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***WATER DISTRICT NO. 1 OF  
JOHNSON COUNTY, KANSAS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022***

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## Independent Auditors' Report

Water District Board  
Water District No. 1 of Johnson County, Kansas  
Lenexa, Kansas

### *Opinions*

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Water District No. 1 of Johnson County, Kansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Water District No. 1 of Johnson County, Kansas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Water District No. 1 of Johnson County, Kansas, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis For Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water District No. 1 of Johnson County, Kansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities Of Management For The Financial Statements*

Water District No. 1 of Johnson County, Kansas' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Water District No. 1 of Johnson County, Kansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities For The Audit Of The Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water District No. 1 of Johnson County, Kansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water District No. 1 of Johnson County, Kansas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of changes in OPEB liability and related ratios on page 54 and the schedules of selected pension information of the employee retirement plan on pages 52 and 53 to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the additional supplementary information on pages 55 through 62 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*RubinBrown LLP*

March 3, 2023

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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

This section of Water District No. 1 of Johnson County, Kansas' (WaterOne's) annual financial report presents an analysis of WaterOne's financial performance during the fiscal years ended December 31, 2022 and 2021. This information is presented in conjunction with the audited financial statements which follow this section.

### **Financial Highlights**

Operating revenues in 2022 were \$137.35 million. Operating revenues in 2021 were \$121.63 million.

Operating expenses in 2022 were \$66.39 million, excluding depreciation. Operating expenses in 2021 were \$58.71 million, excluding depreciation.

During 2022 and 2021, WaterOne received \$25.13 million and \$20.13 million, respectively, in capital contributions.

Investment income before unrealized gains and losses for 2022 was approximately \$1.34 million compared to \$540,000 in 2021. The 2022 average funds invested of \$143.01 million was more than the 2021 balance of \$130.77 million and the 2022 rate of return of 0.99 percent was more than the 2021 rate of 0.41 percent.

WaterOne's capital assets were \$1,195 million in 2022 compared to \$1,170 million in 2021.

The debt service coverage ratio for Debt Service (excluding System Development Charges) was 3.38 for 2022, compared to 2.99 for 2021.

### **Overview Of The Financial Statements**

The annual Financial Report is presented in the following sections: The Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements with Notes, Required Supplementary Information and Supplementary Information.

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

## Management's Discussion and Analysis (Continued)

### Required Financial Statements

The financial statements of WaterOne utilize the full accrual basis of accounting. The financial statements conform to accounting principles that are generally accepted in the United States of America. The Statement of Net Position includes information on WaterOne's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to WaterOne's creditors (liabilities). The Statement of Revenues, Expenses, and Changes in Net Position identifies WaterOne's revenues, expenses, and capital contributions for the years ended 2022 and 2021. The other required financial statement is the Statement of Cash Flows. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years. This statement provides information on WaterOne's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities.

### Financial Analysis Of WaterOne

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide an indication of WaterOne's financial condition and indicate if the financial condition has improved over the previous year. WaterOne's total net position increased \$58.34 million (5.46 percent) in 2022 and \$47.23 million (4.63 percent) in 2021.

Table 1  
Net Position  
(Dollars in thousands)

|   | December 31,        |                     | Variance         |                | December 31,        |                  | Variance       |  |
|---|---------------------|---------------------|------------------|----------------|---------------------|------------------|----------------|--|
|   | 2022                | 2021                | Dollars          | Percentage     | 2020                | Dollars          | Percentage     |  |
|   |                     |                     | Increase         | (Decrease)     |                     | Increase         | (Decrease)     |  |
| Capital assets  | \$ 1,195,018        | \$ 1,170,113        | \$ 24,905        | 2.13%          | \$ 1,145,344        | \$ 24,769        | 2.16%          |  |
| Total special funds   | 39,008              | 38,885              | 123              | 0.32%          | 38,829              | 56               | 0.14%          |  |
| Total current assets  | 151,307             | 134,549             | 16,758           | 12.45%         | 126,471             | 8,078            | 6.39%          |  |
| Deferred outflows of resources  | 19,053              | 20,553              | (1,500)          | (7.30)%        | 15,469              | 5,084            | 32.87%         |  |
| <b>Total Assets And<br/>Deferred Outflows</b>                                 | <b>\$ 1,404,386</b> | <b>\$ 1,364,100</b> | <b>\$ 40,286</b> | <b>2.95%</b>   | <b>\$ 1,326,113</b> | <b>\$ 37,987</b> | <b>2.86%</b>   |  |
| Long-term liabilities and other liabilities                                   | \$ 227,258          | \$ 251,268          | \$ (24,010)      | (9.56)%        | \$ 260,497          | \$ (9,229)       | (3.54)%        |  |
| Current liabilities   | 40,711              | 35,220              | 5,491            | 15.59%         | 36,295              | (1,075)          | (2.96)%        |  |
| Deferred inflows of resources   | 9,798               | 9,332               | 466              | 4.99%          | 8,271               | 1,061            | 12.83%         |  |
| <b>Total Liabilities And Deferred<br/>Inflows Of Resources</b>                | <b>277,767</b>      | <b>295,820</b>      | <b>(18,053)</b>  | <b>(6.10)%</b> | <b>305,063</b>      | <b>(9,243)</b>   | <b>(3.03)%</b> |  |
| Net investment in capital assets  | 988,365             | 947,847             | 40,518           | 4.27%          | 909,200             | 38,647           | 4.25%          |  |
| Restricted  | 32,446              | 32,322              | 124              | 0.38%          | 32,378              | (56)             | (0.17)%        |  |
| Unrestricted  | 105,808             | 88,111              | 17,697           | 20.08%         | 79,472              | 8,639            | 10.87%         |  |
| <b>Total Net Position</b>   | <b>1,126,619</b>    | <b>1,068,280</b>    | <b>58,339</b>    | <b>5.46%</b>   | <b>1,021,050</b>    | <b>47,230</b>    | <b>4.63%</b>   |  |
| <b>Total Liabilities, Deferred Inflows<br/>Of Resources, And Net Position</b> | <b>\$ 1,404,386</b> | <b>\$ 1,364,100</b> | <b>\$ 40,286</b> | <b>2.95%</b>   | <b>\$ 1,326,113</b> | <b>\$ 37,987</b> | <b>2.86%</b>   |  |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

## Management's Discussion and Analysis *(Continued)*

**Table 2**  
**Statement Of Revenues, Expenses, And Changes In Net Position**  
(Dollars in thousands)

|   | December 31,        |              | Variance  |            | December 31,        |           | Variance   |            |
|---|---------------------|--------------|-----------|------------|---------------------|-----------|------------|------------|
|   | 2022                | 2021         | Dollars   | Percentage | 2020                | Dollars   | Percentage |            |
|   |                     |              | Increase  | (Decrease) |                     |           | Increase   | (Decrease) |
| Operating revenues                                    | \$ 137,345          | \$ 121,635   | \$ 15,710 | 12.92%     | \$ 116,054          | \$ 5,581  | 4.81%      |            |
| Operating expenses                                    | <u>66,385</u>       | 58,711       | 7,674     | 13.07%     | <u>57,933</u>       | 778       | 1.34%      |            |
| <b>Net Operating Income<br/>(Before Depreciation)</b> | <b>70,960</b>       | 62,924       | 8,036     | 12.77%     | 58,121              | 4,803     | 8.26%      |            |
| Depreciation  | <u>29,703</u>       | 27,958       | 1,745     | 6.24%      | <u>26,583</u>       | 1,375     | 5.17%      |            |
| <b>Net Operating Income</b>                           | <b>41,257</b>       | 34,966       | 6,291     | 17.99%     | <b>31,538</b>       | 3,428     | 10.87%     |            |
| Total other income                                    | 978                 | 1,027        | (49)      | (4.77)%    | 3,071               | (2,044)   | (66.56)%   |            |
| Total other expenses                                  | <u>9,021</u>        | 8,898        | 123       | 1.38%      | <u>10,424</u>       | (1,526)   | (14.64)%   |            |
| <b>Net Income Before<br/>Capital Contributions</b>    | <b>33,214</b>       | 27,095       | 6,119     | 22.58%     | 24,185              | 2,910     | 12.03%     |            |
| Capital contributions                                 | <u>25,125</u>       | 20,134       | 4,991     | 24.79%     | <u>15,047</u>       | 5,087     | 33.81%     |            |
| <b>Change In Net Position</b>                         | <b>58,339</b>       | 47,229       | 11,110    | 23.52%     | <b>39,232</b>       | 7,997     | 20.38%     |            |
| <b>Beginning Net Position</b>                         | <b>1,068,279</b>    | 1,021,050    | 47,229    | 4.63%      | 981,818             | 39,232    | 4.00%      |            |
| <b>Ending Net Position</b>                            | <b>\$ 1,126,618</b> | \$ 1,068,279 | \$ 58,339 | 5.46%      | <b>\$ 1,021,050</b> | \$ 47,229 | 4.63%      |            |
| <b>Total Revenues</b>                                 | <b>\$ 163,448</b>   | \$ 142,796   |           |            | <b>\$ 134,172</b>   |           |            |            |
| <b>Total Expenses</b>                                 | <b>\$ 105,109</b>   | \$ 95,567    |           |            | <b>\$ 94,940</b>    |           |            |            |

The largest source of WaterOne's operating revenue is water sales. Additional sources of operating revenue include income received from late payment fees, administrative service charges, and miscellaneous income. WaterOne's other income is derived from interest income earned on WaterOne investments and gains and losses from investments.

Operating expenses are the expenses necessary to keep the water system in good repair and working order and include (but are not limited to) salaries, benefits, costs of materials, supplies, insurance, power and chemicals, and depreciation. Other expenses primarily include the payment of interest on WaterOne's outstanding Bonds.



## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Management's Discussion and Analysis (*Continued*)

Variances in water sales revenues from year to year are generally the product of three major factors: water rate changes, changes in customer consumption patterns due to weather influences, and changes in the number of customers.

- 1. Water Rate Changes** - Effective January 1, 2022, WaterOne's retail water rates increased 3.6 percent. Effective January 1, 2021, WaterOne's retail water rates increased 2.8 percent.
- 2. Changes In Customer Consumption Due To Weather Influences** - 2022 water sales were \$135.68 million. Sales in 2022 were \$11.85 million more than projected and \$15.33 million more than those in 2021. 2021 water sales were \$120.35 million. Sales in 2021 were \$1.07 million more than projected and \$5.50 million more than those in 2020. Approximately 64.59 percent of the water sales revenue was from sales to single-family residences. The remaining 35.41 percent represent sales to multifamily and commercial customers.

Gallons sold in 2022 were 20.66 billion which was 1.47 billion more than gallons sold in 2021 and 1.13 billion more than projected. Gallons sold in 2021 were 19.19 billion which was 0.42 billion more than gallons sold in 2020 and 0.31 billion less than projected.

- 3. Changes In The Number Of Customers** - Excluding temporary fire hydrant meters and wholesale customers, 1,493 new retail customers were added in 2022, which were 8 (0.01 percent) less than the 1,501 new customers added in 2021. The new 2021 customers were 233 (18.38 percent) more than the 1,268 new customers added in 2020.

Investment income (before unrealized gain/loss on investments) increased from approximately \$540,000 in 2021 to \$1.34 million in 2022. Investment income (before unrealized gain/loss on investments) decreased from \$2.02 million in 2020 to approximately \$540,000 in 2021.

|                               | <u>2022</u>    | <u>2021</u>       | <u>2020</u>       |
|-------------------------------|----------------|-------------------|-------------------|
| <b>Average funds invested</b> | 143.01 Million | \$ 130.77 Million | \$ 132.64 Million |
| <b>Average rate of return</b> | 0.99%          | 0.41%             | 1.52%             |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Management's Discussion and Analysis (*Continued*)

As reflected on the Statement of Revenues, Expenses, and Changes in Net Position, the operating expenses for WaterOne are divided into the following five functional categories: Water Source, Treatment, and Pumping; Transmission and Distribution; Customer Service; Administrative and General; and Depreciation.

1. **Total Operating Expenses** (before depreciation) were \$7.67 million (13.07 percent) more in 2022 than in 2021. The increase in operating expenses during 2022 was primarily due to increased gallons produced due to dry weather and supply chain issues driving price increases.
  - **Water Source, Treatment, And Pumping** expenses were \$5.29 million (18.2 percent) higher in 2022 than in 2021, primarily due to:
    - Power expenses in 2022 were \$2.34 million higher than in 2021. Increased water production requires more power utilization. Also, a new max hour was reached in 2022 which increased the peaking rates at some facilities.
    - Chemical expenses in 2022 were \$1.40 million higher than in 2021. Increased water production requires more chemical utilization. Also, increased chemical pricing impacted chemical expenses.
    - Maintenance and Other Treatment and Pumping expenses were approximately \$781,000 higher in 2022 than in 2021. Increased water production caused additional maintenance expenses as more material and supplies and maintenance services were required.
  - **Transmission And Distribution** expenses were \$1.42 million (13.03 percent) higher in 2022 than in 2021. Due to the dry weather, there were a significant number of main breaks in 2022 which increased overtime, material and supplies, and contracted services.
  - **Administrative And General** expenses were approximately \$727,000 (5.50 percent) higher in 2022 than in 2021. Higher fuel rates and supply chain issues were experienced in 2022. Due to continued supply chain issues, material pricing increased and supplemental items were acquired to ensure necessities were available.
  - **Customer Service** expenses were approximately \$230,000 (4.2 percent) higher in 2022 than in 2021.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Management's Discussion and Analysis *(Continued)*

2. **Total Operating Expenses** (before depreciation) were \$778,000 (1.34 percent) more in 2021 than in 2020. The increase in operating expenses during 2021 was primarily the result of higher net labor costs and unusually high natural gas prices during February 2021.
- **Water Source, Treatment, And Pumping** expenses were \$513,000 million (1.80 percent) higher in 2021 than in 2020, primarily due to:
    - Approximately \$240,000 higher than normal natural gas costs incurred in February 2021. During 2021, a February winter storm and cold spell caused an emergency operations period which resulted in the market price of natural gas to significantly increase for a few days.
    - An increase in net labor costs.
  - **Transmission And Distribution** expenses were \$3,000 (0.03 percent) higher in 2021 than in 2020.
  - **Customer Service** expenses were \$210,000 (3.98 percent) higher in 2021 than in 2020.
  - **Administrative And General** expenses were \$52,000 (0.40 percent) higher in 2021 than in 2020.

### Capital Contributions

Capital contributions are recognized as “Contributions” on the Statements of Revenues, Expenses, and Changes in Net Position. Capital contributions for the years 2022, 2021 and 2020 consisted of the following:

**Table 3**  
**Capital Contributions**  
(Dollars in thousands)

|                                    | December 31,     |                  | Variance        |               | December 31,     | Variance        |               |
|------------------------------------|------------------|------------------|-----------------|---------------|------------------|-----------------|---------------|
|                                    | 2022             | 2021             | Dollars         | Percentage    |                  | 2020            | Dollars       |
|                                    |                  |                  | Increase        | (Decrease)    |                  | Increase        | (Decrease)    |
| Main extensions                    | \$ 14,025        | \$ 8,725         | \$ 5,300        | 60.74%        | \$ 5,497         | \$ 3,228        | 58.72%        |
| System development charges         | 9,272            | 9,704            | (432)           | (4.45)%       | 8,272            | 1,432           | 17.31%        |
| Benefit areas                      | 88               | 185              | (97)            | (52.43)%      | 52               | 133             | 255.77%       |
| New services                       | 1,525            | 1,520            | 5               | 0.33%         | 1,226            | 294             | 23.98%        |
| Grant funds                        | 215              | -                | 215             | n/a           | -                | -               | n/a           |
| <b>Total Capital Contributions</b> | <b>\$ 25,125</b> | <b>\$ 20,134</b> | <b>\$ 4,991</b> | <b>24.79%</b> | <b>\$ 15,047</b> | <b>\$ 5,087</b> | <b>33.81%</b> |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Management's Discussion and Analysis (*Continued*)

#### Capital Assets

As of December 31, 2022, WaterOne's investment in net capital assets totaled \$1.20 billion which is an increase of \$24.90 million (2.13 percent) over the 2021 balance. Net capital assets in 2021 totaled \$1.17 billion, which was an increase of \$24.77 million (2.16 percent) over the 2020 balance of \$1.14 billion. WaterOne's major capital assets includes land, infrastructure assets, water treatment facilities, water mains, services, hydrants, pump stations, reservoirs, administrative/service center facilities, fleet, and other general assets. A comparison of WaterOne's capital assets over the past three years is presented in Table 4 below.

