

WaterOne

Water District No. 1 of Johnson County



POPULAR ANNUAL FINANCIAL REPORT 2023

For the Year Ended
December 31st, 2023

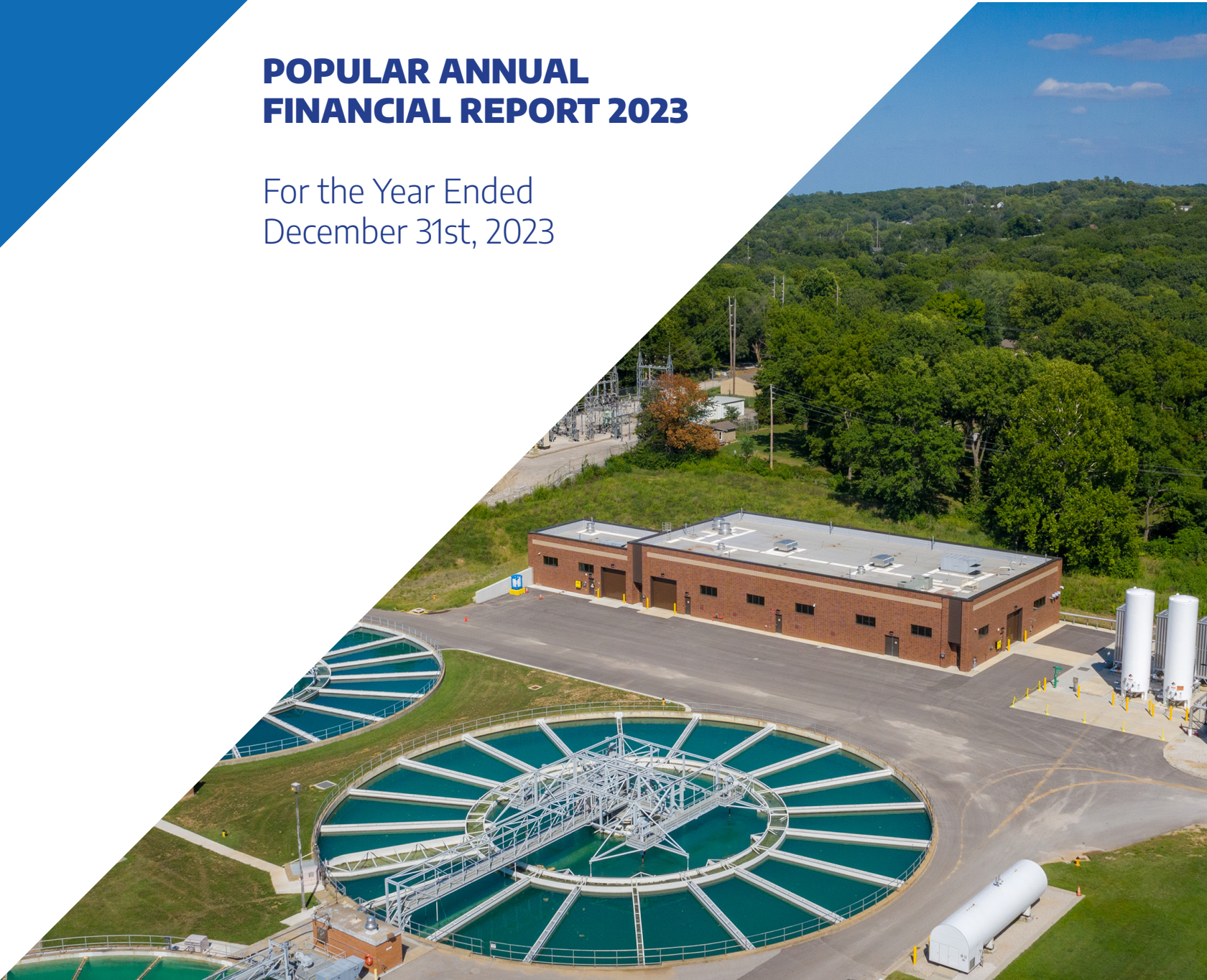


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DIRECTOR'S NOTE



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, 2023.

