

2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended April 30, 2020 and 2019



A Department of the City of Kansas City, Missouri

2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended April 30, 2020 and 2019

Prepared by

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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, 2020 and 2019

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	66
Schedule of the Department's Contributions	67
Schedule of the Department's Proportionate Share of the Total OPEB Liability	68
Supplementary Information	
Combining Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund	69
Statistical Section	
Statistical Section Table of Contents	70
Financial Trends	
Net Position by Category	71
Changes in Net Position – Water Fund	72
Changes in Net Position – Sewer Fund	73
Revenue Capacity	
Residential Water Service Rates.....	74
Suburban Water Service Rates.....	75
Sewer and Stormwater Service Rates.....	76
Revenue Base and Revenues by Customer Class	77
Largest Users of the System – Water Fund	78
Largest Users of the System – Sewer Fund	79
Debt Capacity	
Revenue Bond Coverage Ratios	80
Schedule of Historical Revenue Bonds and Capital Leases – Water Fund	82
Schedule of Historical Revenue Bonds and Capital Leases – Sewer Fund	83

Ratios of Outstanding Debt	84
Demographic and Economic Information	
Demographic and Economic Statistics	85
Top 10 Principal Employers	86
Operating Information	
Operating Indicators	87
Schedule of Full-Time Equivalent Employees by Division – Water Fund	88
Schedule of Full-Time Equivalent Employees by Division – Sewer Fund	89
Schedule of Full-Time Equivalent Employees by Division – Stormwater Fund	90



INTRODUCTION SECTION



KC WATER

OFFICE OF THE DIRECTOR

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October 30, 2020

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 499,000 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, 2020. The CAFR is prepared in conformity with generally accepted governmental auditing standards, 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 more than 700 occupations. The top three employers by industry within Kansas City are Government at 7.93%, Healthcare at 3.48% and Healthcare Technology at 1.21%.

Per the Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) for Kansas City as of April 30, 2020 was 11.7%, which is 2.7 percentage points lower than the national average unemployment rate of 14.4%.

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 \$162,487, while the median home value in Missouri is \$165,650. 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 12,242 acres of parkland, 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 Memorial and Museum, the Nelson-Atkins Museum of Art, the American Jazz Museum, the Negro Leagues Baseball Museum, Arabia Steamboat Museum, the 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 44 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.

Kansas City celebrated its second Super Bowl victory after the Kansas City Chiefs came back from a 10 point deficit to defeat the San Francisco 49ers 31-20. A parade was held in the downtown area ending at Union Station, with the National WWI Museum and Memorial hosting the viewing opportunities on its North lawn as players and coaches address the fans.

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 174,000 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 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 2020 was about 97.0 million gallons per day with a peak day demand of 141.9 million gallons, which is about 59% of the treatment plant's design capacity.

The number of employees within the Water Utility totaled 453 at year end, April 30, 2020, which is a decrease of 23 employees over the prior year (59% labor class, 41% management class).

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

	2016	2017	2018	2019	2020
Retail Customers	152,251	153,232	154,220	155,015	155,658
Commercial / Industrial	17,843	17,862	18,028	18,060	18,161
Wholesale Customers	32	32	32	32	32
Total	170,126	171,126	172,280	173,107	173,851

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, 2020:

User	Type of Business	Annual Consumption (100 cubic feet)	Percentage of Total Consumption
City of Lee's Summit	Wholesale Water	1,425,528	3.8%
Dogwood Energy	Utility	849,415	2.8%
City of Belton	Wholesale Water	832,292	2.1%
Raytown Water Company	Wholesale Water	613,564	2.0%
City of Raymore	Wholesale Water	596,816	1.8%
Ford Motor Company	Commercial	541,632	1.6%
City of Blue Springs	Wholesale Water	432,600	1.4%
City of Platte City	Wholesale Water	326,341	1.3%
Cass No. 2 Public Water District	Wholesale Water	324,670	1.3%
Evergy	Utility	299,739	1.2%

The Sewer Utility

The Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 169,000 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 39 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 58 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	85.31
Westside	1977	22.50	20.28
Birmingham	1977	20.00	11.80
Todd Creek	1999	3.40	1.86
Fishing River	2000	2.00	1.06
Rocky Branch	2005	2.80	1.86
Total		155.70	122.17

The System's wastewater collection and treatment services includes 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.

Household Hazardous Waste is also managed by the Sewer Utility. The Household Hazardous Waste program collects over 1.6 million pounds of material per year. All items are recycled or properly discarded, preventing waste from entering local rivers and streams.

The number of employees within the Sewer Utility totaled 294 at year end, April 30, 2020. This is a decrease of 24 from the prior year (62% labor class, 38% management class).

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

	2016	2017	2018	2019	2020
Residential Customers	148,033	148,501	149,489	150,261	151,719
Commercial/Industrial	16,576	16,662	16,778	16,807	16,849
Inter-Jurisdictional	28	28	28	27	27
Total	164,637	165,191	166,295	167,095	168,595

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, 2020:

User	Type of Business	% of Total Revenue
Johnson County, KS	Inter-Jurisdictional	11.2%
North Kansas City, MO	Inter-Jurisdictional	2.8%
Gladstone, MO	Inter-Jurisdictional	2.1%
Ford Motor Company	Industrial	1.1%
Veolia – Kansas City	Industrial	1.0%
Raytown, MO	Inter-Jurisdictional	0.7%
Cook Family Foods	Industrial	0.6%
KC Parks & Rec District 3	Governmental	0.6%
Roberts Dairy	Industrial	0.6%
Independence, MO	Inter-Jurisdictional	0.4%

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. Leaf and Brush Removal is also managed by the Stormwater Utility.

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 \$14.0 million annually, vs. stormwater utility expenses of about \$18.9 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 85 at year end, April 30, 2020. This is 5 less than the prior year (62% labor class, 38% 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 per 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 25-year mandate 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, 2019. This was the third year that KC Water submitted a CAFR for consideration and the third 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,

A handwritten signature in blue ink, appearing to read "Sean Hennessy", is written in a cursive style.

Sean Hennessy
Deputy Director/Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**KC Water
Missouri**

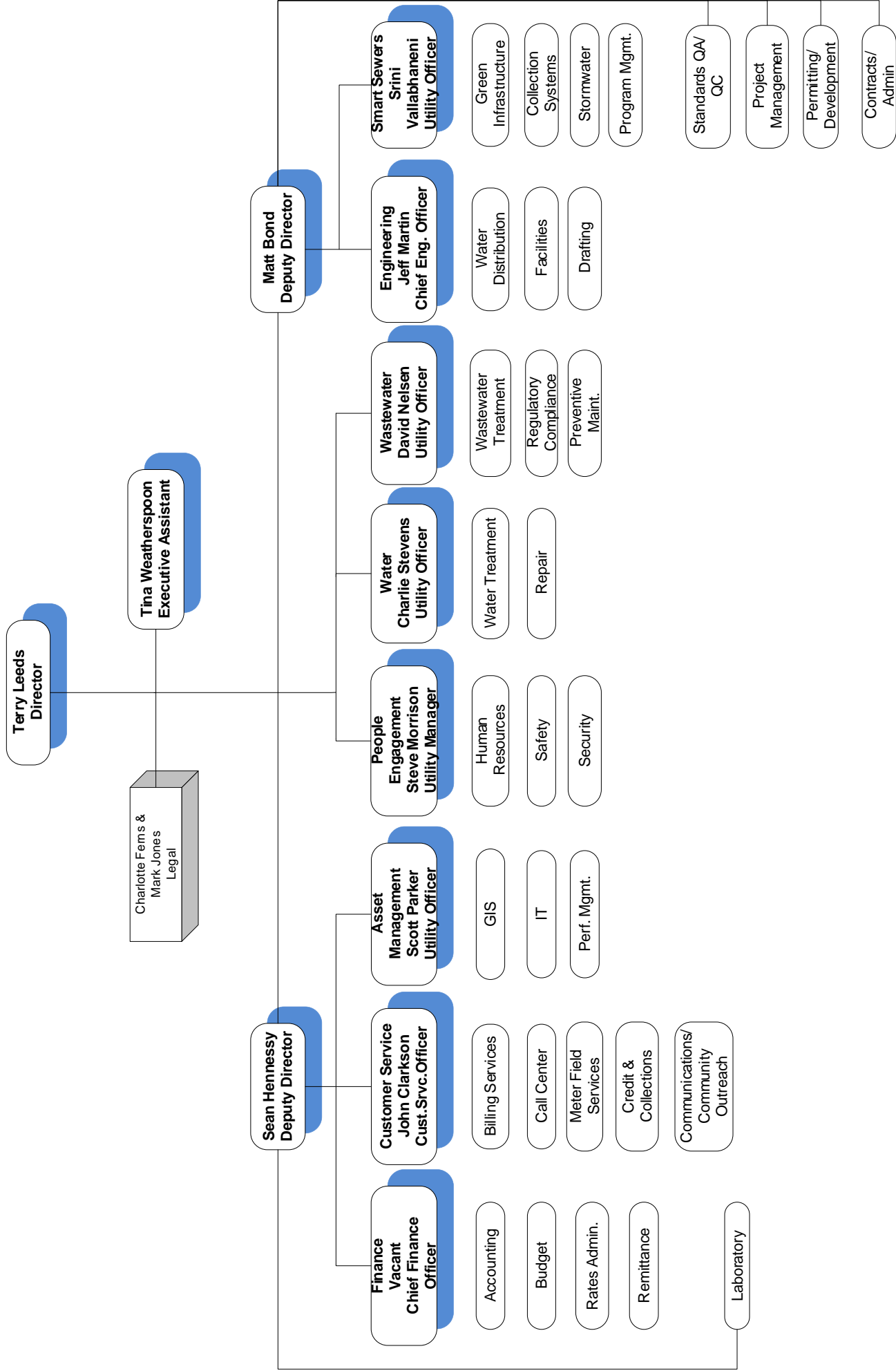
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2019

A handwritten signature in black ink that reads "Christopher P. Morrell". The signature is written in a cursive, flowing style.

Executive Director/CEO

Water Services





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 years ended April 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise 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 audits. We conducted our audits 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, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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 KC Water. They do not purport to, and do not, present fairly the financial position of the City of Kansas City, Missouri as of April 30, 2020, 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.

Other Matters

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.

Supplementary and Other Information

Our audits were 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 listed in the table of contents 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, 2020 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, 2020
Wichita, KS

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

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, 2020 and 2019, with selected comparative information for the fiscal year ended April 30, 2018.

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, 2020 and 2019.

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, 2020 and 2019

Financial Position and Assessment

Summary of Net Position (in thousands)

	April 30,		
	2020	2019	2018
Assets			
Current assets - unrestricted	\$ 160,645	\$ 132,136	\$ 126,163
Current assets - restricted	59,499	43,805	118,535
Noncurrent investments - unrestricted	444,076	401,161	317,414
Noncurrent investments - restricted	191,647	240,479	285,580
Capital assets	2,538,263	2,366,096	2,241,096
Other assets	2,654	9,432	13,177
Total assets	3,396,784	3,193,109	3,101,965
Deferred Outflows of Resources			
Loss on refunding	1,721	3,493	3,106
Items related to pension plan	13,145	12,816	23,710
Items related to OPEB	1,556	926	--
Total deferred outflows of resources	16,422	17,235	26,816
Total assets and deferred outflows of resources	<u>\$ 3,413,206</u>	<u>\$ 3,210,344</u>	<u>\$ 3,128,781</u>
Liabilities			
Current liabilities	73,882	41,777	53,130
Liabilities payable from restricted assets	67,869	68,604	73,496
Long-term liabilities	1,026,224	1,019,188	1,069,067
Total liabilities	1,167,975	1,129,569	1,195,693
Deferred inflows of resources			
Gain on refunding	1,084	--	--
Items related to pension plan	1,813	1,125	967
Total deferred inflows of resources	2,897	1,125	967
Net Position			
Net investment in capital assets	1,705,743	1,565,390	1,502,642
Restricted	90,748	90,558	95,726
Unrestricted	445,843	423,702	333,753
Total net position	2,242,334	2,079,650	1,932,121
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,413,206</u>	<u>\$ 3,210,344</u>	<u>\$ 3,128,781</u>

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

The Water Fund

Within the Water Fund, total assets increased by \$20.9 million or 1.5% from the previous year. During FY2020, there were \$72.9 million of Water System Refunding Revenue Bonds issued. Restricted cash and investments decreased by \$32.1 million or 37.1%. Unrestricted cash and investments used in daily operation increased by 6.5%. However, notes receivable decreased by 14.1%. Capital assets increased by \$54.8 million or 5.2% as anticipated by the ongoing capital improvement program. Total liabilities decreased by \$31.5 million or 6.5%.

At the close of FY2020, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in a net position of \$925.8 million, of this amount, \$141.9 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 of Kansas City, Missouri's (City) governmental activities. Total net position increased by \$50.1 million or 5.7% over the previous year, indicating that the Water Fund improved its financial position. The largest portion of net position, \$745.7 million or 80.6%, 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 FY2019, total assets of the Water Fund 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 assets used in daily operations increased by 17.4%. Capital assets increased by \$48.4 million or 4.9% as anticipated from the ongoing capital improvements program. Total liabilities of the Water Fund 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 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 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 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 \$182.8 million or 9.9% from the prior year. During FY2020, there were \$59.7 million of Sanitary Sewer System Revenue Bonds issued. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement decreased by \$0.7 million or 0.4%. Unrestricted assets used in daily operations increased by 22.1%. Capital assets increased by \$117.3 million or 8.9% as anticipated from the ongoing capital improvements program. Total liabilities increased by \$69.9 million or 10.8%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

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 \$1,316.5 million for the Sewer Fund. Of this amount, \$304.0 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Sewer Fund and may not be used to fund the City's governmental activities. Total net position increased by \$112.6 million or 9.4% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$960.0 million or 72.9%, 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 FY2019, total assets of the Sewer Fund increased by \$54.9 million or 3.1% from the prior year. During the year, 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 \$76.66 million or 6.2% as anticipated from the ongoing capital improvements program. Total liabilities decreased by \$44.2 million or 6.4 %.

At the close of FY2019, 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 Sewer 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.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

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

	April 30,		
	2020	2019	2018
Operating revenues	\$ 436,398	\$ 422,856	\$ 392,674
Operating expenses	(284,445)	(265,647)	(268,782)
Operating income	151,953	157,209	123,892
Nonoperating expenses, net	1,408	(11,276)	(22,529)
Excess of revenues over expenses before capital contributions and transfers	153,361	145,933	101,363
Capital contributions	17,517	11,899	15,614
Payment-in-lieu of taxes	(8,194)	(6,401)	(4,396)
Change in net position	162,684	151,431	112,581
Net position, beginning of year as previously reported	2,079,650	1,932,121	1,819,540
Prior period adjustment for change in accounting principle	--	(3,902)	--
Net position, beginning of year, restated	2,079,650	1,928,219	1,819,540
Net position, end of year	<u>\$ 2,242,334</u>	<u>\$ 2,079,650</u>	<u>\$ 1,932,121</u>

Summary of Operating Revenues (in thousands)

	April 30,		
	2020	2019	2018
Residential and commercial sales	\$ 368,307	\$ 360,280	\$ 341,597
Intermunicipal sewer charges	48,692	43,408	33,518
Other operating revenue	11,476	12,099	10,475
Income from jobbing, contract work and miscellaneous revenues	7,923	7,069	7,084
Total operating revenues	<u>\$ 436,398</u>	<u>\$ 422,856</u>	<u>\$ 392,674</u>
Operating revenues - water	169,505	170,945	167,214
Operating revenues - sewer	266,893	251,911	225,460
Total operating revenues	<u>\$ 436,398</u>	<u>\$ 422,856</u>	<u>\$ 392,674</u>

