,869,006 | 17,818,781 | 19,436,953 | 18,678,483 | 22,389,216 |
| Customer service | 7,040,500 | 7,295,986 | 7,236,663 | 7,851,497 | 8,229,725 | 9,122,385 | 7,768,625 | 8,263,111 | 7,087,348 | 7,095,014 |
| Mechanical maintenance | 2,634,981 | 2,754,732 | 2,751,426 | 2,929,851 | 2,928,413 | 2,680,090 | 2,151,887 | 2,305,651 | 2,205,877 | 1,986,562 |
| Customer accounting and collection | 4,258,158 | 4,963,537 | 5,184,265 | 5,650,757 | 9,215,812 | 10,558,460 | 6,983,041 | 6,658,713 | 7,597,356 | 8,102,814 |
| Administrative and general | 14,477,547 | 16,123,070 | 14,585,368 | 14,748,958 | 19,056,962 | 16,352,602 | 16,090,363 | 22,639,576 | 23,460,691 | 20,261,798 |
| Depreciation and amortization | 10,260,837 | 10,708,385 | 13,793,442 | 14,375,320 | 15,024,352 | 15,616,130 | 17,222,379 | 18,893,810 | 21,354,867 | 22,565,048 |
| Total operating expenses | 73,016,247 | 75,200,944 | 87,043,414 | 93,074,804 | 99,647,766 | 95,719,935 | 93,722,244 | 106,343,001 | 110,236,579 | 111,115,060 |
| Operating Income | 15,167,837 | 40,007,681 | 38,204,782 | 56,568,271 | 44,589,554 | 54,583,274 | 61,487,162 | 59,014,746 | 56,977,284 | 59,830,432 |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| Interest income | 2,555,115 | 1,625,220 | 1,457,756 | 977,115 | 632,555 | 1,851,862 | 1,516,951 | 1,238,646 | 1,265,617 | 8,537,682 |
| Interest expense and fiscal agent fees | (7,208,735) | (9,103,896) | (9,774,619) | (9,772,564) | (9,586,155) | (11,600,786) | (9,554,013) | (12,005,062) | (12,984,672) | (15,338,719) |
| Other | (7,600) | (214,237) | (192,146) | (472,629) | (7,312) | 78,478 | (113,555) | (3,961) | 53,426 | (156,198) |
| Total nonoperating revenues (expenses) | (4,661,220) | (7,692,913) | (8,509,009) | (9,268,078) | (8,960,912) | (9,670,446) | (8,150,617) | (10,770,377) | (11,665,629) | (6,957,235) |
| Excess of Revenues Over Expenses Before Capital Contributions | 10,506,617 | 32,314,768 | 29,695,773 | 47,300,193 | 35,628,642 | 44,912,828 | 53,336,545 | 48,244,369 | 45,311,655 | 52,873,197 |
| Capital Contributions | 7,858,986 | 4,608,332 | 4,514,602 | 2,617,234 | 2,138,215 | 8,761,234 | 3,188,326 | 3,465,581 | 4,764,615 | 4,306,335 |
| Payment-in-lieu of taxes | - | (1,372,416) | (1,893,742) | (2,793,824) |
| Increase in Net Position | \$ 18,365,603 | \$ 36,923,100 | \$ 34,210,375 | \$ 49,917,427 | \$ 37,766,857 | \$ 53,674,062 | \$ 56,524,871 | \$ 50,337,534 | \$ 48,182,528 | \$ 54,385,708 |

Source: Comprehensive Annual Financial Report for 2018 and 2019 and historical audited financials for remaining years

KC WATER
A Department of the City of Kansas City, Missouri
Changes in Net Position - Sewer Fund
Last Ten Fiscal Years

| | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Revenues | | | | | | | | | | |
| Retail sewer charges | \$ 52,411,606 | \$ 70,226,412 | \$ 76,448,889 | \$ 93,951,330 | \$ 106,689,690 | \$ 119,719,601 | \$ 138,557,694 | \$ 158,353,571 | \$ 172,044,086 | \$ 188,155,693 |
| Intermunicipal sewer charges | 21,707,817 | 23,123,947 | 23,925,569 | 24,508,149 | 28,047,478 | 32,700,685 | 37,242,952 | 33,687,701 | 33,517,836 | 43,408,413 |
| Stormwater fees | 11,647,996 | 10,380,081 | 11,306,712 | 12,648,966 | 12,866,145 | 12,980,291 | 13,014,456 | 12,741,452 | 13,434,164 | 13,262,846 |
| Other operating revenues | 6,149,271 | 5,636,666 | 4,650,554 | 3,873,393 | 3,647,080 | 4,093,029 | 4,792,703 | 5,114,883 | 6,463,802 | 7,083,659 |
| Total operating revenues | <u>91,916,690</u> | <u>109,367,106</u> | <u>116,331,724</u> | <u>134,981,838</u> | <u>151,250,393</u> | <u>169,493,606</u> | <u>193,607,805</u> | <u>209,897,607</u> | <u>225,459,888</u> | <u>251,910,611</u> |
| Operating Expenses | | | | | | | | | | |
| Sewerage treatment and pumping | 19,572,886 | 20,448,799 | 21,568,513 | 21,530,125 | 22,025,549 | 24,479,377 | 30,673,879 | 29,345,704 | 35,705,684 | 31,051,997 |
| Sewer maintenance | 23,275,663 | 19,492,673 | 23,594,922 | 25,169,485 | 26,767,154 | 30,295,934 | 30,082,417 | 30,899,733 | 36,805,512 | 39,505,164 |
| Administrative and general | 18,255,432 | 17,963,877 | 17,401,764 | 22,351,473 | 23,205,978 | 27,192,886 | 32,340,109 | 39,753,428 | 50,906,139 | 44,667,120 |
| Industrial and household hazardous waste control | 2,214,016 | 1,422,844 | 1,268,901 | 1,318,222 | 1,277,181 | 1,322,689 | 1,339,268 | 1,409,208 | 1,470,939 | 1,593,859 |
| Depreciation and amortization | 18,295,727 | 21,821,399 | 22,376,178 | 22,450,445 | 23,947,433 | 26,491,741 | 28,558,919 | 30,134,434 | 33,656,813 | 37,713,934 |
| Total operating expenses | <u>81,613,724</u> | <u>81,149,592</u> | <u>86,210,278</u> | <u>92,819,750</u> | <u>97,223,295</u> | <u>109,782,627</u> | <u>122,994,592</u> | <u>131,542,507</u> | <u>158,545,087</u> | <u>154,532,074</u> |
| Operating Income | <u>10,302,966</u> | <u>28,217,514</u> | <u>30,121,446</u> | <u>42,162,088</u> | <u>54,027,098</u> | <u>59,710,979</u> | <u>70,613,213</u> | <u>78,355,100</u> | <u>66,914,801</u> | <u>97,378,537</u> |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| Interest income | 3,123,824 | 2,407,523 | 2,916,533 | 1,803,044 | 1,073,477 | 2,612,752 | 2,052,642 | 2,166,678 | 1,455,586 | 15,609,263 |
| Interest expense and fiscal agent fees | (4,562,766) | (5,427,078) | (6,077,376) | (6,463,942) | (6,813,348) | (7,760,680) | (10,797,250) | (9,459,096) | (12,347,984) | (19,854,995) |
| Other | 12,826 | (596,737) | 4,389 | (722,436) | 244,250 | (38,763) | (28,187) | (59,551) | 29,550 | (73,735) |
| Total nonoperating revenues (expenses) | <u>(1,426,116)</u> | <u>(3,616,292)</u> | <u>(3,156,454)</u> | <u>(5,383,334)</u> | <u>(5,495,621)</u> | <u>(5,186,691)</u> | <u>(8,772,795)</u> | <u>(7,351,969)</u> | <u>(10,862,848)</u> | <u>(4,319,467)</u> |
| Excess of Revenues Over Expenses Before Capital Contributions | 8,876,850 | 24,601,222 | 26,964,992 | 36,778,754 | 48,531,477 | 54,524,288 | 61,840,418 | 71,003,131 | 56,051,953 | 93,059,070 |
| Capital Contributions | 18,097,959 | 17,225,646 | 14,330,017 | 5,693,415 | 30,856,082 | 22,217,444 | 6,716,328 | 7,547,696 | 10,849,031 | 7,593,230 |
| Payment-in-lieu of taxes | - | - | - | - | - | - | - | (1,588,818) | (2,502,435) | (3,606,848) |
| Increase in Net Position | <u>\$ 26,974,809</u> | <u>\$ 41,826,868</u> | <u>\$ 41,295,009</u> | <u>\$ 42,472,169</u> | <u>\$ 79,387,559</u> | <u>\$ 76,741,732</u> | <u>\$ 68,556,746</u> | <u>\$ 76,962,009</u> | <u>\$ 64,398,549</u> | <u>\$ 97,045,452</u> |

Source: Comprehensive Annual Financial Report for 2018 and 2019 and historical audited financials for remaining years

Retail sewer charges and stormwater revenues are combined within the Statement of Revenues, Expenses and Changes in Net Position