The PAFR is based on the 2023 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.

Just as in 2022, the biggest challenge in 2023 was dealing with the continued effects of inflation. Costs increased across the organization. Wages, materials, chemicals, supplies, and services all showed significant inflationary increases. WaterOne implemented a 5.8% rate increase in 2023, the highest since 1993. This allowed WaterOne to be competitive in a tight wage market, continue to fund



operations to make safe, great tasting water and reinvest in infrastructure.

Additionally, water sales exceeded budget by \$16.1 million or 12.2% in 2023 due to the dry weather pattern. This allowed WaterOne to absorb inflationary cost increases as expenses were \$7.6 million or 11.4% over budget. The additional revenue also allowed WaterOne to increase funding to the Master Plan fund, Transmission & Distribution fund, Negative Cash Flow reserve, and Rate Stabilization reserve.

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 2023. 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, 2023 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.

General Manager



Shaun Peitig - General Manager

The Governing Board voted to confirm Shaun Pietig as General Manager for the WaterOne in July of 2023. The General Manager serves as the chief executive officer and is responsible for the daily administration of the utility's operations, personnel, and financial affairs. The General Manager reports directly to the Governing Board and is accountable for the overall operation and successful performance of the organization.

Shaun is the fifth appointed General Manager to serve WaterOne in its 66-year history. "I'm humbled and excited for the opportunity to support WaterOne's strong culture and tradition of excellence," said Shaun. "I am passionate about the district's operations, staff, and the almost half a million customers who rely on WaterOne every day."