KC WATER

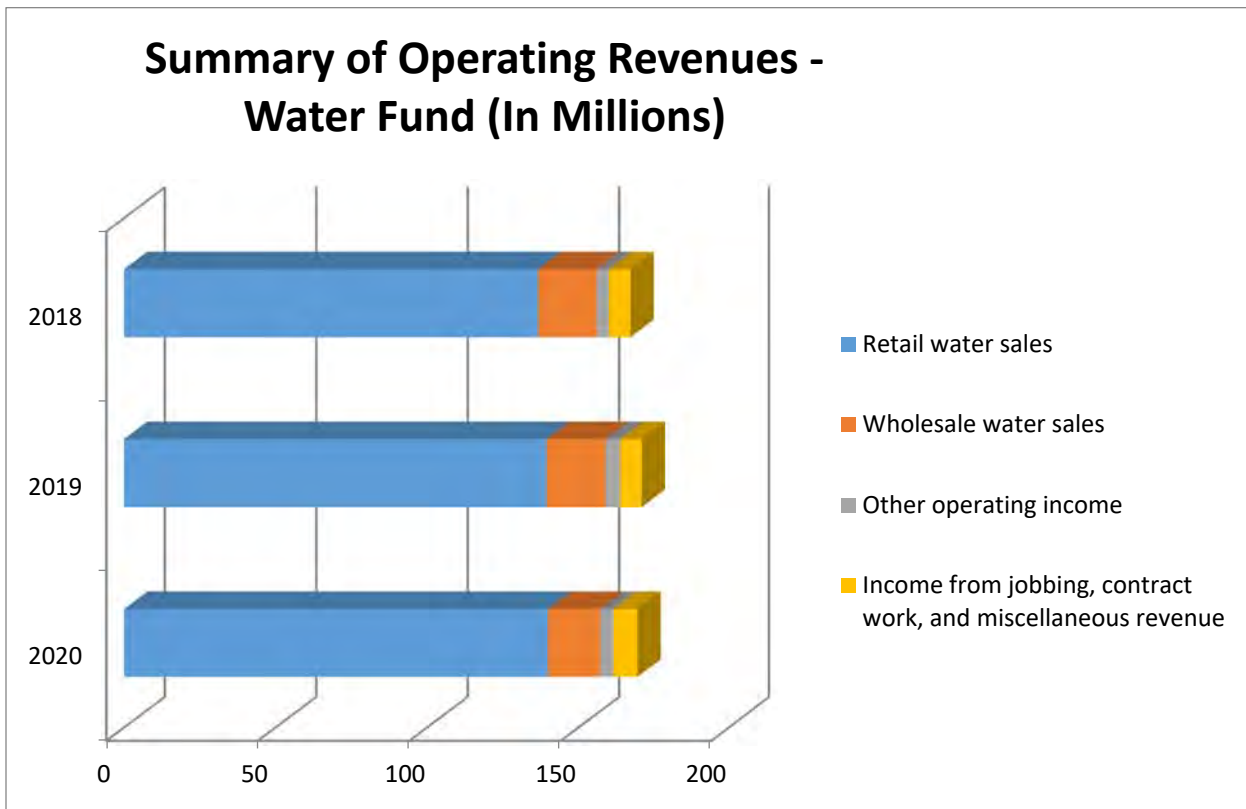
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

The Water Fund

Within the Water Fund, in FY2020, total operating revenues decreased by \$1.4 million or 0.8%. The scheduled 2% rate increase contributed additional revenue while water consumption decreased. Overall water billed to customers decreased by 1.0 million CCF (hundred cubic feet) or 2.7%. Income from jobbing, contract work and miscellaneous revenue increased by \$0.9 million or 12.1%, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.



At the close of FY2019, the Water Fund 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 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.

KC WATER

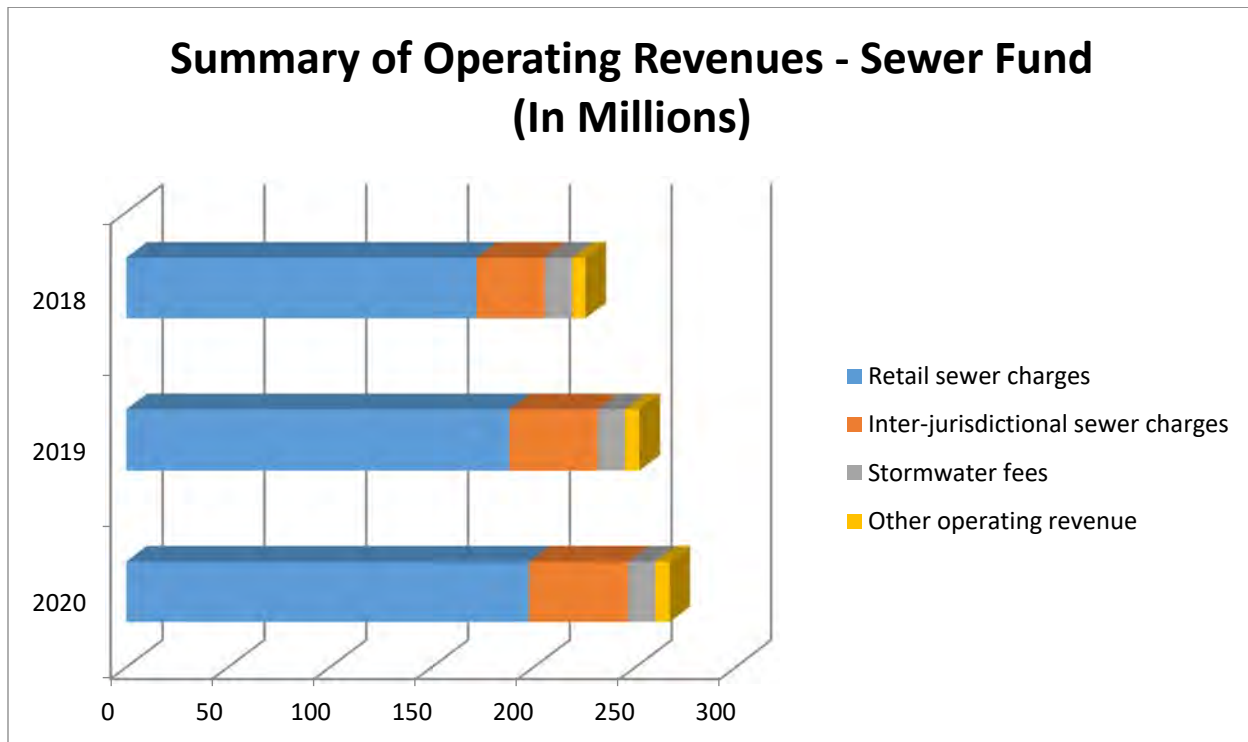
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

The Sewer Fund

Within the Sewer Fund, total operating revenues increased by \$15.0 million or 5.9% in FY2020. Residential and commercial retail sewer charges increased \$9.7 million or 4.8%, primarily due to the scheduled 6% sewer rate increase in effect all year. Revenue from inter-jurisdictional services increased \$5.3 million. Stormwater fees increased 0.6% during the year. There was a 0.1% decrease in other operating revenue that consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots.



At the close of FY2019, the Sewer Fund total operating revenues increased by \$26.5 million or 11.7%. In FY2019, residential and commercial retail sewer charge 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 by \$9.9 million. Stormwater fees decreased \$0.2 million or 1.3% during the year. There was a 9.3% increase in other operating revenue that consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

Summary of Operating Expenses (in thousands)

	April 30,		
	2020	2019	2018
Power and pumping	\$ 5,976	\$ 5,990	\$ 5,954
General and electrical maintenance	9,511	6,052	6,827
Purification	13,102	13,889	14,156
Laboratory services	2,745	2,783	2,915
Transmission and distribution	20,622	22,389	18,678
Customer service	6,898	7,095	7,087
Mechanical maintenance	1,941	1,987	2,206
Customer accounting and collection	8,473	8,103	7,597
Sewage treatment and pumping	35,947	31,052	35,706
Sewer maintenance	35,342	39,505	36,806
Industrial and household waste control	1,608	1,594	1,471
Administrative and general	79,837	64,929	74,367
Depreciation and amortization	62,443	60,279	55,012
Total operating expenses	<u>\$ 284,445</u>	<u>\$ 265,647</u>	<u>\$ 268,782</u>
Operating expenses - water	116,924	111,115	110,236
Operating expenses - sewer	<u>167,521</u>	<u>154,532</u>	<u>158,546</u>
Total operating expenses	<u>\$ 284,445</u>	<u>\$ 265,647</u>	<u>\$ 268,782</u>

KC WATER

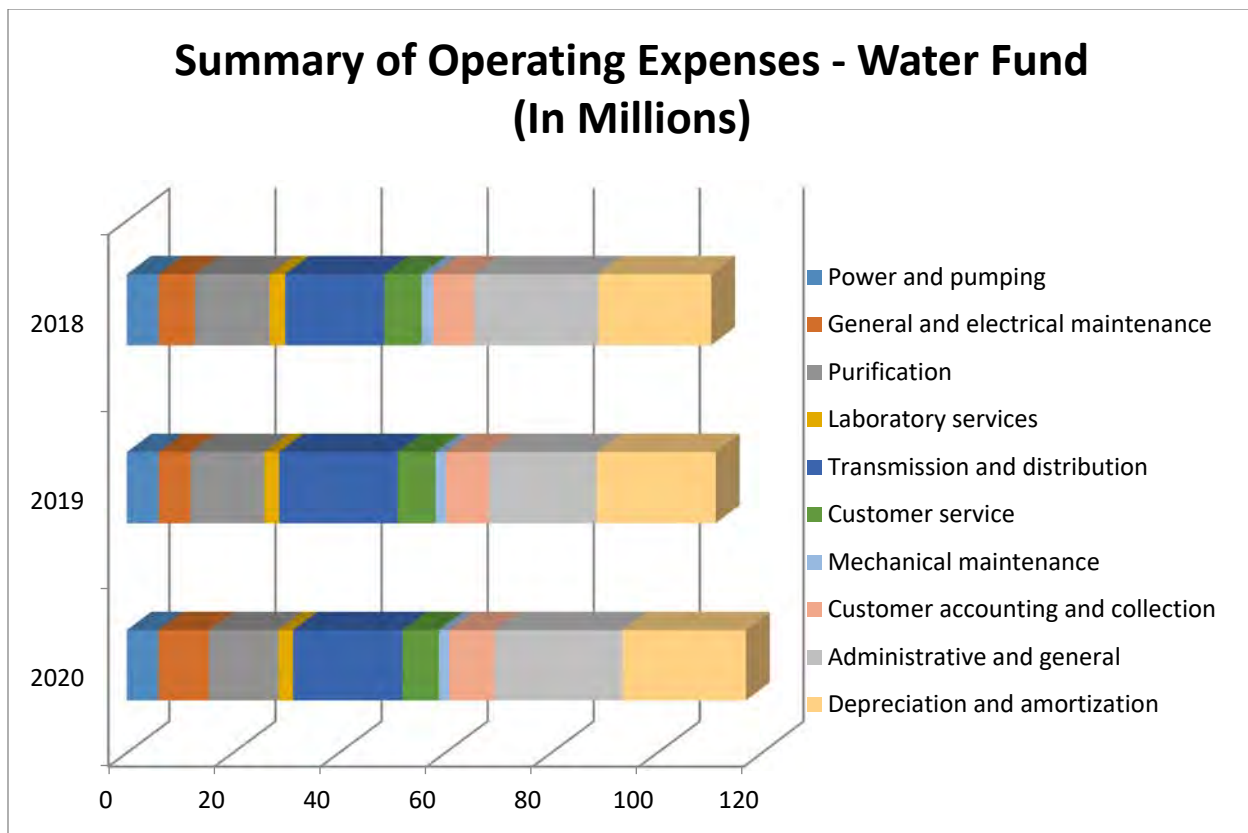
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

The Water Fund

Total operating expenses of the Water Fund increased by \$5.8 million or 5.2% over the previous year. General and electrical maintenance expenses increased by \$3.5 million or 57.2%. This was due to an increase in repairs and maintenance of equipment costs compared to the prior year. Transmission and distribution expense decreased by \$1.8 million or 7.9%. This was due to a reduction in the use of supplemental work forces for pipeline repair in FY2020. Administrative and general expenses increased by \$3.9 million or 19.3%. Depreciation and amortization increased by \$0.9 million or 4.1% as anticipated by the ongoing capital improvement plan.



In FY2019, 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. Transmission and distribution expense increased by \$3.7 million or 19.9%. This was due to using supplemental work forces for pipeline repair. 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.

KC WATER

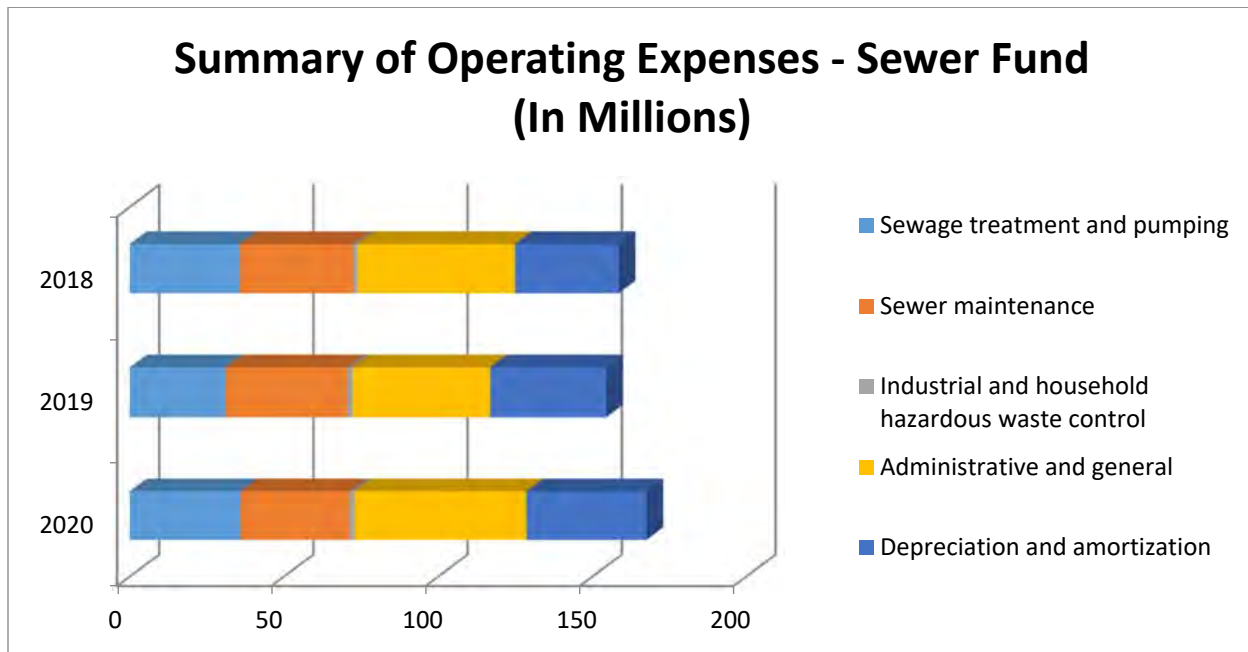
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

The Sewer Fund

Total operating expenses of the Sewer Fund increased by \$13.0 million or 8.4% 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 \$4.9 million or 15.8%, sewer maintenance expenses decreased by \$4.2 million or 10.5%, administrative and general expenses increased by \$11.0 million or 24.6% and depreciation and amortization expenses increased by \$1.2 million or 3.3%.



In FY2019, total operating expenses of the Sewer Fund decreased by \$4.0 million or 2.5% over the previous year. The Sewer 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 \$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%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2020 and 2019

Capital Assets

Water Fund - Capital assets in the Water Fund totaled \$1,099.4 million (net of accumulated depreciation) and accounted for 80.2% of total assets at April 30, 2020. 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 \$55.6 million were completed. Capital asset additions included \$59.4 million of constructed water mains and appurtenances and \$1.5 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$3.4 million in assets contributed from property developers. Additions and replacements of machinery and equipment totaled \$0.4 million. The increases in depreciable capital assets were offset by disposals and retirements of \$13.9 million.

At year end 2019 capital assets 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. They 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.

Sewer Fund - At April 30, 2020, capital assets of the Sewer Fund totaled \$1,438.9 million (net of accumulated depreciation) and accounted for 71.0% 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 Note 16: City Sewer Overflow Control Plan. During the year, projects totaling \$88.2 million were completed. Capital asset additions included \$70.5 million for sanitary sewer rehabilitation and replacement; \$10.8 million for storm sewer and waterways improvements; and \$3.8 million for pumping stations and equipment. In addition to completed projects, there was \$14.1 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 \$13.6 million.

At April 30, 2019, capital assets 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. During the year, projects totaling \$103.9 million were completed. The investment in infrastructure 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.

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, 2020 and 2019

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 Department'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, 2020 and 2019

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 2019A 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 Water and Sewer 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 Hennessy
Deputy Director/Chief Financial Officer
KC Water
4800 East 63rd Street
Kansas City, Missouri 64130

The background of the entire page is a photograph of large, blue, industrial pipes. In the foreground, several pipes are stacked haphazardly, with their circular openings facing the viewer. The pipes have a slightly weathered, metallic appearance. In the background, more pipes are neatly stacked in rows. Beyond the pipes, a construction site is visible under a cloudy sky, with various pieces of equipment and a distant city skyline on the horizon.