STATISTICAL SECTION

Revenue Capacity



KC WATER
A Department of the City of Kansas City, Missouri
Residential Water Service Rates
Last Ten Fiscal Years

| | Water Rates | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
| Residential Rates | | | | | | | | | | |
| Service Charges - Meter size (inches) | Monthly |
| 5/8 | 10.35 | 11.40 | 10.85 | 10.85 | 11.90 | 13.09 | 13.50 | 13.90 | 13.90 | 14.10 |
| 3/4 | 10.95 | 12.05 | 11.70 | 11.70 | 12.80 | 14.08 | 14.50 | 14.95 | 14.95 | 15.20 |
| 1 | 13.80 | 15.20 | 14.25 | 14.30 | 15.65 | 17.22 | 17.75 | 18.30 | 18.30 | 18.60 |
| 1 1/2 | 20.70 | 22.80 | 17.70 | 17.80 | 19.50 | 21.45 | 22.10 | 22.08 | 22.08 | 22.40 |
| 2 | 27.00 | 29.70 | 27.00 | 27.40 | 30.00 | 33.00 | 34.00 | 35.00 | 35.00 | 35.50 |
| 3 | 57.50 | 63.50 | 86.50 | 93.50 | 102.50 | 112.75 | 116.00 | 119.50 | 119.50 | 121.50 |
| 4 | 72.50 | 80.00 | 108.50 | 118.00 | 129.00 | 141.90 | 146.00 | 150.50 | 150.50 | 153.00 |
| 6 | 106.50 | 117.00 | 161.50 | 176.00 | 192.00 | 211.20 | 217.50 | 224.00 | 224.00 | 227.50 |
| 8 | 163.00 | 179.00 | 246.00 | 254.00 | 278.00 | 305.80 | 315.00 | 324.00 | 324.00 | 329.00 |
| 10 | 224.00 | 246.00 | 322.00 | 333.00 | 365.00 | 401.50 | 414.00 | 426.00 | 426.00 | 433.00 |
| 12 | 261.00 | 287.00 | 380.00 | 393.00 | 430.00 | 473.00 | 487.00 | 502.00 | 502.00 | 510.00 |
| Ordinary Commodity Charge | per 100 CCF |
| First 600 cubic feet | 2.39 | 2.70 | 3.18 | 3.67 | 4.02 | 4.45 | 4.60 | 4.60 | 4.63 | 4.70 |
| Next 4,400 cubic feet | 2.65 | 3.00 | 3.58 | 4.08 | 4.50 | 4.75 | 4.85 | 5.09 | 5.14 | 5.22 |
| Next 995,000 cubic feet | 2.25 | 2.45 | 2.71 | 3.19 | 3.65 | 4.00 | 4.10 | 4.29 | 4.40 | 4.47 |
| Over 1,000,000 cubic feet | 1.61 | 1.75 | 2.04 | 2.25 | 2.50 | 2.75 | 2.90 | 3.03 | 3.05 | 3.10 |
| Seasonal off-peak commodity charges | 1.61 | 1.75 | 2.04 | 2.34 | 2.48 | 2.65 | 2.80 | 2.93 | 2.95 | 2.95 |
| Fire Protection - Size of Connection | Annually |
| 4 inch or less | 76.00 | 87.00 | 87.00 | 91.00 | 100.00 | 107.00 | 110.00 | 116.00 | 116.00 | 116.00 |
| 6 inch | 185.00 | 211.00 | 217.00 | 268.00 | 293.00 | 315.00 | 323.00 | 341.00 | 341.00 | 341.00 |
| 8 inch | 350.00 | 399.00 | 435.00 | 572.00 | 625.00 | 670.00 | 688.00 | 726.00 | 726.00 | 726.00 |
| 10 inch | 572.00 | 652.00 | 745.00 | 1028.00 | 1123.00 | 1205.00 | 1237.00 | 1306.00 | 1306.00 | 1306.00 |
| 12 inch | 857.00 | 977.00 | 1159.00 | 1662.00 | 1815.00 | 1948.00 | 2000.00 | 2110.00 | 2110.00 | 2110.00 |
| 16 inch | 1618.00 | 1845.00 | 2326.00 | 3541.00 | 3868.00 | 4150.00 | 4261.00 | 4496.00 | 4496.00 | 4496.00 |

Source: Annual Schedule of Water & Sanitary Sewer Rates, Stormwater fees, Meter Readings, Billing Practices and Bill Payment Guarantee's

KC WATER
A Department of the City of Kansas City, Missouri
Suburban Water Service Rates
Last Ten Fiscal Years

| Water Rates | Water Rates | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
| Suburban Rate | | | | | | | | | | |
| Service Charges - Meter size (inches) | Monthly |
| 5/8 | 11.50 | 12.65 | 12.10 | 12.10 | 13.25 | 14.25 | 14.70 | 15.15 | 15.15 | 15.40 |
| 3/4 | 12.10 | 13.30 | 13.05 | 13.05 | 14.30 | 15.35 | 15.80 | 16.25 | 16.25 | 16.50 |
| 1 | 14.40 | 15.85 | 15.95 | 15.95 | 17.45 | 18.75 | 19.30 | 19.90 | 19.90 | 20.20 |
| 1 1/2 | 21.30 | 23.40 | 19.80 | 19.80 | 21.70 | 23.30 | 24.00 | 24.70 | 24.70 | 25.10 |
| 2 | 27.60 | 30.40 | 30.40 | 30.40 | 33.30 | 35.80 | 36.90 | 38.00 | 38.00 | 38.60 |
| 3 | 60.50 | 66.50 | 90.50 | 96.00 | 105.00 | 113.00 | 116.50 | 120.00 | 120.00 | 122.00 |
| 4 | 76.00 | 83.50 | 114.00 | 121.50 | 133.50 | 143.50 | 148.00 | 152.50 | 152.50 | 155.00 |
| 6 | 111.50 | 122.50 | 169.50 | 181.00 | 198.00 | 213.00 | 219.50 | 226.00 | 226.00 | 229.50 |
| 8 | 166.00 | 183.00 | 254.00 | 260.00 | 285.00 | 306.00 | 315.00 | 324.00 | 324.00 | 329.00 |
| 10 | 231.00 | 254.00 | 348.00 | 348.00 | 381.00 | 410.00 | 422.00 | 435.00 | 435.00 | 442.00 |
| 12 | 270.00 | 297.00 | 408.00 | 409.00 | 448.00 | 482.00 | 496.00 | 511.00 | 511.00 | 519.00 |
| Retail Commodity Charge | per 100 CCF |
| First 600 cubic feet | 2.52 | 2.84 | - | - | 3.74 | - | - | - | - | - |
| Next 4,400 cubic feet | 2.80 | 3.15 | - | - | 4.15 | - | - | - | - | - |
| First 5,000 cubic feet | - | - | 3.25 | 3.45 | - | 4.45 | 4.90 | 5.00 | 5.05 | 5.05 |
| Over 5,000 cubic feet | 2.25 | 2.45 | 2.76 | 3.07 | 3.25 | 3.50 | 3.90 | 3.98 | 4.05 | 4.05 |
| Wholesale Customers | per 100 CCF |
| Unrestricted | 1.59 | 1.67 | 1.74 | 1.95 | 2.00 | 2.10 | 2.17 | 2.26 | 2.28 | 2.32 |
| Restricted | 1.54 | 1.62 | 1.69 | 1.89 | 1.94 | 2.04 | 2.10 | 2.18 | 2.20 | 2.24 |
| Repumping Charge | per 100 CCF |
| 1st repumping charge | 0.13 | 0.15 | 0.16 | 0.18 | 0.18 | 0.19 | 0.19 | 0.20 | 0.20 | 0.20 |
| 2nd repumping charge | 0.23 | 0.23 | 0.23 | 0.25 | 0.25 | 0.26 | 0.26 | 0.27 | 0.27 | 0.28 |

Source: Annual Schedule of Water & Sanitary Sewer Rates, Stormwater fees, Meter Readings, Billing Practices and Bill Payment Guarantees.

