

WaterOne

Water District No. 1 of Johnson County



POPULAR ANNUAL FINANCIAL REPORT 2022

For the Year Ended
December 31st, 2022

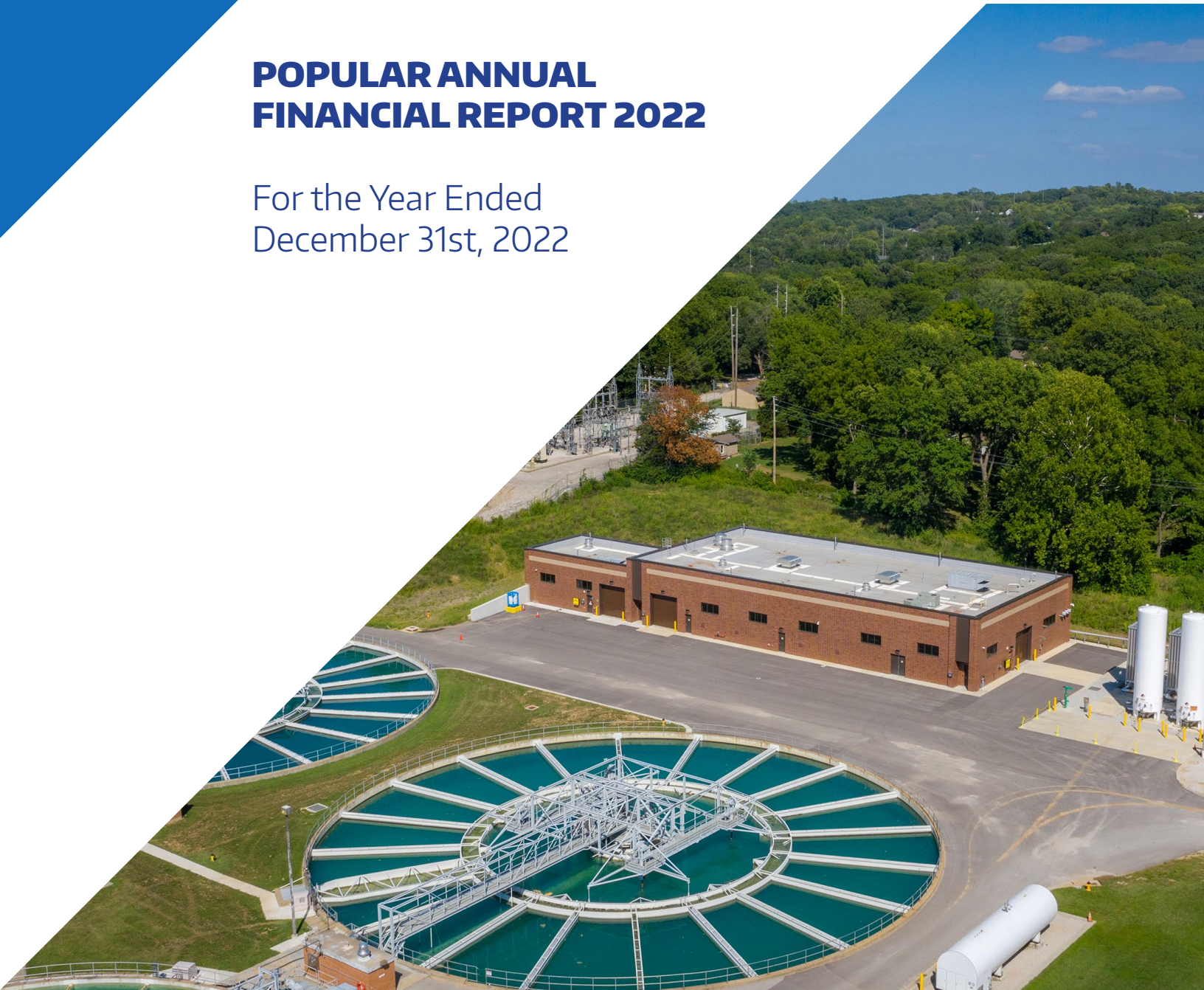


TABLE OF CONTENTS

Director's Note 4

About WaterOne

- Governing Board 6
- Who We Serve 8
- History 10
- WaterOne's Guiding Principles 12

Financial Performance

- 2022 Financial Overview 14
- Rates & Revenues For 2022 16
- Water Rate Structure 18
- Breakdown of Expenditures 22
- Operations & Maintenance Expenses 24
- Long-Term Debt 26
- Statement of Changes in Net Position 27

Accomplishments in 2022

- Major Projects 28
- Awards & Recognition 32
- 2022 by the Numbers 34



DIRECTOR'S NOTE



DARIN KAMRADT, DIRECTOR OF FINANCE

At WaterOne, one of our strategic objectives is to provide our customers and stakeholders with accurate and timely information about WaterOne’s finances. The Finance Division takes the responsibility to provide sound financial management of customer resources seriously and is proud to present WaterOne’s Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2022.

The PAFR is based on the 2022 financial statements which were audited by RubinBrown LLP and received an

unmodified (clean) opinion. Please note that this report is unaudited. The PAFR is designed to summarize WaterOne’s financial activities in a condensed and simplified way.

The biggest challenge in 2022 was the rise of inflation. Costs increased significantly across the organization. Fuel, materials, chemicals, supplies, and services all showed significant inflationary increases. WaterOne conducted a Compensation Study to ensure the organization’s continued competitiveness in the labor market.



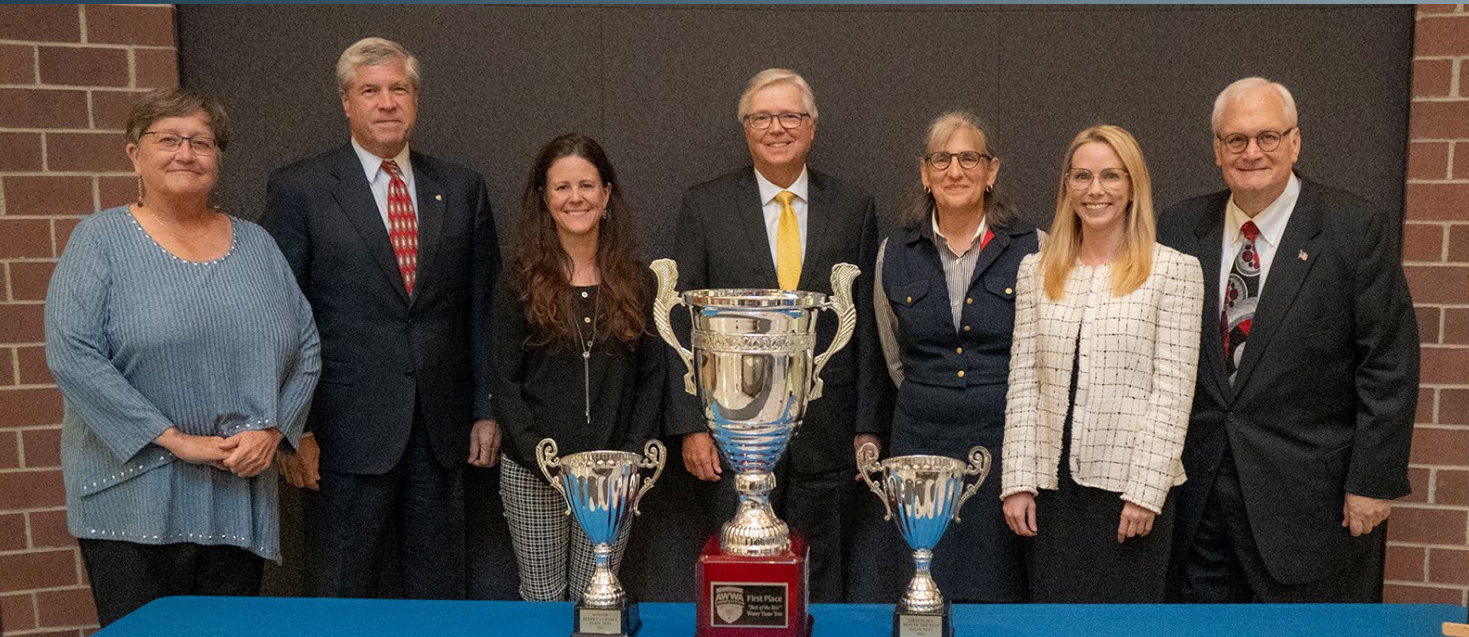
Fortunately, water sales exceeded budget by \$11.9 million or 9.6% in 2022 due to the dry weather pattern. This allowed WaterOne to absorb inflationary cost increases as expenses were \$7.9 million or 12.5% over budget. Also, WaterOne continued its commitment to investing in infrastructure based on a proactive asset management plan. All of this was achieved with a 3.6% rate increase in 2022.