FINANCIAL SECTION

Basic Financial Statements

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

STATEMENT OF NET POSITION

April 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,755,377	\$ 29,691,920	\$ 45,447,297
Investments	13,712,088	25,850,036	39,562,124
Accounts receivable, net	21,255,679	42,602,168	63,857,847
Accrued interest receivable	1,001,256	2,190,149	3,191,405
Current portion of notes receivable	578,885	--	578,885
Inventories	2,692,304	602,179	3,294,483
Due from other City funds	4,712,731	1,320	4,714,051
	<u>59,708,320</u>	<u>100,937,772</u>	<u>160,646,092</u>
Total unrestricted current assets			
Restricted assets			
Cash and cash equivalents	4,670,691	16,734,238	21,404,929
Investments	4,329,419	32,227,172	36,556,591
Accrued interest receivable	296,925	1,240,975	1,537,900
	<u>9,297,035</u>	<u>50,202,385</u>	<u>59,499,420</u>
Total restricted current assets			
Total current assets	<u>69,005,355</u>	<u>151,140,157</u>	<u>220,145,512</u>
Investments	153,915,296	290,161,184	444,076,480
Restricted investments	45,382,454	146,264,761	191,647,215
Notes receivable	2,652,398	--	2,652,398
Capital assets, depreciable, net	1,059,604,026	1,332,639,668	2,392,243,694
Capital assets, nondepreciable	39,807,592	106,211,466	146,019,058
	<u>1,370,367,121</u>	<u>2,026,417,236</u>	<u>3,396,784,357</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	--	1,720,799	1,720,799
Items related to pension plan	7,132,882	6,012,200	13,145,082
Items related to OPEB plan	843,824	712,272	1,556,096
	<u>7,976,706</u>	<u>8,445,271</u>	<u>16,421,977</u>
Total deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 1,378,343,827</u>	<u>\$ 2,034,862,507</u>	<u>\$ 3,413,206,334</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	\$ 16,376,530	\$ 40,748,563	\$ 57,125,093
Current portion of compensated absences	764,833	681,314	1,446,147
Accrued payroll and related expenses	1,816,727	1,633,208	3,449,935
Contracts and retainage payable	1,425,581	1,731,744	3,157,325
Other liabilities	319,126	--	319,126
Current portion of due to other City funds	--	164,375	164,375
Current portion of claims liability	4,807,066	3,412,517	8,219,583
	<u>25,509,863</u>	<u>48,371,721</u>	<u>73,881,584</u>
Total current liabilities, less those payable from restricted assets			
Liabilities payable from restricted assets			
Accrued interest and fiscal agent fees	5,640,078	7,916,849	13,556,927
Current portion of revenue bonds and notes payable	18,860,000	25,905,300	44,765,300
Contracts and retainage payable	1,701,380	4,023,091	5,724,471
Customer deposits	3,822,224	--	3,822,224
	<u>30,023,682</u>	<u>37,845,240</u>	<u>67,868,922</u>
Total liabilities payable from restricted assets			
Total current liabilities	<u>55,533,545</u>	<u>86,216,961</u>	<u>141,750,506</u>
Claims liability	16,347,858	11,585,163	27,933,021
Compensated absences	2,801,637	2,302,865	5,104,502
Net pension liability	29,639,215	25,202,429	54,841,644
Total other postemployment benefit liability	8,510,917	7,305,537	15,816,454
Revenue bonds and notes payable, net of current portion	337,655,501	584,873,201	922,528,702
	<u>450,488,673</u>	<u>717,486,156</u>	<u>1,167,974,829</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Gain on refunding	1,083,595	--	1,083,595
Items related to pension plan	983,879	829,297	1,813,176
	<u>2,067,474</u>	<u>829,297</u>	<u>2,896,771</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	745,747,490	959,996,033	1,705,743,523
Restricted			
Capital projects	24,656,847	34,427,057	59,083,904
Debt service	13,498,411	18,165,804	31,664,215
Unrestricted	141,884,932	303,958,160	445,843,092
	<u>925,787,680</u>	<u>1,316,547,054</u>	<u>2,242,334,734</u>
Total net position			
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,378,343,827</u>	<u>\$ 2,034,862,507</u>	<u>\$ 3,413,206,334</u>

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			
Total current assets	<u>75,451,883</u>	<u>100,489,373</u>	<u>175,941,256</u>
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	14,399,931	7,742,323	22,142,254
Compensated absences	2,730,924	2,180,549	4,911,473
Net pension liability	26,886,735	22,882,403	49,769,138
Total other postemployment benefit liability	7,812,576	6,716,068	14,528,644
Revenue bonds and notes payable, net of current portion	379,924,238	547,911,797	927,836,035
	<u>481,992,504</u>	<u>647,575,755</u>	<u>1,129,568,259</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Items related to pension plan	594,737	530,170	1,124,907
NET POSITION			
Net investment in capital assets	681,493,169	883,896,794	1,565,389,963
Restricted			
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 REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Residential and commercial sales	\$ 157,179,574	\$ 211,127,873	\$ 368,307,447
Intermunicipal sewer charges	--	48,691,700	48,691,700
Other operating revenue	4,402,222	7,073,664	11,475,886
Income from jobbing, contract work and miscellaneous revenues	<u>7,923,187</u>	<u>--</u>	<u>7,923,187</u>
Total operating revenues	<u>169,504,983</u>	<u>266,893,237</u>	<u>436,398,220</u>
OPERATING EXPENSES			
Power and pumping	5,975,698	--	5,975,698
General and electrical maintenance	9,511,392	--	9,511,392
Purification	13,101,963	--	13,101,963
Laboratory services	2,744,759	--	2,744,759
Transmission and distribution	20,622,294	--	20,622,294
Customer service	6,897,975	--	6,897,975
Mechanical maintenance	1,940,759	--	1,940,759
Customer accounting and collection	8,472,598	--	8,472,598
Sewage treatment and pumping	--	35,946,596	35,946,596
Sewer maintenance	--	35,342,217	35,342,217
Industrial and household waste control	--	1,607,745	1,607,745
Administrative and general	24,167,387	55,670,013	79,837,400
Depreciation and amortization	<u>23,489,419</u>	<u>38,954,449</u>	<u>62,443,868</u>
Total operating expenses	<u>116,924,244</u>	<u>167,521,020</u>	<u>284,445,264</u>
Operating income	<u>52,580,739</u>	<u>99,372,217</u>	<u>151,952,956</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	12,776,033	25,011,939	37,787,972
Interest expense and fiscal agent fees	(14,557,061)	(21,941,914)	(36,498,975)
Other	<u>52,848</u>	<u>66,004</u>	<u>118,852</u>
Total nonoperating revenues (expenses)	<u>(1,728,180)</u>	<u>3,136,029</u>	<u>1,407,849</u>
Excess of revenues over expenses before capital contributions and transfers	50,852,559	102,508,246	153,360,805
Capital contributions	3,422,479	14,095,441	17,517,920
Payment-in-lieu of taxes	<u>(4,201,253)</u>	<u>(3,993,185)</u>	<u>(8,194,438)</u>
Increase in net position	50,073,785	112,610,502	162,684,287
Net position, beginning of year	875,713,895	1,203,936,552	2,079,650,447
Net position, end of year	<u><u>\$ 925,787,680</u></u>	<u><u>\$ 1,316,547,054</u></u>	<u><u>\$ 2,242,334,734</u></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, 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 CASH FLOWS

Year Ended April 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING ACTIVITIES			
Cash received from customers	\$ 163,747,898	\$ 263,084,116	\$ 426,832,014
Receipts from interfund services provided	5,251,554	450,171	5,701,725
Cash paid to employees, including benefits	(35,377,620)	(34,778,274)	(70,155,894)
Cash paid to suppliers	(47,567,229)	(83,984,607)	(131,551,836)
Cash paid for interfund services used	(11,917,171)	(10,663,076)	(22,580,247)
	<u>74,137,432</u>	<u>134,108,330</u>	<u>208,245,762</u>
Net cash flow from operating activities			208,245,762
NONCAPITAL FINANCING ACTIVITIES			
Payment-in-lieu of taxes	(4,201,253)	(3,993,185)	(8,194,438)
Repayment of loan to Flood Control Fund	12,170,827	--	12,170,827
	<u>7,969,574</u>	<u>(3,993,185)</u>	<u>3,976,389</u>
Net cash flow from noncapital financing activities			3,976,389
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(61,606,316)	(110,809,418)	(172,415,734)
Proceeds from issuance of revenue bonds	83,238,233	65,643,651	148,881,884
Principal payments on revenue bonds and notes payable	(15,185,000)	(24,019,000)	(39,204,000)
Refunding of bond principal	(105,895,000)	--	(105,895,000)
Fiscal agent fees and interest paid on revenue bonds and notes payable	(16,763,408)	(23,386,234)	(40,149,642)
Debt issuance costs	(464,530)	(666,763)	(1,131,293)
Proceeds from sale of capital assets	178,751	150,362	329,113
Proceeds from repayment of notes receivable	528,835	--	528,835
	<u>(115,968,435)</u>	<u>(93,087,402)</u>	<u>(209,055,837)</u>
Net cash flow from capital and related financing activities			(209,055,837)
INVESTING ACTIVITIES			
Investment purchases	(118,653,749)	(285,377,591)	(404,031,340)
Investment maturities and sales	158,855,419	260,059,896	418,915,315
Interest received on investments	6,119,485	11,846,877	17,966,362
	<u>46,321,155</u>	<u>(13,470,818)</u>	<u>32,850,337</u>
Net cash flow from investing activities			32,850,337
Net change in cash and cash equivalents	12,459,726	23,556,925	36,016,651
Cash and cash equivalents, beginning of year	7,966,342	22,869,233	30,835,575
Cash and cash equivalents, end of year	<u>\$ 20,426,068</u>	<u>\$ 46,426,158</u>	<u>\$ 66,852,226</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	\$ 52,580,739	\$ 99,372,217	\$ 151,952,956
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	23,489,419	38,954,449	62,443,868
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources			
(Increase) decrease in:			
Accounts receivable	(758,295)	(3,360,225)	(4,118,520)
Inventories	(721,823)	(40,119)	(761,942)
Due from other funds	(48,877)	1,275	(47,602)
Deferred outflows related to pension plan	(356,971)	28,084	(328,887)
Deferred outflows related to OPEB	(355,037)	(275,513)	(630,550)
Decrease (increase) in:			
Accounts payable	(6,029,916)	(8,698,207)	(14,728,123)
Compensated absences	(29,240)	41,829	12,589
Accrued payroll and related expenses	(171,210)	(58,632)	(229,842)
Other liabilities	5,988	--	5,988
Due to other funds	(305)	50,522	50,217
Claims liability	2,391,356	4,884,028	7,275,384
Customer deposits	301,641	--	301,641
Net pension liability	2,752,480	2,320,026	5,072,506
Total other postemployment benefit liability	698,341	589,469	1,287,810
Deferred inflows related to pension plan	389,142	299,127	688,269
Total adjustments	21,556,693	34,736,113	56,292,806
Net cash flow from operating activities	<u>\$ 74,137,432</u>	<u>\$ 134,108,330</u>	<u>\$ 208,245,762</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR-END			
Unrestricted	\$ 15,755,377	\$ 29,691,920	\$ 45,447,297
Restricted	4,670,691	16,734,238	21,404,929
	<u>\$ 20,426,068</u>	<u>\$ 46,426,158</u>	<u>\$ 66,852,226</u>
NONCASH ACTIVITIES			
Contributions of capital assets	\$ 3,422,479	\$ 14,095,441	\$ 17,517,920
Change in fair value of investments	6,823,602	12,981,916	19,805,518
Accounts payable for purchase of capital assets	12,419,490	31,144,449	43,563,939

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)
	<u>83,678,322</u>	<u>114,348,862</u>	<u>198,027,184</u>
Net cash flow from operating activities			
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)
	<u>(4,272,997)</u>	<u>(3,606,848)</u>	<u>(7,879,845)</u>
Net cash flow from noncapital financing activities			
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 on 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
	<u>(96,830,737)</u>	<u>(148,471,244)</u>	<u>(245,301,981)</u>
Net cash flow from capital and related financing activities			
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
	<u>6,887,573</u>	<u>43,202,024</u>	<u>50,089,597</u>
Net cash flow from investing activities			
Net increase in cash and cash equivalents	<u>(10,537,839)</u>	<u>5,472,794</u>	<u>(5,065,045)</u>
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 flow from 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 of resources - pensions	5,843,910	5,049,456	10,893,366
Deferred outflows of resources - 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 of resources - pensions	73,119	84,684	157,803
Total adjustments	23,847,890	16,970,325	40,818,215
Net cash provided by 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	1,971,084	13,020,348	14,991,432
	<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

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 and Sewer (wastewater and stormwater) 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, 2020 and 2019, 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.

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, 2020 and 2019, the Water Fund's deferred outflows of resources of \$7,976,706 and \$8,825,871, respectively, were comprised of deferred losses on bond refundings, deferred outflows related to pension, and deferred outflows related to OPEB. As of April 30, 2020 and 2019, the Water Fund's deferred inflows of resources of \$2,067,474 and \$594,737, respectively, were comprised of deferred gains on bond refundings and deferred inflows related to pension.

Sewer Fund - As of April 30, 2020 and 2019, the Sewer Fund's deferred outflows of resources of \$8,445,271 and \$8,409,268, respectively, were comprised of deferred losses on bond refundings, deferred outflows related to pension, and deferred outflows related to OPEB. As of April 30, 2020 and 2019, the Sewer Fund's deferred inflows of resources of \$829,297 and \$530,170, 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.

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 were originally effective for the financial statements for the Department's fiscal year ending April 30, 2020 and now postponed until April 30, 2021 per GASB Statement No. 95.

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 January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). 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 were originally effective for financial statements for the Department's fiscal year ending April 30, 2020 and now postponed until April 30, 2021 per GASB Statement No. 95.

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

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, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties. The provisions of this statement were originally effective for financial statements for the Department's fiscal year ending April 30, 2021 and now postponed until April 30, 2023 per GASB Statement No. 95.

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 were originally effective for financial statements for the Department's fiscal year ending April 30, 2020 and now postponed until April 30, 2021 per GASB Statement No. 95.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90). The primary objective of this statement 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 were originally effective for financial statements for the Department's fiscal year ending April 30, 2020 and now postponed until April 30, 2021 per GASB Statement No. 95.

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 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 were originally effective for financial statements for the Department's fiscal year ending April 30, 2022 and now postponed until April 30, 2023 per GASB Statement No. 95.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (GASB 92), which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. Certain provisions of this statement were effective upon issuance and did not impact the Department's financial reporting, other provisions of this statement are were originally effective for financial statements for the Department's fiscal year ending April 30, 2022 and now postponed until April 30, 2023 per GASB Statement No. 95.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93), which provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) -most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The provisions of this statement were originally effective for financial statements for the Department's fiscal year ending April 30, 2022 and now postponed until April 30, 2023 per GASB Statement No. 95.

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 March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for financial statements for the Department's fiscal year ending April 30, 2024.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (GASB 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), which provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years. Statement 96 is based on the standards established in Statement 87, *Leases*. The new defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The provisions of this statement will be effective for financial statements for the Department's fiscal year ending April 30, 2024.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97), which provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through

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)

those plans. The first two provisions of this statement are effective immediately. The last provision will be effective for financial statements for the Department's fiscal year ending April 30, 2023

The Department has not completed its assessment of the impact of the adoption of these 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 49.95% and 49.15% as of April 30, 2020 and 2019, respectively. As of April 30, 2020 and 2019, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account was approximately \$45,821,000 and \$22,019,681, 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 City's total pooled cash and cash equivalents, which includes deposits as well as investments with original maturities of three months or less were \$121,244,087 and \$29,516,254, respectively at April 30, 2020 and 2019, respectively. The Department's allocation of cash and cash equivalents was \$63,353,307 and \$20,538,472 at April 30, 2020 and 2019, 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).
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 Discount Notes.
 - c. U.S. Government Agency Callable Securities. Restricted to securities callable at par only.
 - d. 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.
 - e. 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.
 - f. 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

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

have the final projected payment no greater than five (5) years when analyzed in a +300 basis point interest rate environment.