KC WATER
A Department of the City of Kansas City, Missouri
Sewer and Stormwater Service Rates
Last Ten Fiscal Years

| | Sewer and Stormwater Rates | | | | | | | | | |
|---|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
| <u>Residential Rates</u> | | | | | | | | | | |
| Service Charges | | | | | | | | | | |
| Sanitary sewer - monthly | 8.60 | 9.90 | 9.90 | 11.55 | 12.20 | 15.10 | 17.05 | 18.05 | 19.30 | 21.30 |
| Volume charge - per 100 CCF | 2.28 | 2.62 | 3.16 | 3.82 | 4.54 | 5.25 | 6.05 | 7.18 | 7.84 | 8.60 |
| Residential accounts | 17.13 | 19.70 | 23.70 | 28.65 | 34.05 | 37.00 | 39.75 | 41.00 | 47.04 | 51.60 |
| Commercial and Industrial discharges | | | | | | | | | | |
| Biochemical oxygen demand (per pound of excess BOD) | 0.225 | 0.259 | 0.297 | 0.297 | 0.303 | 0.320 | 0.320 | 0.320 | 0.350 | 0.364 |
| Suspended solids (per pound of excess SS) | 0.137 | 0.158 | 0.181 | 0.181 | 0.181 | 0.190 | 0.190 | 0.190 | 0.190 | 0.190 |
| Oil and grease (per pound of excess O&G) | 0.099 | 0.114 | 0.131 | 0.131 | 0.131 | 0.140 | 0.140 | 0.140 | 0.140 | 0.160 |
| <u>Nonresidential Users</u> | | | | | | | | | | |
| Metered connections - per 100 CCF | 1.55 | 1.78 | 2.01 | 2.01 | 2.50 | 2.80 | 2.92 | 3.00 | 3.15 | 3.48 |
| Metered connections directly to treatment plant - per 100 CCF | - | - | - | 2.13 | 2.13 | - | - | - | - | - |
| Service charges - monthly | 8.60 | 9.90 | 9.90 | 9.90 | 9.90 | 11.15 | 12.40 | 12.50 | 11.50 | 13.60 |
| Unmetered connections per 100 CCF | 2.14 | 2.46 | 2.79 | 2.79 | 3.21 | 3.55 | 3.70 | 3.85 | 4.53 | 4.69 |
| Unmetered connections - no consumption data | 21.90 | 25.20 | 28.55 | 30.26 | 34.50 | 37.00 | 39.75 | 41.00 | 45.00 | 46.95 |
| Customers billed directly by KC Water: | | | | | | | | | | |
| Service charges - monthly | 10.50 | 12.30 | 13.50 | 17.84 | 17.84 | 20.50 | 24.10 | 25.55 | 26.20 | 30.00 |
| Volume charges | 2.51 | 2.94 | 3.38 | 5.56 | 6.35 | 7.10 | 8.00 | 9.35 | 10.90 | 11.90 |
| High concentration discharges | | | | | | | | | | |
| Biochemical oxygen demand (per pound of excess BOD) | 0.255 | 0.293 | 0.335 | 0.341 | 0.382 | 0.400 | 0.400 | 0.400 | 0.400 | 0.446 |
| Suspended solids (per pound of excess SS) | 0.456 | 0.790 | 0.205 | 0.205 | 0.205 | 0.215 | 0.215 | 0.215 | 0.220 | 0.220 |
| Oil and grease (per pound of excess O&G) | 0.101 | 0.116 | 0.133 | 0.133 | 0.133 | 0.141 | 0.141 | 0.141 | 0.150 | 0.183 |
| <u>Stormwater Rates</u> | | | | | | | | | | |
| Stormwater fee amount | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. | 500 sq. ft. |
| | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |

Source: Annual Schedule of: Water & Sanitary Sewer Service Rates, Stormwater Fees, Meter Readings, Billing Practices and Bill Payment Guarantees

KC WATER
A Department of the City of Kansas City, Missouri
Revenues Base and Revenues by Customer Class
Last Ten Fiscal Years

| | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Water Revenues | | | | | | | | | | |
| Water sales | \$ 68,196,915 | \$ 91,072,250 | \$ 97,503,707 | \$ 118,403,327 | \$ 118,795,707 | \$ 124,494,777 | \$ 128,315,706 | \$ 135,664,964 | \$ 136,752,620 | \$ 139,504,364 |
| Wholesale water sales | 11,205,949 | 13,737,000 | 16,292,080 | 20,640,916 | 17,849,325 | 17,311,125 | 17,072,013 | 17,837,424 | 19,365,772 | 19,356,461 |
| Other water revenues | 5,729,988 | 7,355,893 | 7,026,768 | 6,470,794 | 4,459,597 | 5,133,697 | 6,183,139 | 4,995,566 | 4,011,262 | 5,015,315 |
| Income from jobbing and contract work and miscellaneous revenues | - | - | - | - | - | - | - | - | - | - |
| | 3,051,231 | 3,043,482 | 4,425,641 | 4,128,038 | 3,132,691 | 3,363,610 | 3,638,548 | 6,859,793 | 7,084,205 | 7,069,352 |
| Total operating revenues | \$ 88,184,083 | \$ 115,208,625 | \$ 125,248,196 | \$ 149,643,075 | \$ 144,237,320 | \$ 150,303,209 | \$ 155,209,406 | \$ 165,357,747 | \$ 167,213,859 | \$ 170,945,492 |
| Water Customer Served (Res. & Comm.) | 158,826 | 159,000 | 163,608 | 167,608 | 167,912 | 151,073 | 170,094 | 171,094 | 172,248 | 173,075 |
| Average Revenue Per Customer (Res. & Comm.) | \$ 429.38 | \$ 572.78 | \$ 595.96 | \$ 706.43 | \$ 707.49 | \$ 824.07 | \$ 754.38 | \$ 792.93 | \$ 793.93 | \$ 806.03 |
| Water Consumption (millions of gallons) | 31,359 | 34,367 | 38,780 | 40,945 | 38,920 | 31,616 | 31,336 | 31,792 | 31,011 | 31,921 |
| Sewer and Stormwater Revenues | | | | | | | | | | |
| Retail sewer charges | \$ 52,411,606 | \$ 70,226,412 | \$ 76,448,889 | \$ 93,951,330 | \$ 106,689,690 | \$ 119,719,601 | \$ 138,557,694 | \$ 158,353,580 | \$ 172,044,093 | \$ 188,155,692 |
| Intermunicipal sewer charges | 21,707,817 | 23,123,947 | 23,925,569 | 24,508,149 | 28,047,478 | 32,700,685 | 37,242,952 | 33,687,703 | 33,517,837 | 43,408,413 |
| Stormwater fees | 11,647,996 | 10,380,081 | 11,306,712 | 12,648,966 | 12,866,145 | 12,980,291 | 13,014,456 | 12,741,452 | 13,434,164 | 13,262,846 |
| Other operating revenues | 6,149,271 | 5,636,666 | 4,650,554 | 3,873,393 | 3,647,080 | 4,093,029 | 4,792,703 | 5,114,883 | 6,463,802 | 7,083,659 |
| Total operating revenues | 91,916,690 | 109,367,106 | 116,331,724 | 134,981,838 | 151,250,393 | 169,493,606 | 193,607,805 | 209,897,618 | 225,459,897 | 251,910,611 |
| Total utility operating revenues | \$ 180,100,773 | \$ 224,575,731 | \$ 241,579,920 | \$ 284,624,913 | \$ 295,487,713 | \$ 319,796,815 | \$ 348,817,211 | \$ 375,255,365 | \$ 392,673,756 | \$ 422,856,103 |
| Sewer Customer Served (Res. & Comm.) | 152,700 | 153,445 | 158,482 | 162,485 | 163,464 | 164,060 | 164,609 | 165,163 | 166,267 | 167,068 |
| Average Revenue Per Customer (Res. & Comm.) | \$ 343.23 | \$ 457.67 | \$ 482.38 | \$ 578.22 | \$ 652.68 | \$ 729.73 | \$ 841.74 | \$ 958.77 | \$ 1,034.75 | \$ 1,126.22 |
| Average daily sewage treatment (millions of gallons) | 117 | 117 | 103 | 91 | 72 | 93 | 111 | 96 | 72 | 114 |

Source: Comprehensive Annual Financial Report for 2018 and historical audited financials for remaining years.

The source for the revenue base and customers served is from the Performance Management division records within KC Water.

KC WATER
A Department of the City of Kansas City, Missouri
Largest Users of the System - Water Fund
Last Ten Fiscal Years

| User | Type of Business | FYE 2010 | | FYE 2011 | | FYE 2012 | | FYE 2013 | | FYE 2014 | |
|------------------------------------|------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|
| | | Rank | Consumption (100 cubic ft.) |
| City of Lee's Summit | Wholesale Water | 3 | 754,852 | 3 | 903,288 | 1 | 1,390,387 | 1 | 1,390,387 | 1 | 1,337,990 |
| Jackson County PWSD No. 1 | Wholesale Water | 1 | 1,105,095 | 1 | 1,242,452 | 2 | 1,241,662 | 2 | 1,241,662 | 2 | 1,165,515 |
| City of Belton | Wholesale Water | 2 | 826,540 | 2 | 936,325 | 3 | 960,495 | 3 | 960,495 | 3 | 892,774 |
| City of Raymore | Wholesale Water | 4 | 600,968 | 4 | 685,295 | 5 | 593,028 | 5 | 593,028 | 5 | 681,226 |
| City of Blue Springs | Wholesale Water | 7 | 322,358 | 5 | 655,340 | 4 | 902,400 | 4 | 902,400 | 4 | 775,864 |
| Raytown Water Company | Wholesale Water | 5 | 552,155 | 6 | 575,210 | 7 | 465,216 | 7 | 465,216 | 6 | 536,878 |
| KCP&L | Utility | | | | | | | | | 8 | 504,550 |
| Ford Motor Co. | Commercial | | | | | | | | | 10 | 347,806 |
| Public Water Dist No. 2 - Cass Co. | Wholesale Water | 8 | 309,804 | | | 10 | 285,266 | 10 | 285,266 | | |
| City of Platte City | Wholesale Water | 9 | 297,185 | 10 | 298,040 | 9 | 330,140 | 9 | 330,140 | | |
| Veolia - Kansas City | Utility | | | 7 | 368,803 | 8 | 403,892 | 8 | 403,892 | 7 | 525,638 |
| Bayer Crop Science | Commercial | | | | | | | | | 9 | 389,998 |
| Dogwood Energy Facility | Utility | 10 | 204,323 | 7 | 313,248 | | | | | | |
| Pollution Control Department | Utility | | | | | 6 | 473,051 | 6 | 473,051 | | |
| Jackson County PWSD No. 2 | Wholesale Water | | | 8 | 311,712 | | | | | 10 | 354,444 |
| Trigen - Kansas City | Utility | 6 | 405,662 | | | | | | | | |