I am honored to work with, and want to thank, the dedicated and professional finance staff who are committed to

WaterOne’s mission and long-term financial health. As you review this report, if you would like additional information on the annual budget or audited financial statements, you can access these reports at waterone.org. If you have any questions or concerns, I want to hear from you. Don’t hesitate to contact me at dkamradt@waterone.org.

Darin Kamradt
Director of Finance

Governing Board



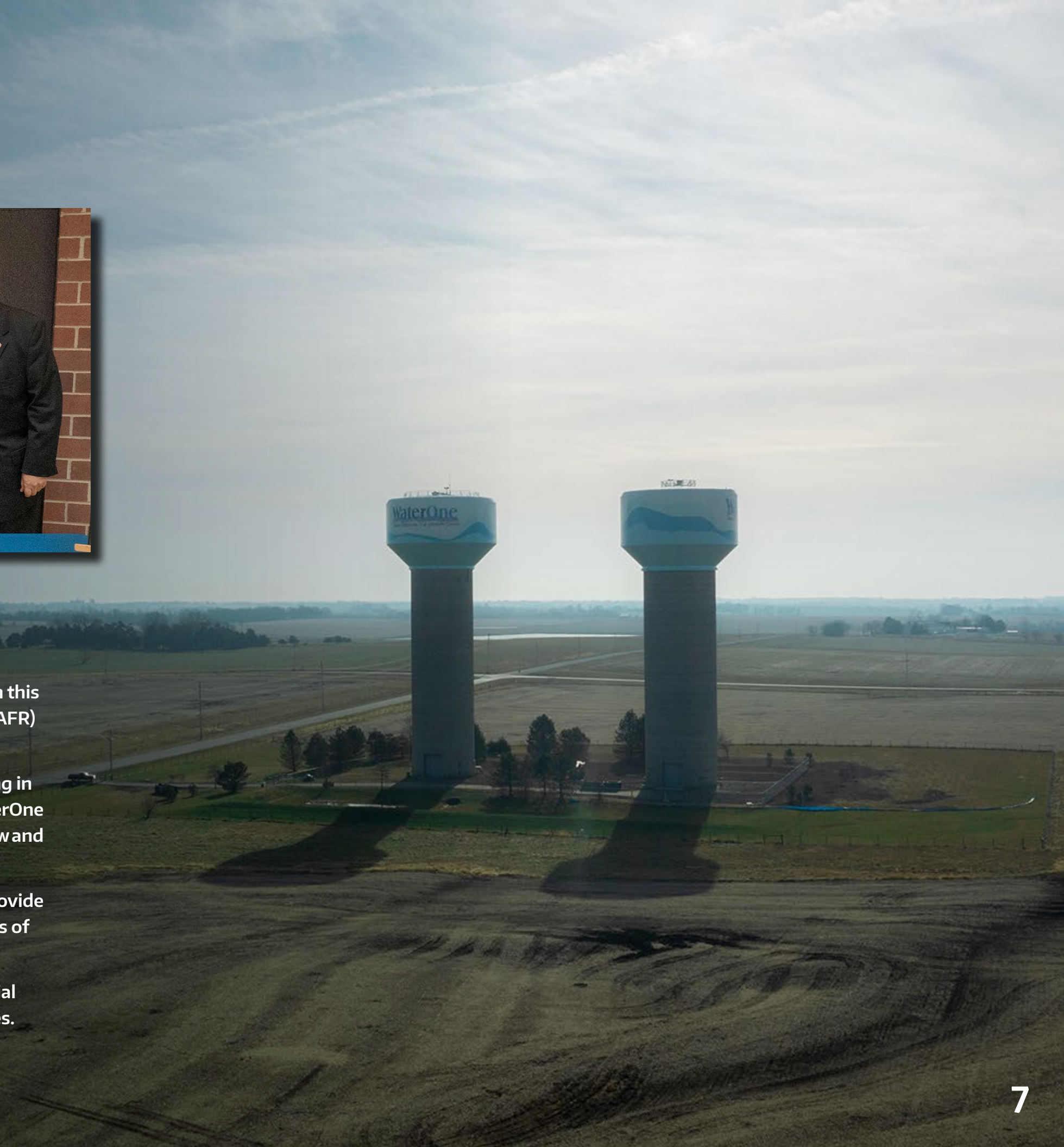
L-R: Kay Heley, Mark Parkins, Jill Westra, Ron Appletoft, Melanie Kraft, Whitney Wilson, and Bob Reese.

Water District No. 1 of Johnson County, better known as WaterOne in this report, is pleased to present this Popular Annual Financial Report (PAFR) to the citizens of Johnson County who utilize our services.

Shown above are members of the WaterOne Governing Board serving in 2022. Board members serve as the decision makers who ensure WaterOne maintains the ability to provide safe, reliable, and affordable water now and for future generations.

This report on the fiscal year ending December 31, 2022 is meant to provide information that is easy to understand and will inform our customers of important milestones of the year that just ended.

Financial information referenced is sourced from WaterOne's financial statements and conform to Generally Accepted Accounting Principles.



