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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, 2021.

The PAFR is based on the 2021 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 COVID-19 pandemic continued in 2021 and WaterOne remained partially in its emergency

operations plan. As always, the priority of WaterOne was its commitment to providing an essential public service while also ensuring the health and safety of its employees. During the summer, premium pay and vehicle rental for social distancing was rolled back as circumstances allowed. Expense for safety supplies including masks and sanitizer continued throughout the year.

Other challenges arose in 2021. Early in the year, weather events interrupted natural gas supply in the Midwest and caused significant price increases. There were supply chain issues nationwide, causing order delays and inflation to rapidly rise. WaterOne chose to increase inventory levels to secure essential commodities for daily operations and materials necessary for unanticipated events, like main breaks or equipment failures. A tight labor market and

retirements also challenged WaterOne, driving temporary employment expense.

Fortunately, water sales exceeded budget by almost 1% in 2021. There was a significant savings in power expense with a decrease in a component of the power rate. Savings continued in the area of travel and training as restrictions remained in place for most of the year.

While the COVID-19 pandemic and macro-challenges plagued 2021, WaterOne rose to each challenge and continued to set the standard for utility excellence, finishing the year within 1% of budget. WaterOne experienced positive customer growth, constructed new facilities to improve and simplify the delivery and treatment of water, and invested in the replacement of existing infrastructure based on our proactive asset management plan. All of this was achieved with a

2.8% rate increase in 2021 while maintaining an over 90% customer service satisfaction.

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: Melanie Kraft, Mark Parkins, Whitney Wilson, Ron Appletoft, Brenda Cherpitel, Bob Reese, and Kay Heley.

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 2021. 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, 2021 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