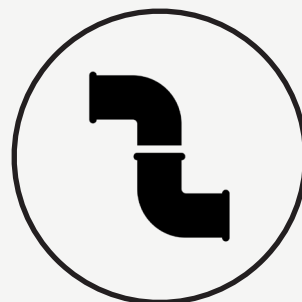
Who We Serve



**AREA
SERVED**
272
SQUARE
MILES



**POPULATION
SERVED**
480,000
RESIDENTS



**SERVICE
CONNECTIONS**
154,000+

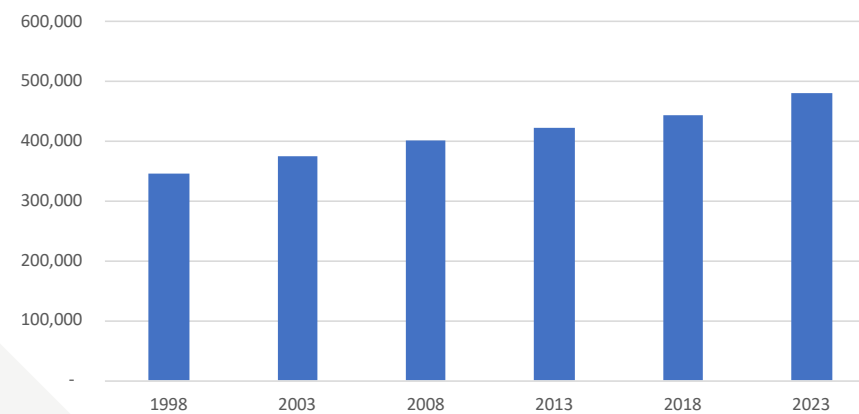


**RESIDENTIAL
CONNECTIONS**
91%



**COMMERCIAL
CONNECTIONS**
9%

WaterOne Population Served

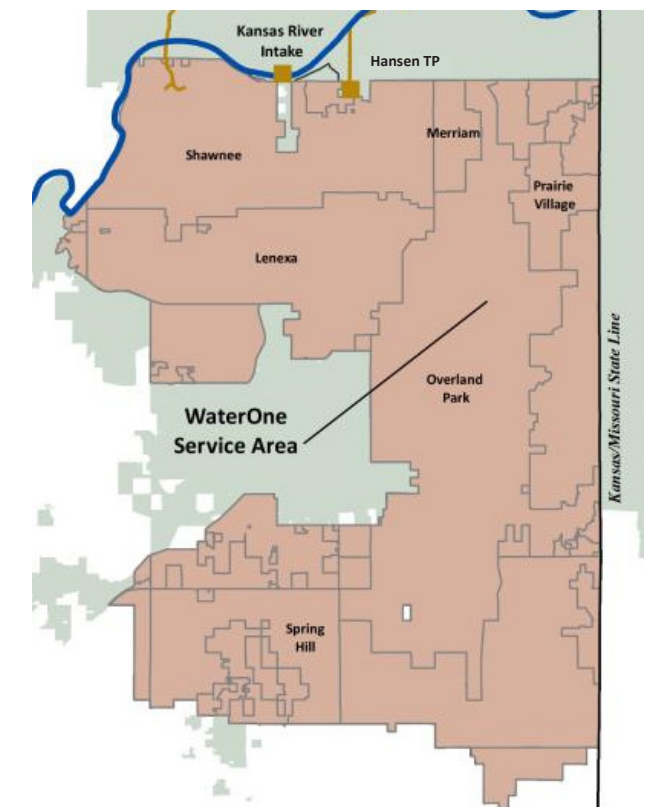


TOP COMMERCIAL ACCOUNTS*

1. Coca Cola Bottling
2. Johnson County Wastewater
3. Blue Valley School District
4. City of Overland Park
5. Corporate Woods
6. Shawnee Mission School District
7. City of Lenexa
8. Kansas City Country Club
9. Shawnee Mission Medical Center
10. Elanco Kansas LLC
11. CEVA Biomune
12. Milburn Golf Country Club
13. Indian Hills Country Club
14. Meadowlark Hill Appartments
15. Tallgrass Creek INC