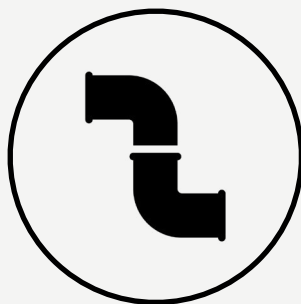
Who We Serve



**AREA
SERVED**
272
SQUARE
MILES



**POPULATION
SERVED**
475,000
RESIDENTS



**SERVICE
CONNECTIONS**
151,000+

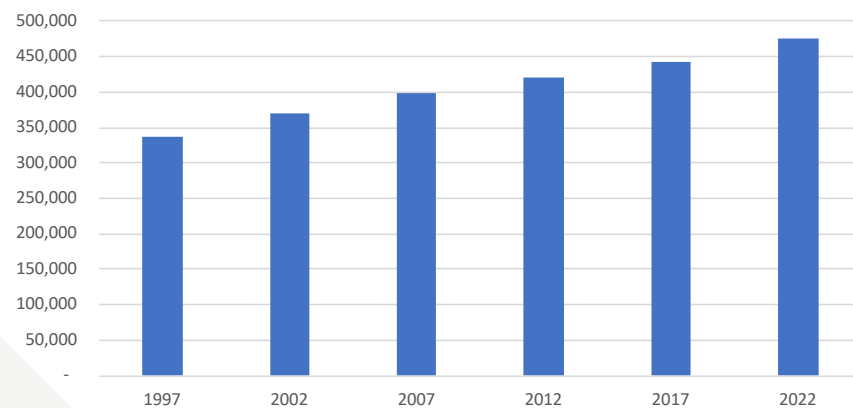


**RESIDENTIAL
CONNECTIONS**
91%



**COMMERCIAL
CONNECTIONS**
9%

WaterOne Population Served

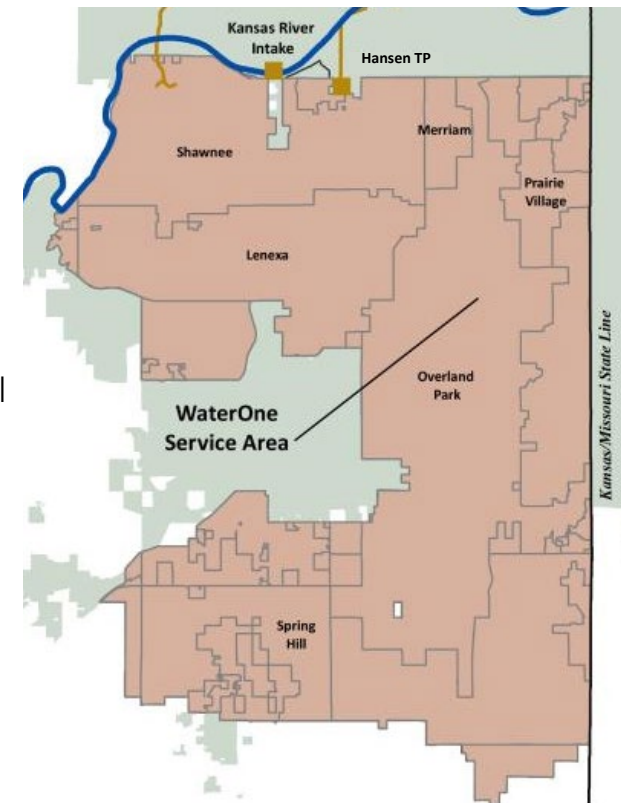


TOP COMMERCIAL ACCOUNTS*

1. Coca Cola Bottling
2. Blue Valley School District
3. City of Overland Park
4. Johnson County Wastewater
5. City of Lenexa
6. Corporate Woods
7. Shawnee Mission School District
8. Shawnee Mission Medical Center
9. Kansas City Country Club
10. Indian Hills Country Club

**WaterOne's top 10 customers account for less than 3% of total revenue.*

DISTRICT SERVICE AREA



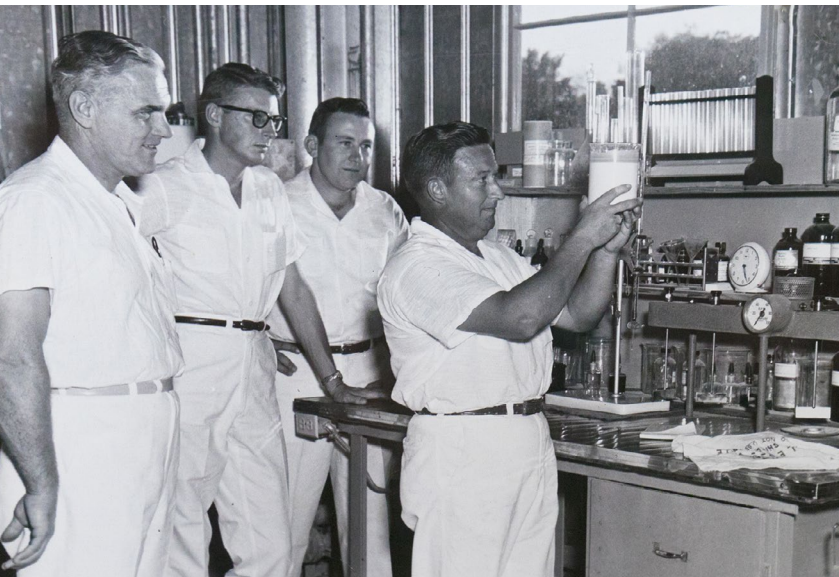
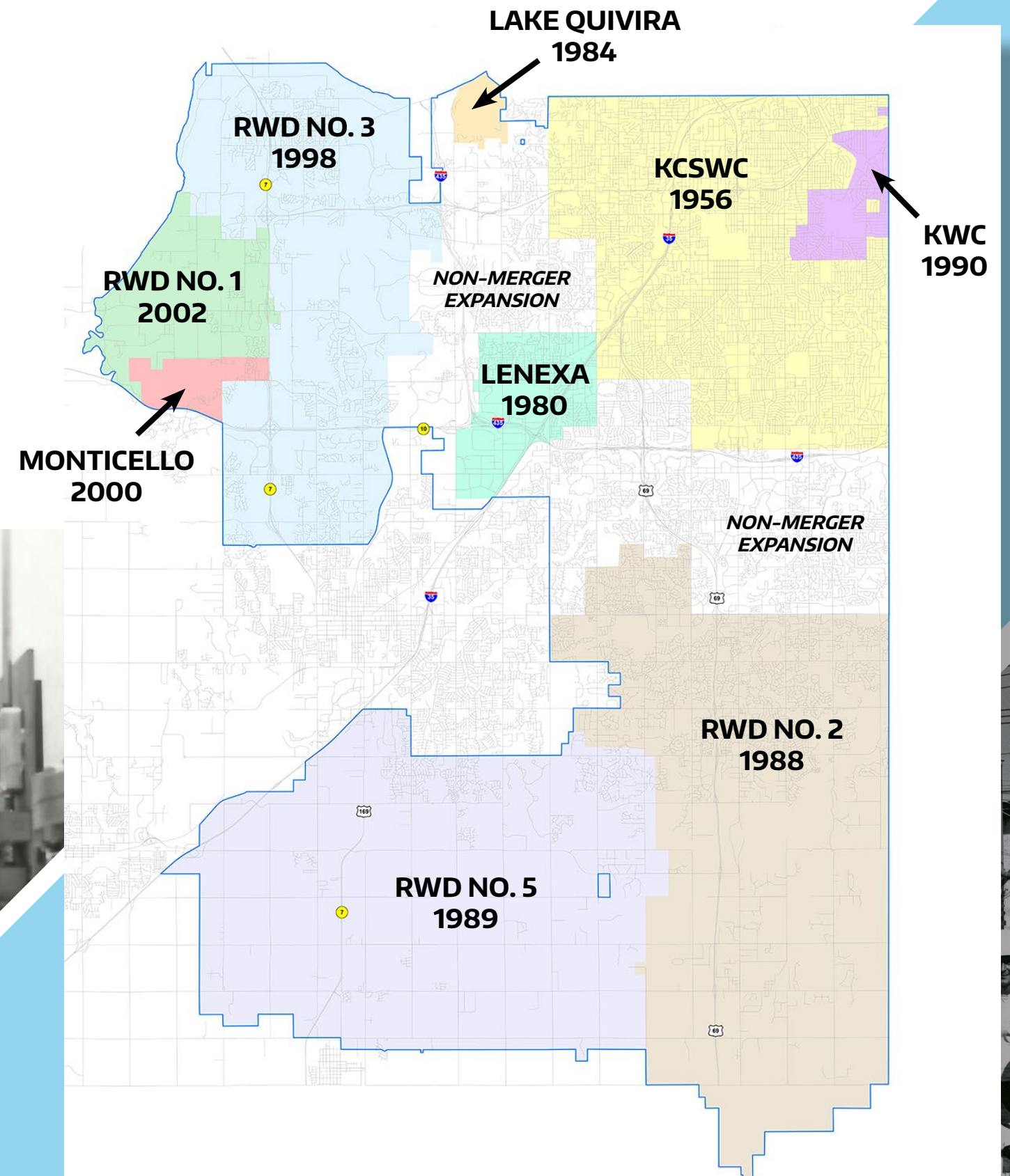
History