3. *Collateralized Time Deposits (Non-negotiable certificates of deposit)*
4. *Repurchase Agreements.* The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Security Industry & Financial Markets Association's (or any successor thereto) 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.
5. *Bankers' Acceptances.* The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by S&P Global Ratings (S&P) or Moody's Investor Services, Inc. (Moody's).
6. *Commercial Paper.* The City may invest in commercial paper issued by domestic corporations, which has received the highest short term credit rating issued by S&P or Moody's. 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 of the NRSROs at the time of purchase.
7. *Municipal Securities (State and Local Government Obligations).* The City may invest in municipal obligations that are issued in either tax-exempt or taxable form.
 - a. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by S&P 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 S&P 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 S&P 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 S&P 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 S&P or Moody's.
 - f. Any revenue bonds issued by the Missouri Department of Transportation rated at least AA or Aa2 by S&P 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 U.S. government, without regard to rating by S&P or Moody's.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

8. With respect to the investment of bond proceeds, money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by S&P and Moody's (in either case without regard to any modifier.)
9. Such other investments not described above that are allowed pursuant to Missouri Law and approved in the City Charter.

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 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, 2020, the City had the following investments and maturities (amounts are in thousands):

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1 - 2	2 - 3	3 - 5	Weighted Average
Pooled investments						
U.S. Treasury bills	\$ 142,985	\$ 142,985	\$ --	\$ --	\$ --	0.11
U.S. Treasury notes/bonds	211,048	37,210	49,330	57,028	67,480	2.19
Municipal bonds	52,494	12,768	39,726			1.29
U.S. Agency discounts	20,006	20,006	--	--	--	0.13
U.S. Agencies- noncallable	745,661	111,155	148,882	199,811	285,813	2.42
U.S. Agencies- callable	104,017	80,092	23,925	--	--	0.62
Total pooled	1,276,211	404,216	261,863	256,839	353,293	1.89
Non-pooled investments						
U.S. Treasury bills	27,496	27,496	--	--	--	0.13
U.S. Treasury notes/bonds	10,102	7,505	2,597	--	--	0.44
U.S. Agency discounts	30,504	30,504	--	--	--	0.11
U.S. Agencies- noncallable	92,540	79,205	10,129	1,038	2,168	0.61
Total non-pooled	160,642	144,710	12,726	1,038	2,168	0.42
	\$ 1,436,853	\$ 548,926	\$ 274,589	\$ 257,877	\$ 355,461	1.73

The Department's allocation of pooled investments at April 30, 2020 was \$605,004,074. The Department's non-pooled investments at April 30, 2020 were \$106,838,336.

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, 2019, the City had the following investments and maturities (amounts are in thousands):

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1 - 2	2 - 3	3 - 5	Weighted Average
Pooled investments						
U.S. Treasury bills	\$ 89,286	\$ 89,286	\$ --	\$ --	\$ --	0.33
U.S. Treasury notes/bonds	184,618	79,872	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	1,134,396	406,552	182,729	167,534	377,581	2.12
Non-pooled investments						
U.S. Treasury bills						
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	191,887	145,890	42,079	2,934	984	0.62
	\$ 1,326,283	\$ 552,442	\$ 224,808	\$ 170,468	\$ 378,565	1.90

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

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 \$3,498,919 and \$3,329,240 at April 30, 2020 and 2019, 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, 2020 and 2019, the total fair value of the City's callable bond portfolio (pooled and non-pooled) is \$104,016,285 and \$236,657,000, 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 issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the City does not have a formal policy relating to credit risk, the City's investment policy requires that all investments be in either: 1) U.S. Treasury Obligations and other such obligations as expressly guaranteed by the U.S. Government; 2) U.S. Government Agency and Government Sponsored Enterprise Obligations; 3) Certain Municipal Obligations with defined minimum ratings; 4) Banker's Acceptances with the highest credit rating by such rating organization; 5) Certain Commercial Paper Obligations with the highest credit rating by such rating organization; and 6) Repurchase Agreements in either physical delivery or tri-party form.

As of April 30, 2020, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	Fair Value	Moody's/ S&P Ratings
U.S. Agency securities	\$ 992,726	Aaa/AA+
Municipal obligations	52,494	Aaa/AA+
	<u>\$ 1,045,220</u>	

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):

	Fair Value	Moody's/ S&P Ratings
U.S. Agency securities	\$1,030,025	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, 2020 and 2019, 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 requires 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, 2020 and 2019, 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 \$1,755,000, to secure Certificates of Deposit. The three Letters of Credit expire November 18, 2021, December 16, 2020, and May 30, 2020, 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, 2020, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 25%, 19%, 12% and 12%, respectively, of the City's total investments.

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.

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, 2020 and 2019:

	2020		
	Water	Sewer	Total
Cash and cash equivalents	\$ 20,426,068	\$ 42,927,239	\$ 63,353,307
Pooled investments	217,339,257	387,664,817	605,004,074
Non-pooled investments	--	106,838,336	106,838,336
Trustee accounts	--	3,498,919	3,498,919
	<u>\$ 237,765,325</u>	<u>\$ 540,929,311</u>	<u>\$ 778,694,636</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

	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
	<u>\$ 258,683,667</u>	<u>\$ 479,072,775</u>	<u>\$ 737,756,442</u>

The deposits and investments of KC Water at April 30, 2020 and 2019 are reflected in the statements of net position as follows:

	2020		
	Water	Sewer	Total
Current assets			
Unrestricted			
Cash and cash equivalents	\$ 15,755,377	\$ 29,691,920	\$ 45,447,297
Investments	13,712,088	25,850,036	39,562,124
Restricted			
Cash and cash equivalents	4,670,691	16,734,238	21,404,929
Investments	4,329,419	32,227,172	36,556,591
Non-current assets			
Investments	153,915,296	290,161,184	444,076,480
Restricted investments	45,382,454	146,264,761	191,647,215
	<u>\$ 237,765,325</u>	<u>\$ 540,929,311</u>	<u>\$ 778,694,636</u>

	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>

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, 2020 and 2019 is as follows:

	2020		
	Water	Sewer	Total
Residential and commercial customers	\$ 25,113,593	\$ 32,610,012	\$ 57,723,605
Unbilled utility revenue	8,679,067	12,356,416	21,035,483
Intermunicipal sewer customers	--	14,564,091	14,564,091
Other accounts receivable	655,225	466,922	1,122,147
	<u>34,447,885</u>	<u>59,997,441</u>	<u>94,445,236</u>
Allowance for doubtful accounts	(13,192,206)	(17,395,273)	(30,587,479)
Net accounts receivable	<u>\$ 21,255,679</u>	<u>\$ 42,602,168</u>	<u>\$ 63,857,847</u>
	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>

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, 2020 and 2019:

Customer	Interest Rates	Loan Completion Date	2020	2019
Dogwood Energy	5.565%	February 2023	\$ 949,278	\$ 1,203,451
Platte County PWSD #2	4.126%	April 2026	165,635	189,476
City of Dearborn	4.126%	April 2026	67,996	115,602
Lee's Summit	4.238%	March 2028	1,574,855	1,738,834
Cass County PWSD #10	4.238%	November 2029	473,519	512,755
			<u>3,231,283</u>	<u>3,760,118</u>
Current portion			(578,885)	(552,588)
Non-current portion			<u>\$ 2,652,398</u>	<u>\$ 3,207,530</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, 2020 is as follows:

Water Fund	May 1, 2019	Additions	Retirements / Adjustments	April 30, 2020
Depreciable assets				
Buildings	\$ 187,219,962	\$ 5,790,383	\$ (3,395,153)	\$ 189,615,192
Utility lines and improvements	949,087,443	59,530,747	(6,446,404)	1,002,171,786
Machinery and equipment	100,658,371	7,566,688	(4,096,557)	104,128,502
Total depreciable assets	<u>1,236,965,776</u>	<u>72,887,818</u>	<u>(13,938,114)</u>	<u>1,295,915,480</u>
Accumulated depreciation				
Buildings	(74,616,101)	(3,418,967)	3,395,155	(74,639,913)
Utility lines and improvements	(121,579,415)	(14,168,629)	6,446,404	(129,301,640)
Machinery and equipment	(30,469,525)	(5,871,032)	3,970,656	(32,369,901)
Total accumulated depreciation	<u>(226,665,041)</u>	<u>(23,458,628)</u>	<u>13,812,215</u>	<u>(236,311,454)</u>
Total depreciable assets, net	<u>1,010,300,735</u>	<u>49,429,190</u>	<u>(125,899)</u>	<u>1,059,604,026</u>
Nondepreciable assets				
Land and permanent right of ways	10,320,163	3,287	--	10,323,450
Construction in process	23,969,582	60,653,657	(55,139,097)	29,484,142
Total nondepreciable assets	<u>34,289,745</u>	<u>60,656,944</u>	<u>(55,139,097)</u>	<u>39,807,592</u>
Capital assets, net	<u>\$ 1,044,590,480</u>	<u>\$ 110,086,134</u>	<u>\$ (55,264,996)</u>	<u>\$ 1,099,411,618</u>
Sewer Fund	May 1, 2019	Additions	Retirements / Adjustments	April 30, 2020
Depreciable assets				
Sewage treatment plant and other facilities	\$ 341,420,574	\$ 6,479,334	\$ (2,983,001)	\$ 344,916,907
Sewer lines	1,158,576,747	86,466,802	(4,495,328)	1,240,548,221
Equipment	162,931,191	12,491,728	(6,085,749)	169,337,170
Land improvements	8,291,529	564,262	--	8,855,791
Green infrastructure	10,756,369	1,181,745	--	11,938,114
Total depreciable assets	<u>1,681,976,410</u>	<u>107,183,871</u>	<u>(13,564,078)</u>	<u>1,775,596,203</u>
Accumulated depreciation				
Sewage treatment plant and other facilities	(219,206,999)	(8,587,071)	2,983,001	(224,811,069)
Sewer lines	(142,252,928)	(18,689,552)	4,495,319	(156,447,161)
Equipment	(55,143,817)	(11,187,905)	6,001,399	(60,330,323)
Land improvements	(622,920)	(307,365)	--	(930,285)
Green infrastructure	(255,141)	(182,556)	--	(437,697)
Total accumulated depreciation	<u>(417,481,805)</u>	<u>(38,954,449)</u>	<u>13,479,719</u>	<u>(442,956,535)</u>
Total depreciable assets, net	<u>1,264,494,605</u>	<u>68,229,422</u>	<u>(84,359)</u>	<u>1,332,639,668</u>
Nondepreciable assets				
Land and permanent right of ways	14,388,190	334,007	--	14,722,197
Construction in process	42,623,063	136,677,868	(87,811,662)	91,489,269
Total nondepreciable assets	<u>57,011,253</u>	<u>137,011,875</u>	<u>(87,811,662)</u>	<u>106,211,466</u>
Capital assets, net	<u>\$ 1,321,505,858</u>	<u>\$ 205,241,297</u>	<u>\$ (87,896,021)</u>	<u>\$ 1,438,851,134</u>
Total Department capital assets, net	<u>\$ 2,366,096,338</u>	<u>\$ 315,327,431</u>	<u>\$ (143,161,017)</u>	<u>\$ 2,538,262,752</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, 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	May 1, 2018	Additions	Retirements / Adjustments	April 30, 2019
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

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS

Revenue bonds and notes payable outstanding consist of the following issues at April 30, 2020 and 2019:

Issue	Interest Rates	Maturities Through	2020	2019
Water Fund				
Series 2008A	4.66%	December 2027	\$ --	\$ 20,390,000
Series 2009A	2.00 - 5.25%	December 2032	--	27,375,000
Series 2012A	1.00 - 5.00%	December 2036	36,255,000	37,770,000
Series 2013A	2.00 - 4.00%	December 2037	47,525,000	49,335,000
Series 2014A	2.00 - 5.00%	December 2038	46,960,000	48,645,000
Series 2015A	3.25 - 5.00%	December 2039	55,815,000	57,395,000
Series 2017A	3.13 - 5.00%	December 2041	72,155,000	73,970,000
Series 2019A	2.00 - 5.00%	December 2032	67,955,000	--
Sewer Fund				
State Series 1999A	3.625% - 5.25%	January 2020	--	445,000
State Series 2000A	4.60% - 5.75%	July 2020	790,000	1,565,000
State Series 2000B	4.25% - 5.625%	July 2020	715,000	1,410,000
Stormwater 2000	1.70%	December 2020	73,600	146,800
Stormwater 2001 & 2002	1.60%	December 2021	660,000	989,000
State Series 2001B	3.00% - 5.375%	July 2022	3,105,000	4,090,000
State Series 2002J	2.00% - 5.50%	July 2022	1,860,000	2,445,000
State Series 2004H	3.00% - 5.25%	January 2025	3,110,000	3,680,000
Stormwater 2007	1.40%	June 2027	182,000	203,000
State Series 2009B	1.48%	July 2030	7,994,800	8,700,600
Series 2011A	2.00% - 5.00%	January 2037	66,910,000	70,090,000
Series 2012A	2.00% - 5.00%	January 2037	58,905,000	62,130,000
Series 2016A	2.00% - 5.00%	January 2040	158,305,000	164,660,000
Series 2018A	3.125% - 5.00%	January 2042	156,240,000	160,285,000
Series 2018B	4.00% - 5.25%	January 2034	40,025,000	42,055,000
Series 2019A	3.00% - 5.00%	January 2044	59,735,000	--
			885,275,400	897,774,400
Unamortized premiums			83,461,460	75,867,988
Unamortized discounts			(1,442,858)	(1,362,353)
Net revenue bonds and notes payable			967,294,002	972,280,035
Less current portion			(44,765,300)	(44,444,000)
Noncurrent portion of revenue bonds and notes payable			<u>\$ 922,528,702</u>	<u>\$ 927,836,035</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, 2020 are as follows:

	May 1, 2019	Additions	Reductions	April 30, 2020	Due Within One Year
Water Fund					
Revenue bonds	\$ 374,880,000	\$ 72,865,000	\$ (121,080,000)	\$ 326,665,000	\$ 18,860,000
Unamortized bond premium	25,932,628	11,389,403	(7,030,880)	30,291,151	--
Unamortized bond discount	(463,390)	--	22,740	(440,650)	--
Net pension liability	26,886,735	15,823,630	(13,071,150)	29,639,215	--
Total other postemployment benefit liability	7,812,576	988,314	(289,973)	8,510,917	--
Compensated absences	3,595,710	641,655	(670,895)	3,566,470	764,833
Claims payable	18,763,568	6,049,686	(3,658,330)	21,154,924	4,807,066
Total Water Fund	457,407,827	107,757,688	(145,778,488)	419,387,027	24,431,899
Sewer Fund					
Revenue bonds	522,894,400	59,735,000	(24,019,000)	558,610,400	25,905,300
Unamortized bond premium	49,935,360	6,061,674	(2,826,725)	53,170,309	--
Unamortized bond discount	(898,963)	(153,023)	49,778	(1,002,208)	--
Net pension liability	22,882,403	13,337,505	(11,017,479)	25,202,429	--
Total other postemployment benefit liability	6,716,068	834,235	(244,766)	7,305,537	--
Compensated absences	2,942,350	543,503	(501,674)	2,984,179	681,314
Claims payable	10,113,652	10,147,377	(5,263,349)	14,997,680	3,412,517
Total Sewer Fund	614,585,270	90,506,271	(43,823,215)	661,268,326	29,999,131
Total Department	\$ 1,071,993,097	\$ 198,263,959	\$ (189,601,703)	\$ 1,080,655,353	\$ 54,431,030

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 As Restated	Additions	Reductions	April 30, 2019	Due Within 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	--
Total 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
Total Water Fund	480,144,253	20,833,454	(43,569,880)	457,407,827	25,653,423
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	--
Total 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
Total Sewer Fund	645,237,250	68,732,316	(99,384,296)	614,585,270	27,152,130
Total Department	\$ 1,125,381,503	\$ 89,565,770	\$ (142,954,176)	\$ 1,071,993,097	\$ 52,805,553

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, 2020 are as follows:

Year Ending April 30	Water Fund		Sewer Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 18,860,000	\$ 13,536,187	\$ 25,905,300	\$ 23,631,676	\$ 44,765,300	\$ 37,167,863
2022	17,965,000	12,735,363	25,291,000	22,548,487	43,256,000	35,283,850
2023	18,675,000	11,989,163	25,126,600	21,493,779	43,801,600	33,482,942
2024	18,190,000	11,188,413	24,399,700	20,471,008	42,589,700	31,659,421
2025	16,770,000	10,382,612	24,302,000	19,356,401	41,072,000	29,739,013
2026-2030	74,175,000	41,932,412	129,695,800	79,585,280	203,870,800	121,517,692
2031-2035	83,660,000	24,883,956	145,505,000	47,820,950	229,165,000	72,704,906
2036-2040	68,625,000	9,117,263	123,430,000	19,629,244	192,055,000	28,746,507
2041-2045	9,745,000	588,600	34,955,000	2,331,850	44,700,000	2,920,450
	<u>\$ 326,665,000</u>	<u>\$ 136,353,969</u>	<u>\$ 558,610,400</u>	<u>\$ 256,868,675</u>	<u>\$ 885,275,400</u>	<u>\$ 393,222,644</u>

On August 7, 2019, the Department issued Series 2019A Water Utility refunding revenue bonds in the amount of \$72,865,000 with a net interest cost of 1.94% with maturities through December 1, 2032. The bond proceeds were used to refund \$87,375,000 of Series 2009A Water Utility revenue bonds on a current basis. The Department completed the refunding to reduce its total debt service payments by \$13,563,578 and to obtain an economic gain (the difference between the present value of the old and new debt service payments) of \$11,902,679.