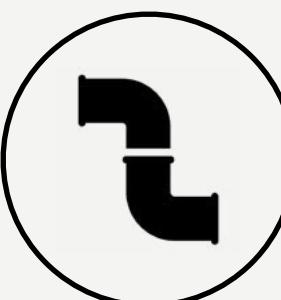


AREA SERVED

272
SQUARE
MILES



POPULATION SERVED
469,000
RESIDENTS



SERVICE CONNECTIONS
151,000+

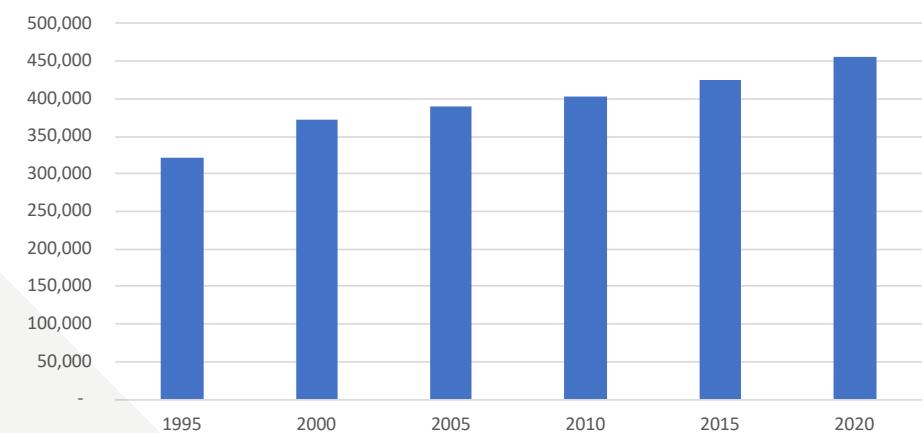


RESIDENTIAL CONNECTIONS
91%



COMMERCIAL CONNECTIONS
9%

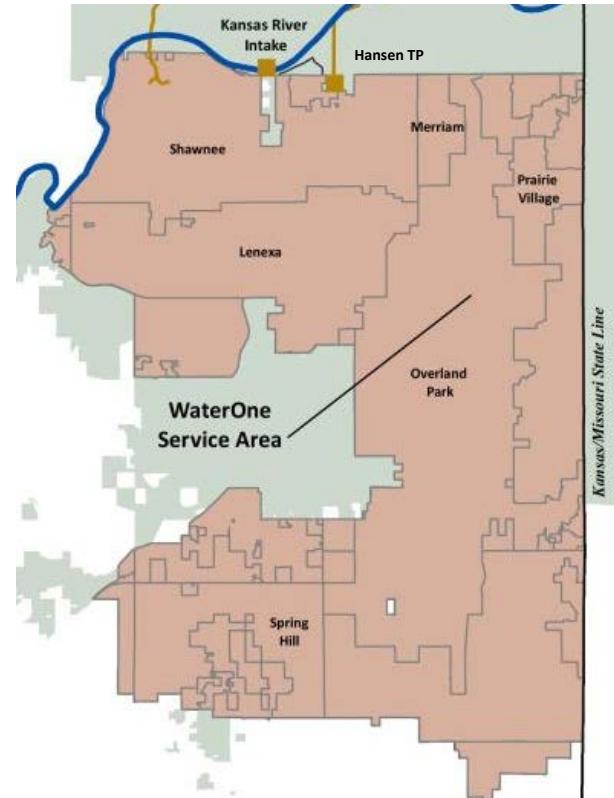
WaterOne Population Served



TOP COMMERCIAL ACCOUNTS*

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

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



History

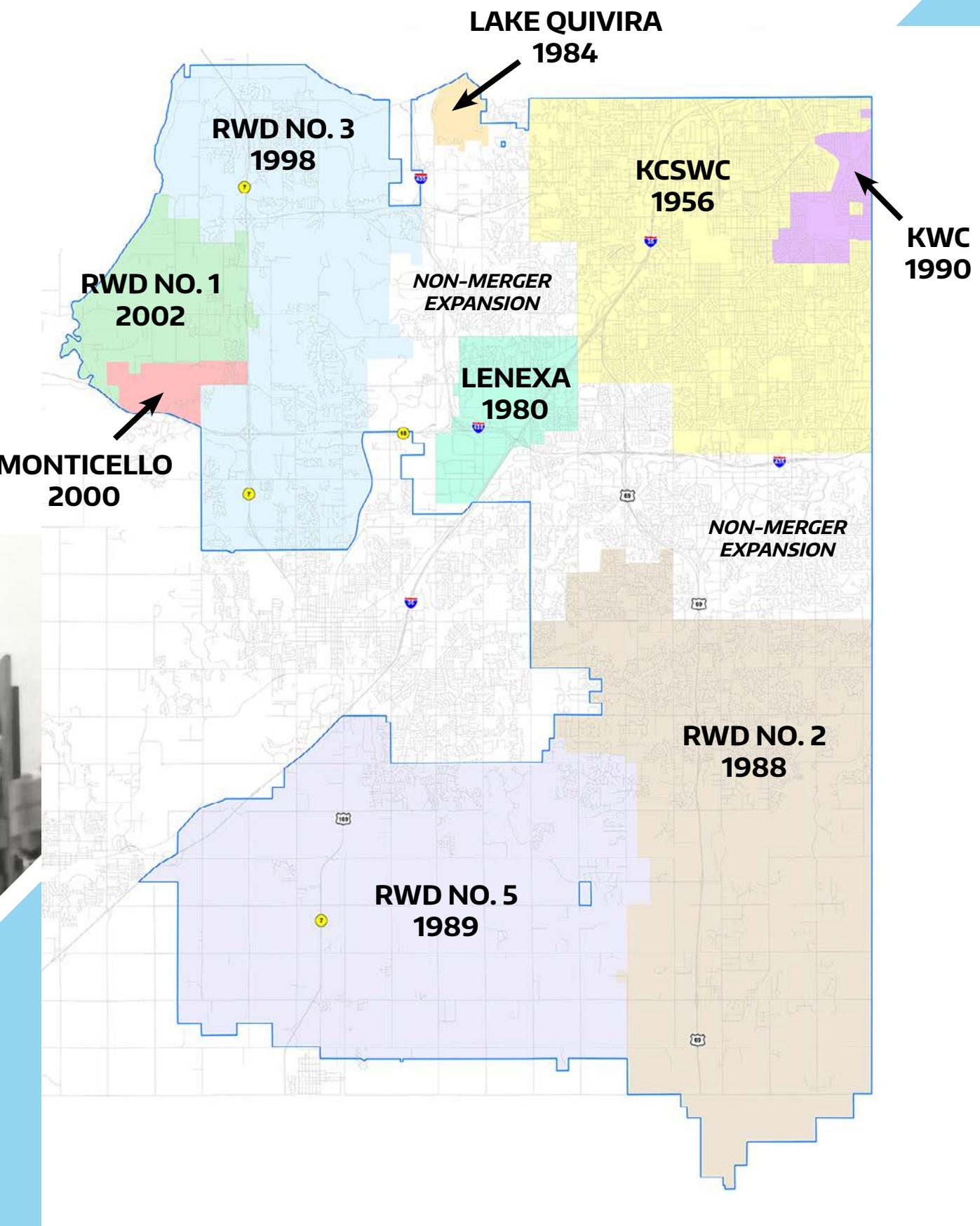
In 1957, northeastern Johnson County was served by a privately-owned water company, the Kansas City Suburban Water Company, which couldn't keep up with demand during the hot, dry summers. Frustrated residents took the matter into their own hands and overwhelmingly voted to buy them out and re-establish 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 almost 470,000 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