In 1957, northeastern Johnson County was served by a privately-owned water company, the Kansas City Suburban Water Company, which couldn't keep up with demand during the hot, dry summers. Frustrated residents took the matter into their own hands and overwhelmingly voted to buy them out and re-establish it as Water District No. 1 of Johnson County, a publicly-controlled, non-profit water utility. After years of sound leadership, careful planning, and responsible investment, the district now known as WaterOne has grown to become the largest water utility in the state of Kansas, serving over 475,000 customers throughout Johnson County every

day. On the right you can see the expansion of WaterOne through the years.

Not many utilities like WaterOne exist. WaterOne is a public utility by customers and for customers, led by a democratically elected Governing Board. It's fully independent from city or county control, has no taxing authority, and funds its operations entirely through service fees and the water it sells. And unlike other municipal services provided by local governments, WaterOne has one and only one job: water. This lets WaterOne focus wholly on its mission of providing a safe, reliable, high-quality water supply with exceptional service and value.

WaterOne Service Area Expansion



WaterOne's Guiding Principles

WaterOne has thousands of decisions to make every year that shape the way it serves Johnson County in ways both large and small. To make sure the best interests of its customers are served, each decision is viewed through the prism of eight guiding principles. These principles are at the heart of everything WaterOne does.

Strategic Goals

1. Ensure a safe, reliable, high quality water supply
2. Provide excellent customer service
3. Be an employer of choice
4. Ensure financial stability and predictable rates
5. Continuously improve business processes
6. Proactively manage infrastructure
7. Be good stewards of the environment
8. Promote a safe work environment and establish a security conscious culture



Mission

To provide a safe, reliable, high-quality water supply with exceptional service and value.

Vision

Setting the standard for utility excellence.

Values

Quality | Integrity | Safety
Accountability | Respect

2022 Financial Overview

Prior to every fiscal year, WaterOne estimates the amount of funding necessary to meet payroll, provide benefits, maintain infrastructure, pay off debts, and many other needs. Then, based on the estimated water sales projected for the upcoming year, it sets the water rates needed to meet these needs.



REVENUES
ESTIMATED

RATES
SET

REVENUE
REQUIREMENTS
ESTABLISHED

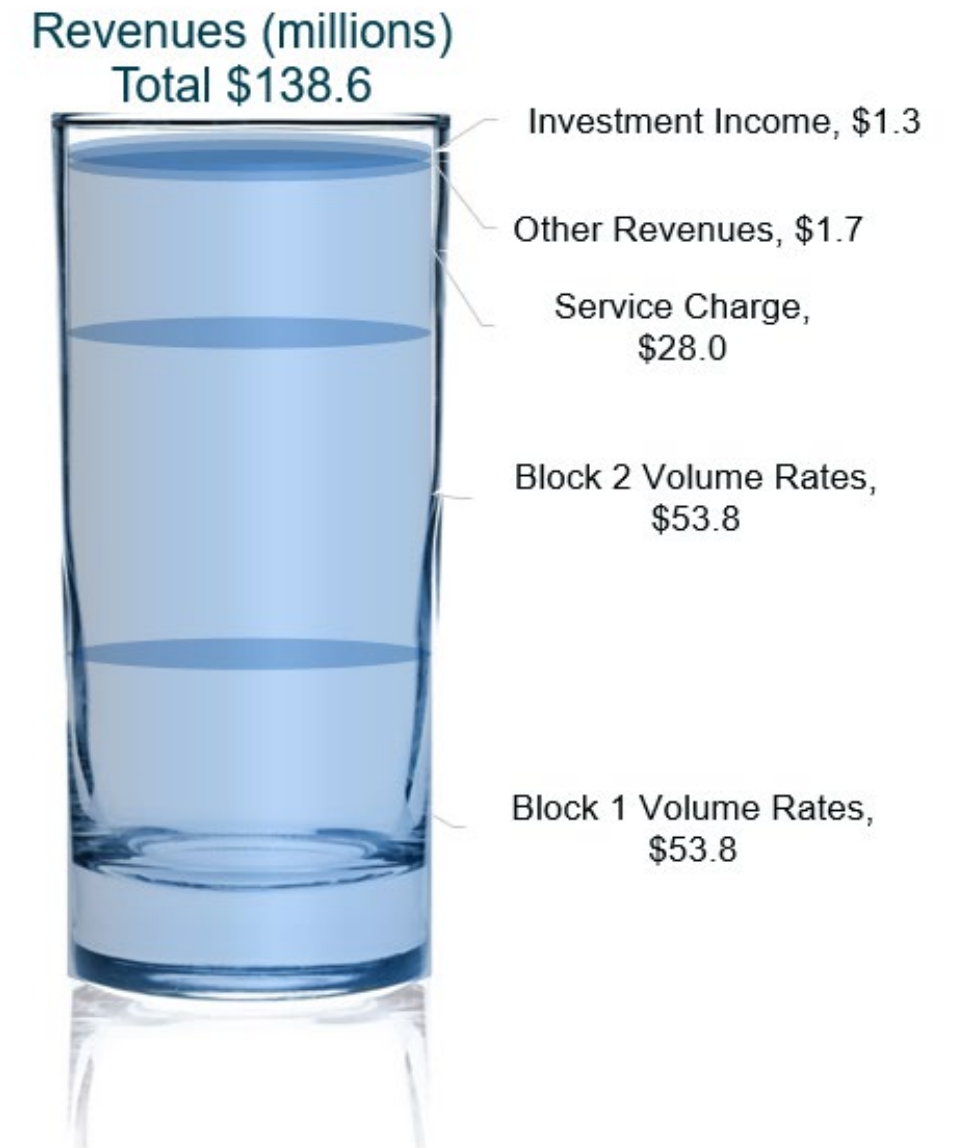
Where does the money come from?