Table 4  
Capital Assets  
(Dollars in thousands)

|  | December 31,        |                     | Variance         |              | December 31,        | Variance         |              |
|--|---------------------|---------------------|------------------|--------------|---------------------|------------------|--------------|
|  | 2022                | 2021                | Dollars          | Percentage   |                     | 2020             | Dollars      |
|  |                     |                     | Increase         | (Decrease)   |                     | Increase         | (Decrease)   |
| Land   | \$ 31,986           | \$ 31,669           | \$ 317           | 1.00%        | \$ 31,719           | \$ (50)          | (0.16)%      |
| Intake, purification and pumping system          | 476,952             | 468,890             | 8,062            | 1.72%        | 455,906             | 12,984           | 2.85%        |
| Transmission and distribution system             | 980,651             | 949,824             | 30,827           | 3.25%        | 904,092             | 45,732           | 5.06%        |
| Buildings, improvements, furniture and equipment | 54,980              | 50,753              | 4,227            | 8.33%        | 59,487              | (8,734)          | (14.68)%     |
| Construction work in progress                    | 135,250             | 127,250             | 8,000            | 6.29%        | 135,084             | (7,834)          | (5.80)%      |
| <b>Capital Assets Before Depreciation</b>        | <b>\$ 1,679,819</b> | <b>\$ 1,628,386</b> | <b>\$ 51,433</b> | <b>3.16%</b> | <b>\$ 1,586,288</b> | <b>\$ 42,098</b> | <b>2.65%</b> |
| Less: Accumulated depreciation                   | \$ (484,802)        | \$ (458,273)        | \$ (26,529)      | 5.79%        | \$ (440,944)        | \$ (17,329)      | 3.93%        |
| <b>Net Capital Assets</b>                        | <b>\$ 1,195,017</b> | <b>\$ 1,170,113</b> | <b>\$ 24,904</b> | <b>2.13%</b> | <b>\$ 1,145,344</b> | <b>\$ 24,769</b> | <b>2.16%</b> |

Additions to WaterOne's capital assets reflect a capital plan to replace and maintain existing facilities and equipment, adopt more efficient technologies, ensure compliance with applicable water quality rules and regulations and provide for the expansion of supply, treatment and distribution facilities per WaterOne's long-term capital expansion program.

#### Long-Term Debt

WaterOne finances its capital assets through a combination of water rates, investment income, system development charges and revenue bonds. As indicated in the Notes to Financial Statements, WaterOne's General Fund makes a monthly prorated deposit to the Principal and Interest Fund to fund the semi-annual principal and interest payments on the outstanding debt.

In 2022, the Second Lien bonds were rated Aaa by Moody's and AAA by Standard and Poor's.

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

## Management’s Discussion and Analysis (Continued)

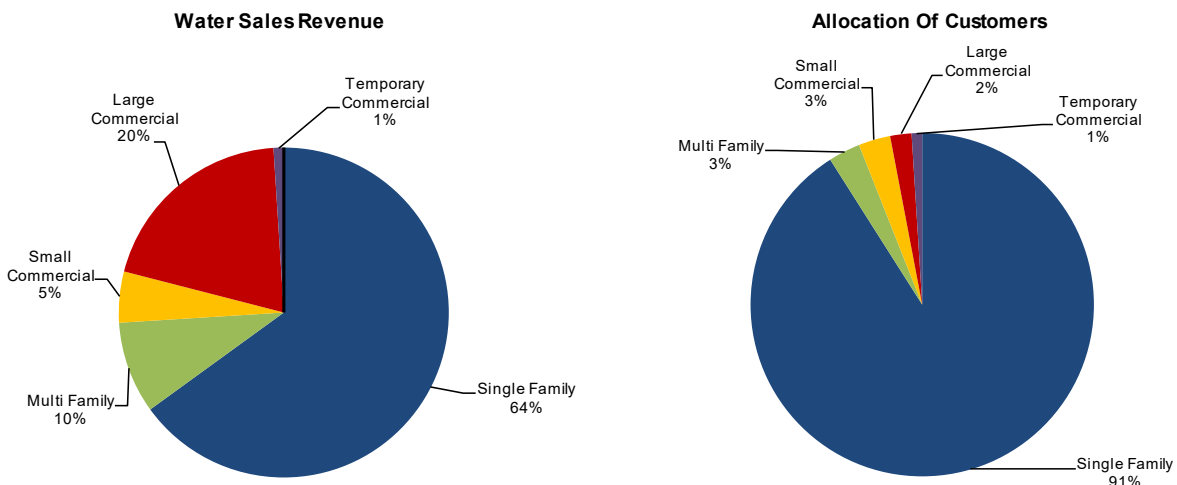
At the end of 2022, WaterOne had \$207.03 million of outstanding bonds, compared to \$222.59 million at the end of 2021. The decrease was the result of principal payments of \$15.56 million.

At the end of 2021, WaterOne had \$222.59 million of outstanding bonds, compared to \$237.40 million at the end of 2020. The decrease was the result of principal payments of \$14.81 million.

As discussed in Note 4 of the Notes to Financial Statements, the current debt service schedule extends to 2042 and includes bonds with interest rates ranging from 2.00 percent to 5.00 percent. Bond covenants require that WaterOne maintain a debt service coverage ratio on its Water Revenue bonds of 1.25; however, current Board policy stipulates that the budgeted debt service coverage ratio be maintained at a minimum of 2.00 (before inclusion of System Development Charges). For 2022, the actual debt service coverage ratio for WaterOne’s bonds (excluding System Development Charges) was 3.38 which was higher than the comparable ratio of 2.99 for 2021 and higher than the 2020 ratio of 2.87.

### Economic Factors And Next Year’s Projections And Rates

WaterOne’s service territory includes approximately 272 square miles, located primarily in Johnson County, Kansas. In addition, WaterOne has the exclusive right to provide potable water to all or a portion of 17 municipalities as well as unincorporated areas. As of December 31, 2022, WaterOne served 153,404 customers compared to 151,910 customers served as of December 31, 2021 and 150,404 served as of December 31, 2020. As of December 31, 2022, 90.94 percent of the customers served were single-family residential homes.



## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Management's Discussion and Analysis (*Continued*)

64.59 percent of annual water sales were to single family residential homes, and the remaining 35.41 percent was scattered among many relatively small commercial users. For the year ended December 31, 2022, WaterOne's top 15 commercial customers contributed only 3.54 percent of total 2022 annual water sales revenue.

WaterOne budgets revenues and expenses based on anticipated water consumption for a "normal" weather year. Revenues for a given budget year need to be sufficient to provide funds for operation and maintenance expenses, debt service funding and annual capital expenditures. In addition, revenues for a given year may be budgeted to provide funds for contributions to the Master Plan capital program, the Transmission & Distribution capital program and/or the Negative Cash Flow Reserve. Finally, Board Policy #16 stipulates that rates must be at such a level that budgeted net operating income (before depreciation) combined with budgeted investment income must be at least two times the combined annual debt service for all of WaterOne's Revenue bonds.

### **WaterOne Contact Information**

This financial report is designed to provide customers and creditors with a general overview of WaterOne's finances and to demonstrate accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact:

Darin Kamradt, Director of Finance  
Water District No. 1 of Johnson County, Kansas  
10747 Renner Boulevard  
Lenexa, Kansas 66219  
Telephone: 913-895-5537  
E-mail: [dkamradt@waterone.org](mailto:dkamradt@waterone.org)

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## STATEMENT OF NET POSITION

Page 1 Of 2

|  | December 31,            |                         |
|--|-------------------------|-------------------------|
|  | 2022                    | 2021                    |
| <b>Assets And Deferred Outflows Of Resources</b>                         |                         |                         |
| <b>Current Assets</b>  |                         |                         |
| Cash, cash equivalents and short-term investments:                       |                         |                         |
| Water system general fund  | \$ 126,401,475          | \$ 113,956,223          |
| System development account   | 123,608                 | 63,448                  |
| Accounts receivable and accrued water sales                              | 11,312,565              | 9,983,744               |
| Interest receivable  | 716,014                 | 171,418                 |
| Materials and supplies   | 8,357,341               | 6,203,841               |
| Contractor extension receivables   | 2,290,233               | 2,721,407               |
| Prepayments and deposits   | 2,105,542               | 1,449,127               |
| <b>Total Current Assets</b>  | <b>151,306,778</b>      | <b>134,549,208</b>      |
| <b>Noncurrent Assets</b>   |                         |                         |
| <b>Capital Assets, Net Of Accumulated Depreciation</b>                   |                         |                         |
| Nondepreciable capital assets:   |                         |                         |
| Land   | 31,986,350              | 31,669,435              |
| Construction in progress   | 135,249,594             | 127,249,604             |
| <b>Total nondepreciable capital assets</b>                               | <b>167,235,944</b>      | <b>158,919,039</b>      |
| Depreciable capital assets:  |                         |                         |
| Intake, purification, and pumping system                                 | 259,225,479             | 262,220,437             |
| Transmission and distribution system                                     | 742,825,757             | 726,086,659             |
| Building, improvements, furniture, and equipment                         | 25,730,623              | 22,886,481              |
| <b>Total depreciable capital assets, net of accumulated depreciation</b> | <b>1,027,781,859</b>    | <b>1,011,193,577</b>    |
| <b>Net Capital Assets</b>  | <b>1,195,017,803</b>    | <b>1,170,112,616</b>    |
| <b>Restricted Cash And Investments</b>                                   |                         |                         |
| Special funds created by bond resolutions:                               |                         |                         |
| Principal and interest   | 169,581                 | 817,727                 |
| Second lien bond reserve fund  | 17,879,347              | 17,879,346              |
| Water system general fund  | 20,959,578              | 20,187,728              |
| <b>Total Special Funds Created By Bond Resolutions</b>                   | <b>39,008,506</b>       | <b>38,884,801</b>       |
| <b>Total Noncurrent Assets</b>   | <b>1,234,026,309</b>    | <b>1,208,997,417</b>    |
| <b>Total Assets</b>  | <b>1,385,333,087</b>    | <b>1,343,546,625</b>    |
| <b>Deferred Outflows Of Resources</b>                                    |                         |                         |
| Pensions   | 10,990,541              | 11,553,536              |
| Other post employment benefits   | 4,049,161               | 4,616,316               |
| Deferred amounts on refunding  | 4,013,261               | 4,383,391               |
| <b>Total Assets And Deferred Outflows Of Resources</b>                   | <b>\$ 1,404,386,050</b> | <b>\$ 1,364,099,868</b> |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## STATEMENT OF NET POSITION

Page 2 Of 2

|  | December 31,            |                         |
|--|-------------------------|-------------------------|
|  | 2022                    | 2021                    |
| <b>Liabilities, Deferred Inflows of Resources And Net Position</b>           |                         |                         |
| <b>Current Liabilities</b>   |                         |                         |
| Accounts payable   | \$ 8,507,745            | \$ 9,259,310            |
| Customer advances for system development charges                             | 4,297,925               | 3,641,500               |
| Retainage on construction contracts  | 893,951                 | 1,419,465               |
| Current maturities of revenue bonds payable                                  | 20,705,000              | 15,560,000              |
| Compensated employee absences  | 2,112,781               | 2,175,702               |
| Other current liabilities  | 4,194,041               | 3,463,490               |
| <b>Total Current Liabilities</b>   | <b>40,711,443</b>       | <b>35,519,467</b>       |
| <b>Noncurrent And Other Liabilities</b>                                      |                         |                         |
| Revenue bonds payable  | 186,325,000             | 207,030,000             |
| Premium on revenue bonds payable   | 8,423,485               | 9,241,793               |
| Customer advances for construction   | 6,753,105               | 7,531,608               |
| Net pension liability  | 3,634,576               | 5,878,362               |
| Other post-employment  | 22,121,512              | 21,286,796              |
| <b>Total Noncurrent And Other Liabilities</b>                                | <b>227,257,678</b>      | <b>250,968,559</b>      |
| <b>Total Liabilities</b>   | <b>267,969,121</b>      | <b>286,488,026</b>      |
| <b>Deferred Inflows Of Resources</b>   |                         |                         |
| Pensions   | 8,216,256               | 7,332,427               |
| Other post employment benefits   | 1,581,466               | 1,999,596               |
| <b>Total Liabilities And Deferred Inflows Of Resources</b>                   | <b>277,766,843</b>      | <b>295,820,049</b>      |
| <b>Net Position</b>  |                         |                         |
| Net investment in capital assets   | 988,365,335             | 947,846,657             |
| Restricted by bond resolution  | 32,446,078              | 32,322,373              |
| Unrestricted   | 105,807,794             | 88,110,789              |
| <b>Total Net Position</b>  | <b>1,126,619,207</b>    | <b>1,068,279,819</b>    |
| <b>Total Liabilities, Deferred Inflows Of Resources<br/>And Net Position</b> | <b>\$ 1,404,386,050</b> | <b>\$ 1,364,099,868</b> |



# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

|  | For The Years<br>Ended December 31, |                         |
|--|-------------------------------------|-------------------------|
|  | 2022                                | 2021                    |
| <b>Operating Revenues</b>                  |                                     |                         |
| Water sales                                | \$ 135,681,456                      | \$ 120,354,614          |
| Other operating revenues                   | 1,663,667                           | 1,280,163               |
| <b>Total Operating Revenues</b>            | <b>137,345,123</b>                  | <b>121,634,777</b>      |
| <b>Operating Expense</b>                   |                                     |                         |
| Water source, treatment and pumping        | 34,386,706                          | 29,092,422              |
| Transmission and distribution              | 12,332,314                          | 10,910,191              |
| Customer service                           | 5,714,524                           | 5,483,931               |
| Administrative and general                 | 13,951,838                          | 13,224,782              |
| Depreciation of utility plant              | 29,703,192                          | 27,957,819              |
| <b>Total Operating Expense</b>             | <b>96,088,574</b>                   | <b>86,669,145</b>       |
| <b>Operating Income</b>                    | <b>41,256,549</b>                   | <b>34,965,632</b>       |
| <b>Nonoperating Revenues (Expense)</b>     |                                     |                         |
| Investment income                          | (1,210,372)                         | (155,214)               |
| Miscellaneous, net                         | 160,636                             | 208,457                 |
| Bond interest expense                      | (5,811,000)                         | (6,464,881)             |
| Amortization expense - refunded bonds      | (370,129)                           | (370,129)               |
| Amortization of premiums                   | 817,577                             | 818,307                 |
| Loss on disposal of capital assets         | (1,629,110)                         | (1,906,840)             |
| <b>Net Nonoperating Expense</b>            | <b>(8,042,398)</b>                  | <b>(7,870,300)</b>      |
| <b>Income Before Capital Contributions</b> | <b>33,214,151</b>                   | <b>27,095,332</b>       |
| <b>Capital Contributions</b>               | <b>25,125,237</b>                   | <b>20,134,222</b>       |
| <b>Change In Net Position</b>              | <b>58,339,388</b>                   | <b>47,229,554</b>       |
| <b>Beginning Net Position</b>              | <b>1,068,279,819</b>                | <b>1,021,050,265</b>    |
| <b>Net Position - End Of Year</b>          | <b>\$ 1,126,619,207</b>             | <b>\$ 1,068,279,819</b> |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## STATEMENT OF CASH FLOWS