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, 2017A bonds and 2019A (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 \$68,250,053 and \$69,360,303 at April 30, 2020, and 2019, 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, 2020 and 2019, 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 2020 and 2019 as follows:

	April 30, 2020		
	Water	Sewer	Total
Principal and interest	\$ 13,572,112	\$ 18,281,040	\$ 31,853,152
Construction	7,100,488	136,870,650	143,971,138
Renewal and replacement	30,163,796	41,260,770	71,424,566
Retention pond maintenance	--	54,686	54,686
Customer deposits	3,843,093	--	3,843,093
	<u>\$ 54,679,489</u>	<u>\$ 196,467,146</u>	<u>\$ 251,146,635</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, 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>

7. PLEDGED REVENUES

Water Fund - The City has pledged revenues of the Water Fund, net of specified operating expenses, to repay \$326,665,000 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 are expected to require approximately 22% of net revenues on average over the next 22 years. The total principal and interest remaining to be paid on the bonds is \$463,018,969. Principal and interest paid for the year ended April 30, 2020 and total net revenues available for debt service were \$30,005,243 and \$93,678,460, respectively.

Sewer Fund - The City has pledged revenues of the Wastewater Fund, net of specified operating expenses, to repay \$557,694,800 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 Wastewater Fund. Annual principal and interest payments on the bonds are expected to require approximately 21% of net revenues on average over the next 24 years. Total principal and interest remaining to be paid on those bonds and loans is \$814,536,018. Principal and interest paid for the year ended April 30, 2020 and net revenues available for debt service for the Sewer Fund were \$46,627,036 and \$160,890,743, 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, 2020 were as follows:

Payables	Receivables			Total
	Water	Sewer	General	
Water Fund	\$ --	\$ --	\$ --	\$ --
Sewer Fund	141,876	--	22,499	141,876
Flood Control Fund	4,550,000	--	--	4,550,000
General Fund	20,855	1,320	--	22,175
	<u>\$ 4,712,731</u>	<u>\$ 1,320</u>	<u>\$ 22,499</u>	<u>\$ 4,736,550Z</u>

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

Payables	Receivables		
	Water	Sewer	Total
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 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. During 2020, the Flood Control Fund repaid an additional \$12,170,828. 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 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, 2020 and 2019, total payments for administrative and general expenses and transfers for PILOT's are as follows:

	<u>2020</u>	<u>2019</u>
Water Fund		
Administrative, data processing and accounting	\$ 5,040,694	\$ 5,223,644
Overhead allocation for self-insured claims	3,689,586	162,855
PILOT	4,201,253	2,793,824
Sewer Fund		
Administrative, data processing and accounting	4,971,565	5,274,619
Overhead allocation for self-insured claims	5,770,519	2,388,319
PILOT	3,993,185	3,606,848
	<u>\$ 27,666,802</u>	<u>\$ 19,450,109</u>

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 \$4,956,177 and \$4,505,845 for these services for the years ended April 30, 2020 and 2019, 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 I, 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 nine members, including the Director of Human Resources and Director of Finance, two shall be active employees and members of the retirement system, one retired member of the system and one member designated by Firefighters IAFF Local 42. The remaining four members are prominent Kansas City business or civic leaders appointed by the Mayor.

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

The Employees' Retirement System's financial report can also be found at:
<https://www.kcmo.gov/city-hall/departments/human-resources/retirement-information/retirement-reports>

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 Department 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, 2019 and 2018, 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, 2020 and 2019, employees within the Water Fund contributed \$1,150,060 and \$1,103,138, respectively, and the Water Fund contributed \$3,606,587 and \$3,397,665, respectively, to the Plan. For the years ended April 30, 2020 and 2019, employees within the Sewer Fund contributed \$969,373 and \$965,816, respectively, and the Sewer Fund contributed \$3,039,953 and \$3,028,798, 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, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Water Fund		
Net pension liability	\$ 29,639,215	\$ 26,886,735
Proportion	13.08%	13.15%
Sewer Fund		
Net pension liability	\$ 25,202,429	\$ 22,882,403
Proportion	11.02%	11.27%

The net pension liability was measured as of April 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2018 and 2017 rolled forward one year to the measurement dates using standard actuarial techniques. 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, 2019 and 2018.

For the years ended April 30, 2020 and 2019, the Water Fund recognized pension expense of \$6,315,881 and \$5,993,243, respectively. For the years ended April 30, 2020 and 2019, the Sewer Fund recognized pension expense of \$5,323,562 and \$5,342,586, 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, 2020 and 2019, KC Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Water Fund				
Net difference between projected and actual earnings on pension plan investments	\$ 2,442,102	\$ --	\$ 1,088,301	\$ --
Changes in assumptions	1,126,318	--	2,264,811	--
Differences between expected and actual experience	--	983,879	--	594,737
Fund contributions made subsequent to the measurement date of the net pension liability	3,564,462	--	3,422,799	--
	<u>7,132,882</u>	<u>983,879</u>	<u>6,775,911</u>	<u>594,737</u>
Sewer Fund				
Net difference between projected and actual earnings on pension plan investments	\$ 2,058,412	\$ --	\$ 970,150	\$ --
Changes in assumptions	949,356	--	2,018,932	--
Differences between expected and actual experience	--	829,297	--	530,170
Fund contributions made subsequent to the measurement date of the net pension liability	3,004,432	--	3,051,202	--
	<u>6,012,200</u>	<u>829,297</u>	<u>6,040,284</u>	<u>530,170</u>
Total Department	<u>\$ 13,145,082</u>	<u>\$ 1,813,176</u>	<u>\$ 12,816,195</u>	<u>\$ 1,124,907</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, 2020 and 2019, the Water Fund reported \$3,564,462 and \$3,422,799, respectively, and the Sewer Fund reported \$3,004,432 and \$3,051,202, 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, 2020, related to pensions, will be recognized in pension expense as follows:

	Water	Sewer	Total
2021	\$ 2,929,189	\$ 2,468,970	\$ 5,398,159
2022	(822,607)	(693,364)	(1,515,971)
2023	(30,249)	(25,496)	(55,745)
2024	508,208	428,361	936,569
	<u>\$ 2,584,541</u>	<u>\$ 2,178,471</u>	<u>\$ 4,763,012</u>

Actuarial Assumptions

The total pension liability in the April 30, 2019 and 2018 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 Mortality Tables projected using a modified scale MP-2015 on a generational basis.

The actuarial assumptions used in the April 30, 2019 and 2018 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
US equity	16.25%	5.30%
Emerging manager of managers	4.00%	5.30%
Non-US equity	15.25%	7.70%
Emerging markets equity	4.50%	9.25%
Global equity	5.00%	6.35%
Fixed income		
Core fixed income	20.00%	0.50%
Non-core fixed income	12.00%	3.26%
Real assets		
Real estate	7.50%	3.75%
Infrastructure	2.50%	5.75%
Opportunistic	12.00%	4.99%
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 Department 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. Benefit payments are projected through 2118.

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, 2020		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Water fund net pension liability	\$ 51,340,160	\$ 29,639,215	\$ 11,499,074
Sewer fund net pension liability	43,273,862	25,202,429	9,692,400
Total Department	<u>\$ 94,614,022</u>	<u>\$ 54,841,644</u>	<u>\$ 21,191,474</u>
	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	<u>\$ 91,619,819</u>	<u>\$ 49,769,138</u>	<u>\$ 17,309,038</u>

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, 2020 and 2019, the Water Fund reported a payable of \$190,000 and \$163,000, respectively, for the outstanding amount of contributions to the pension plan. At April 30, 2020 and 2019, the Sewer Fund reported a payable of \$160,000 and \$146,000, respectively, for the outstanding amount of contributions to the pension plan.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City sponsors a single-employer, defined benefit healthcare plan that provides for continuation of medical and prescription drug benefits to employees and their dependents that retire from City employment and who participate in the Employees' Retirement System of the City of Kansas City, Missouri.

The City requires the retirees to pay 100% of the same medical premium charged to active employees. 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 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 elects to participate in Medicare, or dies. Dependent coverage is available until the retiree becomes covered under another employer health plan. Upon the retiree's death, spouses can elect to continue coverage until they are covered by another health plan or die.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Water Fund		
Total other postemployment benefit liability	\$ 8,510,917	\$ 7,812,575
Proportion	7.12%	7.12%
Sewer Fund		
Total other postemployment benefit liability	\$ 7,305,537	\$ 6,716,068
Proportion	6.01%	6.36%

The total OPEB liability was measured as of April 30, 2019 and 2018 and was determined by an actuarial valuation as of April 30, 2018 and 2017, respectively. The Water and Sewer Funds' proportion of the total other postemployment benefit liability was based on the respective Fund's actual contributions to the pension plan for the years ended April 30, 2019.

For the years ended April 30, 2020 and 2019, the Water Fund recognized OPEB expense of \$631,848 and \$559,312 and the Sewer Fund recognized OPEB expense of 533,344 and \$499,777, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At April 30, 2020 and 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Water Fund				
Changes in assumptions	\$ 365,562	\$ --	\$ --	\$ --
Differences between expected and actual experience	--	--	9,097	--
Contributions (benefit payments) made subsequent to the measurement date	478,262	--	479,690	--
	<u>843,824</u>	<u>--</u>	<u>488,787</u>	<u>--</u>
Sewer Fund				
Changes in assumptions	\$ 308,571	\$ --	\$ --	\$ --
Differences between expected and actual experience	--	--	8,129	--
Contributions (benefit payments) made subsequent to the measurement date	403,701	--	428,630	--
	<u>712,272</u>	<u>--</u>	<u>436,759</u>	<u>--</u>
Total Department	<u>\$ 1,556,096</u>	<u>\$ --</u>	<u>\$ 925,546</u>	<u>\$ --</u>

At April 30, 2020 and 2019, the Water Fund reported \$478,262 and \$479,690, respectively and the Sewer Fund reported \$403,700 and \$428,630, respectively 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, 2020, related to OPEB, will be recognized in OPEB expense as follows:

	Water	Sewer	Total
2021	\$ 53,015	\$ 44,750	\$ 97,765
2022	53,015	44,750	97,765
2023	53,015	44,750	97,765
2024	53,015	44,750	97,765
2025	53,015	44,750	97,765
Thereafter	<u>100,487</u>	<u>84,821</u>	<u>185,308</u>
	<u>\$ 365,562</u>	<u>\$ 308,571</u>	<u>\$ 674,133</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, 2019 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 3.75% to 5.0%
Discount rate	3.35% as of measurement date; 3.71% 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, 2019 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 as of April 30, 2020 and 2019 has been calculated using a discount rate of 3.35% and 3.71%, respectively. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current rate:

	April 30, 2020		
	1% Decrease (2.35%)	Current Discount Rate (3.35%)	1% Increase (4.35%)
Water Fund total OPEB liability	\$ 9,538,335	\$ 8,510,917	\$ 7,149,574
Sewer Fund total OPEB liability	8,051,319	7,305,537	6,034,964
Total Department	<u>\$ 17,589,654</u>	<u>\$ 15,816,454</u>	<u>\$ 13,184,538</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	April 30, 2019		
	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	<u>\$ 16,455,027</u>	<u>\$ 14,528,644</u>	<u>\$ 12,437,914</u>

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 as of April 30, 2020 and 2019 has been calculated using a healthcare cost trend rate of 7.2% decreasing to 4.25% and 7.1% decreasing to 4.25%, respectively. The following presents the total OPEB liability using a healthcare cost trend rate 1% higher and 1% lower than the current rate:

	April 30, 2020		
	1% Decrease (6.2% decreasing to 3.25%)	Current Discount Rate (7.2% decreasing to 4.25%)	1% Increase (8.2% decreasing to 5.25%)
Water fund total OPEB liability	\$ 7,332,954	\$ 8,510,917	\$ 9,349,680
Sewer fund total OPEB liability	6,189,755	7,305,537	7,892,075
Total Department	<u>\$ 13,522,709</u>	<u>\$ 15,816,454</u>	<u>\$ 17,241,755</u>

	April 30, 2019		
	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	<u>\$ 12,833,235</u>	<u>\$ 14,528,644</u>	<u>\$ 16,020,587</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

12. COMMITMENTS

At April 30, 2020 and 2019, the City had made purchase commitments primarily for additions to utility lines and improvements on behalf of the Water Fund of approximately \$66,750,877 and \$48,044,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

At April 30, 2020 and 2019, the City had made purchase commitments, primarily for additions to plant on behalf of the Sewer Fund of approximately \$206,181,045 and \$182,920,000, 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 and exceed the tort cap. 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. 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.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

13. RISK MANAGEMENT (CONTINUED)

Activity in the Water and Sewer Fund's claims liability for the years ended April 30, 2020, 2019 and 2018 is summarized as follows:

	2020	2019	2018
Water			
Balance, beginning of the year	\$ 18,763,568	\$ 18,600,713	\$ 16,663,646
Current year claims incurred and changes in estimates for claims incurred in prior years	6,049,686	3,993,010	9,052,990
Claims and expenses paid	<u>(3,658,330)</u>	<u>(3,830,155)</u>	<u>(7,115,923)</u>
Balance, end of the year	21,154,924	18,763,568	18,600,713
Less current portion	<u>(4,807,066)</u>	<u>(4,363,637)</u>	<u>(4,189,080)</u>
Noncurrent portion	<u>\$ 16,347,858</u>	<u>\$ 14,399,931</u>	<u>\$ 14,411,633</u>
Sewer			
Balance, beginning of the year	\$ 10,113,652	\$ 7,725,334	\$ 7,348,785
Current year claims incurred and changes in estimates for claims incurred in prior years	10,147,377	6,458,436	5,263,103
Claims and expenses paid	<u>(5,263,349)</u>	<u>(4,070,118)</u>	<u>(4,886,554)</u>
Balance, end of the year	14,997,680	10,113,652	7,725,334
Less current portion	<u>(3,412,517)</u>	<u>(2,371,329)</u>	<u>(1,762,357)</u>
Noncurrent portion	<u>\$ 11,585,163</u>	<u>\$ 7,742,323</u>	<u>\$ 5,962,977</u>

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.

The City has the following recurring fair value measurements as of April 30, 2020 and 2019:

- U.S. Treasury Bills, U.S. Treasury Notes/Bonds and Federal agencies of approximately \$1,436,851,000 and \$1,326,283,000 as of April 30, 2020 and 2019, 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.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

15. NET POSITION

Net investment in capital assets as of April 30, 2020 and 2019 is comprised of the following:

	April 30, 2020		
	Water	Sewer	Total
Capital Related Assets			
Land	\$ 10,323,450	\$ 14,722,197	\$ 25,045,647
Construction in progress	29,484,142	91,489,269	120,973,411
Buildings	189,615,192	--	189,615,192
Treatment plant and other facilities	--	344,916,907	344,916,907
Utility line and improvements	1,002,171,786	1,240,548,221	2,242,720,007
Land improvements	--	8,855,791	8,855,791
Green infrastructure	--	11,938,114	11,938,114
Machinery and equipment	104,128,502	169,337,170	273,465,672
	<u>1,335,723,072</u>	<u>1,881,807,669</u>	<u>3,217,530,741</u>
Less accumulated depreciation	<u>(236,311,454)</u>	<u>(442,956,535)</u>	<u>(679,267,989)</u>
Capital assets, net	<u>1,099,411,618</u>	<u>1,438,851,134</u>	<u>2,538,262,752</u>
Deferred amount on refunding	<u>(1,083,595)</u>	<u>1,720,799</u>	<u>637,204</u>
Less Related Liabilities			
Current portion, bonds payable	18,860,000	25,905,300	444,765,300
Bonds and notes payable, net of premium, discount and unspent proceeds	330,593,572	448,915,765	779,509,337
Contracts and retainages payable	<u>3,126,961</u>	<u>5,754,835</u>	<u>8,881,796</u>
Total capital related liabilities	<u>352,850,533</u>	<u>480,575,900</u>	<u>833,156,433</u>
Net investment in capital assets	<u>\$ 745,747,490</u>	<u>\$ 959,996,033</u>	<u>\$ 1,705,743,523</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

15. NET POSITION (CONTINUED)

	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
	1,271,255,521	1,738,987,663	3,010,243,184
Less accumulated depreciation	(226,665,041)	(417,481,805)	(644,146,846)
Capital assets, net	1,044,590,480	1,321,505,858	2,366,096,338
Deferred loss on refunding	1,561,173	1,932,225	3,493,398
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	2,169,581	5,420,060	7,589,641
Total capital related liabilities	364,658,484	439,541,289	804,199,773
Net investment in capital assets	\$ 681,493,169	\$ 883,896,794	\$ 1,565,389,963

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, 2020 and 2019 is comprised of the following:

	April 30, 2020		
	Water	Sewer	Total
Restricted assets			
Cash and cash equivalents	\$ 4,670,691	\$ 16,734,238	\$ 21,404,929
Investments	49,711,873	178,491,933	228,203,806
Interest receivable	296,925	1,240,975	1,537,900
	<u>54,679,489</u>	<u>196,467,146</u>	<u>251,146,635</u>
Less liabilities payable from restricted assets			
Debt related to unspent bond proceeds	7,061,929	135,957,436	143,019,365
Accrued interest and fiscal agent fees	5,640,078	7,916,849	13,556,927
Customer deposits	3,822,224	--	3,822,224
	<u>16,524,231</u>	<u>143,874,285</u>	<u>160,398,516</u>
Restricted Net Position	<u>\$ 38,155,258</u>	<u>\$ 52,592,861</u>	<u>\$ 90,748,119</u>
	April 30, 2019		
	Water	Sewer	Total
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>

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 120 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 33 projects and currently implementing 47 projects.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on KC Water's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the operations.