| User | Type of Business | FYE 2015 | | FYE 2016 | | FYE 2017 | | FYE 2018 | | FYE 2019 | |
|------------------------------------|------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|
| | | Rank | Consumption (100 cubic ft.) |
| City of Lee's Summit | Wholesale Water | 1 | 1,158,421 | 1 | 1,085,887 | 1 | 1,299,392 | 1 | 1,255,534 | 1 | 1,290,517 |
| Jackson County PWSD No. 1 | Wholesale Water | 2 | 1,086,747 | 2 | 993,062 | 2 | 1,091,671 | 2 | 1,118,992 | 6 | 599,820 |
| City of Belton | Wholesale Water | 3 | 756,111 | 3 | 896,335 | 6 | 551,936 | 3 | 904,462 | 2 | 936,121 |
| City of Raymore | Wholesale Water | 4 | 694,981 | 4 | 659,421 | 3 | 707,192 | 4 | 726,905 | 4 | 683,626 |
| City of Blue Springs | Wholesale Water | 6 | 539,390 | 10 | 230,650 | 7 | 528,055 | 6 | 526,106 | 7 | 540,461 |
| Raytown Water Company | Wholesale Water | 5 | 564,064 | 5 | 550,473 | 5 | 562,841 | 5 | 526,632 | 5 | 603,273 |
| KCP&L | Utility | 8 | 444,332 | 7 | 514,356 | | | 9 | 442,137 | 10 | 417,562 |
| Ford Motor Co. | Commercial | 10 | 389,774 | 6 | 546,240 | 9 | 466,116 | 10 | 416,257 | 8 | 463,317 |
| Public Water Dist No. 2 - Cass Co. | Wholesale Water | | | | | 10 | 465,054 | 7 | 518,291 | | |
| City of Platte City | Wholesale Water | | | 9 | 428,825 | | | | | | |
| Veolia - Kansas City | Utility | 7 | 478,288 | 8 | 504,291 | 4 | 706,133 | | | | |
| Bayer Crop Science | Commercial | | | | | | | | | | |
| Dogwood Energy Facility | Utility | 9 | 400,258 | | | 8 | 518,856 | 8 | 451,910 | 3 | 702,942 |
| Pollution Control Department | Utility | | | | | | | | | | |
| Jackson County PWSD No. 2 | Wholesale Water | | | | | | | | | 9 | 447,974 |
| Trigen - Kansas City | Utility | | | | | | | | | | |

Source: Performance Management Division records within KC Water.

KC WATER
A Department of the City of Kansas City, Missouri
Largest Users of the System - Sewer Fund
Last Ten Fiscal Years

| User | FYE 2010 | | FYE 2011 | | FYE 2012 | | FYE 2013 | | FYE 2013 | |
|-----------------------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|
| | % of Total | | % of Total | | % of Total | | % of Total | | % of Total | |
| | Rank | Revenue |
| Johnson County, KS | 1 | 13.23% | 1 | 14.00% | 1 | 11.08% | 1 | 8.62% | 1 | 8.62% |
| Liberty, MO | 2 | 3.81% | 2 | 4.00% | 2 | 3.45% | 3 | 2.31% | 3 | 2.31% |
| Gladstone, MO | 3 | 3.23% | 3 | 3.00% | 3 | 2.78% | 2 | 2.69% | 2 | 2.69% |
| North Kansas City, MO | 4 | 2.28% | 4 | 2.00% | 4 | 1.87% | 4 | 1.92% | 4 | 1.92% |
| Ford Motor Company | 6 | 0.96% | 6 | 1.00% | 7 | 0.59% | 6 | 0.94% | 6 | 0.94% |
| Raytown, MO | 5 | 0.99% | 5 | 1.00% | 5 | 0.94% | 7 | 0.75% | 7 | 0.75% |
| Trigen - Kansas City | 7 | 0.93% | 7 | 1.00% | | | | | | |
| Riverside, MO | 9 | 0.60% | 9 | 0.70% | 8 | 0.58% | | | | |
| Pleasant Valley, MO | 10 | 0.44% | 10 | 0.50% | 9 | 0.40% | 8 | 0.42% | 8 | 0.42% |
| Independence, MO | 8 | 0.65% | 8 | 0.70% | 10 | 0.34% | 9 | 0.37% | 9 | 0.37% |
| Honeywell | | | | | | | | | | |
| Roberts Dairy | | | | | | | | | | |
| Veolia - Kansas City | | | | | 6 | 0.65% | 5 | 1.17% | 5 | 1.17% |
| Cook Family Foods | | | | | | | 10 | 0.36% | 10 | 0.36% |

| User | FYE 2015 | | FYE 2016 | | FYE 2017 | | FYE 2018 | | FYE 2019 | |
|---------------------------------------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|
| | % of Total | | % of Total | | % of Total | | % of Total | | % of Total | |
| | Rank | Revenue |
| Johnson County, KS | 1 | 8.93% | 1 | 10.01% | 1 | 9.94% | 1 | 8.75% | 1 | 10.92% |
| Liberty, MO | 2 | 2.55% | 2 | 3.00% | 2 | 3.15% | 5 | 1.03% | 5 | 1.06% |
| Gladstone, MO | 3 | 2.70% | 3 | 2.71% | 4 | 2.30% | 2 | 2.30% | 2 | 3.25% |
| North Kansas City, MO | 4 | 1.94% | 5 | 1.93% | 5 | 1.65% | 3 | 2.03% | 3 | 2.61% |
| Ford Motor Company | 6 | 0.91% | 6 | 1.24% | 3 | 2.54% | 4 | 1.29% | 4 | 1.36% |
| Raytown, MO | 7 | 0.75% | 8 | 0.70% | 9 | 0.63% | 7 | 0.73% | 7 | 0.76% |
| Trigen - Kansas City | | | | | | | | | | |
| Riverside, MO | | | | | | | | | | |
| Pleasant Valley, MO | | | | | | | | | | |
| Independence, MO | 9 | 0.48% | 9 | 0.57% | 10 | 0.45% | | | | |
| Honeywell | 8 | 0.70% | 7 | 0.85% | 8 | 0.66% | | | | |
| Roberts Dairy | | | 10 | 0.56% | | | | | | |
| Veolia - Kansas City | 5 | 1.33% | 4 | 2.10% | 6 | 1.17% | | | | |
| Cook Family Foods | 10 | 0.46% | | | 7 | 0.77% | 6 | 0.89% | 6 | 0.86% |
| Hospital Corp of America | | | | | | | 8 | 0.55% | 8 | 0.68% |
| KC Parks & Rec District 3 | | | | | | | 9 | 0.49% | 9 | 0.62% |
| Children's Mercy Hospital and Clinics | | | | | | | 10 | 0.46% | 10 | 0.47% |

Source: Performance Management Division records within KC Water.

STATISTICAL SECTION

Debt Capacity



KC WATER
A Department of the City of Kansas City, Missouri
Revenue Bond Coverage Ratios
Last Ten Fiscal Years
(In Thousands)

Water Fund
Senior Bonds Only

| Fiscal Year | Gross Revenues (1) | Direct Operating Expenses (2) | Available for Debt Service (3) | Debt Service Requirements (4) | | | |
|---------------------|--------------------|-------------------------------|--------------------------------|-------------------------------|----------|-----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2010 | \$ 91,794 | \$ 56,790 | \$ 35,004 | \$ 9,405 | \$ 6,190 | \$ 15,595 | 2.24 |
| 2011 | 117,399 | 59,398 | 58,001 | 12,045 | 8,415 | 20,460 | 2.83 |
| 2012 | 127,216 | 68,588 | 58,628 | 12,740 | 7,933 | 20,673 | 2.84 |
| 2013 | 151,305 | 74,979 | 76,326 | 13,265 | 8,828 | 22,093 | 3.45 |
| 2014 ⁽⁷⁾ | 145,478 | 80,718 | 64,760 | 13,200 | 10,306 | 23,506 | 2.76 |
| 2015 | 152,727 | 75,953 | 76,774 | 13,810 | 11,347 | 25,157 | 3.05 |
| 2016 | 157,183 | 72,187 | 84,996 | 13,380 | 13,238 | 26,618 | 3.19 |
| 2017 ⁽⁷⁾ | 167,093 | 83,353 | 83,740 | 14,850 | 13,688 | 28,538 | 2.93 |
| 2018 | 169,077 | 84,923 | 84,154 | 17,900 | 15,610 | 33,510 | 2.51 |
| 2019 | 180,009 | 84,981 | 95,028 | 17,840 | 15,612 | 33,452 | 2.84 |