Page 1 Of 2

|  | For The Years<br>Ended December 31, |                       |
|--|-------------------------------------|-----------------------|
|  | 2022                                | 2021                  |
| <b>Cash Flows From Operating Activities</b>                                      |                                     |                       |
| Receipts from customers  | \$ 136,566,086                      | \$ 122,044,717        |
| Payments to suppliers  | (43,082,898)                        | (37,250,306)          |
| Payments to employees  | (24,932,146)                        | (22,683,993)          |
| <b>Net Cash Provided By Operating Activities</b>                                 | <b>68,551,042</b>                   | <b>62,110,418</b>     |
| <b>Cash Flows Provided By Noncapital Financing<br/>Activities, Miscellaneous</b> | <b>160,638</b>                      | <b>208,457</b>        |
| <b>Cash Flows From Capital And Related Financing Activities</b>                  |                                     |                       |
| Proceeds from sale of capital assets   | 285,946                             | 1,029,710             |
| System development charges   | 9,928,800                           | 9,785,050             |
| Acquisition and construction of capital assets                                   | (43,170,610)                        | (45,616,304)          |
| Principal payments on revenue bonds  | (15,560,000)                        | (14,810,000)          |
| Interest payments on revenue bonds   | (5,811,000)                         | (6,553,566)           |
| Other debt costs   | (733)                               | (2,500)               |
| <b>Net Cash Used In Capital And Related<br/>Financing Activities</b>             | <b>(54,327,597)</b>                 | <b>(56,167,610)</b>   |
| <b>Cash Flows From Investing Activities</b>                                      |                                     |                       |
| Purchase of short-term investments   | (95,890,470)                        | (77,319,074)          |
| Interest received on investments   | 795,365                             | 765,071               |
| Maturities of short-term investments   | 82,689,000                          | 70,379,531            |
| <b>Net Cash Used In Investing Activities</b>                                     | <b>(12,406,105)</b>                 | <b>(6,174,472)</b>    |
| <b>Net Increase (Decrease) In Cash</b>   | <b>1,977,978</b>                    | <b>(23,207)</b>       |
| <b>Cash - Beginning Of Year</b>  | <b>12,114,951</b>                   | <b>12,138,158</b>     |
| <b>Cash - End Of Year</b>  | <b>\$ 14,092,929</b>                | <b>\$ 12,114,951</b>  |
| <b>Investments</b>   | <b>\$ 151,440,660</b>               | <b>\$ 140,789,521</b> |
| <b>Cash</b>  | <b>14,092,929</b>                   | <b>12,114,951</b>     |
| <b>Total Cash And Investments</b>  | <b>\$ 165,533,589</b>               | <b>\$ 152,904,472</b> |
| Principal and interest fund - restricted   | \$ 169,581                          | \$ 817,727            |
| Water system general fund  | 126,401,475                         | 113,956,223           |
| Water system general fund - restricted   | 20,959,578                          | 20,187,728            |
| Cash bond reserve fund - restricted  | 17,879,347                          | 17,879,346            |
| System development account   | 123,608                             | 63,448                |
|  | <b>\$ 165,533,589</b>               | <b>\$ 152,904,472</b> |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## STATEMENT OF CASH FLOWS

Page 2 Of 2

|   | For The Years<br>Ended December 31, |                      |
|---|-------------------------------------|----------------------|
|   | 2022                                | 2021                 |
| <b>Net Cash From Operating Activities</b>   |                                     |                      |
| Reconciliation of operating income to net cash from operating activities:               |                                     |                      |
| Operating income  | \$ 41,256,549                       | \$ 34,965,632        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                                     |                      |
| Depreciation  | 29,703,192                          | 27,957,819           |
| Changes in assets and liabilities:  |                                     |                      |
| Receivables and accrued water sales   | (779,037)                           | 409,940              |
| Materials and supplies  | (2,151,015)                         | (1,067,563)          |
| Prepayments, deposits, net position and OPEB liability                                  | (404,610)                           | 290,650              |
| Other assets  | (176,794)                           | (11,052)             |
| Accounts payable  | 497,593                             | (745,825)            |
| Other liabilities and compensation  | 605,164                             | 310,817              |
| <b>Net Cash Provided By Operating Activities</b>  | <b>\$ 68,551,042</b>                | <b>\$ 62,110,418</b> |
| Noncash capital and related financing activities:                                       |                                     |                      |
| Property contributed to WaterOne  | \$ 15,852,862                       | \$ 10,430,122        |
| Capital assets related to retainage payable   | (525,514)                           | (205,831)            |
| Capital assets related to accounts payable  | (1,249,158)                         | (1,174,153)          |
| Noncash retirement of capital assets  | 1,915,056                           | 2,936,550            |
| Noncash investing activities:   |                                     |                      |
| Appreciation of fair value  | 2,550,332                           | 695,024              |

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**WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS**

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**STATEMENT OF FIDUCIARY NET POSITION**  
**Pension Trust Fund**

|   | <u>December 31,</u>  |                      |
|---|----------------------|----------------------|
|   | <u>2022</u>          | <u>2021</u>          |
| <b>Assets</b>                               |                      |                      |
| Cash  | \$ 53,547            | \$ 24,776            |
| Mutual Funds                                | 43,962,772           | 70,669,331           |
| Due from brokers                            | 389,844              | 360,072              |
| <b>Total Assets</b>                         | <b>44,406,162</b>    | <b>71,054,179</b>    |
| <b>Liabilities</b>                          |                      |                      |
| Due to brokers                              | 443,390              | 384,848              |
| <b>Total Liabilities</b>                    | <b>443,390</b>       | <b>384,848</b>       |
| <b>Net Position Restricted For Pensions</b> | <b>\$ 43,962,772</b> | <b>\$ 70,669,331</b> |

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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

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## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION Pension Trust Fund

| Additions   | For The Years<br>Ended December 31, |                      |
|---|-------------------------------------|----------------------|
|   | 2022                                | 2021                 |
| Contributions   |                                     |                      |
| Employee contributions  | \$ 418,470                          | \$ 376,841           |
| Employer contributions  | 2,260,862                           | 2,214,212            |
| Total contributions   | 2,679,331                           | 2,591,053            |
| Investment Income (Expense)   |                                     |                      |
| Interest  | 72,813                              | 1,073                |
| Dividends   | 963,184                             | 1,098,481            |
| Realized gain (loss)  | (3,408,258)                         | 949,739              |
| Unrealized gain (loss)  | (7,410,559)                         | 6,716,817            |
| Investment expense  | (241,434)                           | (253,872)            |
| Total investment income (expense), net                              | (10,024,254)                        | 8,512,238            |
| <b>Total Additions</b>  | <b>(7,344,923)</b>                  | <b>11,103,291</b>    |
| <b>Deductions</b>   |                                     |                      |
| Benefits paid   | 19,361,637                          | 5,858,249            |
| <b>Total Deductions</b>   | <b>19,361,637</b>                   | <b>5,858,249</b>     |
| <b>Net Increase (Decrease) In Fiduciary Net Position</b>            | <b>(26,706,559)</b>                 | <b>5,245,042</b>     |
| <b>Net Position Restricted For Pensions -<br/>Beginning Of Year</b> | <b>70,669,331</b>                   | <b>65,424,289</b>    |
| <b>Net Position Restricted For Pensions -<br/>End Of Year</b>       | <b>\$ 43,962,772</b>                | <b>\$ 70,669,331</b> |

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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

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## NOTES TO FINANCIAL STATEMENTS For The Years Ended December 31, 2022 And 2021

### **Note 1. Summary Of Significant Accounting Policies**

Water District No. 1 of Johnson County, Kansas (WaterOne) is a water utility that provides service to 153,404 and 151,910 customers as of December 31, 2022 and 2021, respectively. WaterOne was organized on November 2, 1953 as a quasi-municipal body corporate with the power of eminent domain. WaterOne is governed by a seven-member Water District Board. Election is for overlapping terms voted on by the qualified electors residing in the WaterOne service area.

#### **Reporting Entity**

WaterOne defines its reporting entity to include all component units for which WaterOne's governing body is financially accountable. A primary government is financially accountable if it appoints a voting majority of a potential component unit's governing body and is able to impose its will on that potential component unit or the relationship has the potential for creating specific financial benefits to, or imposing specific financial burdens on, the primary government. WaterOne's financial reporting entity consists of the utility and its component unit: the Water District No. 1 of Johnson County (Kansas) Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (collectively, the Plan).

The Plan is a single employer, defined benefit pension plan, as discussed further in Note 7. The Plan is a legally separate trust. The Plan is included in WaterOne's financial reporting entity because it is ultimately governed by WaterOne's board, and WaterOne has a financial burden related to the Plan because it is legally obligated to make contributions to the plan in order to provide future benefits to the Plan's participants.

In accordance with GASB Statement No. 84, Fiduciary Activities, the balances and transactions of this component unit are presented in a separate fiduciary fund (the Pension Trust Fund). The Plan does not issue a stand-alone financial report.

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

#### **Basis Of Accounting**

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. WaterOne has authority to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, WaterOne is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

WaterOne accounts for the water utility as a governmental enterprise fund. The accrual basis and economic measurement focus of accounting is utilized, under which revenues are recognized when earned, and expenses are recorded when liabilities are incurred or deferred charges are amortized. Under this basis of accounting, all assets and all liabilities associated with the operation of WaterOne are included in the statement of net position.

The Financial Statements of the Pension Trust Fund have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value.

WaterOne follows accounting principles and financial reporting requirements as established by the Governmental Accounting Standards Board (GASB).

WaterOne prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to regulated utilities. The accounting and rates of WaterOne are established by the Water District Board.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. Non-operating revenues and expenses include those derived from capital and related financing activities, non-capital financing activities, and investing activities.

When both restricted and unrestricted resources are available for use, it is WaterOne's policy to use restricted resources first and then unrestricted resources, as they are needed.

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

#### **Capital Assets**

Utility plant is stated at cost, or cost of construction, including overhead costs. WaterOne does not capitalize interest during construction. Fully depreciated plant and equipment are included in the accounts until their disposal. WaterOne recognizes a lease liability and an intangible right-to-use lease asset at the commencement of a qualifying lease term. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset. WaterOne's capitalization threshold is \$5,000.

Depreciation is provided on the straight-line method using the following useful lives:

|  |                |
|--|----------------|
| Intake, purification and pumping system          | 20 - 100 years |
| Transmission and distribution systems            | 10 - 100 years |
| Buildings, improvements, furniture and equipment | 3 - 50 years   |

#### **Accounts Receivable And Unbilled Revenue**

WaterOne utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by WaterOne is recorded as accounts receivable and accrued water sales, net of an allowance for uncollectable accounts of \$55,000 as of December 31, 2022 and 2021.

#### **Investments**

Authorized investments consist of direct obligations of the United States of America, debt obligations of certain United States Government Sponsored Enterprises (Agencies) and collateralized bank certificates of deposit. Investments are reported at fair value, based on quoted market prices.

#### **Special Funds Created By Bond Resolutions**

Special funds created by bond resolutions consist of cash and investments restricted for debt service on WaterOne's outstanding bonds (P & I Fund), bond reserve funds, and bond covenant required reserves in the general fund.

#### **Materials And Supplies**

Materials and supplies inventories are reported at average cost.

#### **Unamortized Refunding Charges**

Deferred amounts related to gains or losses from refunding debt are classified as Deferred Outflows or Inflows of Resources and are amortized over the shorter of either 1) the original life of the refunded debt or 2) the life of the refunding debt.



## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

#### **Bond Premium**

Bond premiums are amortized over the life of the related issue using a method which approximates the interest method.

#### **Vacation And Sick Leave**

Under the terms of WaterOne's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of retirement or termination, an employee is paid for accumulated vacation if proper notice is given by the employee. WaterOne accrues the costs related to earned employee vacation, which includes the employer portion of payroll-related taxes.

Upon retirement or termination, employees are not paid for unused sick leave. The costs of sick leave are recorded when paid and are not accrued.

#### **Cash And Cash Equivalents**

WaterOne considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Leases**

During the year ended December 31, 2022, WaterOne implemented GASB Statement No. 87, *Leases*, and determined there was no material impact to the financial statements for the years ended December 31, 2022 or 2021, respectively.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Water District No. 1 of Johnson County, Kansas Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (collectively, the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

#### **Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water District No. 1 of Johnson County, Kansas Other Postemployment Benefit Plan (the Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Plan is not funded, therefore the Plan has no fiduciary net position to report.

#### **Use Of Estimates**

The preparation of the 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 and liabilities 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.

#### **Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets and lease assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets and any other related liabilities. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining net position is considered unrestricted.

#### **Reclassifications**

Certain 2021 amounts have been reclassified, where appropriate, to conform to the presentation used in the 2022 financial statements. There was no impact on the change in net position related to these reclassifications.

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

## Notes To Financial Statements (Continued)

### Note 2. Capital Assets

Capital asset activity for the year ended December 31, 2022 is as follows:

|   | Balance -<br>December 31,<br>2021 |               | Increases | Decreases  | Balance -<br>December 31,<br>2022 |              |    |               |
|---|-----------------------------------|---------------|-----------|------------|-----------------------------------|--------------|----|---------------|
| Capital assets not being depreciated:           |                                   |               |           |            |                                   |              |    |               |
| Land  | \$                                | 31,669,435    | \$        | 316,915    | \$                                | —            | \$ | 31,986,350    |
| Construction work in progress                   |                                   | 127,249,604   |           | 56,523,435 |                                   | (48,523,445) |    | 135,249,594   |
| Total capital assets not being depreciated      |                                   | 158,919,039   |           | 56,840,350 |                                   | (48,523,445) |    | 167,235,944   |
| Capital assets being depreciated:               |                                   |               |           |            |                                   |              |    |               |
| Intake, purification and pumping system         |                                   | 468,889,935   |           | 8,958,424  |                                   | (896,587)    |    | 476,951,772   |
| Transmission and distribution systems           |                                   | 949,824,159   |           | 32,874,354 |                                   | (2,047,166)  |    | 980,651,347   |
| Building, improvements, furniture and equipment |                                   | 50,752,502    |           | 6,373,752  |                                   | (2,145,990)  |    | 54,980,264    |
| Total capital assets being depreciated          |                                   | 1,469,466,596 |           | 48,206,530 |                                   | (5,089,743)  |    | 1,512,583,383 |
| Less accumulated depreciation for:              |                                   |               |           |            |                                   |              |    |               |
| Intake, purification, and pumping system        |                                   | 206,669,498   |           | 11,953,382 |                                   | (896,587)    |    | 217,726,293   |
| Transmission and distribution systems           |                                   | 223,737,500   |           | 14,433,351 |                                   | (345,261)    |    | 237,825,590   |
| Building, improvements, furniture and equipment |                                   | 27,866,021    |           | 3,316,459  |                                   | (1,932,839)  |    | 29,249,641    |
| Total accumulated depreciation                  |                                   | 458,273,019   |           | 29,703,192 |                                   | (3,174,687)  |    | 484,801,524   |
| Total capital assets being depreciated, net     |                                   | 1,011,193,577 |           | 18,503,338 |                                   | (1,915,056)  |    | 1,027,781,859 |
| <b>Net Capital Assets</b>                       | \$                                | 1,170,112,616 | \$        | 75,343,688 | \$                                | (50,438,501) | \$ | 1,195,017,803 |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Notes To Financial Statements (Continued)

Capital asset activity for the year ended December 31, 2021 is as follows:

|   | Balance -<br>December 31,<br>2020 | Increases            | Decreases              | Balance -<br>December 31,<br>2021 |
|---|-----------------------------------|----------------------|------------------------|-----------------------------------|
| Capital assets not being depreciated:           |                                   |                      |                        |                                   |
| Land  | \$ 31,719,435                     | \$ —                 | \$ (50,000)            | \$ 31,669,435                     |
| Construction work in progress                   | 135,083,546                       | 55,663,133           | (63,497,075)           | 127,249,604                       |
| Total capital assets not being depreciated      | 166,802,981                       | 55,663,133           | (63,547,075)           | 158,919,039                       |
| Capital assets being depreciated:               |                                   |                      |                        |                                   |
| Intake, purification and pumping system         | 455,905,883                       | 13,468,871           | (484,819)              | 468,889,935                       |
| Transmission and distribution systems           | 904,091,861                       | 49,873,789           | (4,141,491)            | 949,824,159                       |
| Building, improvements, furniture and equipment | 59,487,038                        | 154,415              | (8,888,951)            | 50,752,502                        |
| Total capital assets being depreciated          | 1,419,484,782                     | 63,497,075           | (13,515,261)           | 1,469,466,596                     |
| Less accumulated depreciation for:              |                                   |                      |                        |                                   |
| Intake, purification, and pumping system        | 195,906,420                       | 11,224,949           | (461,871)              | 206,669,498                       |
| Transmission and distribution systems           | 212,013,703                       | 13,496,322           | (1,772,525)            | 223,737,500                       |
| Building, improvements, furniture and equipment | 33,023,788                        | 3,236,548            | (8,394,315)            | 27,866,021                        |
| Total accumulated depreciation                  | 440,943,911                       | 27,957,819           | (10,628,711)           | 458,273,019                       |
| Total capital assets being depreciated, net     | 978,540,871                       | 35,539,256           | (2,886,550)            | 1,011,193,577                     |
| <b>Net Capital Assets</b>                       | <b>\$ 1,145,343,852</b>           | <b>\$ 91,202,389</b> | <b>\$ (66,433,625)</b> | <b>\$ 1,170,112,616</b>           |

### Note 3. Deposits And Investments

Kansas statutes authorize WaterOne, with certain restrictions, to deposit or invest in various accounts and instruments. Pursuant to WaterOne's bond resolutions, operating funds and bond funds are to be invested in direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, including debt obligations of the Government National Mortgage Association.