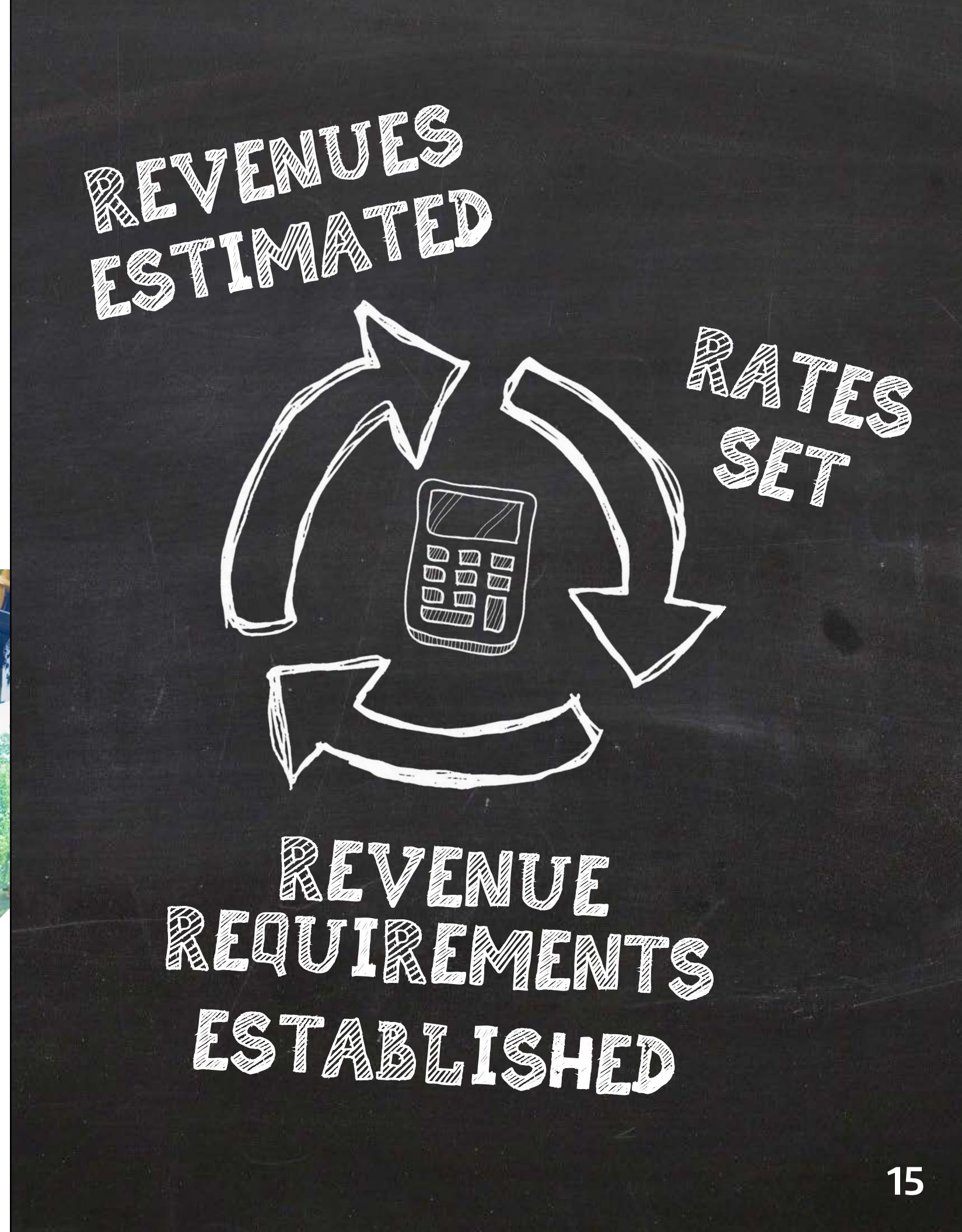
Setting the standard for utility excellence.

Values

Quality | Integrity | Safety
Accountability | Respect

2021 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.



Where does the money come from?

Rates & Revenues for 2021

There was a 2.8% rate increase from 2020 to 2021. 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 COVID-19 pandemic continued to provide a challenging environment in 2021 that shifted water use away from commercial to residential, kept investment yields low, and impacted the work environment and expenses. However, this did not impact WaterOne's ability to keep rates stable and predictable while providing exceptional service.

Revenues (millions)

Total \$122.2



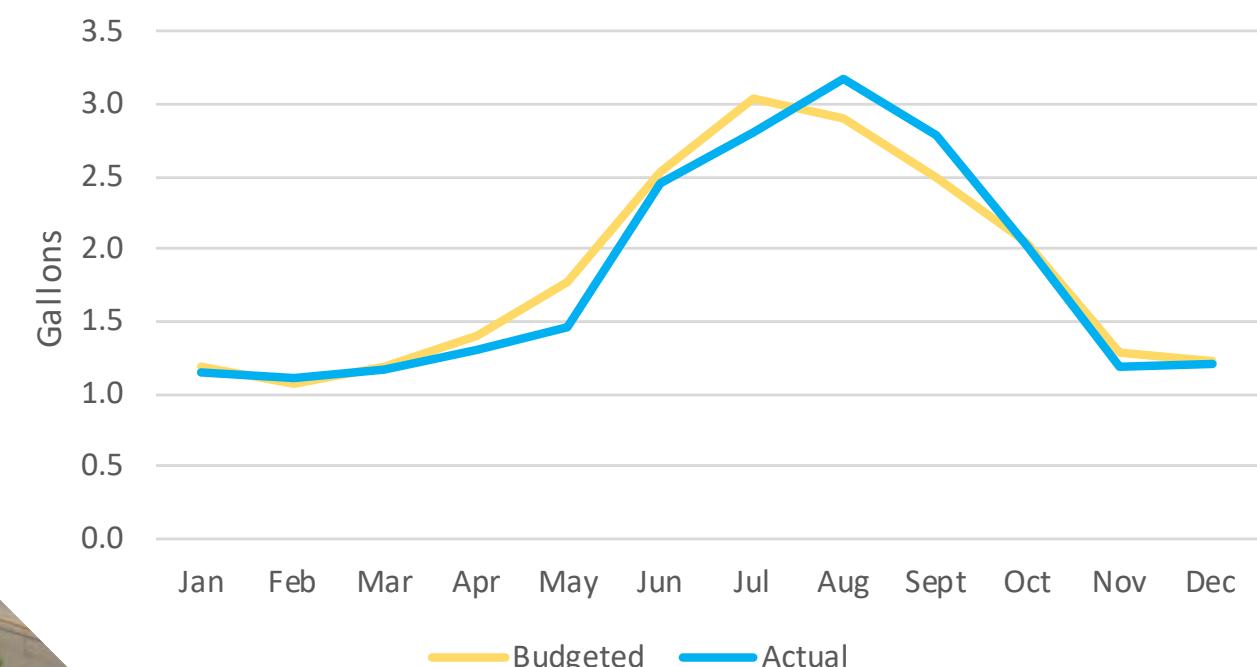
Investment Income
Other Revenues

Service Charge

Block 2 Volume Rates

Block 1 Volume Rates

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.