Water Fund
All Water Revenue Bonds

| Fiscal Year | Gross Revenues (1) | Direct Operating Expenses (2) | Available for Debt Service (3) | Debt Service Requirements (5) | | | |
|---------------------|--------------------|-------------------------------|--------------------------------|-------------------------------|----------|-----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2010 | \$ 91,794 | \$ 56,790 | \$ 35,004 | \$ 10,505 | \$ 7,821 | \$ 18,326 | 1.91 |
| 2011 | 117,399 | 59,398 | 58,001 | 13,290 | 9,995 | 23,285 | 2.49 |
| 2012 | 127,216 | 68,588 | 58,628 | 14,040 | 9,455 | 23,495 | 2.50 |
| 2013 | 151,305 | 74,979 | 76,326 | 14,625 | 10,289 | 24,914 | 3.06 |
| 2014 ⁽⁷⁾ | 145,478 | 80,718 | 64,760 | 14,625 | 11,704 | 26,329 | 2.46 |
| 2015 | 152,727 | 75,953 | 76,774 | 15,300 | 12,678 | 27,978 | 2.74 |
| 2016 | 157,183 | 72,187 | 84,996 | 14,940 | 14,500 | 29,440 | 2.89 |
| 2017 ⁽⁷⁾ | 167,093 | 83,353 | 83,740 | 16,485 | 14,877 | 31,362 | 2.67 |
| 2018 | 169,077 | 84,923 | 84,154 | 19,610 | 16,723 | 36,333 | 2.32 |
| 2019 | 180,009 | 84,981 | 95,028 | 19,625 | 16,645 | 36,270 | 2.62 |

Water Fund
All Water Revenue Bonds and Other Water System Obligations

| Fiscal Year | Gross Revenues (1) | Direct Operating Expenses (2) | Available for Debt Service (3) | Debt Service Requirements (6) | | | |
|---------------------|--------------------|-------------------------------|--------------------------------|-------------------------------|----------|-----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2010 | \$ 91,794 | \$ 56,790 | \$ 35,004 | \$ 12,059 | \$ 8,532 | \$ 20,591 | 1.70 |
| 2011 | 117,399 | 59,398 | 58,001 | 16,539 | 11,257 | 27,796 | 2.09 |
| 2012 | 127,216 | 68,588 | 58,628 | 17,385 | 10,590 | 27,975 | 2.10 |
| 2013 | 151,305 | 74,979 | 76,326 | 18,100 | 11,294 | 29,394 | 2.60 |
| 2014 ⁽⁷⁾ | 145,478 | 80,718 | 64,760 | 18,236 | 12,573 | 30,809 | 2.10 |
| 2015 | 152,727 | 75,953 | 76,774 | 19,053 | 13,406 | 32,459 | 2.37 |
| 2016 ⁽⁸⁾ | 157,183 | 72,187 | 84,996 | 16,872 | 14,808 | 31,680 | 2.68 |
| 2017 ⁽⁷⁾ | 167,093 | 83,353 | 83,740 | 16,485 | 14,877 | 31,362 | 2.67 |
| 2018 | 169,077 | 84,923 | 84,154 | 19,610 | 16,723 | 36,333 | 2.32 |
| 2019 | 180,009 | 84,981 | 95,028 | 19,625 | 16,645 | 36,270 | 2.62 |

- (1) Operating revenues includes all income and revenues derived and accrued by the City from the operation of the water system, including capital repayments and interest on investments.
- (2) Operating expenses means all reasonable and necessary expenses of operating and maintaining the water system but, excluding administrative services fees, capital lease payments, depreciation and amortization charges, interest paid on water revenue bonds, any non-cash OPEB obligations and any other items listed in Section 4.3 (a)(2)-(11) of the master bond ordinance.
- (3) Net operating revenues are adjusted to exclude revenues or expenses resulting from gain or loss, or mark-to-market change to any hedge agreements.
- (4) Debt service includes senior bonds only.
- (5) Debt service includes all water revenue bonds.
- (6) Debt service includes all water revenue bonds and other water system obligations.
- (7) Restated.
- (8) Debt Service on all Water Obligations includes AMR obligations. On October 25, 2015, \$14,612,688 in remaining principal on AMR obligations were paid off. Debt Service-All Water Obligations does not reflect this final un-scheduled payment. This year has been restated to reflect only the scheduled AMR obligation payments for 2016.

Sewer Fund (1)

| Fiscal Year | Gross Revenues (2) | Direct Operating Expenses (3) | Available for Debt Service | Debt Service requirements (4) | | | | Gross Coverage | Net Coverage (5) |
|---------------------|--------------------|-------------------------------|----------------------------|-------------------------------|----------|--------|-------------|----------------|------------------|
| | | | | Principal | Interest | Total | SRF subsidy | | |
| 2010 | 82,492 | 54,221 | 28,271 | 11,155 | 10,257 | 21,412 | 2,612 | 1.32 | 1.50 |
| 2011 | 100,486 | 50,803 | 49,683 | 13,679 | 10,609 | 24,288 | 2,612 | 2.05 | 2.29 |
| 2012 | 107,541 | 54,253 | 53,288 | 14,635 | 10,413 | 25,048 | 2,352 | 2.13 | 2.35 |
| 2013 | 123,522 | 60,414 | 63,108 | 16,045 | 13,166 | 29,211 | 2,245 | 2.16 | 2.34 |
| 2014 ⁽⁶⁾ | 139,231 | 62,525 | 76,706 | 18,425 | 14,954 | 33,379 | 1,947 | 2.30 | 2.44 |
| 2015 | 158,252 | 71,588 | 86,664 | 18,726 | 14,194 | 32,920 | 1,585 | 2.63 | 2.77 |
| 2016 | 181,742 | 82,623 | 99,119 | 17,886 | 13,351 | 31,237 | 1,240 | 3.17 | 3.30 |
| 2017 ⁽⁶⁾ | 198,493 | 88,017 | 110,476 | 21,090 | 17,040 | 38,130 | 963 | 2.90 | 2.97 |
| 2018 | 212,613 | 110,507 | 102,106 | 19,550 | 17,035 | 36,585 | 746 | 2.79 | 2.85 |
| 2019 | 253,406 | 103,314 | 150,092 | 22,430 | 21,958 | 44,388 | 594 | 3.38 | 3.43 |

- (1) The gross revenues and direct operating expenses only reflect that of the sewer fund and do not include the stormwater fund.
- (2) Generally, the gross revenues include retail sewer charges, intermunicipal sewer charges, other operating revenues and interest income on investments derived from the sewer system.
- (3) Generally, direct operating expenses include sewage treatment and pumping, sewer maintenance, administrative and general, and industrial waste control. Excluded from direct operating expenses are depreciation and amortization.
- (4) The numbers reflect the total annual fiscal year's debt service requirements on all the outstanding senior and junior sewer revenue bonds.
- (5) The Sewer Parity Bond ordinance allows the interest earnings subsidy received under the Revolving Fund Agreement to reduce debt service requirements for the purpose of calculating annual debt service coverage.
- (6) Restated.

Storm Water Fund

| Fiscal Year | Gross Revenues (1) | Direct Operating Expenses (2) | Available for Debt Service | Debt Service Requirements (3) | | | |
|---------------------|--------------------|-------------------------------|----------------------------|-------------------------------|----------|--------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2010 | \$ 12,548 | \$ 9,097 | \$ 3,451 | \$ 366 | \$ 85 | \$ 451 | 7.65 |
| 2011 | 11,288 | 8,524 | 2,764 | 371 | 79 | 450 | 6.13 |
| 2012 | 11,707 | 9,581 | 2,126 | 378 | 73 | 451 | 4.70 |
| 2013 | 13,263 | 9,955 | 3,308 | 463 | 66 | 529 | 6.25 |
| 2014 | 13,093 | 10,750 | 2,343 | 383 | 60 | 443 | 5.29 |
| 2015 | 13,854 | 11,703 | 2,151 | 390 | 53 | 443 | 4.86 |
| 2016 | 13,918 | 11,812 | 2,106 | 397 | 47 | 444 | 4.74 |
| 2017 ⁽⁴⁾ | 13,571 | 13,391 | 180 | 403 | 41 | 444 | 0.41 |
| 2018 | 14,302 | 14,381 | (79) | 410 | 34 | 444 | (0.18) |
| 2019 | 14,113 | 13,504 | 609 | 416 | 28 | 444 | 1.37 |

- (1) Generally, the gross revenues include storm water fees and other operating revenues.
- (2) Generally, direct operating expenses include sewage treatment and pumping, sewer maintenance and administrative and general expenses.
- (3) Excluded from direct expenses are depreciation and amortization.
- (4) Restated.