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

Operating and bond funds may also be invested in debt obligations of United States Government Sponsored Enterprises (GSE). Operating and bond funds may also be invested in collateralized repurchase agreements which are collateralized at 100 percent of fair market value by direct obligations of the United States of America or any agency thereof or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or by debt obligations of United States GSE.

Operating and bond funds may be invested in Municipal General Obligation Bonds issued by any municipality of the state of Kansas defined in KSA 10-1101. Bonds must have a minimum rating at the time of purchase as follows from at least one rating agency:

| <b>Rating Agency</b> | <b>Minimum Rating</b> |
|----------------------|-----------------------|
| Moody's              | A3                    |
| Standard & Poor's    | A-                    |
| Fitch Ratings        | A-                    |

Operating and bond funds may also be invested in guaranteed investment contracts (GICs) with any bank, non-bank financial institution, or insurance company that has long-term debt (or claims paying ability for insurance companies) rated at least "A" or "A2" by Standard & Poor's or Moody's, respectively. In the case of a guaranteed corporation, the long-term debt (or claims-paying ability for insurance companies) of the guarantor must be rated at least "A" or "A2" by Standard & Poor's or Moody's, respectively. Upon downgrade below these ratings, the GIC provider must either post collateral or assign the agreement to a provider meeting the rating qualifications above. Acceptable collateral and margin requirements, if any, are to be specified in the GIC agreement.

Statutes also require that collateral pledged for deposits must have a fair market value equal to 100 percent, less insured amounts, and must be assigned for the benefit of WaterOne. Acceptable collateral is limited to securities that are direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America including U.S. Treasuries and debt obligations of the Government National Mortgage Association, or debt obligations of United States GSE.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Notes To Financial Statements (Continued)

#### Deposits

As of December 31, 2022 and 2021, the bank balance of WaterOne's deposits were \$14,933,574 and \$12,602,627, respectively, which were covered by federal depository insurance or by collateral held by the Federal Reserve Bank in WaterOne's name under a joint custody arrangement with WaterOne's bank.

#### Investments

All of WaterOne's investments are registered and held by WaterOne or its agent in WaterOne's name. A summary of investments and deposits of the Business-Type Activity as of December 31, 2022 and 2021 is as follows:

| Business-Type Activity                 | Fair Value/Carrying Value |                       | Moody's /<br>Standard &<br>Poor's Rating |
|--|---------------------------|-----------------------|--|
|  | 2022                      | 2021                  |  |
| U.S. Treasury securities               | \$ 106,621,106            | \$ 98,272,949         | N/A                                      |
| Federal Home Loan Bank securities      | 31,572,793                | 18,032,690            | Aaa/AA+                                  |
| Federal Farm Credit Bank               | 8,807,810                 | —                     | Aaa/AA+                                  |
| Federal Home Loan Mortgage Corporation | 4,438,951                 | 4,496,582             | Aaa/AA+                                  |
| Federal National Mortgage Association  | —                         | 9,987,300             | Aaa/AA+                                  |
| Certificates of deposit                | —                         | 10,000,000            | N/A                                      |
| Deposits                               | 14,092,629                | 12,114,651            | N/A                                      |
| Petty cash                             | 300                       | 300                   | N/A                                      |
|  | <b>\$ 165,533,589</b>     | <b>\$ 152,904,472</b> |  |

The investments and deposits at December 31, 2022 and 2021 are shown on the statement of net position as follows:

|   | 2022                  | 2021                  |
|---|-----------------------|-----------------------|
| Cash and temporary investments:           |                       |                       |
| General account                           | \$ 126,401,475        | \$ 113,956,223        |
| System development account                | 123,608               | 63,448                |
| Special funds created by bond resolutions | 39,008,506            | 38,884,801            |
|   | <b>\$ 165,533,589</b> | <b>\$ 152,904,472</b> |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (Continued)

A summary of investments and deposits of the Pension Trust Fund as of December 31, 2022 and 2021 is as follows:

| <b>Pension Trust Fund</b>          | <b>Fair Value/Carrying Value</b> |                      |
|------------------------------------|----------------------------------|----------------------|
|                                    | <b>2022</b>                      | <b>2021</b>          |
| Mutual Fund - Domestic Equity      | \$ 22,348,089                    | \$ 36,404,835        |
| Mutual Fund - Fixed Income         | 12,927,658                       | 21,092,405           |
| Mutual Fund - International Equity | 5,557,609                        | 9,137,663            |
| Mutual Fund - Money Market         | 3,129,416                        | 4,034,428            |
| Deposits                           | 53,547                           | 24,776               |
|                                    | <b>\$ 44,016,319</b>             | <b>\$ 70,694,107</b> |

### Fair Value

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

WaterOne has the following recurring fair value measurements as of December 31, 2022 and 2021:

- U.S. Treasury securities of \$106,621,106 and \$98,272,949, respectively, valued using quoted market prices (Level 1 inputs).
- Government Agency securities of \$44,819,554 and \$32,516,572, respectively, valued using quoted market prices (Level 1 inputs).
- Certificates of deposit of \$0 and \$10,000,000, respectively, valued at amortized cost.

The Pension Plan has the following recurring fair value measurements as of December 31, 2022 and 2021:

- Mutual Funds – Domestic Equity, Fixed Income, and International Equity Funds of \$40,833,356 and \$66,634,903, respectively, valued using quoted market prices (Level 1 inputs).
- Money Market Mutual Funds of \$3,129,416 and \$4,034,428, respectively, valued at amortized cost.

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements *(Continued)*

#### **Credit Risk And Concentration Of Credit Risk**

Credit risk is the risk that the counterparty will not fulfill its obligations. WaterOne limits credit risk and concentration of credit risk by investing only in obligations explicitly guaranteed by the U.S. government, which are not considered to have credit risk, and obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Government National Mortgage Association. As of December 31, 2022, WaterOne held 20.85% of its investment securities in Federal Home Loan Bank securities, 5.82% in Federal Farm Credit bank securities, 2.93% in Federal Home Loan Mortgage Corporation securities, with the remainder being held in U.S Treasury Securities. As of December 31, 2021, WaterOne held 13.79% of its investment securities in Federal Home Loan Bank securities, 3.44% in Federal Home Loan Mortgage Corporation securities, 7.64% in Federal National Mortgage Association securities, with the remainder being held in U.S Treasury Securities.

The Pension Plan's investment policy does not address credit risk and concentration of credit risk. The Pension Plan's investments in the category of Mutual Fund - Fixed Income are unrated. Because the Pension Plan's investments are in mutual funds, the investments of the Pension Plan are not exposed to concentration of credit risk.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of WaterOne's investments will decrease as a result of an increase in interest rates. In accordance with Kansas Statute 12-1675(4), WaterOne manages its exposure to declines in fair values by limiting the total remaining maturity of any single investment to less than two years, with the exception of reserve funds which may be invested in longer maturities to coincide with the expected use of funds, and by structuring the portfolio so that securities mature to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

The weighted average maturity in years of investments is .90 and 1.06 as of December 31, 2022 and 2021, respectively.

The Pension Plan's investment policy does not address interest rate risk. The weighted average maturity in years of fixed income mutual funds held by the Pension Plan is 5.24 years at December 31, 2022 and 2021.



## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (Continued)

#### Custodial Credit Risk

Custodial credit risk is the risk that WaterOne will not recover its investments due to the inability of the counterparty to fulfill its obligation. WaterOne's deposits up to \$250,000 are guaranteed by depository insurance and balances above this threshold are collateralized with U.S. government securities held by the counterparty in WaterOne's name.

The Pension Plan's investment policy does not address custodial credit risk.

#### Note 4. Bonded Indebtedness

Details of revenue bonds outstanding at December 31, 2022 and 2021 are as follows:

| <u>Outstanding Bonds</u>                                  | <u>Original<br/>Principal</u> | <u>Principal<br/>2022</u> | <u>Principal<br/>2021</u> |
|---|-------------------------------|---------------------------|---------------------------|
| Water revenue refunding bonds:                            |                               |                           |                           |
| Series 2017A (2.0% to 5.0%), due 2018 - 2033              | \$ 110,205,000                | \$ 68,220,000             | \$ 77,510,000             |
| Series 2019 (2.0% to 4.0%), due 2020 - 2030               | 18,610,000                    | 13,920,000                | 15,555,000                |
| Series 2020 (3.0% to 5.0%), due 2021 - 2033               | 87,255,000                    | 84,600,000                | 85,990,000                |
| Water revenue improvement bonds:                          |                               |                           |                           |
| Series 2014 (2.0% to 5.0%), due 2014 - 2033               | 86,350,000                    | 5,180,000                 | 7,195,000                 |
| Series 2017B (2.0% to 5.0%), due 2018 - 2042              | 40,105,000                    | 35,110,000                | 36,340,000                |
|   | <u>\$ 342,525,000</u>         | 207,030,000               | 222,590,000               |
| Less principal amount of bonds payable<br>within one year |                               | <u>20,705,000</u>         | <u>15,560,000</u>         |
|   |                               | <u>\$ 186,325,000</u>     | <u>\$ 207,030,000</u>     |

Principal maturities occur twice a year on January 1 and July 1.

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

## Notes To Financial Statements *(Continued)*

The annual requirement to retire the revenue bonds outstanding as of December 31, 2022 is as follows:

| Year Ending December 31: | Principal      | Interest      | Total          |
|--------------------------|----------------|---------------|----------------|
| 2023                     | \$ 20,705,000  | \$ 5,153,236  | \$ 25,858,236  |
| 2024                     | 16,945,000     | 4,424,908     | 21,369,908     |
| 2025                     | 17,360,000     | 4,008,104     | 21,368,104     |
| 2026                     | 17,820,000     | 3,547,625     | 21,367,625     |
| 2027                     | 18,170,000     | 3,199,174     | 21,369,174     |
| 2028 - 2032              | 96,385,000     | 10,433,303    | 106,818,303    |
| 2033 - 2037              | 9,670,000      | 2,635,013     | 12,305,013     |
| 2038 - 2042              | 9,975,000      | 886,200       | 10,861,200     |
|                          | \$ 207,030,000 | \$ 34,287,563 | \$ 241,317,563 |

Following is a schedule of bond activity in 2022:

|                                  | Balance -<br>January 1,<br>2022 | Bonds<br>Issued | Principal<br>Payments | Bonds<br>Retired | Balance -<br>December 31,<br>2022 | Debt<br>Due Within<br>One Year | Interest<br>Paid |
|----------------------------------|---------------------------------|-----------------|-----------------------|------------------|-----------------------------------|--------------------------------|------------------|
| Water revenue refunding bonds:   |                                 |                 |                       |                  |                                   |                                |                  |
| Series 2017A                     | \$ 77,510,000                   | \$ —            | \$ 9,290,000          | \$ —             | \$ 68,220,000                     | \$ 6,640,000                   | \$ 2,704,000     |
| Series 2019                      | 15,555,000                      | —               | 1,635,000             | —                | 13,920,000                        | 1,710,000                      | 589,000          |
| Series 2020                      | 85,990,000                      | —               | 1,390,000             | —                | 84,600,000                        | 5,880,000                      | 1,002,944        |
| Water revenue improvement bonds: |                                 |                 |                       |                  |                                   |                                |                  |
| Series 2014                      | 7,195,000                       | —               | 2,015,000             | —                | 5,180,000                         | 5,180,000                      | 285,850          |
| Series 2017B                     | 36,340,000                      | —               | 1,230,000             | —                | 35,110,000                        | 1,295,000                      | 1,229,206        |
|                                  | \$ 222,590,000                  | \$ —            | \$ 15,560,000         | \$ —             | \$ 207,030,000                    | \$ 20,705,000                  | \$ 5,811,000     |

Following is a schedule of bond activity in 2021:

|                                  | Balance -<br>January 1,<br>2021 | Bonds<br>Issued | Principal<br>Payments | Bonds<br>Retired | Balance -<br>December 31,<br>2021 | Debt<br>Due Within<br>One Year | Interest<br>Paid |
|----------------------------------|---------------------------------|-----------------|-----------------------|------------------|-----------------------------------|--------------------------------|------------------|
| Water revenue refunding bonds:   |                                 |                 |                       |                  |                                   |                                |                  |
| Series 2017A                     | \$ 86,295,000                   | \$ —            | \$ 8,785,000          | \$ —             | \$ 77,510,000                     | \$ 9,290,000                   | \$ 3,143,250     |
| Series 2019                      | 17,130,000                      | —               | 1,575,000             | —                | 15,555,000                        | 1,635,000                      | 652,000          |
| Series 2020                      | 87,255,000                      | —               | 1,265,000             | —                | 85,990,000                        | 1,390,000                      | 1,123,559        |
| Water revenue improvement bonds: |                                 |                 |                       |                  |                                   |                                |                  |
| Series 2014                      | 9,210,000                       | —               | 2,015,000             | —                | 7,195,000                         | 2,015,000                      | 346,300          |
| Series 2017B                     | 37,510,000                      | —               | 1,170,000             | —                | 36,340,000                        | 1,230,000                      | 1,288,456        |
|                                  | \$ 237,400,000                  | \$ —            | \$ 14,810,000         | \$ —             | \$ 222,590,000                    | \$ 15,560,000                  | \$ 6,553,565     |

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

The 2014, 2017A, 2017B, 2019, and 2020 Series Bonds have early redemption provisions at the option of WaterOne. The 2017B and 2019 Series Bonds have certain mandatory sinking fund provisions beginning in 2029 and 2021, respectively. All outstanding Water Revenue Refunding and Water Revenue Improvement Bond Series constitute a lien on the water supply and distribution system and on the revenue produced by the system.