Rates & Revenues for 2022

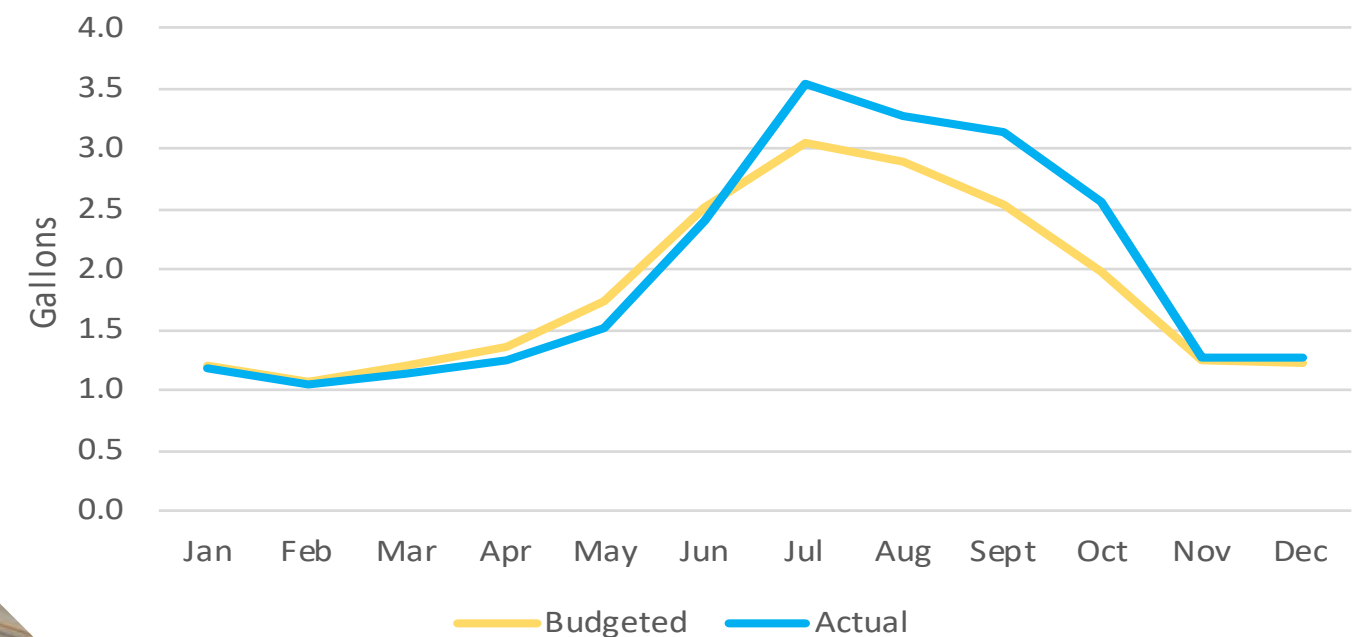
There was a 3.6% rate increase from 2021 to 2022. Rate increases are required to ensure adequate investment in WaterOne's capital infrastructure and to help offset the impact of declining base (winter) consumption.

WaterOne receives most of its revenues from water sales, and therefore weather can heavily influence its revenue in a given year due to the volume of water that is used for lawn irrigation.

The sharp rise in inflation provided challenges in the financial environment. The cost of doing business increased across the organization. With dry weather driving water sales higher than budgeted and higher interest rates increasing investment income, the higher operational costs were managed without affecting operations.



Water Production in Billion Gallons



Water Rate Structure

WaterOne uses a Peak Management Rate fee structure for water rates. This is an inclining rate structure designed to encourage customers to reduce peak usage. This delays the need for additional capacity and/or recovers costs more equitably from those customers who choose to have peak water usage. Block 1 rates are for volumes up to 125% of the customer's Average Winter Consumption (AWC). The AWC is calculated based on a customer's average daily consumption from January through April. Block 2 rates are for those gallons used in excess of 125% of the customer's AWC.

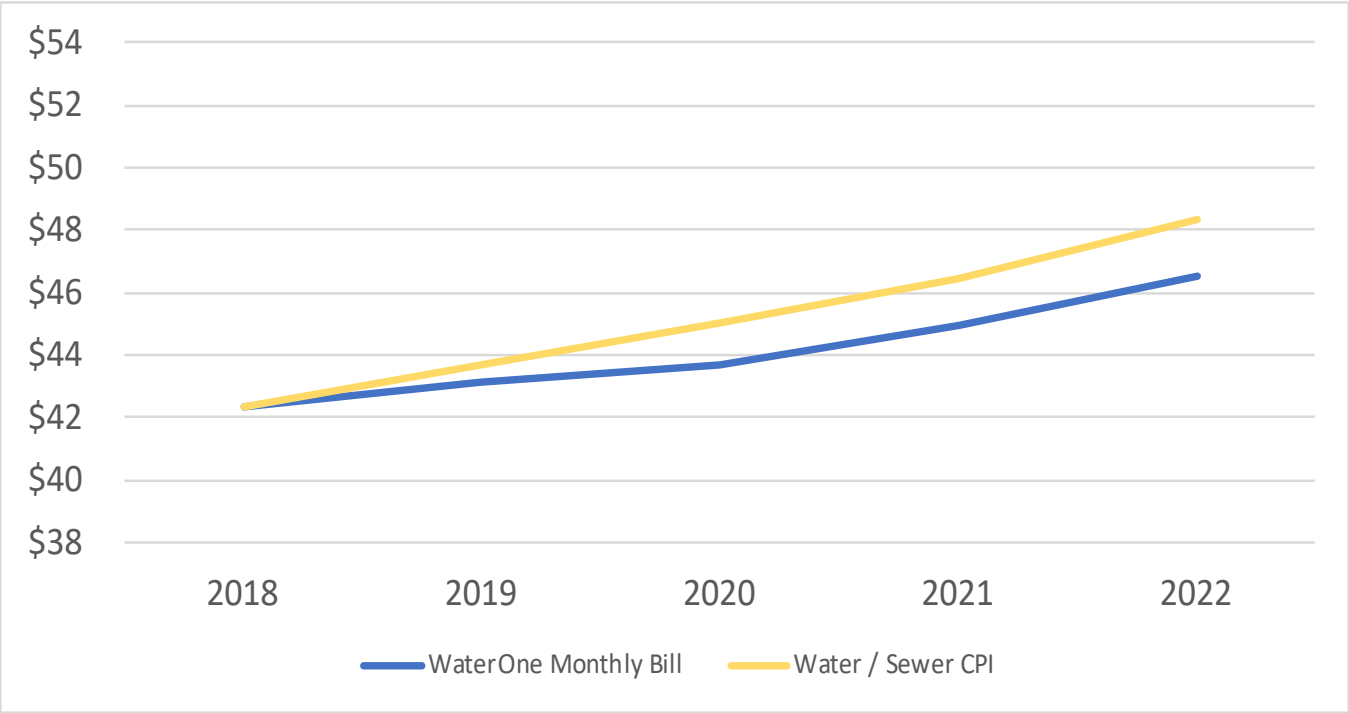
The table below shows a calculation for a customer with a 5/8" meter using 7,000 gallons per month with 75% of their usage at the Block 1 rate.

*rates shown are per 1,000 gallons

Block	Gallons	2022 Rates*	Total
1	5,250	\$4.34	\$22.79
2	1,750	\$6.51	\$11.39
Service Charge	NA	\$12.35	\$12.35
	7,000		\$46.53



Water Rates have been rising slower than the comparable Water / Sewer Index.