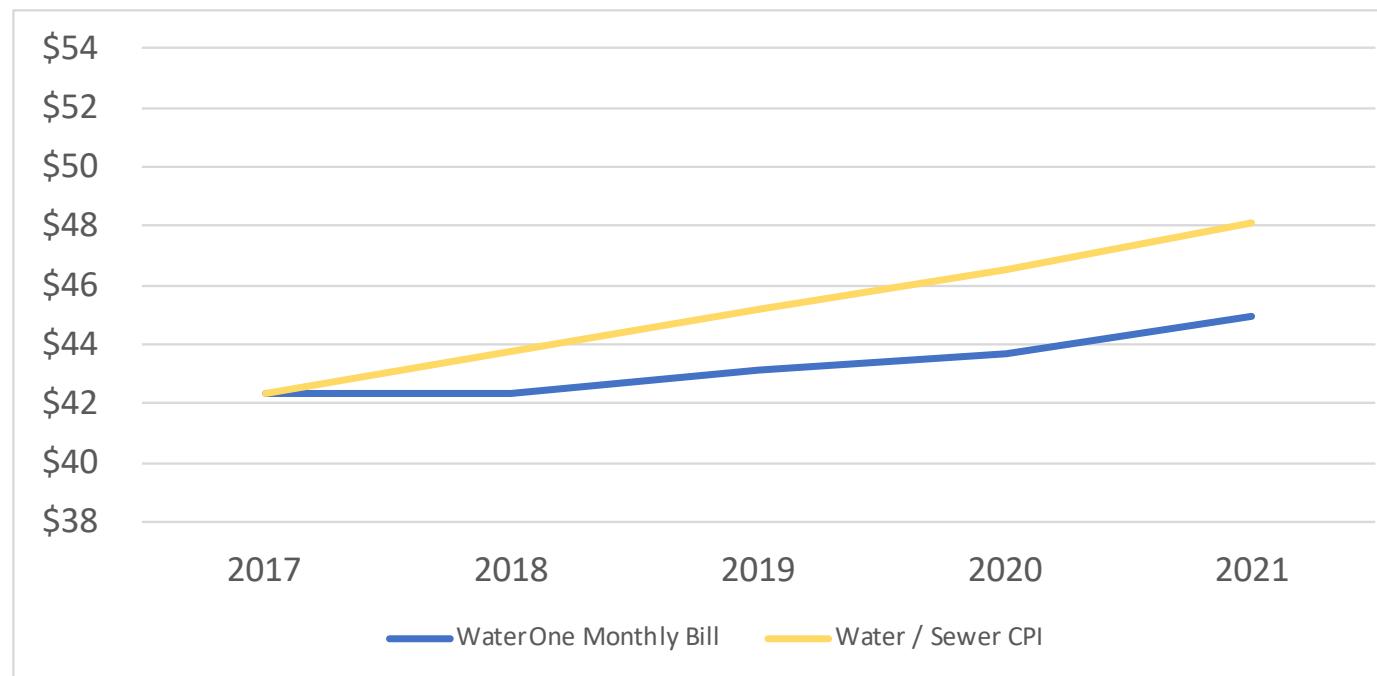
The table below shows a calculation for a customer with a 5/8" meter using 7,000 gallons per month with 75% of their usage at the Block 1 rate.

*rates shown are per 1,000 gallons

Block	Gallons	2021 Rates*	Total
1	5,250	\$4.36	\$22.89
2	1,750	\$5.80	\$10.15
Service Charge	NA	\$11.90	\$11.90
	7,000		\$44.94