Under terms of the Second Lien Bond resolution, WaterOne must maintain debt service coverage of at least 1.25 times the annual debt service requirement. Under the formula for computing debt service coverage in the Bond resolutions, 2022 net revenues designated as available to meet debt service requirements (operating income before depreciation, plus system development charges and interest income) equaled 3.82 times the annual Second Lien debt service requirement.

The revenue bond resolutions also require that, after all amounts due for operation and maintenance expenses are paid, certain monies be segregated or restricted in special reserves and accounts, as follows:

WaterOne shall deposit on the first day of each month, into the principal and interest account, such amount equal to not less than the pro rata amount of interest and principal that will become due on the bonds on the next succeeding payment date plus amounts that may be required for fiscal agent fees and expenses.

WaterOne shall maintain bond reserve funds for Second Lien Bonds. The funds shall consist of either cash or equivalent security irrevocably available as long as the bonds remain outstanding. The reserve requirement for each fund is equal to the lesser of the maximum annual debt service or 125 percent of the average annual debt service for the respective group of Second Lien bonds. As of December 31, 2022 and 2021, there was \$4,477,836 in the 2014 Second Lien Bond Reserve, \$5,920,713 in the 2017A Second Lien Bond Reserve, \$2,084,592 in the 2017B Second Lien Bond Reserve, \$1,033,455 in the 2019 Second Lien Bond Reserve, and \$4,362,750 in the 2020 Second Lien Bond Reserve.

After all the requirements in the preceding provisions have been met, the remaining monies may be expended for any lawful purpose, provided WaterOne maintains a general fund balance sufficient to provide for renewal and replacement costs, operating expenses, material purchases and unfunded contracts and contingencies in an amount equal to 1/6 of budgeted revenue requirements.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (*Continued*)

As of December 31, WaterOne had committed cash and short-term investments as provided by bond resolutions or Board actions as follows:

|  | <u>2022</u>           | <u>2021</u>           |
|--|-----------------------|-----------------------|
| General Fund cash and short-term investments                     | \$ 147,361,053        | \$ 134,143,951        |
| <u>Less funds reserved by bond resolution (Section 703)</u>      | <u>20,959,578</u>     | <u>20,187,728</u>     |
| <u>General Fund after bond resolution reserves (Section 703)</u> | <u>\$ 126,401,475</u> | <u>\$ 113,956,223</u> |

WaterOne, by Board action, can reserve remaining general funds to cover negative cash flows, to fund a Rate Stabilization Reserve, and to provide a reserve for current and future Master Plan construction projects as well as Transmission and Distribution projects. The reserving of these Master Plan and Transmission and Distribution funds reduces the necessity or size of future bond issues, thus reducing future debt service expense, and provides funding for the obligations of construction and other related contracts that have been awarded.

Additionally, WaterOne, by Board resolution, has established an account consisting of revenues collected from system development charges for the purpose of funding major improvements to the supply and distribution system. As of December 31, 2022 and 2021, the account totaled \$123,608 and \$63,448, respectively.

In 2022 and 2021, WaterOne did not carry an alternative debt in the form of bank loans, or have any privately placed debt, and all debt of WaterOne is on parity.

At December 31, 2021, the total amount of debt defeased in substance that remains outstanding is \$74,405,000. The entire balance is scheduled to be fully redeemed on January 1, 2024.

### **Note 5. Customer Advances For Construction**

Customer advances for construction are primarily for construction of water main extensions. These are valued at acquisition value at the time of contribution. Some advances are contingently refundable in accordance with WaterOne's rules and regulations. However, substantially all main extension contracts executed provide for no refunds. The nonrefundable advances are recognized as contributed capital after construction is completed.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Notes To Financial Statements (Continued)

#### Note 6. Other Capital Contributions

Customer advances for new services and system development charges are collected at the time the applicant requests a tapping permit. If the tap related to the permit is completed, the new service and system development charges are recognized as contributed capital. If the permit lapses, the new service amount and the system development amount are refunded to the applicant.

Contributed capital from WaterOne-owned Benefit Areas (BA) consists of nonrefundable charges to those entities that request a hook-up to specifically designated water mains. These pre-designated mains are usually installed in “leap frog” development areas and the BA charges are designed to recuperate only the actual cost of the specific main that is being hooked on to.

New services contributions consist of a nonrefundable charge assessed on completed new service connections. The new service charge is designed to compensate for the applicable cost of service materials and WaterOne labor and overhead costs related to the permitting, tapping and inspection process.

In 2022, WaterOne applied for and received approval for the Pre-Disaster Mitigation Grant Program through the Kansas Division of Emergency Management under the Department of Homeland Security - Federal Emergency Management Agency. The grant program will provide up to \$4,837,500 in funding. The grant funds were approved for a specific capital improvement project to add redundant power at the Wyss Pump Station. At December 31, 2022, the reimbursements were approximately \$215,000.

#### Capital Contributions

(Dollars in thousands)

|                                    | December 31,     |                  | Variance                    |               |
|------------------------------------|------------------|------------------|-----------------------------|---------------|
|                                    | 2022             | 2021             | Dollars Increase (Decrease) | Percentage    |
| Main extensions                    | \$ 14,025        | \$ 8,725         | \$ 5,300                    | 60.74%        |
| System development charges         | 9,272            | 9,704            | (432)                       | (4.45)%       |
| Benefit areas                      | 88               | 185              | (97)                        | (52.43)%      |
| New services                       | 1,525            | 1,520            | 5                           | 0.33%         |
| Grant funds                        | 215              | —                | 215                         | n/a           |
| <b>Total Capital Contributions</b> | <b>\$ 25,125</b> | <b>\$ 20,134</b> | <b>\$ 4,991</b>             | <b>24.79%</b> |

## **Note 7. Retirement Plan**

### **Defined Benefit Plan Description**

Water District No. 1 of Johnson County (Kansas) Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (collectively, the Plan) are a single-employer defined benefit pension plan administered by WaterOne to provide pension benefits for its employees. The primary oversight of the Plan has been delegated to the Retirement Committee by the WaterOne Board. The Retirement Committee is comprised of six voting members, three of which are appointed by the WaterOne Board, and three of which are employees of WaterOne. Among the delegated duties of the Retirement Committee are the responsibility for interpreting the Plan, making recommendations to the Board of any Plan changes, the hiring of consultants as well as establishing and monitoring compliance with approved investment policies. The Plan does not issue a stand-alone financial report.

### **Benefits Provided**

All full-time employees are covered under the Plan. Employees hired prior to January 1, 2014 participate in the Final Average Pay Plan, after attaining age 21 and one year of service. Employees hired on or after January 1, 2014 participate immediately in the Cash Balance Plan. The main benefits provided are retirement benefits. However, the Plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

**Final Pay Plan:** Retirement is at age 65 with benefits calculated as the greater of: (1) 1.91% of average monthly earnings (AME) (AME is the highest five consecutive year average of January 1 base rates of pay) plus 0.48% of AME in excess of monthly integration multiplied by the years of credited service (max of 25) plus 0.50% of AME times credited service in excess of 25 years, (2) 1.5% of monthly base rate of pay for each plan year in which the participant earns credited service, or (3) the December 31, 1988 accrued benefit. The calculation varies with early retirement including unreduced benefits at age 62 with 15 years of service. Benefits vest after five years of service.

**Cash Balance Plan:** Retirement is at age 65 with benefits calculated using base pay and a schedule of pay credits ranging from 3% to 6%, based on years of service, plus interest credits at an effective annual rate of 5.25%. Early and late retirement benefits are actuarial equivalent of the participant's account balance as of the annuity starting date. Benefits vest after five years of service.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (*Continued*)

The benefit paid to a retired Final Pay Plan member is subject to an ad hoc COLA. No such COLA has been granted in the recent past. Benefit and contribution provisions are specified in the Plan document and may only be amended by WaterOne.

#### **Employees Covered By Benefit Terms**

At December 31, the following employees were covered by the benefit terms:

|                            | <u>2022</u> | <u>2021</u> |
|----------------------------|-------------|-------------|
| <b>Membership Data</b>     |             |             |
| Retirees and Beneficiaries | 111         | 105         |
| Inactive Vested Members    | 97          | 95          |
| Inactive Nonvested Members | 15          | 10          |
| Active Employees           | 378         | 372         |
| <b>Total Membership</b>    | <u>601</u>  | <u>582</u>  |

#### **Contributions**

An actuarial valuation is performed each year to determine the employer actuarial required contribution. Contribution provisions are specified in the Plan document and may only be amended by WaterOne. Members of the Final Pay Plan do not make contributions to the Plan. Members of the Cash Balance Plan contribute 3% of compensation. WaterOne contributes for the full employer actuarial contribution amount as determined in the annual actuarial valuation. For the years ending December 31, 2022 and 2021, the Plan received \$2,260,862 and \$2,214,212, respectively, in employer contributions.

#### **Net Pension Liability**

WaterOne's net pension liability for the reporting period ended December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (*Continued*)

#### **Actuarial Assumptions**

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |                         |
|--|-------------------------|
| Actuarial Method                                     | Entry Age Normal        |
| Asset Valuation Method                               | 5 year smoothed market  |
| Amortization Method                                  | Level dollar, closed    |
| Inflation  | 3.50% wage; 2.50% price |
| Salary Increases                                     | 3.50% - 7.75% per year  |
| Investment Rate of Return, Net of Investment Expense | 7.00%                   |

Mortality rates were based on the Pub-2010 General Employees Median Mortality Table set forward one year with generational mortality improvements using scale MP-2019.

#### **Long-Term Expected Rate Of Return**

The long-term expected rate of return on Plan assets is reviewed as part of regular experience studies prepared periodically. During August 2020, the Water District adopted Experience Study recommendations to be effective for the January 1, 2021 Actuarial Valuation. The approved changes included several demographic, economic and other plan specific assumptions. Assumption changes with the biggest impact on the Unfunded Actuarial Liability include the following:

- A decrease of assumed rate of return from 7.75% to 7.00%
- Mortality assumptions
- Lump sum interest rate and selection rate assumptions



## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (*Continued*)

Generally, several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant often cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2022, as provided by the Plan's investment consultant, Benefit Trust, are summarized in the following table:

| <b>Asset Class</b>    | <b>Target Allocation</b> | <b>Long-Term<br/>Expected<br/>Real Rate Of<br/>Return</b> |
|-----------------------|--------------------------|---|
| Domestic Equity       | 52.00%                   | 4.26%   |
| Foreign Equity        | 13.00%                   | 6.48%   |
| Fixed Income          | 30.00%                   | 1.59%   |
| Cash/Cash Equivalents | 5.00%                    | 0.00%   |
| <b>Total</b>          | <b>100.00%</b>           |   |

**Discount Rate And Annual Money-Weighted Rate Of Return**

The discount rate used to measure the total pension liability at December 31, 2022 was 7.00% and as of December 31, 2021 was 7.00%. The annual money-weighted rate of return on investments was -14.85% and 13.19%, respectively. The annual money-weighted rate of return expresses investment performance, net of pension plan expense, adjusted for the changing amounts actually invested.

The projection of cash flows used to determine the discount rate assumed that plan contributions from employees and WaterOne will be made at the current contribution amounts as set out in the funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability at the measurement date. Projected future benefit payments for all current plan members were projected through 2121.

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

## Notes To Financial Statements (Continued)

### Changes In The Net Pension Liability

|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) – (b) |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| <b>Balances At December 31, 2020</b>                  | \$ 63,053,768                     | \$ 59,711,257                         | \$ 3,342,511                          |
| <b>Changes For The Year:</b>                          |                                   |                                       |                                       |
| Service cost at end of year                           | 1,568,859                         | —                                     | 1,568,859                             |
| Interest on total pension liability                   | 4,710,696                         | —                                     | 4,710,696                             |
| Differences between expected and<br>actual experience | 520,422                           | —                                     | 520,422                               |
| Assumption changes                                    | 6,091,090                         | —                                     | 6,096,517                             |
| Employer contributions                                | —                                 | 1,731,940                             | (1,731,940)                           |
| Employee contributions                                | —                                 | 319,256                               | (319,256)                             |
| Net investment income                                 | —                                 | 8,541,216                             | (8,541,216)                           |
| Benefit payments, including<br>member refunds         | (4,642,184)                       | (4,642,184)                           | —                                     |
| Administrative expenses                               | —                                 | (237,196)                             | 237,196                               |
| Net changes   | 8,248,883                         | 5,713,032                             | 2,541,278                             |
| <b>Balances At December 31, 2021</b>                  | 71,302,651                        | 65,424,289                            | 5,878,362                             |
| <b>Changes For The Year:</b>                          |                                   |                                       |                                       |
| Service cost at end of year                           | 1,944,009                         | —                                     | 1,944,009                             |
| Interest on total pension liability                   | 4,803,562                         | —                                     | 4,803,562                             |
| Differences between expected and<br>actual experience | 2,032,069                         | —                                     | 2,032,069                             |
| Assumption changes                                    | 80,334                            | —                                     | 80,334                                |
| Employer contributions                                | —                                 | 2,214,212                             | (2,214,212)                           |
| Employee contributions                                | —                                 | 363,980                               | (363,980)                             |
| Net investment income                                 | —                                 | 8,765,893                             | (8,765,893)                           |
| Benefit payments, including<br>member refunds         | (5,858,718)                       | (5,858,718)                           | —                                     |
| Administrative expenses                               | —                                 | (240,325)                             | 240,325                               |
| Net changes   | 3,001,256                         | 5,245,042                             | (2,243,786)                           |
| <b>Balances At December 31, 2022</b>                  | \$ 74,303,907                     | \$ 70,669,331                         | \$ 3,634,576                          |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Notes To Financial Statements (Continued)

#### Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability of WaterOne, calculated using the discount rate of 7.00%, as well as what the employer's net pension liability would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|                               | <u>Current Single Discount</u> |                |                      |
|-------------------------------|--------------------------------|----------------|----------------------|
|                               | <u>Rate</u>                    |                |                      |
|                               | <u>1.0% Decrease</u>           | <u>Rate</u>    | <u>1.0% Increase</u> |
|                               | <u>(6.00%)</u>                 | <u>(7.00%)</u> | <u>(8.00%)</u>       |
| Net Pension Liability (Asset) | \$ 11,394,236                  | \$ 3,634,576   | \$ (2,974,824)       |

#### Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

For the years ended December 31, 2022 and 2021, WaterOne recognized pension expense under GASB 68 of \$1,463,900 and \$1,819,246, respectively. WaterOne reported deferred outflows and inflows of resources related to pensions from the following sources for 2022 and 2021:

|  | <u>2022</u>          |                     |
|--|----------------------|---------------------|
|  | <u>Deferred</u>      | <u>Deferred</u>     |
|  | <u>Outflows Of</u>   | <u>Inflows Of</u>   |
|  | <u>Resources</u>     | <u>Resources</u>    |
| Differences between expected and actual experience | \$ 3,147,849         | \$ 31,259           |
| Changes of assumptions                             | 4,540,500            | —                   |
| Differences between projected and actual earnings  | 1,041,330            | 8,184,997           |
| Contributions subsequent to the measurement date   | 2,260,862            | —                   |
| <b>Total</b>                                       | <b>\$ 10,990,541</b> | <b>\$ 8,216,256</b> |

|  | <u>2021</u>          |                     |
|--|----------------------|---------------------|
|  | <u>Deferred</u>      | <u>Deferred</u>     |
|  | <u>Outflows Of</u>   | <u>Inflows Of</u>   |
|  | <u>Resources</u>     | <u>Resources</u>    |
| Differences between expected and actual experience | \$ 1,861,205         | \$ 69,853           |
| Changes of assumptions                             | 5,395,460            | —                   |
| Differences between projected and actual earnings  | 2,082,659            | 7,262,574           |
| Contributions subsequent to the measurement date   | 2,214,212            | —                   |
| <b>Total</b>                                       | <b>\$ 11,553,536</b> | <b>\$ 7,332,427</b> |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (Continued)

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date of \$2,260,862 will be recognized as a reduction in the net pension liability for the year ending December 31, 2023.