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Historical Revenue Bonds and Capital Leases - Water Fund
Last Ten Fiscal Years

| Issue | Maturity Through | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|---|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2008 Series A | December 2027 | \$ 33,900,000 | \$ 32,655,000 | \$ 31,355,000 | \$ 29,995,000 | \$ 28,570,000 | \$ 27,080,000 | \$ 25,520,000 | \$ 23,885,000 | \$ 22,175,000 | \$ 20,390,000 |
| 2009 Series A | December 2032 | 189,510,000 | 177,465,000 | 164,725,000 | 153,125,000 | 141,205,000 | 128,715,000 | 118,525,000 | 107,905,000 | 97,625,000 | 87,375,000 |
| 2012 Series A | December 2036 | - | - | 47,725,000 | 46,060,000 | 44,780,000 | 43,460,000 | 42,100,000 | 40,700,000 | 39,255,000 | 37,770,000 |
| 2013 Series A | December 2037 | - | - | - | 54,000,000 | 54,000,000 | 54,000,000 | 53,350,000 | 52,655,000 | 51,090,000 | 49,335,000 |
| 2014 Series A | December 2038 | - | - | - | - | - | 54,365,000 | 53,185,000 | 51,975,000 | 50,280,000 | 48,645,000 |
| 2015 Series A | December 2039 | - | - | - | - | - | 59,790,000 | 59,790,000 | 58,865,000 | 58,380,000 | 57,395,000 |
| 2017 Series A | December 2041 | - | - | - | - | - | - | - | 78,130,000 | 75,700,000 | 73,970,000 |
| AMR Capital Lease - 2008 | December 2017 | 9,817,761 | 8,652,080 | 7,477,139 | 6,261,137 | 5,002,639 | 3,700,159 | - | - | - | - |
| AMR Capital Lease - 2009 | December 2019 | 24,158,808 | 22,075,391 | 19,905,795 | 17,646,456 | 15,293,661 | 12,843,545 | - | - | - | - |
| | | <u>257,386,569</u> | <u>240,847,471</u> | <u>271,187,934</u> | <u>307,087,593</u> | <u>288,851,300</u> | <u>383,953,704</u> | <u>352,470,000</u> | <u>414,115,000</u> | <u>394,505,000</u> | <u>374,880,000</u> |
| Add premium: | | 8,926,486 | 8,531,217 | 12,841,428 | 17,013,854 | 16,232,815 | 23,716,521 | 22,596,586 | 28,765,488 | 27,349,058 | 25,932,628 |
| Less: | | | | | | | | | | | |
| Current portion | | (16,539,098) | (17,384,537) | (18,100,341) | (18,236,293) | (19,052,596) | (18,839,461) | (16,485,000) | (19,610,000) | (19,625,000) | (20,425,000) |
| Discount | | - | - | - | (143,702) | (137,725) | (380,431) | (364,233) | (508,869) | (486,129) | (463,390) |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>(143,702)</u> | <u>(137,725)</u> | <u>(380,431)</u> | <u>(364,233)</u> | <u>(508,869)</u> | <u>(486,129)</u> | <u>(463,390)</u> |
| Noncurrent revenue bonds and capital leases payable | | <u>\$ 249,773,957</u> | <u>\$ 231,994,151</u> | <u>\$ 265,929,021</u> | <u>\$ 305,721,452</u> | <u>\$ 285,893,794</u> | <u>\$ 388,450,333</u> | <u>\$ 358,217,353</u> | <u>\$ 422,761,619</u> | <u>\$ 401,742,929</u> | <u>\$ 379,924,238</u> |

Source: Comprehensive Annual Financial Report for 2019 and historical audited financials for remaining years.

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Historical Revenue Bonds and Capital Leases - Sewer Fund
Last Ten Fiscal Years

| Issue | Maturity Through | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|---|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| State Series 1992B | July 2013 | \$ 390,000 | \$ 300,000 | \$ 205,000 | \$ 105,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State Series 1995B | January 2015 | 6,985,000 | 5,650,000 | 4,285,000 | 2,890,000 | 1,460,000 | - | - | - | - | - |
| State Series 1996A | January 2016 | 10,165,000 | 8,700,000 | 7,150,000 | 5,510,000 | 3,775,000 | 1,940,000 | - | - | - | - |
| State Series 1997A | January 2017 | 8,905,000 | 7,720,000 | 6,505,000 | 5,265,000 | 3,995,000 | 2,695,000 | 1,365,000 | - | - | - |
| State Series 1998A | January 2019 | 5,190,000 | 4,230,000 | 4,230,000 | 3,710,000 | 3,165,000 | 2,590,000 | 1,990,000 | 1,360,000 | 695,000 | - |
| State Series 1999A | January 2020 | 3,605,000 | 3,320,000 | 3,020,000 | 2,705,000 | 2,375,000 | 2,025,000 | 1,660,000 | 1,275,000 | 870,000 | 445,000 |
| State Series 2000A | July 2020 | 7,770,000 | 7,140,000 | 6,495,000 | 5,835,000 | 5,165,000 | 4,480,000 | 3,775,000 | 3,055,000 | 2,320,000 | 1,565,000 |
| State Series 2000B | July 2020 | 7,000,000 | 6,435,000 | 5,855,000 | 5,265,000 | 4,660,000 | 4,040,000 | 3,405,000 | 2,755,000 | 2,090,000 | 1,410,000 |
| Stormwater 2000 | December 2020 | 753,200 | 690,300 | 626,300 | 561,200 | 495,000 | 427,700 | 359,200 | 289,600 | 218,800 | 146,800 |
| Series 2001A | March 2012 | 1,380,000 | 705,000 | - | - | - | - | - | - | - | - |
| Stormwater 2001 & 2002 | December 2021 | 3,727,000 | 3,442,000 | 3,152,000 | 2,858,000 | 2,559,000 | 2,255,000 | 1,946,000 | 1,632,000 | 1,313,000 | 989,000 |
| State Series 2001B | July 2022 | 11,890,000 | 11,105,000 | 10,305,000 | 9,485,000 | 8,645,000 | 7,780,000 | 6,895,000 | 5,985,000 | 5,050,000 | 4,090,000 |
| Series 2002D-1 | January 2022 | 8,075,000 | 7,825,000 | - | - | - | - | - | - | - | - |
| Series 2002D-2 | January 2012 | 565,000 | 275,000 | - | - | - | - | - | - | - | - |
| State Series 2002J | July 2022 | 7,065,000 | 6,600,000 | 6,125,000 | 5,640,000 | 5,145,000 | 4,635,000 | 4,110,000 | 3,570,000 | 3,015,000 | 2,445,000 |
| Series 2004A | January 2024 | 15,180,000 | 14,330,000 | 13,450,000 | 940,000 | - | - | - | - | - | - |
| Series 2004H | January 2025 | 8,225,000 | 7,760,000 | 7,280,000 | 6,795,000 | 6,305,000 | 5,810,000 | 5,300,000 | 4,775,000 | 4,235,000 | 3,680,000 |
| Series 2005B | January 2025 | 12,715,000 | 12,085,000 | 11,430,000 | 10,750,000 | 10,040,000 | 9,300,000 | - | - | - | - |
| Stormwater 2007 | June 2027 | 469,400 | 446,400 | 422,400 | 319,000 | 301,000 | 282,000 | 263,000 | 243,000 | 223,000 | 203,000 |
| Series 2007A | January 2032 | 37,965,000 | 36,880,000 | 35,750,000 | 34,575,000 | 33,355,000 | 32,085,000 | - | - | - | - |
| Series 2009A | January 2034 | 69,480,000 | 67,250,000 | 65,765,000 | 63,820,000 | 61,820,000 | 59,755,000 | 57,615,000 | 55,400,000 | 53,105,000 | - |
| Series 2009B | July 2030 | 1,191,875 | 5,912,256 | 9,576,202 | 9,036,996 | 12,002,958 | 11,371,600 | 10,726,000 | 10,065,900 | 9,390,900 | 8,700,600 |
| Series 2011A | January 2037 | - | - | 89,030,000 | 86,625,000 | 84,140,000 | 81,555,000 | 78,865,000 | 76,060,000 | 73,135,000 | 70,090,000 |
| Series 2012A | January 2037 | - | - | - | 78,650,000 | 76,795,000 | 74,055,000 | 71,230,000 | 68,295,000 | 65,245,000 | 62,130,000 |
| Series 2016A | January 2040 | - | - | - | - | - | - | 183,740,000 | 176,990,000 | 170,885,000 | 164,660,000 |
| Series 2018A | January 2042 | - | - | - | - | - | - | - | - | 165,000,000 | 160,285,000 |
| Series 2018B | January 2034 | - | - | - | - | - | - | - | - | - | 42,055,000 |
| | | <u>228,691,475</u> | <u>219,290,956</u> | <u>290,656,902</u> | <u>341,340,196</u> | <u>326,197,958</u> | <u>307,081,300</u> | <u>433,244,200</u> | <u>411,750,500</u> | <u>556,790,700</u> | <u>522,894,400</u> |
| Add premium: | | 3,115,315 | 2,909,994 | 11,567,068 | 19,342,019 | 18,690,589 | 17,567,955 | 34,437,602 | 32,819,893 | 47,663,807 | 49,935,360 |
| Less: | | | | | | | | | | | |
| Current portion | | (13,745,331) | (14,489,290) | (16,255,673) | (18,621,354) | (19,116,658) | (18,282,100) | (21,493,700) | (19,961,818) | (25,236,300) | (24,019,000) |
| Discount | | <u>(385,318)</u> | <u>(363,478)</u> | <u>(412,475)</u> | <u>(634,829)</u> | <u>(607,837)</u> | <u>(566,990)</u> | <u>(804,562)</u> | <u>(764,785)</u> | <u>(989,296)</u> | <u>(898,963)</u> |
| Noncurrent revenue bonds and capital leases payable | | <u>\$ 217,676,141</u> | <u>\$ 207,348,182</u> | <u>\$ 285,555,822</u> | <u>\$ 341,426,032</u> | <u>\$ 325,164,052</u> | <u>\$ 305,800,165</u> | <u>\$ 445,383,540</u> | <u>\$ 423,843,790</u> | <u>\$ 578,228,911</u> | <u>\$ 547,911,797</u> |

Source: Comprehensive Annual Financial Report for 2019 and historical audited financials for remaining years.