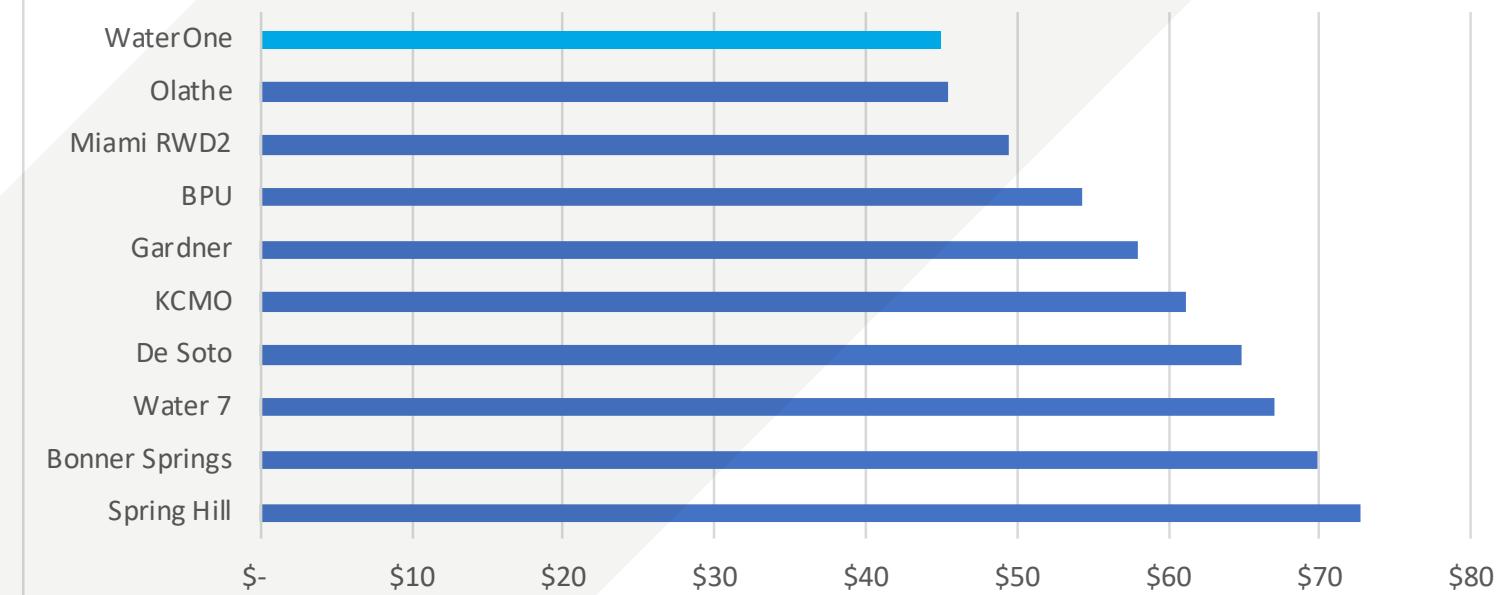
Water Rates have been rising slower than the comparable Water / Sewer Index.



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.



Average monthly bill for typical customer in 2021



Expenditures (millions)
Total \$122.2

Where does the money go? **Breakdown of Expenditures**

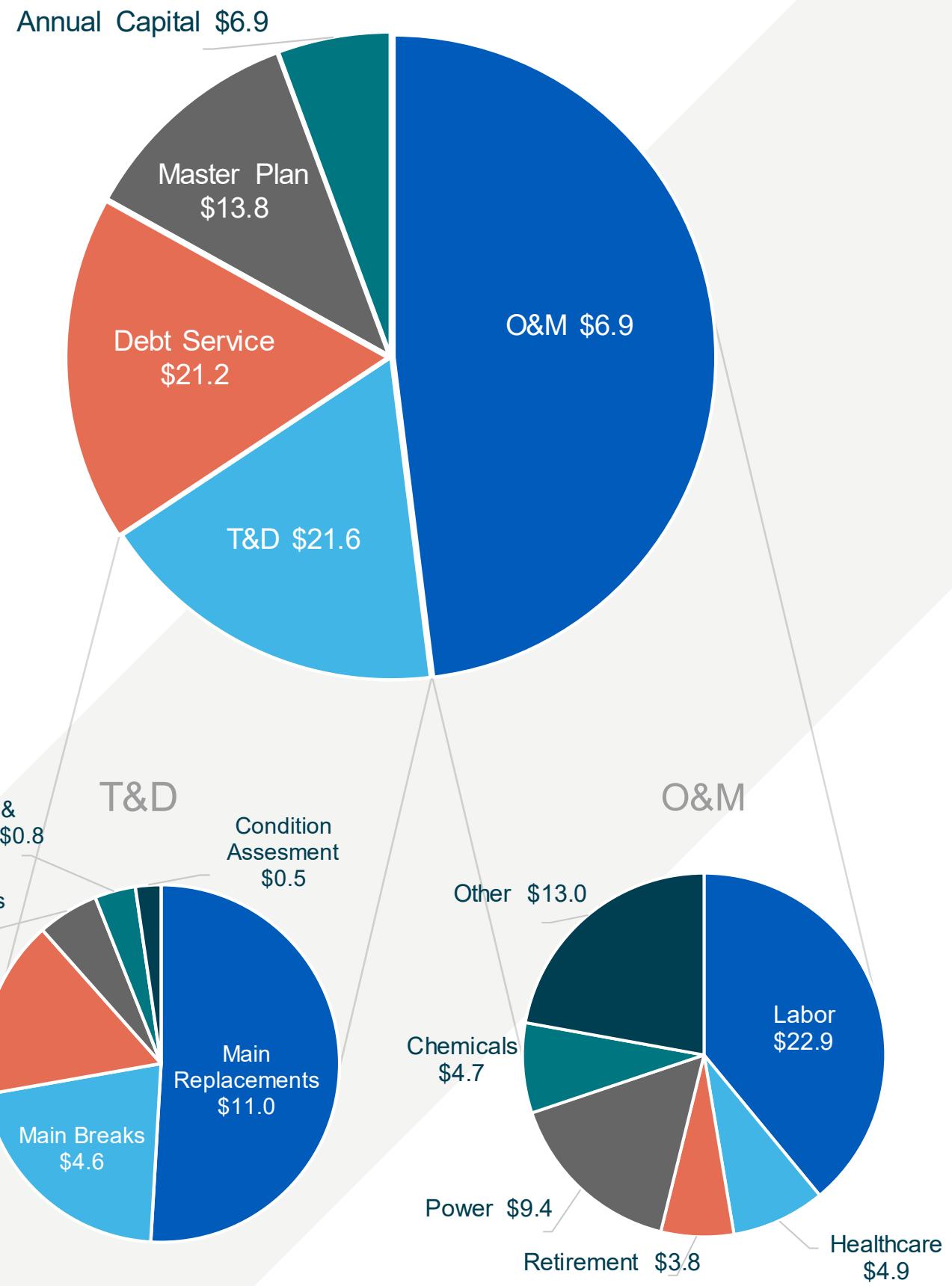
The largest portion of WaterOne's annual expenditures come from Operations & Maintenance (O&M). This includes costs like payroll, healthcare insurance, retirement benefits, and water treatment needs like power and water treatment commodities.