**WaterOne's top 15 customers account for 3.7% of total revenue.*

DISTRICT SERVICE AREA

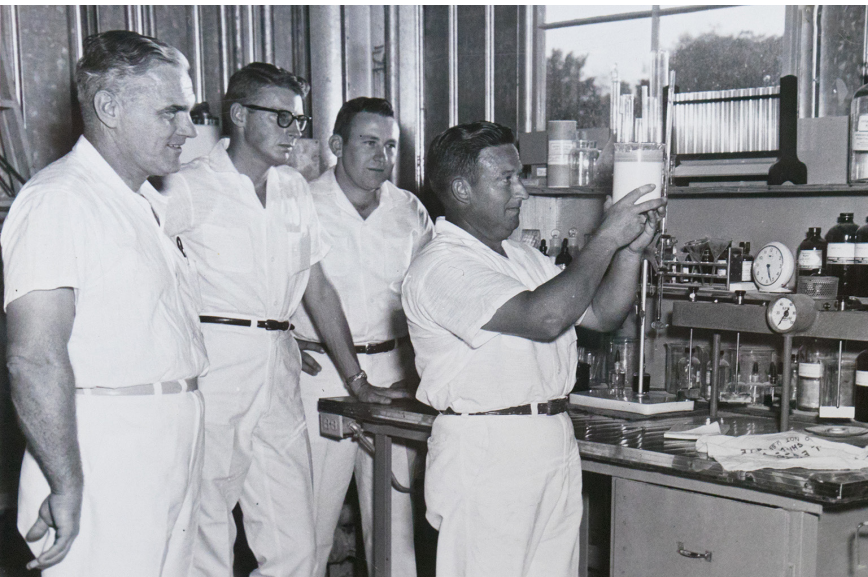
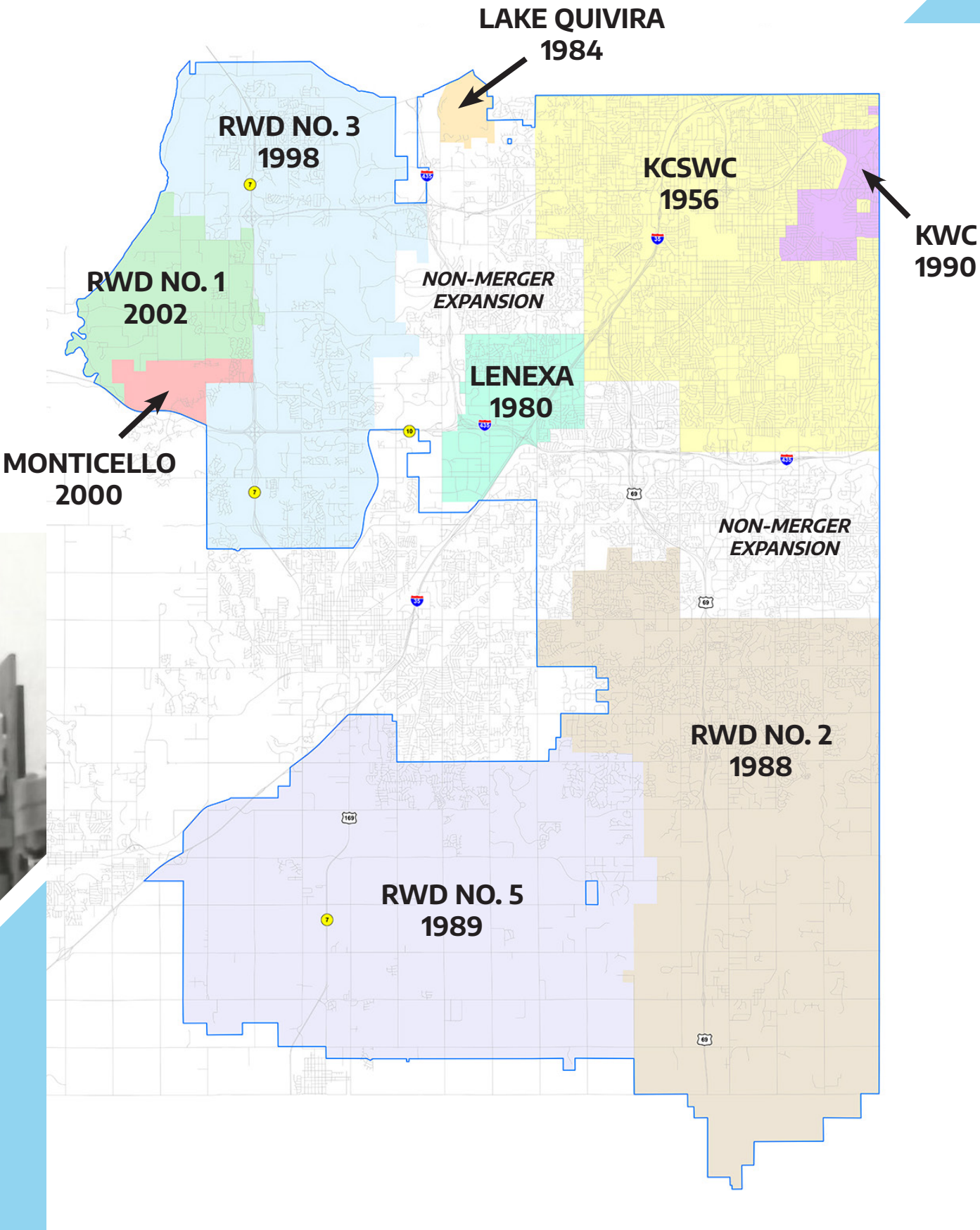


History

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 480,000 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 | 5. Continuously improve business processes |
| 2. Provide excellent customer service | 6. Proactively manage infrastructure |
| 3. Be an employer of choice | 7. Be good stewards of the environment |
| 4. Ensure financial stability and predictable rates | 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

2023 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?