Experience gains/losses and the impact of changes in actuarial assumptions, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized equally over a five-year period. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Net Deferred<br/>Outflows Of<br/>Resources</u> | <u>Net Deferred<br/>Inflows Of<br/>Resources</u> |
|---------------------------------|---|--|
| 2023                            | \$ 2,555,762                                      | \$ 2,860,446                                     |
| 2024                            | 1,472,421   | 2,829,185  |
| 2025                            | 1,346,331   | 1,665,244  |
| 2026                            | 1,274,335   | 861,381  |
| 2027                            | 1,201,596   | —  |
| Thereafter                      | 879,236   | —  |
| <u>Total</u>                    | <u>\$ 8,729,681</u>                               | <u>\$ 8,216,256</u>                              |

### Note 8. Other Postemployment Benefits (OPEB)

#### Plan Description

WaterOne provides a single-employer health care plan that provides medical and prescription drugs to all employees who retire under the provisions of the Water District No. 1 of Johnson County, Kansas, Revised Retirement Plan. For employees hired before January 1, 2008, WaterOne pays 50 percent of the health care coverage and 100 percent of life insurance. WaterOne does not pay any premium cost for employees hired after 2007. The current funding policy of WaterOne is to pay premiums as they occur on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (*Continued*)

#### **Benefits Provided**

Employees who have attained age 55 and retire from active employment with 10 consecutive years of service are eligible for retiree benefits. Eligible retirees and their spouses receive medical and prescription drug insurance coverage through a fully-insured plan. These are the same plans that are available for active employees. WaterOne establishes and amends contribution requirements. WaterOne pays a portion of the health insurance premiums for the District's group medical insurance plan and/or an AARP (Medicare supplement plan) plan and/or a COBRA plan for employees hired prior to January 1, 2008. The type of plan covering the retiree and spouse depends on the age of the retiree and spouse, and as each becomes 65 years old, the coverage changes from WaterOne's group medical plan to a Medicare supplement plan.

#### **Employees Covered By Benefit Terms**

At December 31, the following employees were covered by the benefit terms:

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| <b>Membership Data</b>                    |             |             |
| <b>Active Employees (Health and Life)</b> | <u>372</u>  | <u>372</u>  |
| <b>Retiree Health Benefits Plan:</b>      |             |             |
| Retired Members                           | 103         | 103         |
| Spouses of Retired Members                | 53          | 53          |
| Total Retiree Health Plan                 | <u>156</u>  | <u>156</u>  |
| <b>Retiree Life Insurance Plan:</b>       |             |             |
| Retired Members                           | 159         | 159         |

The January 1, 2019 valuation is the first to include active members hired after January 1, 2008. Kansas Statutes require local governments to provide their employee health care benefits to retirees under the age of 65 with 10 or more years of service until the retiree reaches age 65. This change had no significant impact on the OPEB calculation.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (Continued)

#### Total OPEB Liability And Changes In OPEB Liability

WaterOne's total OPEB liability was based on an actuarial valuation dated January 1, 2022. GASB statement number 75 requires a measurement date no earlier than the end of WaterOne's prior year end. For the year ended December 31, 2022, the measurement date used is December 31, 2021. Changes in the OPEB liability are as follows:

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| Net OPEB liability - beginning of year             | \$ 21,586,508        | \$ 19,092,685        |
| Service costs                                      | 755,895              | 647,216              |
| Interest   | 451,945              | 517,046              |
| Differences between expected and actual experience | —                    | 435,098              |
| Changes in assumptions and inputs                  | 228,928              | 1,480,461            |
| Employer contributions (benefit payments)          | (539,587)            | (585,998)            |
| Net changes to OPEB liability                      | 897,181              | 2,493,823            |
| Net OPEB liability - end of year                   | <u>\$ 22,483,689</u> | <u>\$ 21,586,508</u> |

The current portion of the net OPEB liability of \$362,187 and \$299,712 as of December 31, 2022 and 2021, respectively, is presented within other current liabilities on the Statement of Net Position.

Changes in assumptions for the most recent valuation include changing the discount rate from 2.12% to 2.05%.

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements (*Continued*)

#### **Actuarial Assumptions And Other Inputs:**

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| <b>Actuarial Assumptions</b>          |  |          |
|---------------------------------------|--|----------|
| Actuarial cost method                 | Entry Age Normal   |          |
| Valuation date                        | January 1, 2022  |          |
| Measurement date                      | December 31, 2021  |          |
| Salary scale                          | 3.50% - 7.75%  |          |
| Price inflation                       | 2.50%  |          |
| UAAL amortization method              | Level dollar amount  |          |
| UAAL amortization period, closed/open | 5 years, open  |          |
| Discount rate                         | 2.05% (Measurement Date)<br>2.12% (Prior Measurement Date)   |          |
| Mortality                             | Pub-2010 General Employees Median<br>Mortality Table set forward one year<br>with generational mortality<br>improvements using Scale MP-2019 |          |
|                                       | Pre-Medicare   | Medicare |
| Health care cost trend rate           | 7.00%  | 5.25%    |
| Ultimate trend rate                   | 4.50%  | 4.50%    |
| Year of Ultimate trend rate           | 2031   | 2025     |

To the extent OPEB Plan assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent the OPEB Plan is not projected to be sufficient to make future benefit payments, the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to WaterOne's program. In order to determine the municipal bond rate we took the monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer. The selected average rates are 2.05% (measurement date) and 2.12% (prior measurement date). These were used as the discount rates to determine present value costs.



## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

### Notes To Financial Statements (Continued)

#### Sensitivity Of The Total OPEB Liability To Changes In The Discount Rate:

The following presents the total OPEB liability of WaterOne, as well as what WaterOne's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.05%) or one percentage point higher (3.05%) than the current discount rate:

|                      | <u>Current Single Discount</u> |                   |                    |
|----------------------|--------------------------------|-------------------|--------------------|
|                      | <u>Rate</u>                    |                   |                    |
|                      | <u>1% Decrease</u>             | <u>Assumption</u> | <u>1% Increase</u> |
|                      | <u>(1.05%)</u>                 | <u>(2.05%)</u>    | <u>(3.05%)</u>     |
| Total OPEB Liability | \$ 26,172,711                  | \$ 22,483,689     | \$ 19,516,902      |

#### Sensitivity Of The Total OPEB Liability To Changes In The Healthcare Cost Trend Rates:

The following presents the total OPEB liability of WaterOne, as well as what WaterOne's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.50%) or one percentage point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates:

|                      | <u>Current</u>     |               |                    |
|----------------------|--------------------|---------------|--------------------|
|                      | <u>1% Decrease</u> | <u>Trend</u>  | <u>1% Increase</u> |
| Total OPEB Liability | \$ 19,512,501      | \$ 22,483,689 | \$ 26,280,949      |

#### OPEB Expense And Deferred Outflows Of Resources And Deferred Inflows of Resources Related To OPEB:

For the year ended December 31, 2022, WaterOne recognized OPEB expense of \$1,129,448. At December 31, 2022, WaterOne reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>2022</u>        |                   |
|--|--------------------|-------------------|
|  | <u>Deferred</u>    | <u>Deferred</u>   |
|  | <u>Outflows Of</u> | <u>Inflows Of</u> |
|  | <u>Resources</u>   | <u>Resources</u>  |
| Differences between expected and actual experience | \$ 327,666         | \$ 532,249        |
| Changes of assumptions                             | 3,359,318          | 1,049,217         |
| Contributions subsequent to the measurement date   | 362,177            | —                 |
| Total  | \$ 4,049,161       | \$ 1,581,466      |

## WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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### Notes To Financial Statements *(Continued)*

For the year ended December 31, 2021, WaterOne recognized OPEB expense of \$1,034,298. At December 31, 2021, WaterOne reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>2021</b>                                   |  |
|---|---|--|
|   | <b>Deferred<br/>Outflows Of<br/>Resources</b> | <b>Deferred<br/>Inflows Of<br/>Resources</b> |
| Differences between expected<br>and actual experience | \$ 381,382                                    | \$ 665,979                                   |
| Changes of assumptions                                | 3,935,222                                     | 1,333,617                                    |
| Contributions subsequent to the<br>measurement date   | 299,712                                       | —  |
| Total   | <b>\$ 4,616,316</b>                           | <b>\$ 1,999,596</b>                          |

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date of \$362,177 will be recognized as a reduction in the OPEB liability for the year ending December 31, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ending December 31,</b> | <b>Net Deferred<br/>Outflows Of<br/>Resources</b> | <b>Net Deferred<br/>Inflows Of<br/>Resources</b> |
|---------------------------------|---|--|
| 2023                            | \$ 674,686  | \$ 397,353                                       |
| 2024                            | 674,686   | 397,353  |
| 2025                            | 674,686   | 397,353  |
| 2026                            | 674,686   | 389,407  |
| 2027                            | 666,480   | —  |
| Thereafter                      | 321,760   | —  |
| Total                           | <b>\$ 3,686,984</b>                               | <b>\$ 1,581,466</b>                              |

**Note 9. Employee Benefits**

**Deferred Compensation**

WaterOne offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time and part-time WaterOne employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**Defined Contribution**

WaterOne offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The defined contribution plan has four parts, consisting of the following:

*Employees hired before January 1, 2014:*

WaterOne offers its employees a defined contribution plan, available to all full-time and part-time WaterOne employees, which provides for a WaterOne contribution matching 50.0% of an employee's contribution to the 457 plan, up to 4.0% of the employee's eligible annual compensation. The maximum WaterOne contribution is 2.0% of the employee's eligible compensation.

WaterOne offers its employees a defined contribution plan, available to all full-time WaterOne employees with at least six months of service, which provides for a contribution of 2.5% of the employee's eligible annual compensation.

*Employees hired on or after January 1, 2014:*

WaterOne offers its employees a defined contribution plan, available to all full-time and part-time WaterOne employees, which provides for a WaterOne contribution matching 100% of an employee's contribution to the 457 plan, up to the first 2.0% of the employee's eligible annual compensation and a match of 50.0% on the next 5.0% of eligible annual compensation.

WaterOne offers its employees a defined contribution plan, available to all full-time WaterOne employees with at least six months of service, which provides for a contribution of 4.0% of the employee's eligible annual compensation.

## **WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS**

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### Notes To Financial Statements (*Continued*)

Assets of all portions of the 401(a) plan are not available to employees until termination, retirement, death or unforeseen emergency. New employees are subject to a five-year vesting schedule consisting of 20.0% vested at the end of each year until the employee has five years of service. After five years of service is obtained, all subsequent employer contributions are 100% vested.

WaterOne had deposited assets for the matching portions of the 401(a) plan in the amount of \$737,793 and \$701,146 during 2022 and 2021, respectively. As of December 31, 2022 and 2021, a liability had been recorded by WaterOne for the annual percent base contributions in the amounts of \$924,871 and \$879,178, respectively. These amounts were subsequently deposited to the defined contribution plan in February 2023 and January 2022. The defined contribution plan assets are held in trust for the exclusive benefit of employees and their beneficiaries.

#### **Compensated Absences**

Under the terms of WaterOne's personnel policy, employees are granted vacation leave in varying amounts based on length of service and full-time or part-time status. In the event of retirement or termination, an employee is paid for accumulated vacation.

| <b>Vacation<br/>Liability<br/>At 12/31/2021</b> | <b>2022<br/>Earned<br/>Vacation</b> | <b>2022<br/>Taken<br/>Vacation</b> | <b>Vacation<br/>Liability<br/>At 12/31/2022</b> | <b>Due Within<br/>One Year</b> |
|---|-------------------------------------|------------------------------------|---|--------------------------------|
| \$ 2,175,702                                    | \$ 2,154,778                        | \$ 2,217,699                       | \$ 2,112,781                                    | \$ 2,112,781                   |

| <b>Vacation<br/>Liability<br/>At 12/31/2020</b> | <b>2021<br/>Earned<br/>Vacation</b> | <b>2021<br/>Taken<br/>Vacation</b> | <b>Vacation<br/>Liability<br/>At 12/31/2021</b> | <b>Due Within<br/>One Year</b> |
|---|-------------------------------------|------------------------------------|---|--------------------------------|
| \$ 2,186,927                                    | \$ 1,808,122                        | \$ 1,819,347                       | \$ 2,175,702                                    | \$ 2,175,702                   |

**Note 10. Commitments And Contingencies**

Master Plan projects are part of a comprehensive plan developed by WaterOne's consulting engineers to meet WaterOne's long-term water system needs. As of December 31, 2022, WaterOne had total contractor commitments of \$44.79 million related to various Master Plan projects. Approximately \$27.08 million of the Master Plan commitments have been charged to the projects as of December 31, 2022, leaving \$17.71 million in amounts committed at December 31, 2022. WaterOne has sufficient monies designated in the system development account and the general account to fund any unpaid Phase V outstanding costs and retainages. Also included in the December 31, 2022 balance of the system development account and the general account are monies for anticipated engineering, legal services and contingencies that may be required to bring these projects to completion.

WaterOne has various lawsuits and claims pending which arise through the normal course of operations. Management believes the ultimate liabilities, if any, of these lawsuits would not be material to the financial position or results of operations of WaterOne.

**Note 11. Risk Management**

WaterOne is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and malpractice. WaterOne purchases commercial insurance for property and casualty, workers' compensation, employee health, life, and dental insurance. During the last three years, settled claims have not exceeded insurance coverage.

**Note 12. Governmental Accounting Standards Board (GASB) Statements**

As of May 31, 2020, GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires activities associated with a subscription-based information technology arrangements to be grouped into three stages and accounted for accordingly. This statement will be effective for WaterOne's year ending December 31, 2023. WaterOne has not yet determined the effect that the adoption of this Statement will have on its financial statements.