Effective in March 2020, KC Water temporarily discontinued service disconnections due to failure to pay a bill and late fee penalties were not assessed for water bills dated April and May. Communications with customers indicated that although these measures were put in place to ensure access to clean water, customers would remain responsible for payment on their accounts. However, if the pandemic continues to evolve it is likely to impact the collectability of accounts receivable balances.

Debt

On June 24, 2020 the City issued its Water Bonds, Series 2019A (Series 2020A Bonds) in the amount of \$64,720,000. The Water Series 2020A Bonds financed (1) the cost of additions, extensions and improvements to the City's waterworks system and; (2) the costs of issuance on the Water Series 2020A Bonds.

A laboratory setting with a large graduated cylinder in the foreground, a person in a lab coat and blue gloves, and various lab equipment in the background.

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Fund					
Proportion of the net pension liability	13.08%	13.15%	13.07%	12.54%	12.54%
Proportionate share of the net pension liability \$	29,639,215	\$ 26,886,735	\$ 29,029,374	\$ 30,723,968	\$ 13,380,125
Covered payroll	\$ 22,426,767	\$ 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	132.16%	122.67%	135.23%	146.84%	63.65%
Plan fiduciary net position as a percentage of the total pension liability	83.75%	84.84%	83.10%	80.69%	91.05%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sewer Fund					
Proportion of the net pension liability	11.02%	11.27%	11.16%	10.58%	10.58%
Proportionate share of the net pension liability \$	25,202,429	\$ 22,882,403	\$ 24,792,427	\$ 25,927,891	\$ 11,291,459
Covered payroll	\$ 19,069,635	\$ 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	132.16%	122.67%	135.26%	146.87%	63.65%
Plan fiduciary net position as a percentage of the total pension liability	83.75%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Fund					
Contractually required contribution	\$ 3,521,231	\$ 3,397,928	\$ 3,187,882	\$ 2,889,519	\$ 3,077,428
Contributions in relation to contractually required contribution	<u>3,564,462</u>	<u>3,422,799</u>	<u>3,206,129</u>	<u>2,972,461</u>	<u>3,082,377</u>
Contribution deficiency (excess)	<u>\$ (43,231)</u>	<u>\$ (24,871)</u>	<u>\$ (18,247)</u>	<u>\$ (82,942)</u>	<u>\$ (4,949)</u>
Covered payroll	\$ 22,432,108	\$ 22,574,265	\$ 21,932,901	\$ 20,596,705	\$ 20,923,378
Contributions as a percentage of covered payroll	15.89%	15.16%	14.62%	14.44%	14.73%
Sewer Fund					
Contractually required contribution	\$ 2,966,664	\$ 3,029,020	\$ 2,722,017	\$ 2,437,887	\$ 2,596,426
Contributions in relation to contractually required contribution	<u>3,004,432</u>	<u>3,051,202</u>	<u>2,737,598</u>	<u>2,508,543</u>	<u>2,601,211</u>
Contribution deficiency (excess)	<u>\$ (37,768)</u>	<u>\$ (22,182)</u>	<u>\$ (15,581)</u>	<u>\$ (70,656)</u>	<u>\$ (4,785)</u>
Covered payroll	\$ 18,907,690	\$ 20,123,414	\$ 18,727,711	\$ 17,377,443	\$ 17,653,058
Contributions as a percentage of covered payroll	15.89%	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 THE TOTAL OPEB LIABILITY

	Last Ten Fiscal Years	
	2020	2019
Water Fund		
Proportion of the collective total OPEB liability	7.12%	7.12%
Proportionate share of the collective total OPEB liability	\$ 8,510,917	\$ 7,812,575
Covered employee-payroll	\$ 18,546,343	\$ 17,976,473
Proportionate share of the total OPEB liability as a percentage of covered-employee payroll	45.89%	43.46%
	2020	2019
Sewer Fund		
Proportion of the OPEB liability	6.01%	6.36%
Proportionate share of the OPEB liability	\$ 7,305,537	\$ 6,716,068
Covered employee-payroll	\$ 15,919,671	\$ 15,453,447
Proportionate share of the total OPEB liability as a percentage of covered-employee payroll	45.89%	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.

A photograph of an industrial facility, likely a water treatment plant, featuring large blue pipes and machinery. The image is used as a background for the document cover. The text "FINANCIAL SECTION" is overlaid in a white box with a blue border.

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, 2020

	<u>Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
OPERATING REVENUES			
Residential and commercial sales	\$ 197,790,622	\$ 13,337,251	\$ 211,127,873
Intermunicipal sewer charges	48,691,700	--	48,691,700
Other operating revenue	6,386,186	687,478	7,073,664
	<u>252,868,508</u>	<u>14,024,729</u>	<u>266,893,237</u>
OPERATING EXPENSES			
Sewage treatment and pumping	35,817,636	128,960	35,946,596
Sewer maintenance	28,462,881	6,879,336	35,342,217
Industrial and household waste control	1,607,745	--	1,607,745
Administrative and general	50,666,074	5,003,939	55,670,013
Depreciation and amortization	32,022,974	6,931,475	38,954,449
	<u>148,577,310</u>	<u>18,943,710</u>	<u>167,521,020</u>
Total operating expenses			
	<u>148,577,310</u>	<u>18,943,710</u>	<u>167,521,020</u>
Operating income	<u>104,291,198</u>	<u>(4,918,981)</u>	<u>99,372,217</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	24,576,571	435,368	25,011,939
Interest expense and fiscal agent fees	(21,913,681)	(28,233)	(21,941,914)
Other	65,944	60	66,004
	<u>2,728,834</u>	<u>407,195</u>	<u>3,136,029</u>
Total nonoperating revenues (expenses)			
	<u>2,728,834</u>	<u>407,195</u>	<u>3,136,029</u>
Excess of revenues over expenses before capital contributions and transfers	107,020,032	(4,511,786)	102,508,246
Capital contributions	3,955,240	10,140,201	14,095,441
Payment-in-lieu of taxes	(3,993,185)	--	(3,993,185)
	<u>106,982,087</u>	<u>5,628,415</u>	<u>112,610,502</u>
Increase in net position			
	<u>106,982,087</u>	<u>5,628,415</u>	<u>112,610,502</u>
Net position, beginning of year	1,018,721,608	185,214,944	1,203,936,552
Net position, end of year	<u>\$ 1,125,703,695</u>	<u>\$ 190,843,359</u>	<u>\$ 1,316,547,054</u>

A large, white, cylindrical water tower stands against a clear blue sky. The tower is supported by several thick, white, vertical pillars. A circular walkway with a metal railing encircles the middle of the tower. In the center of the tower's body, there is a large, stylized logo that resembles a water drop. Inside the drop, the letters "KC" are visible. The top of the tower is capped with a smaller, rounded dome. The overall scene is bright and clear, suggesting a sunny day.

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	71
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	74
These schedules contain information to help the reader assess the Department's most significant local revenue source.	
Debt Capacity	80
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	85
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	87
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

	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Water Fund										
Net investment in capital assets	\$ 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	\$ 745,747,490
Restricted - expendable	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	38,155,258
Unrestricted	<u>35,888,149</u>	<u>57,021,378</u>	<u>83,331,615</u>	<u>83,631,558</u>	<u>99,975,615</u>	<u>94,221,747</u>	<u>122,721,652</u>	<u>137,090,444</u>	<u>155,687,131</u>	<u>141,884,932</u>
Total net position	<u>\$ 502,975,163</u>	<u>\$ 537,185,538</u>	<u>\$ 585,373,689</u>	<u>\$ 623,140,546</u>	<u>\$ 676,814,608</u>	<u>\$ 724,868,611</u>	<u>\$ 775,206,145</u>	<u>\$ 823,388,673</u>	<u>\$ 875,713,895</u>	<u>\$ 925,787,680</u>
Sewer Fund										
Net investment in capital assets	\$ 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	\$ 959,996,033
Restricted - expendable	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	52,592,861
Unrestricted	<u>53,640,792</u>	<u>73,415,975</u>	<u>87,048,093</u>	<u>113,228,784</u>	<u>140,969,348</u>	<u>151,260,389</u>	<u>177,299,923</u>	<u>196,662,438</u>	<u>268,015,374</u>	<u>303,958,160</u>
Total net position	<u>\$ 669,379,673</u>	<u>\$ 710,674,682</u>	<u>\$ 750,270,353</u>	<u>\$ 829,657,912</u>	<u>\$ 906,399,644</u>	<u>\$ 967,371,703</u>	<u>\$ 1,044,333,712</u>	<u>\$ 1,108,732,261</u>	<u>\$ 1,203,936,552</u>	<u>\$ 1,316,547,054</u>
Total Department										
Net investment in capital assets	\$ 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	\$ 1,705,743,523
Restricted - expendable	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	90,748,119
Unrestricted	<u>89,528,941</u>	<u>130,437,353</u>	<u>170,379,708</u>	<u>196,860,342</u>	<u>240,944,963</u>	<u>245,482,136</u>	<u>300,021,575</u>	<u>333,752,882</u>	<u>423,702,505</u>	<u>445,843,092</u>
Total net position	<u>\$ 1,172,354,836</u>	<u>\$ 1,247,860,220</u>	<u>\$ 1,335,644,042</u>	<u>\$ 1,452,798,458</u>	<u>\$ 1,583,214,252</u>	<u>\$ 1,692,240,314</u>	<u>\$ 1,819,539,857</u>	<u>\$ 1,932,120,934</u>	<u>\$ 2,079,650,447</u>	<u>\$ 2,242,334,734</u>

Source: Comprehensive Annual Financial Report for 2019 and 2020 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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Operating Revenues										
Water sales	\$ 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	\$ 157,179,574
Other water revenue	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	4,402,222
Income from jobbing and contract work and miscellaneous revenues	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	7,923,187
Total operating revenues	<u>115,208,625</u>	<u>125,248,196</u>	<u>149,643,075</u>	<u>144,237,320</u>	<u>150,303,209</u>	<u>155,209,406</u>	<u>165,357,747</u>	<u>167,213,863</u>	<u>170,945,492</u>	<u>169,504,983</u>
Operating Expenses										
Power and pumping	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	5,975,698
General and electrical maintenance	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	9,511,392
Purification	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	13,101,963
Laboratory services	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	2,744,759
Transmission and distribution	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	20,622,294
Customer service	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	6,897,975
Mechanical maintenance	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	1,940,759
Customer accounting and collection	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	8,472,598
Administrative and general	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	24,167,387
Depreciation and amortization	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	23,489,419
Total operating expenses	<u>75,200,944</u>	<u>87,043,414</u>	<u>93,074,804</u>	<u>99,647,766</u>	<u>95,719,935</u>	<u>93,722,244</u>	<u>106,343,001</u>	<u>110,236,579</u>	<u>111,115,060</u>	<u>116,924,244</u>
Operating Income	<u>40,007,681</u>	<u>38,204,782</u>	<u>56,568,271</u>	<u>44,589,554</u>	<u>54,583,274</u>	<u>61,487,162</u>	<u>59,014,746</u>	<u>56,977,284</u>	<u>59,830,432</u>	<u>52,580,739</u>
Nonoperating Revenues (Expenses)										
Interest income	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	12,776,033
Interest expense and fiscal agent fees	(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)	(14,557,061)
Other	(214,237)	(192,146)	(472,629)	(7,312)	78,478	(113,555)	(3,961)	53,426	(156,198)	52,848
Total nonoperating revenues (expenses)	<u>(7,692,913)</u>	<u>(8,509,009)</u>	<u>(9,268,078)</u>	<u>(8,960,912)</u>	<u>(9,670,446)</u>	<u>(8,150,617)</u>	<u>(10,770,377)</u>	<u>(11,665,629)</u>	<u>(6,957,235)</u>	<u>(1,728,180)</u>
Excess of Revenues Over Expenses Before Capital Contributions	<u>32,314,768</u>	<u>29,695,773</u>	<u>47,300,193</u>	<u>35,628,642</u>	<u>44,912,828</u>	<u>53,336,545</u>	<u>48,244,369</u>	<u>45,311,655</u>	<u>52,873,197</u>	<u>50,852,559</u>
Capital Contributions	<u>4,608,332</u>	<u>4,514,602</u>	<u>2,617,234</u>	<u>2,138,215</u>	<u>8,761,234</u>	<u>3,188,326</u>	<u>3,465,581</u>	<u>4,764,615</u>	<u>4,306,335</u>	<u>3,422,479</u>
Payment-in-lieu of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,372,416)</u>	<u>(1,893,742)</u>	<u>(2,793,824)</u>	<u>(4,201,253)</u>
Increase in Net Position	<u>\$ 36,923,100</u>	<u>\$ 34,210,375</u>	<u>\$ 49,917,427</u>	<u>\$ 37,766,857</u>	<u>\$ 53,674,062</u>	<u>\$ 56,524,871</u>	<u>\$ 50,337,534</u>	<u>\$ 48,182,528</u>	<u>\$ 54,385,708</u>	<u>\$ 50,073,785</u>

Source: Comprehensive Annual Financial Report for 2019 and 2020 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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Operating Revenues										
Retail sewer charges	\$ 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	\$ 197,790,622
Intermunicipal sewer charges	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	48,691,700
Stormwater fees	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	13,337,251
Other operating revenues	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	7,073,664
Total operating revenues	<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>	<u>266,893,237</u>
Operating Expenses										
Sewerage treatment and pumping	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	35,946,596
Sewer maintenance	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	35,342,217
Administrative and general	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	55,670,013
Industrial and household hazardous waste control	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	1,607,745
Depreciation and amortization	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	38,954,449
Total operating expenses	<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>	<u>167,521,020</u>
Operating Income	<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>	<u>99,372,217</u>
Nonoperating Revenues (Expenses)										
Interest income	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	25,011,939
Interest expense and fiscal agent fees	(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)	(21,941,914)
Other	(596,737)	4,389	(722,436)	244,250	(38,763)	(28,187)	(59,551)	29,550	(73,735)	66,004
Total nonoperating revenues (expenses)	<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>	<u>3,136,029</u>
Excess of Revenues Over Expenses Before Capital Contributions	<u>24,601,222</u>	<u>26,964,992</u>	<u>36,778,754</u>	<u>48,531,477</u>	<u>54,524,288</u>	<u>61,840,418</u>	<u>71,003,131</u>	<u>56,051,953</u>	<u>93,059,070</u>	<u>102,508,246</u>
Capital Contributions	<u>17,225,646</u>	<u>14,330,017</u>	<u>5,693,415</u>	<u>30,856,082</u>	<u>22,217,444</u>	<u>6,716,328</u>	<u>7,547,696</u>	<u>10,849,031</u>	<u>7,593,230</u>	<u>14,095,441</u>
Payment-in-lieu of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,588,818)</u>	<u>(2,502,435)</u>	<u>(3,606,848)</u>	<u>(3,993,185)</u>
Increase in Net Position	<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>	<u>\$ 112,610,502</u>

Source: Comprehensive Annual Financial Report for 2019 and 2020 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

A photograph of a transaction at a counter. A person wearing a yellow shirt is handing a card to a person wearing a purple shirt. The person in the purple shirt is also holding a white receipt. A black keyboard is visible on the counter. The background is blurred.