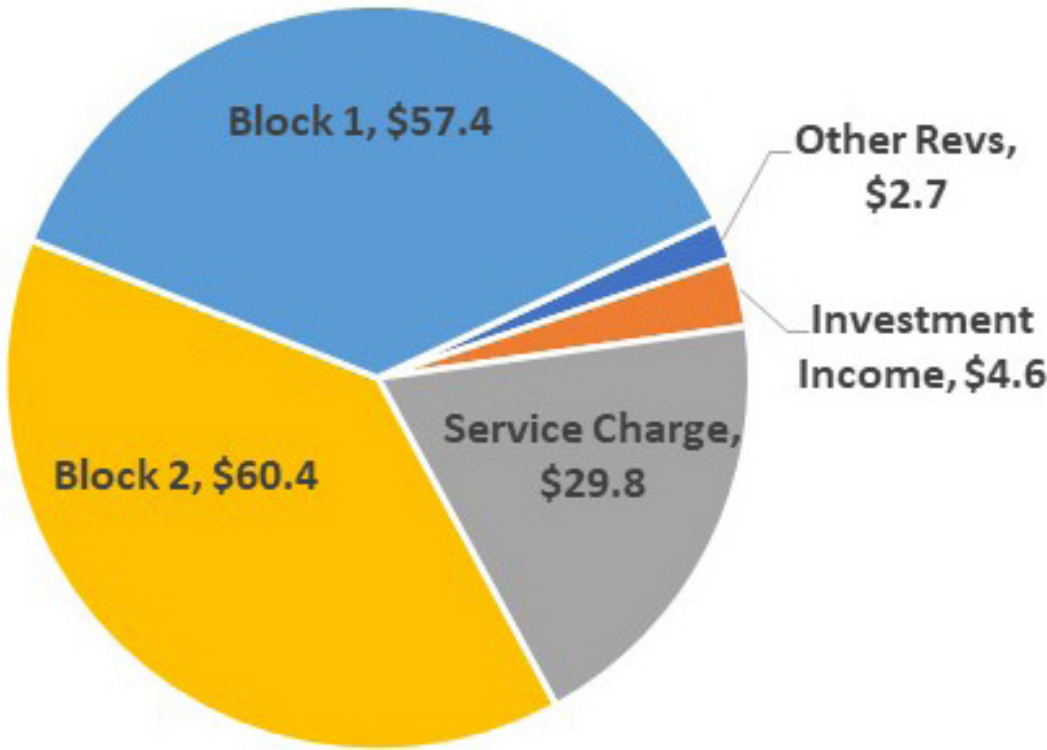
Rates & Revenues for 2023

There was a 5.8% rate increase from 2022 to 2023. Rate increases are required to ensure adequate investment in WaterOne's capital infrastructure and to help offset the impact of declining base (winter) consumption.

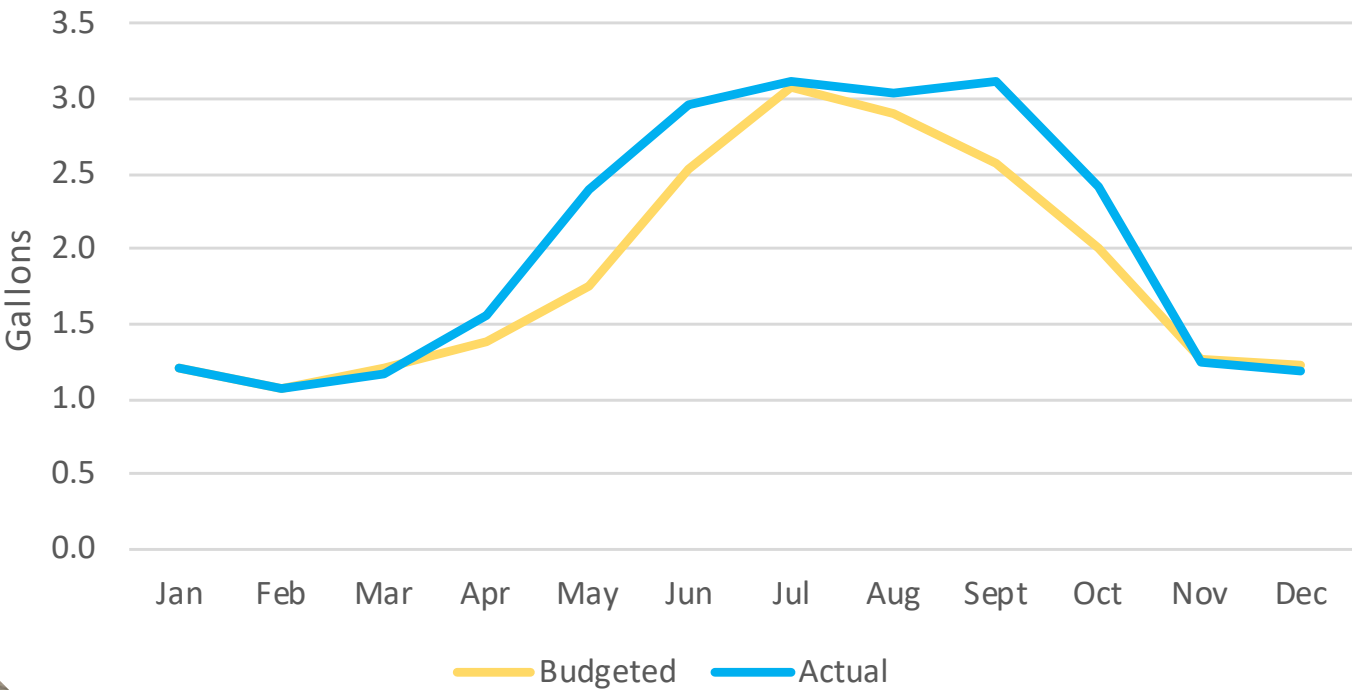
WaterOne receives most of its revenues from water sales, and therefore weather can heavily influence its revenue in a given year due to the volume of water that is used for lawn irrigation.