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**Supplementary Information**

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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## REQUIRED SUPPLEMENTARY INFORMATION Schedules Of Selected Pension Information December 31, 2022

### Schedule 1

#### Schedule of Employer Contributions Year Ended December 31, (\$ In Thousands)

| Year | Actuarially<br>Determined<br>Contribution | Contribution<br>In Relation To<br>The Required<br>Contribution | Contribution<br>Excess<br>(Deficiency) | Covered<br>Payroll | Contribution As<br>A Percentage<br>Of Covered<br>Payroll |
|------|---|--|--|--------------------|--|
| 2013 | \$ 2,966                                  | \$ 2,966   | \$ —                                   | \$ 22,199          | 13.4%  |
| 2014 | 2,684                                     | 2,684  | —                                      | 22,832             | 11.8%  |
| 2015 | 3,081                                     | 3,081  | —                                      | 23,045             | 13.4%  |
| 2016 | 2,672                                     | 2,672  | —                                      | 23,878             | 11.2%  |
| 2017 | 2,709                                     | 2,709  | —                                      | 22,373             | 12.1%  |
| 2018 | 2,683                                     | 2,683  | —                                      | 22,855             | 10.8%  |
| 2019 | 2,718                                     | 10,629   | 7,911                                  | 27,216             | 39.1%  |
| 2020 | 1,727                                     | 1,731  | 4                                      | 27,271             | 6.4%   |
| 2021 | 2,216                                     | 2,214  | (2)                                    | 27,396             | 8.1%   |
| 2022 | 2,252                                     | 2,261  | 9                                      | 28,883             | 7.8%   |

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the year ending December 31, 2022 (based on the January 1, 2022 actuarial valuation).

|  |  |
|--|--|
| Actuarial cost method  | Entry age normal   |
| Amortization method  | Level dollar, closed   |
| Remaining amortization period  | Charge and credit amortizations range from 1 to 23 years (Single Equivalent Amortization Period is 12 years) |
| Asset valuation method   | 5-year smoothed market   |
| Salary increases, including wage inflation                                   | 3.50 to 7.75 percent   |
| Long-term rate of return, net of investment expense, and including inflation | 7.00 percent   |
| Key assumption changes from the prior year:                                  | None   |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## REQUIRED SUPPLEMENTARY INFORMATION Schedules Of Selected Pension Information December 31, 2022

### Schedule 2

#### Schedule Of Changes In The Net Pension Liability

|  | As Of The Most Recent Measurement Date |               |               |               |               |               |               |               |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | December 31,                           |               |               |               |               |               |               |               |
|  | 2021                                   | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          |
| <b>Total Pension Liability</b>   |  |               |               |               |               |               |               |               |
| Service cost   | \$ 1,944,009                           | \$ 1,568,859  | \$ 1,543,042  | \$ 1,539,682  | \$ 1,508,239  | \$ 1,539,973  | \$ 1,595,654  | \$ 1,469,574  |
| Interest   | 4,803,562                              | 4,710,696     | 4,486,767     | 4,218,831     | 3,973,168     | 3,741,788     | 3,627,117     | 3,605,427     |
| Benefit provision changes  | —                                      | —             | —             | —             | —             | —             | —             | —             |
| Differences between expected and actual experience                         | 2,032,069                              | 520,422       | 495,375       | 491,479       | 672,001       | 1,042,069     | (301,417)     | 962,367       |
| Assumption changes   | 80,334                                 | 6,091,090     | —             | —             | —             | —             | —             | 1,975,401     |
| Benefit payments, including member refunds                                 | (5,858,718)                            | (4,642,184)   | (2,680,339)   | (2,901,079)   | (3,063,012)   | (3,603,463)   | (3,285,912)   | (3,950,945)   |
| <b>Net Change In Total Pension Liability</b>                               | 3,001,256                              | 8,248,883     | 3,844,845     | 3,348,913     | 3,090,396     | 2,720,367     | 1,635,442     | 4,061,824     |
| <b>Total Pension Liability - Beginning</b>                                 | 71,302,651                             | 63,053,768    | 59,208,923    | 55,860,010    | 52,769,614    | 50,049,247    | 48,413,805    | 44,351,981    |
| <b>Total Pension Liability - Ending (a)</b>                                | 74,303,907                             | 71,302,651    | 63,053,768    | 59,208,923    | 55,860,010    | 52,769,614    | 50,049,247    | 48,413,805    |
| <b>Plan Fiduciary Net Position</b>   |  |               |               |               |               |               |               |               |
| Employer contributions   | 2,214,212                              | 1,731,940     | 10,629,371    | 2,683,768     | 2,709,157     | 2,672,247     | 3,080,900     | 2,683,598     |
| Employee contributions   | 363,980                                | 319,256       | 288,753       | 232,795       | 158,469       | 127,371       | 77,736        | 27,199        |
| Net investment income  | 8,765,893                              | 8,541,216     | 9,403,422     | (1,782,436)   | 5,773,920     | 2,657,466     | (359,276)     | 2,554,880     |
| Benefit payments, including member refunds                                 | (5,858,718)                            | (4,642,184)   | (2,680,339)   | (2,901,079)   | (3,063,012)   | (3,603,463)   | (3,285,912)   | (3,950,945)   |
| Administrative expenses  | (240,325)                              | (237,196)     | (247,091)     | (180,056)     | (170,751)     | (278,054)     | (261,439)     | (267,041)     |
| Other changes  | —                                      | —             | —             | —             | —             | —             | —             | —             |
| <b>Net Change In Plan Fiduciary Net Position</b>                           | 5,245,042                              | 5,713,032     | 17,394,116    | (1,947,008)   | 5,407,783     | 1,575,567     | (747,991)     | 1,047,691     |
| <b>Plan Fiduciary Net Position - Beginning</b>                             | 65,424,289                             | 59,711,257    | 42,317,141    | 44,264,149    | 38,856,366    | 37,280,799    | 38,028,790    | 36,981,099    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                            | 70,669,331                             | 65,424,289    | 59,711,257    | 42,317,141    | 44,264,149    | 38,856,366    | 37,280,799    | 38,028,790    |
| <b>Net Pension Liability - Ending (a) - (b)</b>                            | \$ 3,634,576                           | \$ 5,878,362  | \$ 3,342,511  | \$ 16,891,782 | \$ 11,595,861 | \$ 13,913,248 | \$ 12,768,448 | \$ 10,385,015 |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 95.11%                                 | 91.76%        | 94.70%        | 71.47%        | 79.24%        | 73.63%        | 74.49%        | 78.55%        |
| Covered payroll  | \$ 28,882,999                          | \$ 27,395,738 | \$ 27,215,678 | \$ 22,855,398 | \$ 22,373,092 | \$ 23,878,000 | \$ 23,044,509 | \$ 22,832,055 |
| Employers' Net Pension Liability as a percentage of covered payroll        | 12.58%                                 | 21.46%        | 12.28%        | 73.91%        | 51.83%        | 58.27%        | 55.41%        | 45.48%        |
| Annual Money-Weighted Rate of Return on Investments                        | -14.85%                                | 13.2%         | 14.4%         | -4.4%         | 14.2%         | 6.45%         | -1.63%        | 6.29%         |

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

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## REQUIRED SUPPLEMENTARY INFORMATION Schedule Of Changes In The Total Other Postemployment Liability And Related Ratios December 31, 2022

### Schedule 3

As Of The Most Recent Measurement Date:

| Total OPEB Liability                                    | December 31,  |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
|   | 2021          | 2020          | 2019          | 2018          | 2017          |
| Service cost  | \$ 755,895    | \$ 647,216    | \$ 447,562    | \$ 554,185    | \$ 479,840    |
| Interest  | 451,945       | 517,046       | 619,992       | 601,632       | 615,238       |
| Changes in benefit terms                                |               |               |               |               |               |
| Differences between expected and actual experience      | —             | 435,098       | —             | (1,067,169)   | —             |
| Changes in assumptions or other inputs                  | 228,928       | 1,480,461     | 3,274,298     | (2,103,709)   | 1,010,202     |
| Benefit payments  | (539,587)     | (585,998)     | (516,937)     | (510,633)     | (496,547)     |
| Net change in total OPEB liability                      | 897,181       | 2,493,823     | 3,824,915     | (2,525,694)   | 1,608,733     |
| Total OPEB liability - beginning                        | 21,586,508    | 19,092,685    | 15,267,770    | 17,793,464    | 16,184,731    |
| Total OPEB liability - ending                           | \$ 22,483,689 | \$ 21,586,508 | \$ 19,092,685 | \$ 15,267,770 | \$ 17,793,464 |
| Covered payroll   | \$ 29,039,125 | \$ 28,469,730 | \$ 26,793,561 | \$ 26,013,166 | \$ 13,957,525 |
| Total OPEB liability as a percentage of covered payroll | 77.43%        | 75.82%        | 71.26%        | 58.69%        | 127.48%       |

*Notes:* The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Assets are not accumulated in a trust that meets the criteria of paragraph 4 in GASB 75.

### Changes Of Benefit Terms Or Assumptions

- 1) The discount rate was changed from 2.12% to 2.05% in the most recent valuation.

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 1 Of 5 For The Year Ended December 31, 2022

### Schedule 4

| Property or Liability Insured  | Character of Insurance  | Premium           | Amount of Insurance   | Name of Insurer  | Expiration Date                        |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
|--|---|-------------------|---|--|--|------------------|-------------------------------|----------------------|--|--|------------------|-----------------|-----------------|---------|--------------------|-----------|-------------------|------------------|-----------|---------|--|-------------|----------|------------------|-------------|----------------------|--|--|----------|
| Blanket building and contents per schedule of values   | <b>COVERAGE I – Property, Inland Marine, Boiler &amp; Machinery</b><br>All risk of direct physical loss of or damage to the insured property.<br><br><div style="border: 1px solid black; padding: 2px; width: fit-content;"> <b>Note: Policy includes COVERAGE II: Boiler and COVERAGE III: Inland Marine</b> </div>   | \$437,090         | \$400,000,000<br>Loss Limit<br>Real and personal property<br>\$35,000,000 - Business Income<br>\$5,000,000 - Extra Expense<br>\$50,000,000 Limitation<br>Flood and Earthquake<br>Coverage<br>\$500,000 Fine Arts<br>\$3,800 month/\$45,600 Aggregate Equipment Rental<br>Terrorism - Included | Continental Casualty Insurance Company<br>333 S Wabash Ave, Chicago, IL 60604<br>Policy # 2010729912 | 07/01/23                               |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
|  | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><i>Deductible</i></th> <th style="text-align: center; border-bottom: 1px solid black;"><i>Coverage</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$100,000</td> <td>Flood (outside floodplains)/earthquake</td> </tr> <tr> <td style="text-align: center;">\$500,000</td> <td>Flood inside floodplains area</td> </tr> <tr> <td style="text-align: center;">\$25,000</td> <td>Wind/Hail per location (except the below mentioned locations)<br/>*10900 Sam Clark Lane, Kansas City, KS \$100,000<br/>*7601 Holiday Drive, Kansas City, KS \$100,000<br/>*Hedge Lane Pumping Station, 159th Hedge Lane, Olathe, KS \$100,000<br/>*163210 W 108th, Lenexa, KS \$100,000<br/>*10747 Renner Blvd., Lenexa, KS \$500,000</td> </tr> <tr> <td style="text-align: center;">\$25,000</td> <td>All other losses</td> </tr> <tr> <td style="text-align: center;">\$25,000</td> <td>Business Income</td> </tr> <tr> <td style="text-align: center;">\$5,000</td> <td>Fine arts coverage</td> </tr> <tr> <td style="text-align: center;">\$25,000</td> <td>Acts of Terrorism</td> </tr> </tbody> </table>   | <i>Deductible</i> | <i>Coverage</i>   | \$100,000  | Flood (outside floodplains)/earthquake | \$500,000        | Flood inside floodplains area | \$25,000             | Wind/Hail per location (except the below mentioned locations)<br>*10900 Sam Clark Lane, Kansas City, KS \$100,000<br>*7601 Holiday Drive, Kansas City, KS \$100,000<br>*Hedge Lane Pumping Station, 159th Hedge Lane, Olathe, KS \$100,000<br>*163210 W 108th, Lenexa, KS \$100,000<br>*10747 Renner Blvd., Lenexa, KS \$500,000 | \$25,000   | All other losses | \$25,000        | Business Income | \$5,000 | Fine arts coverage | \$25,000  | Acts of Terrorism |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| <i>Deductible</i>  | <i>Coverage</i>   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$100,000  | Flood (outside floodplains)/earthquake  |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$500,000  | Flood inside floodplains area   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   | Wind/Hail per location (except the below mentioned locations)<br>*10900 Sam Clark Lane, Kansas City, KS \$100,000<br>*7601 Holiday Drive, Kansas City, KS \$100,000<br>*Hedge Lane Pumping Station, 159th Hedge Lane, Olathe, KS \$100,000<br>*163210 W 108th, Lenexa, KS \$100,000<br>*10747 Renner Blvd., Lenexa, KS \$500,000  |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   | All other losses  |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   | Business Income   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$5,000  | Fine arts coverage  |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   | Acts of Terrorism   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| Boilers, fired storage water heaters, fired coil water heaters, and electric steam generators per schedule | <b>COVERAGE II – Boiler</b><br>Losses on property of insured, temporary repairs to property of insured, losses to property of others, defense against claims<br><br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><i>Deductible</i></th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$25,000</td> <td></td> </tr> <tr> <td></td> <td>Time Element<br/>1MDV</td> </tr> </tbody> </table>   | <i>Deductible</i> |   | \$25,000   |  |                  | Time Element<br>1MDV          | See COVERAGE I above | \$200,000,000  | Continental Casualty Company<br>333 S Wabash Ave, Chicago, IL 60604<br>Policy # 2010729912 | 07/01/23         |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| <i>Deductible</i>  |   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   |   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
|  | Time Element<br>1MDV  |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| Per schedule of equipment  | <b>COVERAGE III – Inland Marine</b><br><br>Physical loss or damage of EDP, mobile equipment, contractors equipment<br><br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><i>Deductible</i></th> <th style="text-align: center; border-bottom: 1px solid black;"><i>Coverage</i></th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$25,000</td> <td>All other losses</td> <td></td> </tr> <tr> <td style="text-align: center;">\$25,000</td> <td>Electronic Data Processing</td> <td style="text-align: center;">Included</td> </tr> <tr> <td style="text-align: center;">\$1,000</td> <td>Laptops &amp; Ipads</td> <td style="text-align: center;">\$665,900</td> </tr> <tr> <td style="text-align: center;">\$1,000</td> <td>GPS Equipment</td> <td style="text-align: center;">\$302,825</td> </tr> <tr> <td style="text-align: center;">\$1,000</td> <td>Mobile Equipment</td> <td style="text-align: center;">\$182,578</td> </tr> <tr> <td style="text-align: center;">\$5,000</td> <td>Scheduled Contractors Equipment &amp; Trailers</td> <td style="text-align: center;">\$5,838,128</td> </tr> <tr> <td style="text-align: center;">\$10,000</td> <td>Leased equipment</td> <td style="text-align: center;">\$1,000,000</td> </tr> </tbody> </table> | <i>Deductible</i> | <i>Coverage</i>   |  | \$25,000                               | All other losses |                               | \$25,000             | Electronic Data Processing   | Included   | \$1,000          | Laptops & Ipads | \$665,900       | \$1,000 | GPS Equipment      | \$302,825 | \$1,000           | Mobile Equipment | \$182,578 | \$5,000 | Scheduled Contractors Equipment & Trailers | \$5,838,128 | \$10,000 | Leased equipment | \$1,000,000 | See COVERAGE I above |  | Continental Casualty Insurance Company<br>333 S Wabash Ave, Chicago, IL 60604<br>Policy # 2010729912 | 07/01/23 |
| <i>Deductible</i>  | <i>Coverage</i>   |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   | All other losses  |                   |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$25,000   | Electronic Data Processing  | Included          |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$1,000  | Laptops & Ipads   | \$665,900         |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$1,000  | GPS Equipment   | \$302,825         |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$1,000  | Mobile Equipment  | \$182,578         |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$5,000  | Scheduled Contractors Equipment & Trailers  | \$5,838,128       |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |
| \$10,000   | Leased equipment  | \$1,000,000       |   |  |  |                  |                               |                      |  |  |                  |                 |                 |         |                    |           |                   |                  |           |         |  |             |          |                  |             |                      |  |  |          |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 2 Of 5 For The Year Ended December 31, 2022