KC WATER
A Department of the City of Kansas City, Missouri
Ratios of Outstanding Debt
Last Ten Calendar Years
(In thousands)

| Year | Water Fund Debt ¹ | Sewer Fund Debt ¹ | Total Debt | Percentage of Personal Income | Per Capita ² |
|------|---------------------------------|---------------------------------|---------------|-------------------------------------|----------------------------|
| 2010 | \$ 257,387 | \$ 228,692 | \$ 486,079 | 4.27% | \$ 1,057 |
| 2011 | 240,847 | 219,691 | 460,538 | 3.82% | 997 |
| 2012 | 278,657 | 301,603 | 580,260 | 4.79% | 1,249 |
| 2013 | 323,957 | 360,047 | 684,004 | 5.59% | 1,464 |
| 2014 | 304,946 | 344,281 | 649,227 | 5.11% | 1,379 |
| 2015 | 407,290 | 324,083 | 731,373 | 5.26% | 1,540 |
| 2016 | 374,702 | 466,877 | 841,579 | 5.92% | 1,747 |
| 2017 | 442,372 | 443,806 | 886,178 | 5.71% | 1,815 |
| 2018 | 421,368 | 603,465 | 1,024,833 | 6.28% | 2,083 |
| 2019 | 400,349 | 571,931 | 972,280 | 5.68% | 1,967 |

Sources:

¹ Information comes from Comprehensive Annual Financial Report for 2019 and historical audited financials for remaining years

² Census Bureau's 2011 to 2018 Population Estimates Program. The 2015, 2016, 2017, and 2018 numbers have been restated.

STATISTICAL SECTION

Demographic and Economic Information



KC WATER
A Department of the City of Kansas City, Missouri
Demographic and Economic Statistics
Last Ten Calendar Years

| Year | Population | Personal Income⁽⁴⁾ (in Thousands) | Per Capita Personal Income⁽⁵⁾ | School Enrollment | Unemployment Rate⁽⁷⁾ |
|-------------|------------------------|---|---|--------------------------|--|
| 2010 | 459,787 ⁽¹⁾ | \$ 11,382,487 | \$ 24,756 | 56,391 | 10.0 |
| 2011 | 462,091 ⁽²⁾ | 12,056,416 | 26,091 | 56,764 | 8.9 |
| 2012 | 464,511 ⁽²⁾ | 12,107,944 | 26,066 | 57,549 | 7.3 |
| 2013 | 467,251 ⁽²⁾ | 12,242,911 | 26,202 | 57,042 | 7.3 |
| 2014 | 470,882 ⁽²⁾ | 12,712,872 | 26,998 | 55,360 | 6.9 |
| 2015 | 475,069 ⁽²⁾ | 13,900,994 | 29,261 ⁽⁹⁾ | 55,077 | 5.7 |
| 2016 | 481,626 ⁽²⁾ | 14,219,526 | 29,524 ⁽⁹⁾ | 55,039 | 4.9 |
| 2017 | 488,266 ⁽²⁾ | 15,510,746 | 31,767 ⁽⁹⁾ | 56,711 | 4.3 ⁽¹⁰⁾ |
| 2018 | 491,918 ⁽²⁾ | 16,328,726 | 33,194 ⁽⁹⁾ | 61,855 ⁽⁶⁾ | 3.5 ⁽¹⁰⁾ |
| 2019 | 494,285 ⁽³⁾ | 17,119,067 | 34,634 | 62,958 ⁽⁶⁾ | 3.8 ⁽⁸⁾⁽¹¹⁾ |

Sources:

¹ The 2010 Calendar Year population numbers are from the 2010 Census.

² Census Bureau's 2011 to 2018 Population Estimates Program. The 2015, 2016, 2017, and 2018 numbers have been restated.

³ The Calendar Year 2019 estimates were provided by the City Planning and Development Department using extrapolation of the change from 2010 to 2018.

⁴ Fiscal Year 2010-2018 American Community Survey.

⁵ For 2018 and 2019 the estimates are based upon averaging two figures: (1) the 2017 American Community Survey adjusted for CPI change from 2017 to 2018 and (2) City Planning and Development Department using extrapolation of the change from 2016 to 2017, forward to 2018 and 2019.

⁶ niche.com was used for schools in Kansas City.

⁷ Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT293800000000003, not seasonally adjusted.

⁸ Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT293800000000003, not seasonally adjusted average monthly rates from January 2019 through August 2019.

⁹ The 2015, 2016, 2017, and 2018 numbers have been restated due to a restatement of the population estimates.

¹⁰ Restated from prior years

¹¹ Preliminary numbers

KC WATER
A Department of the City of Kansas City, Missouri
Top 10 Principal Employers
Current Year and Ten Years Ago

| Employer¹ | 2019 | | Employer | 2010 | |
|---|------------------|---------------------------------------|---|------------------|---------------------------------------|
| | Employees | Percentage of Total Employment | | Employees | Percentage of Total Employment |
| Public School System ³ | 39,048 | 3.51% | Federal Government | 37,070 | 3.82% |
| State/County/City Government ² | 21,547 | 1.94% | Public School System | 29,566 | 3.05% |
| Federal Government | 20,846 | 1.87% | State/County/City Government | 27,371 | 2.82% |
| Cerner Corp. | 14,000 | 1.26% | HCA Midwest Health Systems | 8,127 | 0.84% |
| HCA Midwest Health System | 9,963 | 0.90% | Sprint Nextel Corp. | 7,300 | 0.75% |
| The University of Kansas Hospital | 10,489 | 0.94% | Saint Luke's Health System | 6,622 | 0.68% |
| Saint Luke's Health System | 9,700 | 0.87% | McDonald's USA LLC | 5,700 | 0.59% |
| Ford Motor Co. Kansas City Assembly Plant | 7,030 | 0.63% | Cerner Corp | 4,980 | 0.51% |
| Children's Mercy | 7,189 | 0.65% | Children's Mercy | 4,812 | 0.50% |
| Hallmark | 5,200 | 0.47% | Truman Medical Center | 4,081 | 0.42% |
| Total employment Kansas City MSA⁴ | 1,113,000 | 13.03% | Total employment Kansas City MSA | 969,900 | 13.98% |

Sources: ¹ Top Public-Sector Employers, Kansas City Business Journal, July 2019 and Top 100 Area Private Sector Employers, Kansas City Business Journal, July 2019.

² The number of local employees for the State/County/City Government is made up of seven (7) employers for 2019.

³ The number of local employees for the public school systems is made up of twelve (12) public school systems and school districts for 2019.

⁴ Bureau of Labor Statistics, <https://www.bls.gov/sae/#tables> as of July 2019

**The information presented in this table speaks only as of the date indicated in the source.

Layoffs or developments after this date are not presented, and they can render some information in the table to be inaccurate.

In general, job losses have occurred across most major industry sectors.