The continued inflationary environment provided financial challenges. 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.

Revenues (millions) Total \$154.9



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.

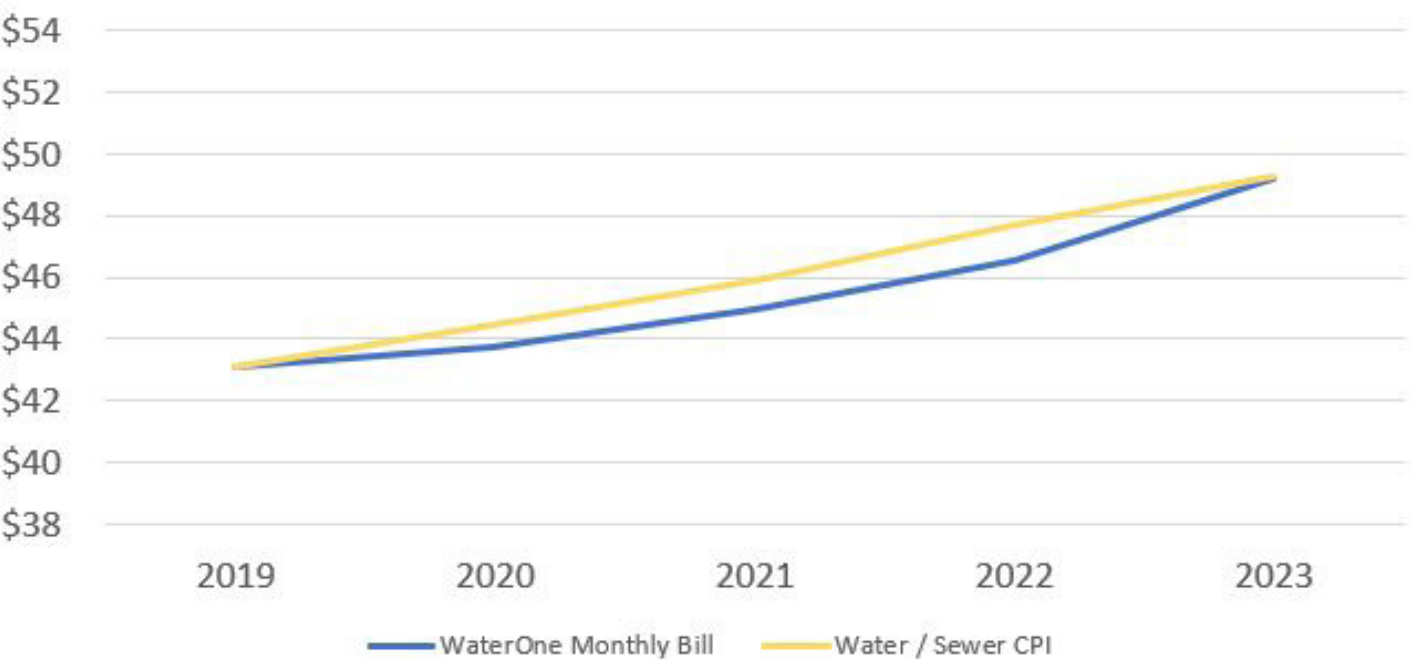
The table below shows a calculation for a customer with a 5/8” meter using 7,000 gallons per month with 75% of their usage at the Block 1 rate.