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.

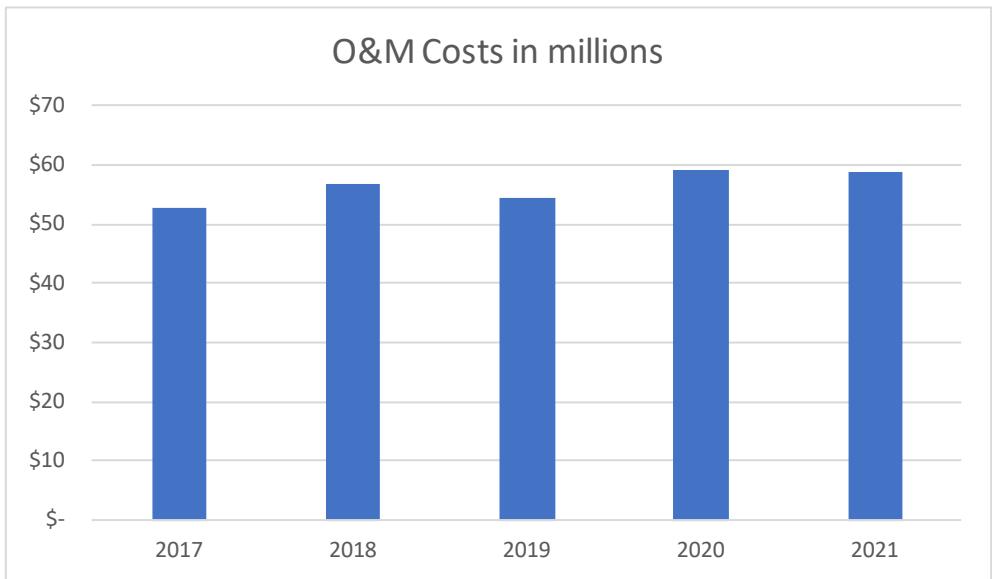
Debt service is for the repayment of long-term debt. WaterOne incurs long-term debt primarily by issuing tax-exempt bonds.

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.

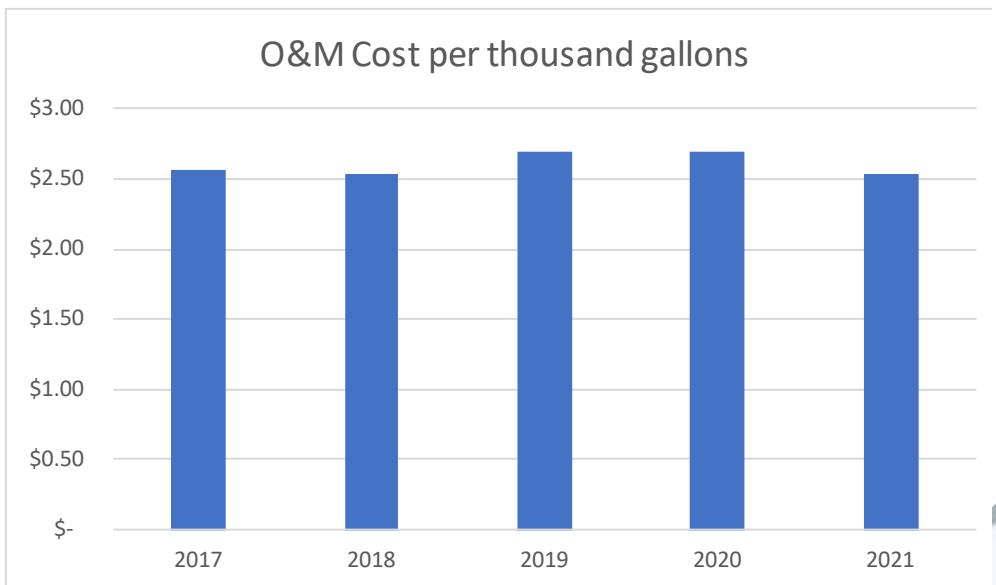


Operations & Maintenance Expenses



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.

There are many challenges to overcome in keeping O&M expenses down, from rising healthcare costs, to increases in the cost of power and water treatment commodities. WaterOne is continuously looking for ways to provide the level of service that our customers expect, while keeping costs down.