STATISTICAL SECTION

Operating Information



KC WATER
A Department of the City of Kansas City, Missouri
Operating Indicators
Last Ten Fiscal Years

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Customer Service | | | | | | | | | | |
| Call Center calls | | 310,294 | 312,783 | 307,571 | 281,205 | 304,849 | 319,744 | 311,724 | 305,756 | 312,961 |
| Average customer service call per day | | 1,241 | 1,251 | 1,230 | 1,120 | 1,219 | 1,279 | 1,247 | 1,218 | 1,247 |
| Average speed of answer (seconds) | 162 | 251 | 232 | 64 | 27 | 54 | 86 | 100 | 99 | 133 |
| Percent of time answering calls in < 30 seconds | | | 24.7% | 58.3% | 73.3% | 64.7% | 57.7% | 52.5% | 53.5% | 43.7% |
| Abandonment Rate | | 15.6% | 8.1% | 3.6% | 5.0% | 2.8% | 12.1% | 5.4% | 5.8% | 6.9% |
| Water | | | | | | | | | | |
| Water main breaks | 911 | 1,214 | 1,700 | 1,846 | 1,375 | 852 | 815 | 686 | 723 | 964 |
| Water customers served | 159,000 | 160,000 | 167,051 | 168,603 | 168,000 | 168,000 | 171,500 | 172,000 | 172,280 | 173,107 |
| Water consumption (millions of gallons) | 31,359 | 34,367 | 38,780 | 40,945 | 38,920 | 31,616 | 31,336 | 31,792 | 31,011 | 31,921 |
| Average daily production (thousands of gallons) | 95,420 | 103,000 | 102,180 | 112,000 | 113,000 | 96,270 | 95,200 | 113,000 | 94,417 | 99,800 |
| Peak daily production (thousands of gallons) | 143,000 | 176,000 | 176,890 | 197,000 | 240,000 | 146,600 | 141,000 | 159,000 | 147,630 | 158,100 |
| Water mains (miles) | 2,772 | 2,780 | 2,781 | 2,797 | 2,800 | 2,800 | 2,806 | 2,824 | 2,833 | 2,824 |
| Fire hydrants | 22,732 | 23,103 | 23,181 | 23,662 | 23,000 | 23,801 | 24,252 | 24,348 | 24,777 | 24,750 |
| Storage capacity (thousands of gallons) | 128,230 | 133,400 | 141,000 | 120,000 | 141,000 | 141,000 | 155,000 | 155,000 | 155,000 | 155,000 |
| Sewer | | | | | | | | | | |
| Sanitary sewer (miles) | 2,258 | 2,826 | 2,535 | 2,543 | 2,800 | 2,800 | 2,800 | 2,974 | 2,709 | 2,551 |
| Sewer customers served | 152,721 | 153,478 | 158,210 | 162,513 | 163,492 | 164,088 | 164,637 | 165,191 | 166,295 | 167,095 |
| Average daily sewage treatment (millions of gallons) | 117 | 117 | 103 | 91 | 72 | 93 | 111 | 96 | 72 | 114 |
| Treatment capacity (millions of gallons) | 153 | 154 | 155 | 155 | 155 | 155 | 155 | 150 | 155 | 155 |

Source: Performance Management division records within KC Water.

Water main breaks calculation change due to systems updates 2014-2019

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Water Fund
Last Ten Fiscal Years

| Division | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Directors Office | 10 | 9 | 7 | 11 | 9 | 7 | 7 | 9 | 9 | 8 |
| Finance & Administration | 16 | 18 | 21 | 21 | 29 | 29 | 29 | 30 | 30 | 31 |
| Revenue Protection | 4 | 5 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 7 |
| Budget and Finance | 1 | 1 | 1 | 1 | - | - | - | - | - | - |
| Human Resources | 5 | 5 | 5 | 7 | 7 | 10 | 11 | 12 | 12 | 12 |
| Communications | 3 | 3 | 6 | 4 | 4 | 5 | 5 | 6 | 6 | 6 |
| Consumer Services | 57 | 60 | 71 | 76 | 69 | 72 | 72 | 75 | 75 | 76 |
| Information Technology | - | - | - | 12 | 12 | 13 | 13 | 13 | 13 | 14 |
| Laboratory Services | 28 | 28 | 28 | 28 | 28 | 28 | 29 | 30 | 30 | 31 |
| Engineering - Facilities | 6 | 7 | 7 | 7 | 7 | 8 | 8 | 9 | 9 | 8 |
| Engineering - General Services | 2 | - | - | - | - | 1 | 1 | 1 | 1 | 1 |
| Safety Management | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| Engineering - Distribution System | 26 | 31 | 32 | 33 | 33 | 32 | 32 | 34 | 34 | 32 |
| Engineering - Planning | 11 | 12 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 11 |
| Building Operations | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Line Maintenance - General Services | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Line Maintenance - Pipeline | 93 | 93 | 96 | 108 | 107 | 109 | 122 | 131 | 131 | 131 |
| Line Maintenance - Inspections | - | 1 | - | - | - | - | - | - | - | - |
| Water Supply - General Services | 5 | 9 | 8 | 12 | 12 | 12 | 12 | 13 | 13 | 12 |
| Water Supply - Operations | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| Water Supply - Maintenance | 54 | 55 | 55 | 55 | 55 | 55 | 56 | 56 | 56 | 56 |
| Industrial Waste Control | - | - | - | - | - | - | - | 1 | 1 | - |
| Reading & Services - Water Services | 78 | 74 | 74 | 84 | 85 | 87 | 75 | 72 | 72 | 72 |
| Reading & Services - Meter Reading | 22 | 12 | 9 | 9 | 9 | 9 | 7 | 7 | 7 | 7 |
| Stormwater Services | 1 | - | - | - | - | - | - | - | - | - |
| Waterways | - | - | - | - | - | - | - | 1 | 1 | - |
| Training & Development | - | - | - | - | - | - | - | - | - | - |
| Storeroom | 11 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Security Operations | 7 | 11 | 5 | 5 | 5 | 4 | 4 | 3 | 3 | 3 |
| Brush Creek Improvements | 8 | 8 | 8 | 8 | 8 | 1 | 1 | - | - | - |
| | <u>499</u> | <u>500</u> | <u>509</u> | <u>557</u> | <u>555</u> | <u>559</u> | <u>561</u> | <u>581</u> | <u>581</u> | <u>579</u> |

Source: Performance Management division records within KC Water.

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Sewer Fund
Last Ten Fiscal Years

| Division | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Directors Office | 6 | 6 | 6 | 6 | 7 | 6 | 6 | 6 | 6 | 7 |
| Contract Administration | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 7 | 8 |
| Laboratory Services | 7 | 7 | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 5 |
| Engineering - Facilities | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 5 | 5 | 5 |
| Sanitary Sewer Special Assessment | 6 | 5 | - | - | - | - | - | - | - | - |
| Engineering - General Services | - | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Overflow Control Program | 3 | 6 | 6 | 6 | 6 | 7 | 7 | 9 | 9 | 12 |
| Safety Management | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Engineering - Distribution System | 12 | 15 | 18 | 19 | 19 | 19 | 19 | 25 | 25 | 25 |
| Engineering - Planning | 6 | 7 | 9 | 9 | 9 | 10 | 10 | 10 | 10 | 11 |
| Building Operations | 5 | 5 | 4 | 4 | 5 | 5 | 5 | 6 | 6 | 5 |
| Line Maintenance - Sewer Repair | 109 | 110 | 120 | 123 | 125 | 126 | 127 | 124 | 124 | 101 |
| Line Maintenance - Sewer Cleaning | - | - | - | - | - | - | - | - | - | 27 |
| Line Maintenance - General Services | 9 | 8 | 7 | 11 | 11 | 10 | 10 | 10 | 10 | 9 |
| Line Maintenance - Inspections | 21 | 27 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 28 |
| Wastewater Treatment-Maintenance | 65 | 65 | 69 | 69 | 70 | 69 | 70 | 72 | 72 | 71 |
| Wastewater Treatment-Operations | 43 | 48 | 49 | 52 | 52 | 52 | 52 | 54 | 54 | 59 |
| Industrial Waste Control | 6 | 8 | 8 | 8 | 8 | 13 | 12 | 14 | 14 | 16 |
| Training & Development | - | - | - | - | - | - | - | - | - | - |
| Storeroom | 5 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Security Operations | 14 | 7 | - | - | - | - | - | - | - | 1 |
| Household Hazardous Waste | 7 | 8 | 1 | 2 | 2 | 1 | 1 | - | - | - |
| | <u>331</u> | <u>348</u> | <u>349</u> | <u>360</u> | <u>364</u> | <u>368</u> | <u>367</u> | <u>382</u> | <u>382</u> | <u>396</u> |

Source: Performance Management Division records within KC Water

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Stormwater Fund
Last Ten Fiscal Years

| Division | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Directors Office | 1 | 1 | 1 | 1 | 1 | - | - | - | - | - |
| Engineering - Planning | 1 | 1 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Catch Basin Cleaning & Repair | 66 | 68 | 76 | 80 | 82 | 85 | 85 | 85 | 85 | 56 |
| Stormwater Services | 12 | 13 | 15 | 18 | 14 | 14 | 14 | 15 | 15 | 12 |
| Stormwater Flood Monitoring | - | - | - | - | 1 | 2 | 2 | 2 | 2 | 2 |
| Engineering Stormwater Design | 4 | 4 | 2 | - | - | - | - | - | - | - |
| Waterways | - | - | - | - | - | 5 | 5 | 5 | 5 | 6 |
| Discharge Permit Programs | - | - | - | - | 3 | 3 | 3 | 3 | 3 | 3 |
| Household Hazardous Waste | - | - | - | - | - | 1 | 1 | 1 | 1 | 1 |
| | <u>84</u> | <u>87</u> | <u>99</u> | <u>104</u> | <u>106</u> | <u>115</u> | <u>115</u> | <u>116</u> | <u>116</u> | <u>85</u> |

Source: Performance Management Division records within KC Water



KC WATER

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