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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Residential Rates											
Service Charges - Meter size (inches)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
5/8	11.40	10.85	10.85	11.90	13.09	13.50	13.90	13.90	14.10	14.38	
3/4	12.05	11.70	11.70	12.80	14.08	14.50	14.95	14.95	15.20	15.50	
1	15.20	14.25	14.30	15.65	17.22	17.75	18.30	18.30	18.60	18.97	
1 1/2	22.80	17.70	17.80	19.50	21.45	22.10	22.08	22.08	22.40	22.85	
2	29.70	27.00	27.40	30.00	33.00	34.00	35.00	35.00	35.50	36.21	
3	63.50	86.50	93.50	102.50	112.75	116.00	119.50	119.50	121.50	123.93	
4	80.00	108.50	118.00	129.00	141.90	146.00	150.50	150.50	153.00	156.06	
6	117.00	161.50	176.00	192.00	211.20	217.50	224.00	224.00	227.50	232.05	
8	179.00	246.00	254.00	278.00	305.80	315.00	324.00	324.00	329.00	335.58	
10	246.00	322.00	333.00	365.00	401.50	414.00	426.00	426.00	433.00	441.66	
12	287.00	380.00	393.00	430.00	473.00	487.00	502.00	502.00	510.00	520.20	
Ordinary Commodity Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
First 600 cubic feet	2.70	3.18	3.67	4.02	4.45	4.60	4.60	4.63	4.70	4.80	
Next 4,400 cubic feet	3.00	3.58	4.08	4.50	4.75	4.85	5.09	5.14	5.22	5.33	
Next 995,000 cubic feet	2.45	2.71	3.19	3.65	4.00	4.10	4.29	4.40	4.47	4.56	
Over 1,000,000 cubic feet	1.75	2.04	2.25	2.50	2.75	2.90	3.03	3.05	3.10	3.16	
Seasonal off-peak commodity charges	1.75	2.04	2.34	2.48	2.65	2.80	2.93	2.95	2.95	3.01	
Fire Protection - Size of Connection	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually
4 inch or less	87.00	87.00	91.00	100.00	107.00	110.00	116.00	116.00	116.00	118.32	
6 inch	211.00	217.00	268.00	293.00	315.00	323.00	341.00	341.00	341.00	347.82	
8 inch	399.00	435.00	572.00	625.00	670.00	688.00	726.00	726.00	726.00	740.52	
10 inch	652.00	745.00	1,028.00	1,123.00	1,205.00	1,237.00	1,306.00	1,306.00	1,306.00	1,332.12	
12 inch	977.00	1,159.00	1,662.00	1,815.00	1,948.00	2,000.00	2,110.00	2,110.00	2,110.00	2,152.20	
16 inch	1,845.00	2,326.00	3,541.00	3,868.00	4,150.00	4,261.00	4,496.00	4,496.00	4,496.00	4,585.92	

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									
		FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Suburban Rate											
Service Charges - Meter size (inches)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
5/8	12.65	12.10	12.10	13.25	14.25	14.70	15.15	15.15	15.40	15.55	
3/4	13.30	13.05	13.05	14.30	15.35	15.80	16.25	16.25	16.50	16.67	
1	15.85	15.95	15.95	17.45	18.75	19.30	19.90	19.90	20.20	20.40	
1 1/2	23.40	19.80	19.80	21.70	23.30	24.00	24.70	24.70	25.10	25.35	
2	30.40	30.40	30.40	33.30	35.80	36.90	38.00	38.00	38.60	38.99	
3	66.50	90.50	96.00	105.00	113.00	116.50	120.00	120.00	122.00	123.22	
4	83.50	114.00	121.50	133.50	143.50	148.00	152.50	152.50	155.00	156.55	
6	122.50	169.50	181.00	198.00	213.00	219.50	226.00	226.00	229.50	231.80	
8	183.00	254.00	260.00	285.00	306.00	315.00	324.00	324.00	329.00	332.29	
10	254.00	348.00	348.00	381.00	410.00	422.00	435.00	435.00	442.00	446.42	
12	297.00	408.00	409.00	448.00	482.00	496.00	511.00	511.00	519.00	524.19	
Retail Commodity Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
First 600 cubic feet	2.84	-	-	3.74	-	-	-	-	-	-	-
Next 4,400 cubic feet	3.15	-	-	4.15	-	-	-	-	-	-	-
First 5,000 cubic feet	-	3.25	3.45	-	4.45	4.90	5.00	5.05	5.05	5.10	
Over 5,000 cubic feet	2.45	2.76	3.07	3.25	3.50	3.90	3.98	4.05	4.05	4.09	
Wholesale Customers	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
Unrestricted	1.67	1.74	1.95	2.00	2.10	2.17	2.26	2.28	2.32	2.35	
Restricted	1.62	1.69	1.89	1.94	2.04	2.10	2.18	2.20	2.24	2.27	
Repumping Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
1st repumping charge	0.15	0.16	0.18	0.18	0.19	0.19	0.20	0.20	0.20	0.20	
2nd repumping charge	0.23	0.23	0.25	0.25	0.26	0.26	0.27	0.27	0.28	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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
<u>Residential Rates</u>										
Service Charges										
Sanitary sewer - monthly	9.90	9.90	11.55	12.20	15.10	17.05	18.05	19.30	21.30	22.58
Volume charge - per 100 CCF	2.62	3.16	3.82	4.54	5.25	6.05	7.18	7.84	8.60	9.11
Residential accounts	19.70	23.70	28.65	34.05	37.00	39.75	41.00	47.04	51.60	54.66
Commercial and Industrial discharges										
Biochemical oxygen demand (per pound of excess BOD)	0.259	0.297	0.297	0.303	0.320	0.320	0.320	0.350	0.364	0.399
Suspended solids (per pound of excess SS)	0.158	0.181	0.181	0.181	0.190	0.190	0.190	0.190	0.190	0.190
Oil and grease (per pound of excess O&G)	0.114	0.131	0.131	0.131	0.140	0.140	0.140	0.140	0.160	0.178
<u>Nonresidential Users</u>										
Metered connections - per 100 CCF	1.78	2.01	2.01	2.50	2.80	2.92	3.00	3.15	3.48	3.34
Metered connections directly to treatment plant - per 100 CCF	-	-	2.13	2.13	-	-	-	-	-	-
Service charges - monthly	9.90	9.90	9.90	9.90	11.15	12.40	12.50	11.50	13.60	14.40
Unmetered connections per 100 CCF	2.46	2.79	2.79	3.21	3.55	3.70	3.85	4.53	4.69	4.97
Unmetered connections - no consumption data	25.20	28.55	30.26	34.50	37.00	39.75	41.00	45.00	46.95	49.77
Customers billed directly by KC Water:										
Service charges - monthly	12.30	13.50	17.84	17.84	20.50	24.10	25.55	26.20	30.00	31.80
Volume charges	2.94	3.38	5.56	6.35	7.10	8.00	9.35	10.90	11.90	12.60
High concentration discharges										
Biochemical oxygen demand (per pound of excess BOD)	0.293	0.335	0.341	0.382	0.400	0.400	0.400	0.400	0.446	0.446
Suspended solids (per pound of excess SS)	0.790	0.205	0.205	0.205	0.215	0.215	0.215	0.220	0.220	0.220
Oil and grease (per pound of excess O&G)	0.116	0.133	0.133	0.133	0.141	0.141	0.141	0.150	0.183	0.191
<u>Stormwater Rates</u>										
Stormwater fee amount	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 0.50	500 sq. ft. 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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Water Revenues										
Water sales	\$ 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	\$ 139,971,672
Wholesale water sales	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	17,207,902
Other water revenues	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	4,402,222
Income from jobbing and contract work and miscellaneous revenues	-	-	-	-	-	-	-	-	-	-
	<u>3,043,482</u>	<u>4,425,641</u>	<u>4,128,038</u>	<u>3,132,691</u>	<u>3,363,610</u>	<u>3,638,548</u>	<u>6,859,793</u>	<u>7,084,205</u>	<u>7,069,352</u>	<u>7,923,187</u>
Total operating revenues	<u>\$ 115,208,625</u>	<u>\$ 125,248,196</u>	<u>\$ 149,643,075</u>	<u>\$ 144,237,320</u>	<u>\$ 150,303,209</u>	<u>\$ 155,209,406</u>	<u>\$ 165,357,747</u>	<u>\$ 167,213,859</u>	<u>\$ 170,945,492</u>	<u>\$ 169,504,983</u>
Water Customer Served (Res. & Comm.)	159,000	163,608	167,608	167,912	151,073	170,094	171,094	172,248	173,075	173,819
Average Revenue Per Customer (Res. & Comm.)	\$ 572.78	\$ 595.96	\$ 706.43	\$ 707.49	\$ 824.07	\$ 754.38	\$ 792.93	\$ 793.93	\$ 806.03	\$ 805.27
Water Consumption (millions of gallons)	34,367	38,780	40,945	38,920	31,616	31,336	31,792	31,011	31,921	31,216
Sewer and Stormwater Revenues										
Retail sewer charges	\$ 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	\$ 197,790,622
Intermunicipal sewer charges	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	48,691,700
Stormwater fees	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	13,337,251
Other operating revenues	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	7,073,664
Total operating revenues	<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>209,897,618</u>	<u>225,459,897</u>	<u>251,910,611</u>	<u>266,893,237</u>
Total utility operating revenues	<u>\$ 224,575,731</u>	<u>\$ 241,579,920</u>	<u>\$ 284,624,913</u>	<u>\$ 295,487,713</u>	<u>\$ 319,796,815</u>	<u>\$ 348,817,211</u>	<u>\$ 375,255,365</u>	<u>\$ 392,673,756</u>	<u>\$ 422,856,103</u>	<u>\$ 436,398,220</u>
Sewer Customer Served (Res. & Comm.)	153,445	158,482	162,485	163,464	164,060	164,609	165,163	166,267	167,068	167,068
Average Revenue Per Customer (Res. & Comm.)	\$ 457.67	\$ 482.38	\$ 578.22	\$ 652.68	\$ 729.73	\$ 841.74	\$ 958.77	\$ 1,034.75	\$ 1,126.22	\$ 1,183.89
Average daily sewage treatment (millions of gallons)	117	103	91	72	93	111	96	72	114	122

Source: Comprehensive Annual Financial Report for 2019 and 2020 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 2011		FYE 2012		FYE 2013		FYE 2014		FYE 2015	
		Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)
City of Lee's Summit	Wholesale Water	3	903,288	1	1,390,387	1	1,390,387	1	1,337,990	1	1,158,421
Jackson County PWSD No. 1	Wholesale Water	1	1,242,452	2	1,241,662	2	1,241,662	2	1,165,515	2	1,086,747
City of Belton	Wholesale Water	2	936,325	3	960,495	3	960,495	3	892,774	3	756,111
City of Raymore	Wholesale Water	4	685,295	5	593,028	5	593,028	5	681,226	4	694,981
City of Blue Springs	Wholesale Water	5	655,340	4	902,400	4	902,400	4	775,864	6	539,390
Raytown Water Company	Wholesale Water	6	575,210	7	465,216	7	465,216	6	536,878	5	564,064
KCP&L	Utility							8	504,550	8	444,332
Ford Motor Co.	Commercial							10	347,806	10	389,774
Public Water Dist No. 2 - Cass Co.	Wholesale Water			10	285,266	10	285,266				
City of Platte City	Wholesale Water	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	7	478,288
Bayer Crop Science	Commercial							9	389,998		
Dogwood Energy Facility	Utility	7	313,248							9	400,258
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										

User	Type of Business	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FYE 2020	
		Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)
City of Lee's Summit	Wholesale Water	1	1,085,887	1	1,299,392	1	1,255,534	1	1,290,517	1	1,425,528
Jackson County PWSD No. 1	Wholesale Water	2	993,062	2	1,091,671	2	1,118,992	6	599,820		
City of Belton	Wholesale Water	3	896,335	6	551,936	3	904,462	2	936,121	3	832,292
City of Raymore	Wholesale Water	4	659,421	3	707,192	4	726,905	4	683,626	5	596,816
City of Blue Springs	Wholesale Water	10	230,650	7	528,055	6	526,106	7	540,461	7	432,600
Raytown Water Company	Wholesale Water	5	550,473	5	562,841	5	526,632	5	603,273	4	613,564
KCP&L	Utility	7	514,356			9	442,137	10	417,562	10	299,739
Ford Motor Co.	Commercial	6	546,240	9	466,116	10	416,257	8	463,317	6	541,632
Cass County PWSD No. 2	Wholesale Water			10	465,054	7	518,291			9	324,670
City of Platte City	Wholesale Water	9	428,825							8	326,341
Veolia - Kansas City	Utility	8	504,291	4	706,133						
Bayer Crop Science	Commercial										
Dogwood Energy Facility	Utility			8	518,856	8	451,910	3	702,942	2	849,415
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 2011		FYE 2012		FYE 2013		FYE 2013		FYE 2015	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
Johnson County, KS	1	14.00%	1	11.08%	1	8.62%	1	8.62%	1	8.93%
Liberty, MO	2	4.00%	2	3.45%	3	2.31%	3	2.31%	2	2.55%
Gladstone, MO	3	3.00%	3	2.78%	2	2.69%	2	2.69%	3	2.70%
North Kansas City, MO	4	2.00%	4	1.87%	4	1.92%	4	1.92%	4	1.94%
Ford Motor Company	6	1.00%	7	0.59%	6	0.94%	6	0.94%	6	0.91%
Raytown, MO	5	1.00%	5	0.94%	7	0.75%	7	0.75%	7	0.75%
Trigen - Kansas City	7	1.00%								
Riverside, MO	9	0.70%	8	0.58%						
Pleasant Valley, MO	10	0.50%	9	0.40%	8	0.42%	8	0.42%		
Independence, MO	8	0.70%	10	0.34%	9	0.37%	9	0.37%	9	0.48%
Honeywell									8	0.70%
Roberts Dairy										
Veolia - Kansas City			6	0.65%	5	1.17%	5	1.17%	5	1.33%
Cook Family Foods					10	0.36%	10	0.36%	10	0.46%

User	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
Johnson County, KS	1	10.01%	1	9.94%	1	8.75%	1	10.92%	1	11.21%
Liberty, MO	2	3.00%	2	3.15%	5	1.03%	5	1.06%		
Gladstone, MO	3	2.71%	4	2.30%	2	2.30%	2	3.25%	3	2.08%
North Kansas City, MO	5	1.93%	5	1.65%	3	2.03%	3	2.61%	2	2.81%
Ford Motor Company	6	1.24%	3	2.54%	4	1.29%	4	1.36%	4	1.10%
Raytown, MO	8	0.70%	9	0.63%	7	0.73%	7	0.76%	6	0.65%
Trigen - Kansas City										
Riverside, MO										
Pleasant Valley, MO										
Independence, MO	9	0.57%	10	0.45%					10	0.39%
Honeywell	7	0.85%	8	0.66%						
Roberts Dairy	10	0.56%							9	0.61%
Veolia - Kansas City	4	2.10%	6	1.17%					5	0.96%
Cook Family Foods			7	0.77%	6	0.89%	6	0.86%	7	0.62%
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%	8	0.61%

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
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
2020	182,810	89,132	93,678	13,315	13,870	23,185	3.45

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
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
2020 ⁽⁹⁾	182,810	89,132	93,678	15,185	14,820	30,005	3.12

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
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
2020 ⁽⁹⁾	182,810	89,132	93,678	15,185	14,820	30,005	3.12

- (1) Operating revenues include 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 fair value adjustment 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.
- (9) On April 1, 2020, the City wired \$18,807,677.33 in cash to the paying agent of the subordinate Series 20018A bonds to defease and redeem \$18,520,000 par value. The bonds were privately placed and held by Bank of America.