### Schedule 4 (Continued)

| Bodily injury and property damage   | <b>COVERAGE IV- General Liability</b><br><br>Deductible - \$10,000<br><br><u>Management Liability</u><br>Retroactive Date - 7-1-2011<br>Deductible - \$5,000 per offense   | \$272,188                   |                 | The Charter Oak Fire Insurance Co<br>485 Lexington Ave, New York, NY 10017<br>Policy # ZLP-15T48479-22<br><br>\$1,000,000 per occurrence<br>\$3,000,000 aggregate<br>\$3,000,000 products-completed operations aggregate<br>Excluded Medical Expense<br><br>Included<br>\$1,000,000 per occurrence<br>\$3,000,000 aggregate | 07/01/23      |                   |           |                              |                           |          |                                       |           |                            |   |          |
|---|--|-----------------------------|-----------------|---|---------------|-------------------|-----------|------------------------------|---------------------------|----------|---------------------------------------|-----------|----------------------------|---|----------|
| Based on revenue<br><br>Includes Wrongful Acts, Employment Practices Liability and Offenses in the Admin. Of Employee Benefit Plans |  |                             |                 |   |               |                   |           |                              |                           |          |                                       |           |                            |   |          |
| Coverage extends to all District owned, rented, or leased vehicles  | <b>COVERAGE V- Comprehensive Auto Liability:</b><br>Liability coverage is combined single limit for bodily injury and property: Kansas Statutory Limit<br><br><u>Coverage</u><br>Bodily injury and property damage<br>NO DEDUCTIBLE ON LIABILITY<br><br>Comprehensive automobile physical damage to fleet including fire, explosion, theft, windstorm, hail, earthquake, and flood<br>Deductibles apply to each covered vehicle; there is no deductible on fire or lightning loss<br><br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><u>Deductible</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Coverage</u></th> </tr> </thead> <tbody> <tr> <td>\$1,000 each ded.</td> <td>Comprehensive</td> </tr> <tr> <td>\$1,000 each ded.</td> <td>Collision</td> </tr> <tr> <td>\$1000 ded comp/\$1,000 coll</td> <td>50,000 limit on hired car</td> </tr> <tr> <td>\$25,000</td> <td>Single Accident all auto PD aggregate</td> </tr> </tbody> </table> Additional named insured on leased vehicles, or used by others under contract | <u>Deductible</u>           | <u>Coverage</u> | \$1,000 each ded.   | Comprehensive | \$1,000 each ded. | Collision | \$1000 ded comp/\$1,000 coll | 50,000 limit on hired car | \$25,000 | Single Accident all auto PD aggregate | \$158,666 | \$ 1,000,000<br>\$ 500,000 | Travelers Indemnity Company<br>485 Lexington Ave, New York, NY 10017<br>Policy # 810-2C412861-IND-22<br><br>Actual cash value | 07/01/23 |
| <u>Deductible</u>   | <u>Coverage</u>  |                             |                 |   |               |                   |           |                              |                           |          |                                       |           |                            |   |          |
| \$1,000 each ded.   | Comprehensive  |                             |                 |   |               |                   |           |                              |                           |          |                                       |           |                            |   |          |
| \$1,000 each ded.   | Collision  |                             |                 |   |               |                   |           |                              |                           |          |                                       |           |                            |   |          |
| \$1000 ded comp/\$1,000 coll  | 50,000 limit on hired car  |                             |                 |   |               |                   |           |                              |                           |          |                                       |           |                            |   |          |
| \$25,000  | Single Accident all auto PD aggregate  |                             |                 |   |               |                   |           |                              |                           |          |                                       |           |                            |   |          |
|   | <b>COVERAGE VI- Excess Liability - Occurrence</b><br>Excess over general liability, automobile, employment practices, public officials, & employers liability<br><br><u>Deductible</u><br>Each occur/loss \$10,000   | \$36,881                    |                 | Travelers Property & Casualty Co of America<br>485 Lexington Ave, New York, NY 10017<br>Policy # ZUP-51M63005-22<br><br>\$5,000,000 Each Occurrence<br>\$5,000,000 General aggregate  | 07/01/23      |                   |           |                              |                           |          |                                       |           |                            |   |          |
| Pollution liability   | <b>COVERAGE VII – Environmental Impairment Liability</b> (claims made)<br>*Premium includes Addition of the water treatment plant and monofill<br>Retro date 01/01/03<br>Per occurrence/aggregate<br><u>Deductible</u><br>Each loss \$25,000   | \$ 104,040<br>(3 yr policy) |                 | Illinois Union Insurance Co.<br>303 Erie St. #310, Chicago, IL 60654<br>Policy #PPL G28137060.003<br><br>\$2,000,000 Per Occur/Aggr   | 07/01/25      |                   |           |                              |                           |          |                                       |           |                            |   |          |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 3 Of 5 For The Year Ended December 31, 2022

### Schedule 4 (Continued)

|  |  |           |   |   |          |
|--|--|-----------|---|---|----------|
| Money and securities<br><br>Covered perils: Public employee theft, forgery, or alteration, theft, disappearance, destruction, credit card forgery, and computer fraud each with separate policy limit as shown | <b>COVERAGE VIII – Crime</b><br><br><div style="text-align: center;"><u>Deductible</u></div> \$20,000. per occurrence<br>per peril   | \$8,346   | \$3,000,000 Per Loss<br>Employee Theft<br><br>\$3,000,000 Depositors Forgery or Alteration (including Credit Card Forgery)<br>\$3,000,000 Theft, Disappearance and Destruction<br>\$3,000,000 Computer and Funds Transfer Fraud | Hartford Fire Insurance Company<br>Hartford, CT 06115<br>Policy # 37FA0244006<br><br>Travelers Indemnity Company of America<br>485 Lexington Ave, New York, NY 10017<br>Policy # UB-4J995164-22 | 07/01/23 |
| Bodily injury by accident and disease;   | <b>COVERAGE IX – Workers’ Compensation</b><br><b>COVERAGE A</b><br>Workers’ compensation applies to the workers’ compensation laws for the State of Kansas. Coverage also included is for employers’ liability, which applies to work in each state listed on the declaration page of the policy<br><br><b>COVERAGE B</b><br>Employers liability limits:<br>Bodily injury by accident (each accident)<br>Bodily injury by disease (policy limit)<br>Bodily injury by diseases (each employee)<br>No deductible | \$504,941 | Statutory<br><br>\$500,000<br>\$500,000<br>\$500,000  | Travelers Indemnity Company of America<br>485 Lexington Ave, New York, NY 10017<br>Policy # UB-4J995164-22  | 07/01/23 |
| Violation of any of the duties and responsibilities imposed upon fiduciaries by common or statutory laws including negligent acts, errors & omissions in administration  | <b>COVERAGE X - Fiduciary</b><br>Claims-made policy form-that provides coverage for breach of fiduciary duty<br><br><div style="text-align: center;"><u>Retention</u></div> \$25,000 each claim  | \$16,914  | \$3,000,000   | RLI Insurance Company<br>9025 North Lindbergh Drive, Peoria, IL 61615<br>Policy # EPG0022806  | 07/01/23 |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 4 Of 5 For The Year Ended December 31, 2022

### Schedule 4 (Continued)

|                           |  |         |  |  |           |
|---------------------------|--|---------|--|--|-----------|
|                           | <b>COVERAGE XII - Underground Storage Tank Liability</b><br>Bodily injury and property damage caused by "accidental releases" arising from operating these underground storage tanks. Meets statutory compliance.<br><br><u>Deductible</u><br>\$2,500 per incident<br><br>Retro date: 06/10/1991 | \$389   | \$500,000 per incident<br>\$1,000,000 annual aggregate<br>\$100,000 defense-per incident | Great American Alliance Ins. Co.<br>301 East Fourth Street, Cincinnati, OH 45202<br>Policy # KST7731871-30                     | 7/1/2023  |
| Boat Hull Policy          | <b>COVERAGE XIII - Marine Hull Policy</b><br>Hull Coverage<br>Deductible: \$500  | \$726   | \$15,935   | Atlantic Specialty Insurance Company (OneBeacon)<br>605 Highway 169 North, Suite 800, Plymouth, MN 55441<br>Policy # B5JH41917 | 7/15/2022 |
| Aviation (Drone) Policy   | <b>COVERAGE XIV - Drone Policy</b><br>Aviation   | \$2,388 | \$1,000,000 each occurrence  | American Alternative Insurance Corp.<br>One Sylvan Way, Parsippany, NJ 07054<br>Policy # 9010462                               | 07/01/23  |
| Workplace Violence Policy | <b>COVERAGE XV - Workplace Violence Policy</b><br>Violence Coverage  | \$1,058 | \$1,000,000  | Federal Insurance Company<br>251 North Illinois, Suite 1100, Indianapolis, IN 46204-1927<br>Policy # 8250-0085                 | 07/01/23  |

# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

## ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 5 Of 5 For The Year Ended December 31, 2022

### Schedule 4 (Continued)

|   |  |         |           |   |            |
|---|--|---------|-----------|---|------------|
| Statutory Public Officials Bond for General Manager and | <b>Public official bond:</b><br>General Manager ( Eric Arner )   | \$1,750 | \$500,000 | Liberty Mutal<br>#674219752   | 12/1/2023  |
| Director of Finance                                     | Director of Finance - Darin Kamradt  | \$1,575 | \$500,000 | Liberty Mutual Ins. Co. #674027043  | 2/1/2023   |
| Board Member  | Jill R. Westra   | \$355   | \$10,000  | Liberty Mutual Ins. Co.#674217352   | 1/1/2026   |
| Board Member  | Mark Parkins   | \$355   | \$10,000  | Liberty Mutual Fire Ins. Co. #674025609   | 2/1/2024   |
| Board Member  | Kay Elizabeth Heley  | \$355   | \$10,000  | Liberty Mutual Fire Ins. Co. #674207329   | 4/30/2026  |
| Board Member  | Robert Reese   | \$355   | \$10,000  | Liberty Mutual Ins. Co. #32S110342  | 4/30/2025  |
| Board Member  | Melanie Kraft  | \$355   | \$10,000  | Liberty Mutual Ins. Co. #674212502  | 1/13/2024  |
| Board Member  | Whitney Wilson   | \$355   | \$10,000  | Liberty Mutual Ins. Co. #674212503  | 1/13/2024  |
| Board Member  | Ronald E. Appletoft  | \$157   | \$10,000  | Liberty Mutual Ins. Co. #674215495  | 4/30/2026  |
| Performance Bond  | City of Leawood  | \$125   | \$5,000   | Safeco Ins. Co. #5983959  | 2/8/2023   |
| Right of Way Excavation Bond                            | City of Lenexa   | \$100   | \$10,000  | Liberty Mutual Fire Ins. Co. #674010642   | 12/31/2022 |
| Performance Bond  | City of Mission Woods  | \$100   | \$10,000  | Liberty Mutual Ins. Co. #674011858  | 5/7/2023   |
| License & Permit Bond                                   | City of Merriam  | \$250   | \$2,000   | Liberty Mutual Ins. Co. #E7835050   | 7/5/2023   |
| License & Permit Bond                                   | City of Mission Hills  | \$250   | \$5,000   | Liberty Mutual Ins. Co. #E7899810   | 8/15/2023  |
| License & Permit Bond                                   | City of Olathe   | \$250   | \$1,000   | Liberty Mutual Ins. Co. #674019454  | 3/9/2024   |
| License & Permit Bond                                   | City of Roeland Park   | \$250   | \$1,000   | Liberty Mutual Ins. Co. #E7835060   | 7/5/2023   |
| License & Permit Bond                                   | City of Shawnee  | \$250   | \$5,000   | Safeco Ins. Co. #EX790410   | 11/8/2023  |
| License & Permit Bond                                   | City of Westwood   | \$250   | \$10,000  | Safeco Ins. Co. #EX803026   | 3/12/2024  |
| License & Permit Bond                                   | Johnson County   | \$250   | \$5,000   | Liberty Mutual Ins. Co. #E7312730   | 5/1/2023   |
| License & Permit Bond                                   | Miami County   | \$250   | \$50,000  | Liberty Mutual Ins. Co. #674014712  | 1/9/2023   |
| License & Permit Bond                                   | State of Kansas  | \$250   | \$10,000  | American States #EX7822710  | 5/29/2023  |
| License & Permit Bond                                   | City of Spring Hill  | \$300   | \$30,000  | Liberty Mutual Ins. Co. #674213930  | 10/9/2023  |
| Bond  | <b>Notary Public Errors and Omissions Group Policy</b><br><b>\$25,000 Each Person Limit      12 Notaries - Total Limit</b> | \$260   | \$25,000  | Western Surety Co.<br>101 South Reid Street, Sioux Falls, SD 57103<br>#68809375 | 01/04/23   |
|   | <u>Deductible</u>  |         |           |   |            |
|   | \$0  |         |           |   |            |

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**WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS**

**ADDITIONAL SUPPLEMENTARY INFORMATION  
Fidelity Bonds In Force (Unaudited)  
For The Year Ended December 31, 2022**

**Schedule 5**

**Water District No. 1 Of Johnson County, Kansas**

**Fidelity Bonds In Force (Unaudited)**

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Water District Board Members:

|                                     |    |           |
|-------------------------------------|----|-----------|
| Kay E. Heley - Chair                | \$ | 10,000    |
| Whitney Wilson - Vice Chair         |    | 10,000    |
| Ronald E. Appletoft - Member        |    | 10,000    |
| Melanie Kraft - Member              |    | 10,000    |
| Mark Parkins - Member               |    | 10,000    |
| Robert P. Reese - Member            |    | 10,000    |
| Jill R. Westra - Member             |    | 10,000    |
| Eric Arner - Acting General Manager |    | 500,000   |
| Darin Kamradt - Director of Finance |    | 500,000   |
| Public Employees' Blanket Bond      |    | 3,000,000 |

All employees are included under the blanket crime section of the comprehensive business policy listed herein.

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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

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## ADDITIONAL SUPPLEMENTARY INFORMATION

### Operating Data (Unaudited) Page 1 Of 2 For The Years Ended 2022 And 2021

#### Schedule 6

Customers Served by WaterOne: During 2022, WaterOne served a weighted average of 152,636 customers, as compared to 151,082 customers during 2021; this is an increase of 1,554 customers in 2022, as compared to an increase of 1,338 customers in 2021.

Water Sales and Water Delivered Summary: Water sales by class of customer for the years ended December 31, 2022 and 2021 were as follows:

|                          | <u>2022</u>           | <u>2021</u>           |
|--------------------------|-----------------------|-----------------------|
| Residential:             |                       |                       |
| Single family            | \$ 87,630,737         | \$ 77,587,879         |
| Multifamily              | 12,351,971            | 11,631,331            |
| Commercial:              |                       |                       |
| Small                    | 7,117,065             | 6,125,909             |
| Large                    | 28,091,908            | 24,430,696            |
| Temporary                | 489,774               | 578,799               |
| Wholesale                | —                     | —                     |
| <b>Total water sales</b> | <b>\$ 135,681,455</b> | <b>\$ 120,354,614</b> |

During the year ended December 31, 2022, water sales and water delivered to the distribution lines, in terms of thousands of gallons, as compared to 2021, were as follows:

|  | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Delivered to distribution system                       |             |             |
| Water produced   | 23,617,359  | 21,874,417  |
| Water sales  |             |             |
| Metered water  | 20,655,363  | 19,188,019  |
| Unmetered water  | 2,961,996   | 2,686,398   |
| Unmetered water as percentage of total water delivered | 12.54%      | 12.28%      |



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# WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

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## ADDITIONAL SUPPLEMENTARY INFORMATION

Operating Data (Unaudited) Page 2 Of 2  
Years Ended 2022 And 2021

### Schedule 6 (Continued)

The weighted average number of customers served, the average annual revenue, and usage per customer were as follows:

|                              | 2022      |    | 2021      |
|------------------------------|-----------|----|-----------|
| Residential - single family: |           |    |           |
| Average number of customers  | 138,825   |    | 137,376   |
| Average gallons per customer | 91,281    |    | 85,581    |
| Average revenue per customer | \$ 631    | \$ | 565       |
| Residential - multifamily:   |           |    |           |
| Average number of customers  | 5,052     |    | 5,015     |
| Average gallons per customer | 423,094   |    | 411,803   |
| Average revenue per customer | \$ 2,445  | \$ | 2,319     |
| Commercial - small:          |           |    |           |
| Average number of customers  | 5,080     |    | 5,040     |
| Average gallons per customer | 203,089   |    | 187,399   |
| Average revenue per customer | \$ 1,401  | \$ | 1,215     |
| Commercial - large:          |           |    |           |
| Average number of customers  | 3,430     |    | 3,398     |
| Average gallons per customer | 1,391,835 |    | 1,284,380 |
| Average revenue per customer | \$ 8,190  | \$ | 7,190     |
| Commercial - temporary:      |           |    |           |
| Average number of customers  | 249       |    | 253       |
| Average gallons per customer | 161,349   |    | 226,284   |
| Average revenue per customer | \$ 1,967  | \$ | 2,288     |
| Wholesale:                   |           |    |           |
| Number of customers          | —         |    | —         |
| Thousand gallons per class   | —         |    | —         |
| Revenue per class            | \$ —      | \$ | —         |