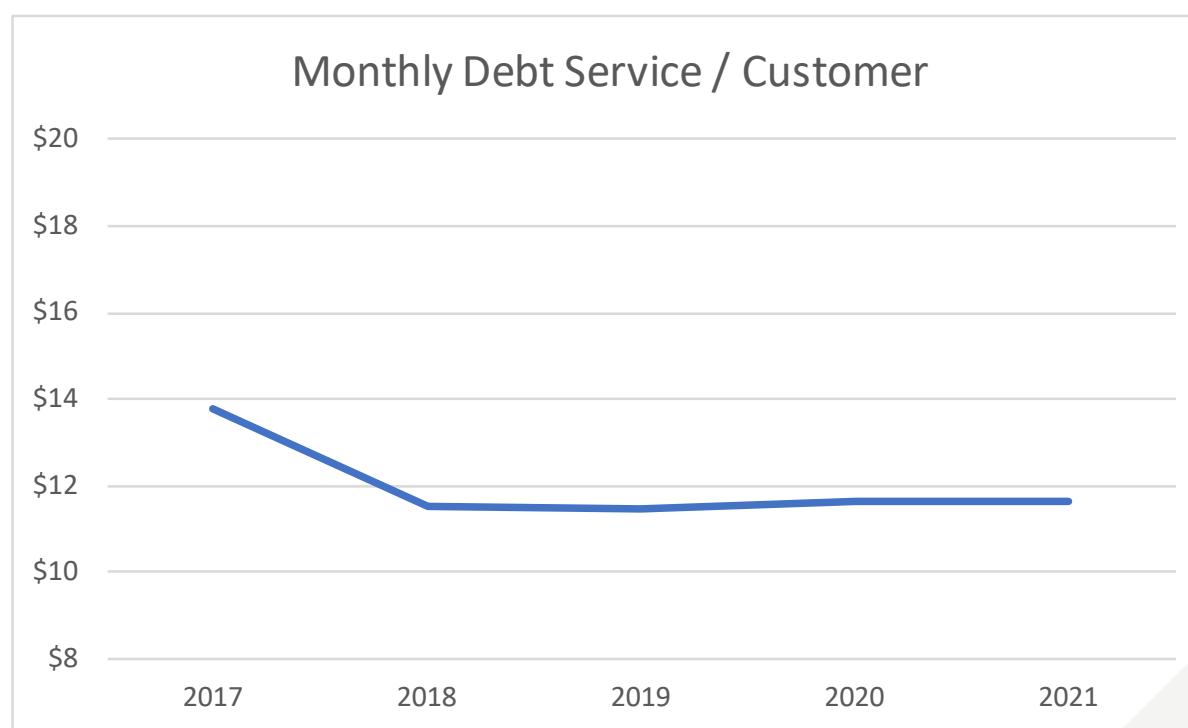


Long Term Debt

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)

S&P Global
AAA RATING

MOODY'S
Aaa RATING

Balance Sheet

(in thousands)

	December 31,		Variance	
	2021	2020	Dollars	Percentage
			Increase (Decrease)	
Capital Assets	1,170,113	1,145,344	24,769	2.16%
Total special funds	38,885	38,829	56	0.14%
Total current assets	134,549	126,471	8,078	6.39%
Deferred outflows of resources	20,553	15,469	5,084	32.87%
Total Assets And Deferred Outflows	1,364,100	1,326,113	37,987	2.86%
Long-term liabilities and other liabilities	251,268	260,497	(9,229)	-3.54%
Current liabilities	35,220	36,295	(1,075)	-2.96%
Deferred inflows of resources	9,332	8,271	1,061	12.83%
Total Liabilities And Deferred Inflow Of Resources	295,820	305,063	(9,243)	-3.03%
Net investment in capital assets	949,227	909,200	40,027	4.40%
Restricted	32,322	32,378	(56)	-0.17%
Unrestricted	86,731	79,472	7,259	9.13%
Total Net Position	1,068,280	1,021,050	47,230	4.63%
Total Liabilities, Deferred Inflows Of Resources, And Net Position	1,364,100	1,326,113	37,987	2.86%

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 2021

ELEVATED TANKS

K-7/K-10 and 199th & Lackman

WaterOne's two newest elevated tanks were completed in 2021. The water towers are new additions to Johnson County's skyline and will support growing neighborhoods at the western and southernmost parts of WaterOne's distribution system.

The first tower is located near the K-7 & K-10 Highway Interchange in Olathe and has a 2 million gallon capacity. The second is located at 199th Street & Lackman Road in Spring Hill and has a capacity of 1 million gallons. The Lackman Road water tower is unique in that it's built directly next to an existing tower. This was a planned phase-in to match the pace of development and allows WaterOne to take the existing tower out of service for scheduled maintenance.

Water towers ensure pressure reliability and storage capacity, and help support public safety by ensuring there is an adequate supply available for emergencies such as fighting fires. The towers represent a combined investment in our infrastructure of \$12.3 million.

OZONE

As part of a forward-looking approach to the future of water treatment, WaterOne constructed ozone water treatment facilities at Hansen Treatment Plant. Ozone is a powerful natural disinfectant and offers more effective treatment for bacteria, viruses, pharmaceuticals, and taste and odor compounds in the source water. Integrating ozone into the water treatment process makes WaterOne's operations more efficient by eliminating, reducing, or simplifying water treatment chemicals and processes.

The Ozone Facilities project was first planned in 2013, ground was broken in December 2017, and the project was completed in September 2021. The project investment totaled \$44.6M, has a useful life in excess of 40 years, and reduced operating costs related to water treatment chemicals.



Major Projects, continued

RIMI

Nearly every employee generates records that must be retained and managed, whether for internal reference or to meet legal requirements. The Records and Information Management Initiative was commissioned to modernize WaterOne's entire records lifecycle process. RIMI will manage both paper and digital records and provide greater capability to find, manage, and dispose of those records at the appropriate time according to the records retention schedule.