*rates shown are per 1,000 gallons

Block	Gallons	2023 Rates*	Total
1	5,250	\$4.59	\$24.10
2	1,750	\$6.89	\$12.06
Service Charge	NA	\$13.05	\$13.05
	7,000		\$49.21



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

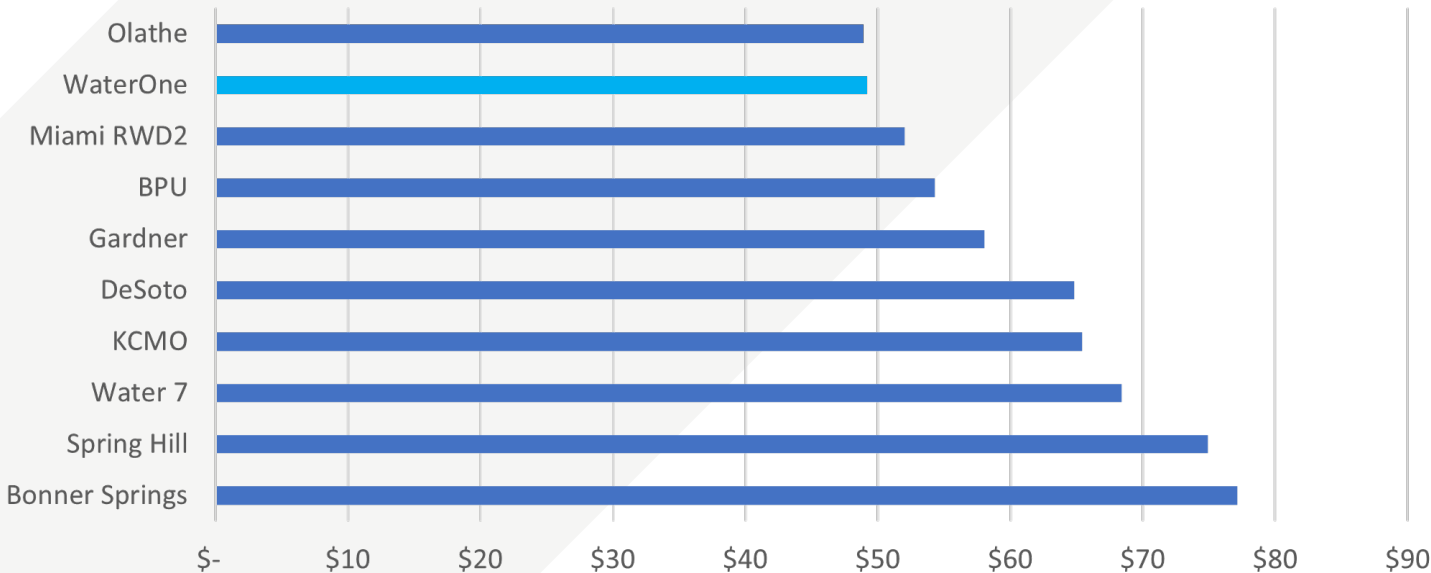


Even with the rising cost of labor, water treatment commodities, energy, and infrastructure maintenance, the monthly bill for a typical WaterOne customer has risen at a rate significantly lower than the comparable water/sewer consumer price Index. This has been true even as consumption per customer has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



WaterOne had the second lowest water rates compared to its neighboring utilities in 2023.

Average monthly bill for typical customer in 2023



Where does the money go?