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

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		
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
2020	277,445	116,554	160,891	23,596	23,456	47,052	425	3.42	3.45

- (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
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 ⁽³⁾	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
2020	14,460	12,012	2,448	423	21	444	5.51

- (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. Excluded from direct expenses are depreciation and amortization.
(3) 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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
2008 Series A	December 2027	\$ 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	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	36,255,000
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	47,525,000
2014 Series A	December 2038	-	-	-	-	54,365,000	53,185,000	51,975,000	50,280,000	48,645,000	46,960,000
2015 Series A	December 2039	-	-	-	-	59,790,000	59,790,000	58,865,000	58,380,000	57,395,000	55,815,000
2017 Series A	December 2041	-	-	-	-	-	-	78,130,000	75,700,000	73,970,000	72,155,000
2019 Series A	December 2032	-	-	-	-	-	-	-	-	-	67,955,000
AMR Capital Lease - 2008	December 2017	8,652,080	7,477,139	6,261,137	5,002,639	3,700,159	-	-	-	-	-
AMR Capital Lease - 2009	December 2019	22,075,391	19,905,795	17,646,456	15,293,661	12,843,545	-	-	-	-	-
		240,847,471	271,187,934	307,087,593	288,851,300	383,953,704	352,470,000	414,115,000	394,505,000	374,880,000	326,665,000
Add premium		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	30,291,151
Less:											
Current portion		(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)	(18,860,000)
Discount		-	-	(143,702)	(137,725)	(380,431)	(364,233)	(508,869)	(486,129)	(463,390)	(440,650)
Noncurrent revenue bonds and capital leases payable		<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>	<u>\$ 337,655,501</u>

Source: Comprehensive Annual Financial Report for 2019 and 2020 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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
State Series 1992B	July 2013	\$ 300,000	\$ 205,000	\$ 105,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Series 1995B	January 2015	5,650,000	4,285,000	2,890,000	1,460,000	-	-	-	-	-	-
State Series 1996A	January 2016	8,700,000	7,150,000	5,510,000	3,775,000	1,940,000	-	-	-	-	-
State Series 1997A	January 2017	7,720,000	6,505,000	5,265,000	3,995,000	2,695,000	1,365,000	-	-	-	-
State Series 1998A	January 2019	4,720,000	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	3,320,000	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	7,140,000	6,495,000	5,835,000	5,165,000	4,480,000	3,775,000	3,055,000	2,320,000	1,565,000	790,000
State Series 2000B	July 2020	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	715,000
Stormwater 2000	December 2020	690,300	626,300	561,200	495,000	427,700	359,200	289,600	218,800	146,800	73,600
Series 2001A	March 2012	705,000	-	-	-	-	-	-	-	-	-
Stormwater 2001 & 2002	December 2021	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	660,000
State Series 2001B	July 2022	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	3,105,000
Series 2002D-1	January 2022	7,825,000	-	-	-	-	-	-	-	-	-
Series 2002D-2	January 2012	275,000	-	-	-	-	-	-	-	-	-
State Series 2002J	July 2022	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	1,860,000
Series 2004A	January 2024	14,330,000	13,450,000	940,000	-	-	-	-	-	-	-
Series 2004H	January 2025	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	3,110,000
Series 2005B	January 2025	12,085,000	11,430,000	10,750,000	10,040,000	9,300,000	-	-	-	-	-
Stormwater 2007	June 2027	446,400	422,400	319,000	301,000	282,000	263,000	243,000	223,000	203,000	182,000
Series 2007A	January 2032	36,880,000	35,750,000	34,575,000	33,355,000	32,085,000	-	-	-	-	-
Series 2009A	January 2034	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	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	7,994,800
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	66,910,000
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	58,905,000
Series 2016A	January 2040	-	-	-	-	-	183,740,000	176,990,000	170,885,000	164,660,000	158,305,000
Series 2018A	January 2042	-	-	-	-	-	-	-	165,000,000	160,285,000	156,240,000
Series 2018B	January 2034	-	-	-	-	-	-	-	-	42,055,000	40,025,000
Series 2019A	January 2044	-	-	-	-	-	-	-	-	-	59,735,000
		<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>	<u>558,610,400</u>
Add premium		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	53,170,309
Less:											
Current portion		(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)	(25,905,300)
Discount		<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>	<u>(1,002,208)</u>
Noncurrent revenue bonds and capital leases payable		<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>	<u>\$ 584,873,201</u>

Source: Comprehensive Annual Financial Report for 2019 and 2020 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	Sewer Fund Debt	Total Debt	Personal Income	Percentage of Personal Income⁽¹⁾	Per Capita⁽²⁾
2011	\$ 240,847	\$ 219,691	\$ 460,538	\$ 12,063,643	3.82%	\$ 996
2012 ⁽⁴⁾	278,657	301,603	580,260	12,110,133	4.79%	1,249
2013 ⁽³⁾	323,957	360,047	684,004	12,241,915	5.59%	1,464
2014 ⁽³⁾	304,946	344,281	649,227	12,706,042	5.11%	1,379
2015 ⁽³⁾	407,290	324,083	731,373	13,901,111	5.26%	1,539
2016 ⁽³⁾	374,702	466,877	841,579	14,220,825	5.92%	1,747
2017 ⁽³⁾	442,372	443,806	886,178	15,512,747	5.71%	1,815
2018 ⁽³⁾	421,368	603,465	1,024,833	15,797,521	6.49%	2,083
2019 ⁽³⁾	400,349	571,931	972,280	16,106,548	6.04%	1,963
2020 ⁽³⁾	356,516	610,779	967,295	16,434,013	5.89%	1,938

Sources: Comprehensive Annual Financial Report

- (1) The percentage of personal income is a ratio of total primary government debt to total personal income. Total personal income is derived from an estimate of population and estimate of per capita income from the American Community Survey.
- (2) The Per Capita statistic is a ratio of Total Government debt population.
- (3) These numbers are net of unamortized premium, discount.
- (4) These numbers are net of unamortized premium, discount and deferred gain or loss.



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 ⁽³⁾ (in Thousands)	Per Capita Personal Income ⁽⁹⁾	School Enrollment	Unemployment Rate ⁽⁷⁾
2011	462,368 ⁽¹⁾	\$ 12,063,643 ⁽⁹⁾	26,091	56,764	8.9 ⁽⁹⁾
2012	464,595 ⁽¹⁾	12,110,133 ⁽⁹⁾	26,066	57,549	7.3 ⁽⁹⁾
2013	467,213 ⁽¹⁾	12,241,915 ⁽⁹⁾	26,202	57,042	7.3 ⁽⁹⁾
2014	470,629 ⁽¹⁾	12,706,042 ⁽⁹⁾	26,998	55,360	6.9 ⁽⁹⁾
2015	475,073 ⁽¹⁾	13,901,111 ⁽⁹⁾	29,261	55,077	5.7 ⁽⁹⁾
2016	481,670 ⁽¹⁾	14,220,825 ⁽⁹⁾	29,524	55,039	4.9 ⁽⁹⁾
2017	488,329 ⁽¹⁾	15,512,747 ⁽⁹⁾	31,767	56,711	4.3 ⁽⁹⁾
2018	492,012 ⁽¹⁾	15,797,521 ⁽⁹⁾	32,108 ⁽⁹⁾	61,855 ⁽⁶⁾	3.5 ⁽⁹⁾
2019	495,327 ⁽¹⁾	16,106,548 ⁽⁹⁾	32,517 ⁽⁵⁾⁽⁹⁾	62,958 ⁽⁶⁾	3.8 ⁽⁹⁾
2020	499,059 ⁽²⁾	16,434,013	32,930 ⁽⁵⁾	62,354 ⁽⁶⁾	7.2 ⁽⁸⁾

Sources:

- (1) Census Bureau's 2011 to 2019 Population Estimates Program. The 2011 through 2019 numbers have been restated.
- (2) The Calendar Year 2020 estimates were provided by the City Planning and Development Department using the Census Bureau's 2010 to 2019 figures.
- (3) Derived from population and per capita income, provided by City Planning and Development Department.
- (4) Fiscal Year 2011-2019 American Community Survey.
- (5) For 2019 and 2020, the estimates are based upon averaging two figures: (1) the 2018 American Community Survey adjusted for CPI change from 2018 to 2019 and (2) City Planning and Development Department extrapolation of the change from 2017 to 2018, forward to 2019 and
- (6) niche.com was used for schools in Kansas City.
- (7) Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT2938000000000003, not seasonally adjusted.
- (8) Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT2938000000000003, not seasonally adjusted average monthly rates from January 2020 through May 2020.
- (9) Restated from prior years

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

Employer ¹	2020		Employer	2011	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Public School System ³	42,606	3.87%	Federal Government	28,400	2.94%
State/County/City Government ²	23,907	2.17%	Public School System	24,839	2.57%
Federal Government	20,846	1.89%	State/County/City Government	23,272	2.41%
Cerner Corp.	13,377	1.21%	HCA Midwest Health Systems	8,126	0.84%
HCA Midwest Health System	10,014	0.91%	Sprint Nextel Corp.	7,000	0.73%
The University of Kansas Hospital	11,592	1.05%	Saint Luke's Health System	6,665	0.69%
Saint Luke's Health System	9,790	0.89%	Cerner Corp	5,700	0.59%
Ford Motor Co. Kansas City Assembly Plant	6,900	0.63%	Children's Mercy Hospitals and Clinics	5,108	0.53%
Children's Mercy	6,945	0.63%	The University of Kansas Hospital	4,496	0.47%
Hallmark	6,400	0.58%	DST Systems, Inc.	4,402	0.46%
Total employment Kansas City MSA ⁴	1,101,400	13.83%	Total employment Kansas City MSA	965,300	12.23%

Sources:

¹ Size as determined by full-time equivalents (FTE), not number of employees.

² The number of local employees for the State/County/City Government is made up of seven (11) employers for 2020.

³ The number of local employees for the public school systems is made up of twelve (30) public school systems and school districts for 2020.

⁴ Data was taken from U.S Bureau of Labor Statistics Non-farm Employment Kansas City MSA - May 2020

**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.

A construction worker wearing a white hard hat and a high-visibility yellow and orange safety vest is looking through a large green pipe. The worker is wearing work gloves and a dark blue long-sleeved shirt. The background shows a construction site with dirt, rocks, and a large concrete structure being lifted by a crane. The text "STATISTICAL SECTION" is overlaid in a white box with blue text, and "Operating Information" is overlaid in a dark blue box with white text.

STATISTICAL SECTION

Operating Information

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Customer Service										
Call Center calls	310,294	312,783	307,571	281,205	304,849	319,744	311,724	305,756	312,961	272,050
Average customer service call per day	1,241	1,251	1,230	1,120	1,219	1,279	1,247	1,218	1,247	1,082
Average speed of answer (seconds)	251	232	64	27	54	86	100	99	133	91
Percent of time answering calls in < 30 seconds		24.7%	58.3%	73.3%	64.7%	57.7%	52.5%	53.5%	43.7%	55.5%
Abandonment Rate	15.6%	8.1%	3.6%	5.0%	2.8%	12.1%	5.4%	5.8%	6.9%	7.0%
Water										
Water main breaks	1,214	1,700	1,846	1,375	852	815	686	723	964	729
Water customers served	160,000	167,051	168,603	168,000	168,000	171,500	172,000	172,280	173,107	173,851
Water consumption (millions of gallons)	34,367	38,780	40,945	38,920	31,616	31,336	31,792	31,011	31,921	31,216
Average daily production (thousands of gallons)	103,000	102,180	112,000	113,000	96,270	95,200	113,000	94,417	99,800	97,200
Peak daily production (thousands of gallons)	176,000	176,890	197,000	240,000	146,600	141,000	159,000	147,630	158,100	141,900
Water mains (miles)	2,780	2,781	2,797	2,800	2,800	2,806	2,824	2,833	2,824	2,832
Fire hydrants	23,103	23,181	23,662	23,000	23,801	24,252	24,348	24,777	24,750	25,038
Storage capacity (thousands of gallons)	133,400	141,000	120,000	141,000	141,000	155,000	155,000	155,000	155,000	155,000
Sewer										
Sanitary sewer (miles)	2,826	2,535	2,543	2,800	2,800	2,800	2,974	2,709	2,551	2,552
Sewer customers served	153,478	158,210	162,513	163,492	164,088	164,637	165,191	166,295	167,095	168,595
Average daily sewage treatment (millions of gallons)	117	103	91	72	93	111	96	72	114	122
Treatment capacity (millions of gallons)	154	155	155	155	155	155	150	155	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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Directors Office	9	7	11	9	7	7	9	9	8	7
Finance & Administration	18	21	21	29	29	29	30	30	31	31
Revenue Protection	5	6	6	6	7	7	7	7	7	8
Budget and Finance	1	1	1	-	-	-	-	-	-	-
Human Resources	5	5	7	7	10	11	12	12	12	11
Communications	3	6	4	4	5	5	6	6	6	5
Consumer Services	60	71	76	69	72	72	75	75	76	76
Information Technology	-	-	12	12	13	13	13	13	14	14
Laboratory Services	28	28	28	28	28	29	30	30	31	31
Engineering - Facilities	7	7	7	7	8	8	9	9	8	9
Engineering - General Services	-	-	-	-	1	1	1	1	1	3
Safety Management	3	3	3	3	3	3	4	4	4	4
Engineering - Distribution System	31	32	33	33	32	32	34	34	32	32
Engineering - Planning	12	10	10	10	10	10	10	10	11	11
Building Operations	5	5	5	5	5	5	5	5	5	5
Line Maintenance - General Services	5	7	7	7	7	7	7	7	7	8
Line Maintenance - Pipeline	93	96	108	107	109	122	131	131	131	131
Line Maintenance - Inspections	1	-	-	-	-	-	-	-	-	-
Water Supply - General Services	9	8	12	12	12	12	13	13	12	8
Water Supply - Operations	39	39	39	39	39	39	39	39	39	38
Water Supply - Maintenance	55	55	55	55	55	56	56	56	56	56
Industrial Waste Control	-	-	-	-	-	-	1	1	-	-
Reading & Services - Water Services	74	74	84	85	87	75	72	72	72	72
Reading & Services - Meter Reading	12	9	9	9	9	7	7	7	7	5
Stormwater Services										-
Waterways	-	-	-	-	-	-	1	1	-	-
Training & Development	-	-	-	-	-	-	-	-	-	-
Storeroom	6	6	6	6	6	6	6	6	6	9
Security Operations	11	5	5	5	4	4	3	3	3	4
Brush Creek Improvements	8	8	8	8	1	1	-	-	-	-
	<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>	<u>578</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 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Directors Office	6	6	6	7	6	6	6	6	7	7
Contract Administration	5	5	5	5	5	5	7	7	8	8
Laboratory Services	7	7	6	6	6	5	5	5	5	5
Engineering - Facilities	3	3	3	3	3	3	5	5	5	7
Sanitary Sewer Special Assessment	5	-	-	-	-	-	-	-	-	-
Engineering - General Services	2	2	2	1	1	1	1	1	1	3
Overflow Control Program	6	6	6	6	7	7	9	9	12	15
Safety Management	2	2	2	2	2	2	2	2	2	2
Engineering - Distribution System	15	18	19	19	19	19	25	25	25	24
Engineering - Planning	7	9	9	9	10	10	10	10	11	11
Building Operations	5	4	4	5	5	5	6	6	5	5
Line Maintenance - Sewer Repair	110	120	123	125	126	127	124	124	101	71
Line Maintenance - Sewer Cleaning	-	-	-	-	-	-	-	-	27	56
Line Maintenance - General Services	8	7	11	11	10	10	10	10	9	7
Line Maintenance - Inspections	27	29	29	29	29	29	29	29	28	30
Wastewater Treatment-Maintenance	65	69	69	70	69	70	72	72	71	70
Wastewater Treatment-Operations	48	49	52	52	52	52	54	54	59	57
Industrial Waste Control	8	8	8	8	13	12	14	14	16	15
Training & Development										-
Storeroom	4	4	4	4	4	3	3	3	3	3
Security Operations	7	-	-	-	-	-	-	-	1	1
Household Hazardous Waste	8	1	2	2	1	1	-	-	-	-
	<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>	<u>397</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	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>	<u>FYE 2014</u>	<u>FYE 2015</u>	<u>FYE 2016</u>	<u>FYE 2017</u>	<u>FYE 2018</u>	<u>FYE 2019</u>	<u>FYE 2020</u>
Directors Office	1	1	1	1	-	-	-	-	-	-
Engineering - Planning	1	5	5	5	5	5	5	5	5	6
Engineering - Distribution System										1
Catch Basin Cleaning & Repair	68	76	80	82	85	85	85	85	56	36
Storm Preventative Maintenance										49
Stormwater Services	13	15	18	14	14	14	15	15	12	10
Stormwater Flood Monitoring	-	-	-	1	2	2	2	2	2	1
Engineering Stormwater Design	4	2	-	-	-	-	-	-	-	-
Waterways	-	-	-	-	5	5	5	5	6	5
Discharge Permit Programs	-	-	-	3	3	3	3	3	3	3
Household Hazardous Waste	-	-	-	-	1	1	1	1	1	-
	<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>	<u>111</u>

Source: Performance Management Division records within KC Water



KCWATER

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