In 2021, the rollout became more division-focused. The project continues to expand to additional WaterOne divisions in 2022.

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.

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.

RENEWABLES DIRECT PROGRAM

In 2021 WaterOne began purchasing power from the Ponderosa wind farm in Oklahoma through the Renewables Direct Program offered by Evergy. This program allows WaterOne to purchase renewable energy for approximately 60% of its power demands at the administrative facility and pumping stations over the next five years. As part of the agreement WaterOne pays a fixed cost per kilowatt hour of renewable power provided instead of the traditional variable Energy Cost Adjustment or ECA factor. This agreement aligns with WaterOne's strategic goal of being a good steward of the environment and helps support our local power providers in achieving our shared sustainability goals using abundant and affordable wind energy.



NALL AVENUE PUMP STATION PHASE II

WaterOne's Nall Avenue Pump Station, located at 146th and Nall, was originally built in 2012. Phase II updates were completed in April 2021, increasing the station's capacity with an additional 6 million gallon underground reservoir that complemented the existing 6 million gallon reservoir already on site. As part of the Phase II update, additional internal pumping equipment and electrical gear were installed inside the existing building. The site was returned to the same appearance as before the project, and the total investment in infrastructure was \$10.9M.

AMI

WaterOne's multi-year Advanced Metering Infrastructure (AMI) project is on track. First greenlit by the WaterOne Board in early 2018 with project partner Sensus/Xylem, this district-wide project is advancing meter reading and paving the way for customers' easy access to their own water use information. Once the project is fully implemented, customers will be able to access their own daily water consumption and set alerts which may help them avoid large leaks or surprise high bills. In addition, WaterOne can better operate its system and provide services to customers at greater convenience and value such as confirmation readings, move-out readings, and detecting stuck meters.

AMI reached a significant milestone in 2021 as outdoor equipment installations were completed. Indoor installations will continue in 2022.

WaterOne also released the MyAccount customer portal in October 2021, providing customers with access to a new online dashboard displaying personalized water usage.



WaterOne

Financial Accomplishments & Awards



FINANCIAL ACCOMPLISHMENTS

WaterOne transitioned to a new banking service provider in 2021. WaterOne has extensive banking needs, including checking account requirements, investment holdings, mail payment delivery and process management, and purchasing and accounts payable cards. Incentive revenue is received from card programs. The new agreement will save ratepayers \$350,000 over a five-year period through reduced costs and higher incentive revenue.

In June of 2021, the WaterOne Board approved a wholesale water supply agreement with Kansas Rural Water District 7 (RWD7). This is WaterOne's first wholesale water supply agreement in over 20 years and was possible due to extensive cross-divisional effort. A wholesale agreement is an additional revenue source for the organization and contributes to WaterOne's strategic goal of ensuring financial stability.

AWARDS

For the third year in a row, WaterOne's Procurement Department has earned the prestigious Achievement of Excellence in Procurement award recognizing their great work. The Achievement of Excellence in Procurement is an award established by the National Procurement Institute (NPI) to recognize success in public procurement. This annual program recognizes procurement organizations that embrace Innovation, Professionalism, Productivity, Leadership, and e-Procurement. The accolade is awarded annually to organizations who meet specific criteria. 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 2021 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. The award acknowledges how well the budget serves as a policy document, financial plan, operations guide, and communications device.



2021 By The Numbers

20,162

BACKFLOW
ASSEMBLIES
TRACKED

REPLACED
11.05

MILES OF AGING
INFRASTRUCTURE

599

MAIN BREAK
REPAIRS



RECEIVED OVER
1,626
JOB
APPLICATIONS

CELEBRATED
4,817
YEARS OF
COLLECTIVE
SERVICE

26,979

VALVES
INSPECTED

2,906

PURCHASE
ORDERS
CREATED



13,815

LAB SAMPLES

31,670

LINE LOCATE
REQUESTS FILLED

23.6
BILLION

GALLONS OF
WATER
PRODUCED

INVESTIGATED

670

STUCK METERS

84,220

CUSTOMER
SERVICE
CONTACTS



4,487

OPERATIONS &
MAINTENANCE
LINE ITEMS
BUDGETED

5
MILLION

EMAIL THREATS
BLOCKED



9,237

NEW GIS ASSETS
DOCUMENTED



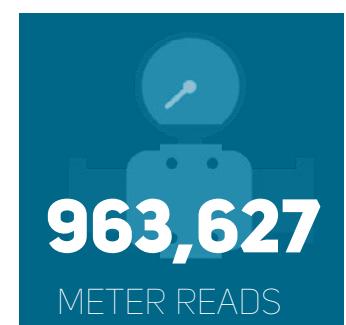
18,985
FIRE HYDRANTS
INSPECTED

4,765

COMPLETED
HELP DESK
TICKETS

HELPED
471

CUSTOMERS
WITH WATER
& PRESSURE
CONCERN



963,627

METER READS

100%

EMPLOYEES TOOK
MANDATORY
IT SECURITY
TRAINING

233

KIDS EDUCATED
ABOUT TAP



6.3 MILLION

SOCIAL MEDIA
IMPRESSIONS



6

PROCESSES
AUDITED



100%

AUDIT FINDINGS
IMPLEMENTED



90

OPEN
POSITIONS

CONDUCTED
OVER
500

JOB INTERVIEWS



WaterOne
Water District No. 1 of Johnson County