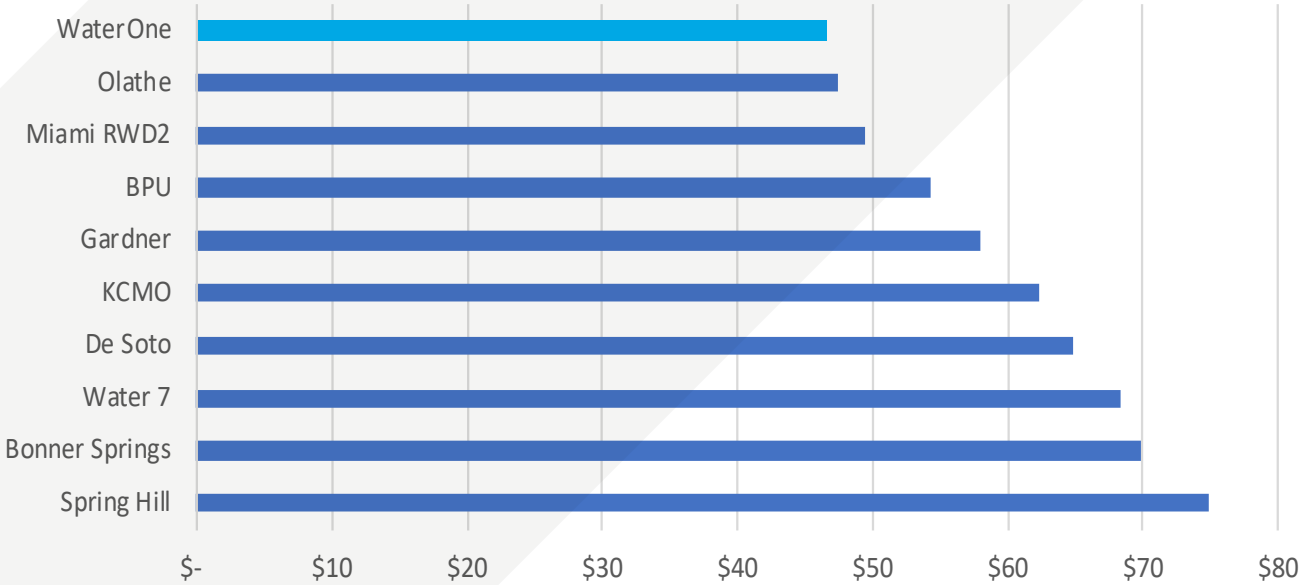


Even with the rising cost of health insurance, water treatment commodities, energy, and infrastructure maintenance, the monthly bill for a typical WaterOne customer has risen at a rate significantly lower than the comparable water/ sewer consumer price Index. This has been true even as consumption per customer has decreased.



WaterOne had the lowest water rates compared to its neighboring utilities in 2022.

Average monthly bill for typical customer in 2022



Where does the money go?

Breakdown of Expenditures

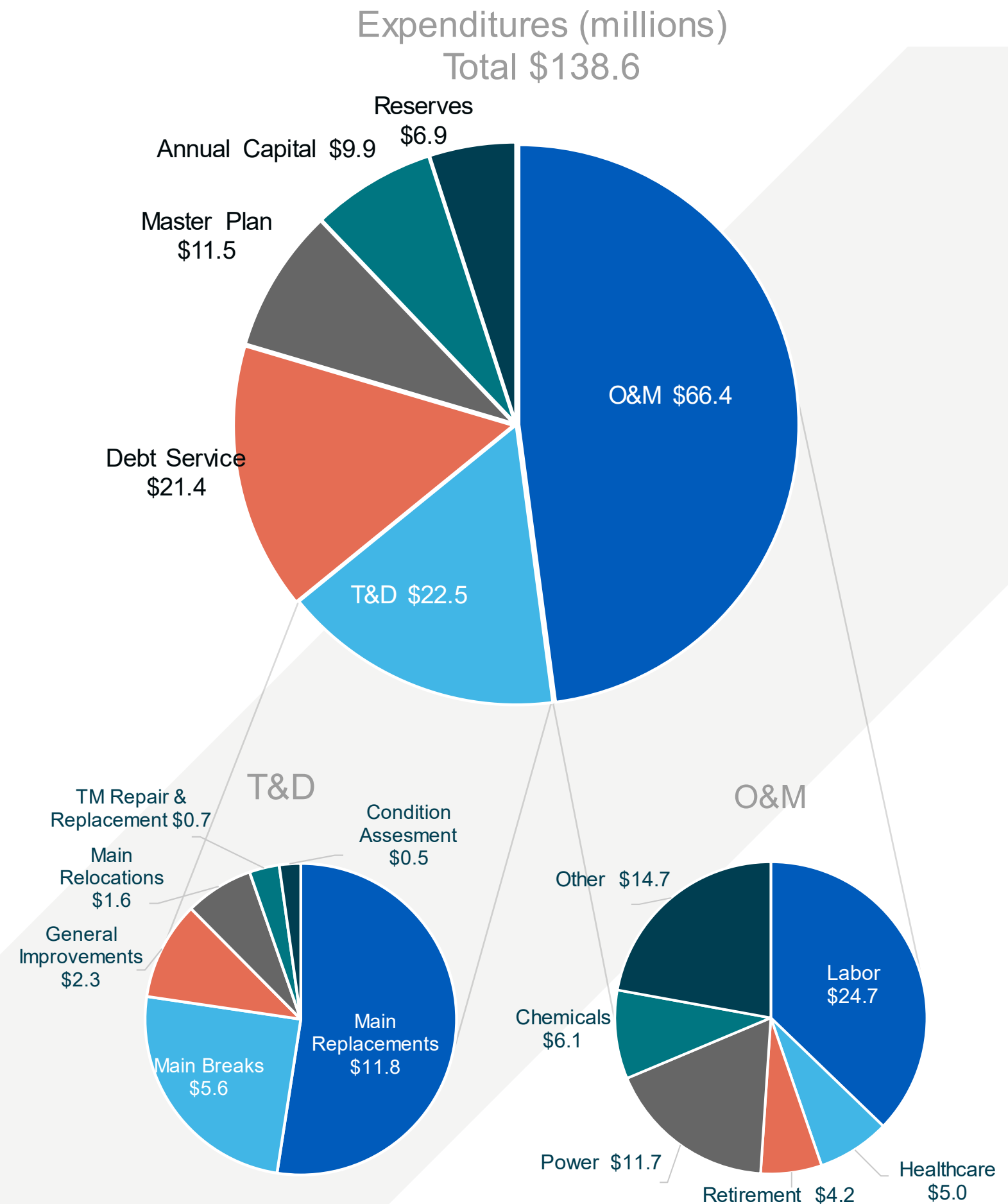
The largest portion of WaterOne's annual expenditures come from Operations & Maintenance (O&M). This includes costs like payroll, healthcare insurance, retirement benefits, and water treatment needs like power and water treatment commodities.

Transmission & Distribution (T&D) refers to the costs associated with replacing water mains, fixing main breaks, relocating mains, and assessing the condition of transmission mains.

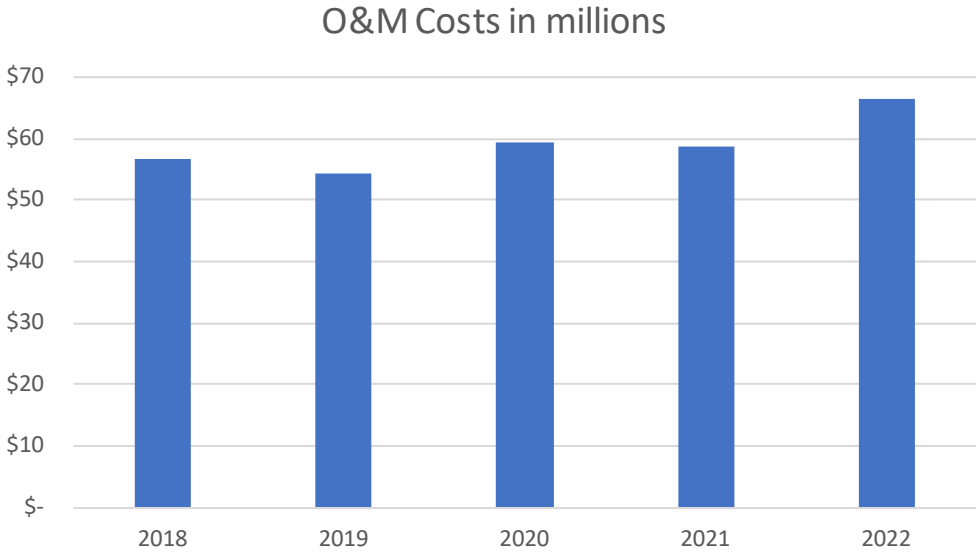
Debt service is for the repayment of long-term debt. WaterOne incurs long-term debt primarily by issuing tax-exempt bonds.

Master Plan projects are major infrastructure enhancements that are planned over a time frame that is typically around 40 years and involves projects with useful lives of at least 20 years. These are typically larger projects that have been identified through infrastructure modeling as necessary to meet future system demands.

Annual Capital refers to projects that are typically smaller than Master Plan projects with a shorter useful life. They are often for the replacement of existing capital that has reached the end of its useful life.

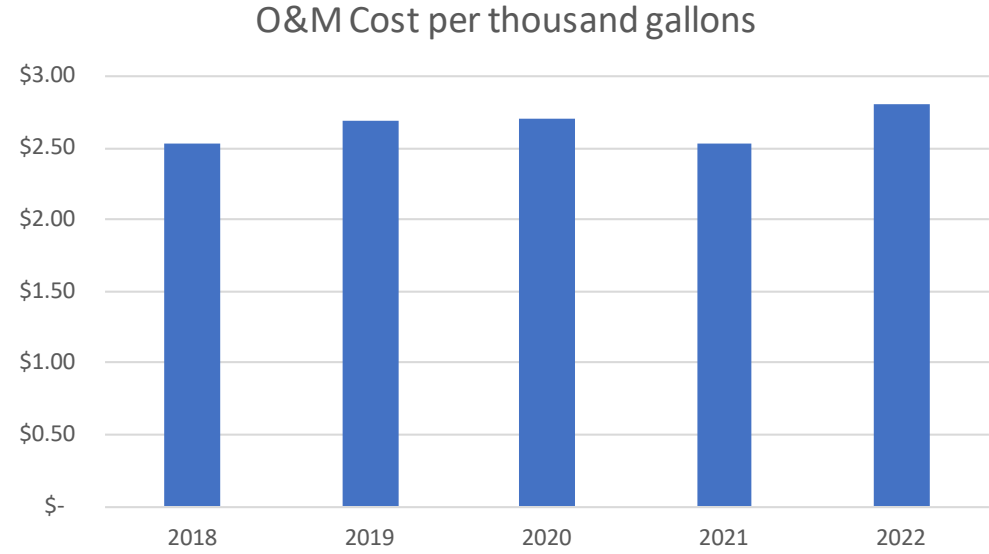


Operations & Maintenance Expenses



One of the ways that WaterOne can keep its rates affordable is to closely monitor its Operations and Maintenance expenses, and make sure that the money it spends is used as efficiently and effectively as possible.

The inflationary environment provided many challenges to overcome in keeping O&M expenses down, from rising wages and benefits to increases in the cost of materials, supplies and services. WaterOne is continuously looking for ways to provide the level of service that our customers expect, while keeping costs down.

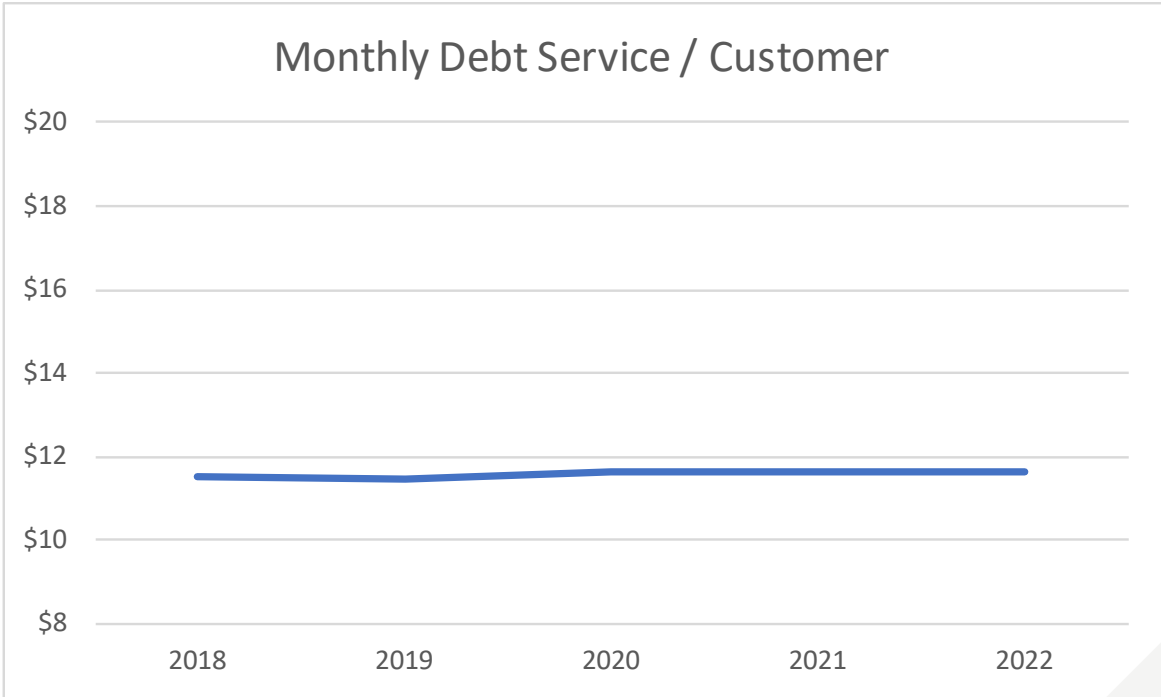


Long Term Debt

At times WaterOne will finance large projects by issuing bonds. WaterOne has the highest bond ratings possible with a AAA rating from Standard & Poors and a Aaa rating from Moodys. Better ratings mean WaterOne pays less in interest, and the savings can be passed on to the ratepayers. This is also a great indicator of WaterOne's strong financial position and stability.

Why should WaterOne use debt at all?

Let's assume the useful life of an asset, such as an ozone treatment facility, is 50 years. Why should today's residents pay 100% of the cost for 1/50th of its use. By using debt and spreading out the payments, the cost is distributed more fairly across time and more equally shared by the residents who benefit from the asset. The standard term for WaterOne's debt is twenty to twenty-five years.



Statement of Changes In Net Position

Net Position (Dollars in Thousands)				
Balance Sheet (in thousands)	December 31,		Variance	
	2022	2021	Dollars	Percentage
			Increase (Decrease)	
Capital Assets	1,195,018	1,170,113	24,905	2.13%
Total special funds	39,009	38,885	124	0.32%
Total current assets	151,307	134,549	16,758	12.45%
Deferred outflows of resources	19,053	20,553	(1,500)	-7.30%
Total Assets And Deferred Outflows	1,404,386	1,364,100	40,286	2.95%
Long-term liabilities and other liabilities	227,258	251,268	(24,011)	-9.56%
Current liabilities	40,711	35,220	5,492	15.59%
Deferred inflows of resources	9,798	9,332	466	4.99%
Total Liabilities And Deferred Inflow Of Resources	277,767	295,820	(18,053)	-6.10%
Net investment in capital assets	988,365	949,227	39,138	4.12%
Restricted	32,446	32,322	124	0.38%
Unrestricted	105,808	86,731	19,077	22.00%
Total Net Position	1,126,619	1,068,280	58,339	5.46%
Total Liabilities, Deferred Inflows Of Resources, And Net Position	1,404,386	1,364,100	40,286	2.95%

Assets and Deferred Amounts

Capital Assets: The current value of long-term investments in land, buildings, equipment and infrastructure under construction.

Special Funds: Cash and investments that have been pledged for a legal reason such as bond reserves, principal or interest payments on bonds, or bond proceeds held for future construction.

Current Assets: The value of cash and investments, accounts receivable, inventory and prepaid items.

Deferred Outflow of Resources: The consumption of resources that will be recognized in a future period.

Liabilities and Deferred Amounts

Long term Liabilities: Amounts owed on outstanding bond issues and as well as the value of future retirement benefits owed to employees and retirees.

Current Liabilities: Amounts owed to vendors, contractors, and employees.

Deferred Inflow of Resources: The acquisition of resources that will be recognized in a future period.

Total Net Position

Net Position: What you would have left if you used your assets to pay off your liabilities. The increase in net position is a useful indicator of WaterOne's positive financial position.

Major Projects of 2022

CAMPUS IMPROVEMENTS

Campus improvements Phs. II will include reconfiguration of the current Administrative Headquarters. The project is part of WaterOne's long-term strategy to ensure it can adequately house all of the organization's departments, equipment, vehicles, supplies, technology, and projected headcount for the next twenty years. The needs of all stakeholders were studied and documented to ensure that WaterOne can operate at high efficiency into the future.



Major Projects, continued

LEAD & COPPER

The Environmental Protection Agency (EPA) has enacted enhanced regulatory standards to protect against lead and copper in drinking water. Though new regulations begin in 2024, WaterOne has taken a proactive approach, creating a cross-division team in 2021 to ensure a successful program is implemented. The program incorporates initiatives to meet regulations, including increased drinking water sampling, testing in elementary schools and childcare facilities, and creating a public database of the materials used in public and private water service lines. A proactive approach supports WaterOne's strategic goals to ensure a safe, reliable, high quality water supply and to provide excellent customer service.

SCADA

WaterOne's Supervisory Control & Data Acquisition is the automation system used to control treatment plants, distribution storage, and pumping operations. SCADA is like the nervous system of WaterOne's treatment operations and is the only way to operate many of the district's complex automated systems.

WaterOne continues to make progress on a \$30 million, 10-year overhaul of SCADA. The project includes switching to a new software platform, developing asset management and cyber security policies, and establishing a 10-year SCADA budget and master plan for maintenance and upgrades. This project represents the biggest update to SCADA since it was first implemented.



HYDRO POWER GENERATION

The construction of a hydropower facility on the KS River has been identified as a feasible way to supply the KS Presedimentation Facility with electrical power. Preliminary design and cost-benefit analysis have been completed. The return on investment is greatly dependent on the policies of the local energy provider, so the anticipated payback has varied. This type of facility has an estimated life of 20 years before needing any significant maintenance, but once that maintenance cycle has been completed, the facility will continue to provide power for many years.

WELL FIELD / COLLECTOR WELLS CAISSON

This project will consist of the design of the second horizontal collector well that will supply water to the Wolcott Treatment Facility. This facility has been identified in WaterOne's Master Plan as being necessary to provide a sufficient supply of water to increase in capacity is designed to be in place in time to support the continued population growth within WaterOne's service area.



Awards & Recognition



RECOGNITION

In an effort to better understand the organization's CO2 emissions, WaterOne performed a Greenhouse Gas (GHG) Inventory. The study analyzed sources and estimated volume of emissions throughout WaterOne's operations, and is one component of the organization's overall commitment to sustainability. The inventory is based on standards developed by The Climate Registry, an organization dedicated to helping businesses understand, manage and improve their impact to the environment. In the study, WaterOne completed an internal analysis of its recent CO2 emissions based on its usage of fossil fuel and other power sources. The district then partnered with an independent consultant to audit the inventory. The process resulted in a comprehensive estimate of WaterOne's annual carbon emissions.

AWARDS

For the fourth year in a row, WaterOne's Procurement Department has earned the prestigious Achievement of Excellence in Procurement award from the National Procurement Institute recognizing their great work. This year, only 183 organizations earned the honor in the US and Canada. WaterOne, Wichita, and Johnson County were the only organizations in the state to receive this recognition.

The Finance Division was recognized with the Government Finance Officers Association's Distinguished Budget Presentation Award for WaterOne's 2022 Budget. This achievement is the highest form of recognition in governmental budgeting and reflects the commitment from WaterOne's Board and staff to meeting the highest principles of governmental budgeting.

Finally, the American Water Works Association (AWWA) Taste Test Competition held every year is widely regarded as the most distinguished national recognition a water provider can receive for their water. WaterOne took home not only the first place "Best Of The Best" award, but was also judged as the crowd favorite, receiving the People's Choice trophy as well.

2022 By The Numbers

20,873

BACKFLOW ASSEMBLIES TRACKED

REPLACED
12.64

MILES OF AGING INFRASTRUCTURE

845

MAIN BREAK REPAIRS



14,000

LAB SAMPLES

36,708

LINE LOCATE REQUESTS FILLED

26.2 BILLION

GALLONS OF WATER PRODUCED



18,960

FIRE HYDRANTS INSPECTED

4,396

COMPLETED HELP DESK TICKETS

INVESTIGATED
1,105

STUCK METERS

85,307

CUSTOMER SERVICE CONTACTS

4

PROCESSES AUDITED



HELPED
497

CUSTOMERS WITH WATER & PRESSURE CONCERNS

1,001,809

METER READS

RECEIVED OVER
1,540

JOB APPLICATIONS

CELEBRATED
4,100

YEARS OF COLLECTIVE SERVICE

20,970

VALVES INSPECTED

2,597

PURCHASE ORDERS CREATED

2,422

OPERATIONS & MAINTENANCE LINE ITEMS BUDGETED

6 MILLION

EMAIL THREATS BLOCKED



15,000

NEW GIS ASSETS DOCUMENTED



67

BIDS PROCESSED

363

FIRE HYDRANT REPAIRS

3.6%

RATE INCREASE, LOWEST IN THE AREA!

100%

EMPLOYEES TOOK MANDATORY IT SECURITY TRAINING

1,143

KIDS EDUCATED ABOUT TAP



641,600

SOCIAL MEDIA IMPRESSIONS

96%

AUDIT FINDINGS IMPLEMENTED



FILLED
87

OPEN POSITIONS

CONDUCTED
870

JOB INTERVIEWS



WaterOne
Water District No. 1 of Johnson County