Breakdown of Expenditures

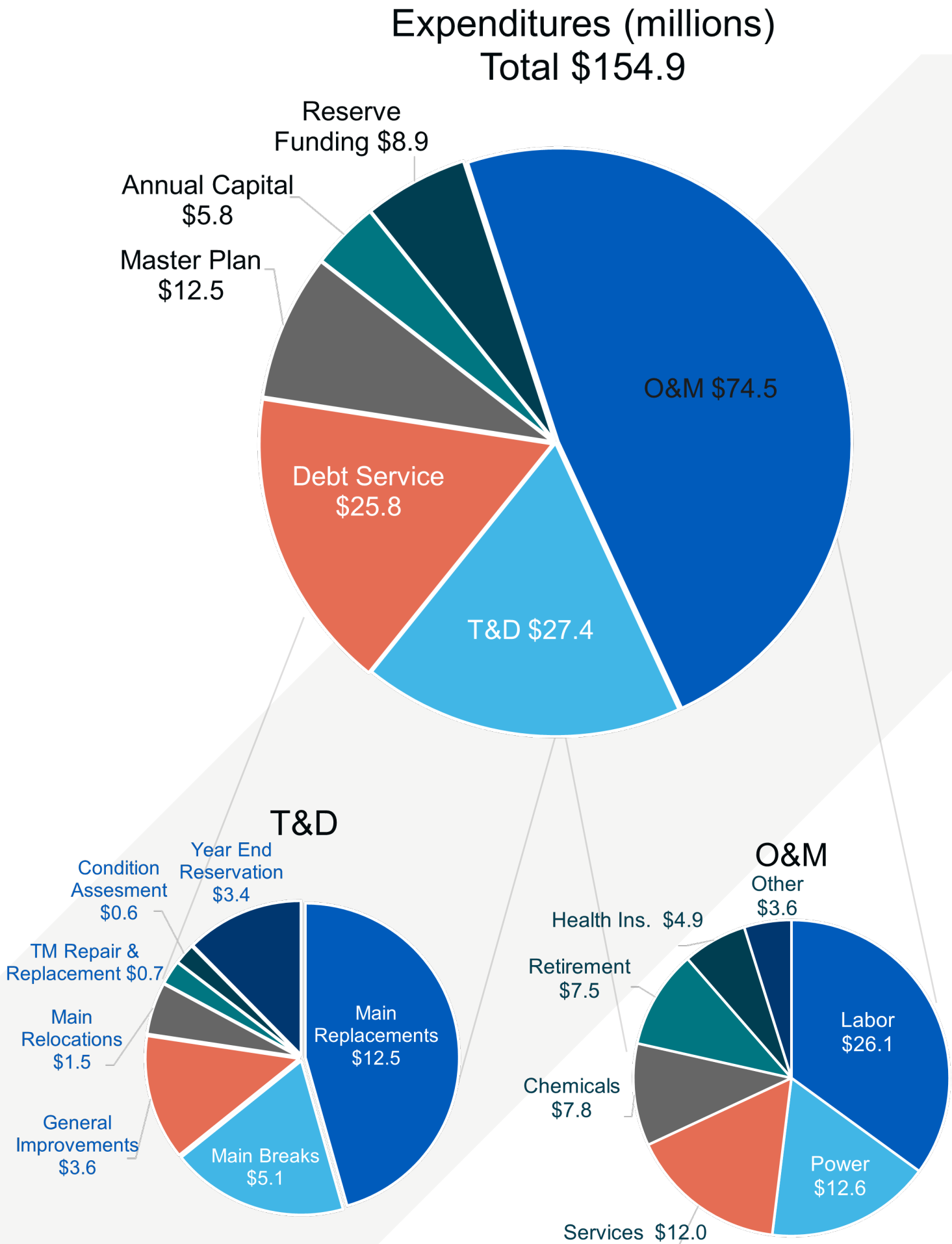
The largest portion of WaterOne’s annual expenditures come from Operations & Maintenance (O&M). This includes costs like payroll, healthcare insurance, retirement benefits, and water treatment needs like power and water treatment commodities.

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.

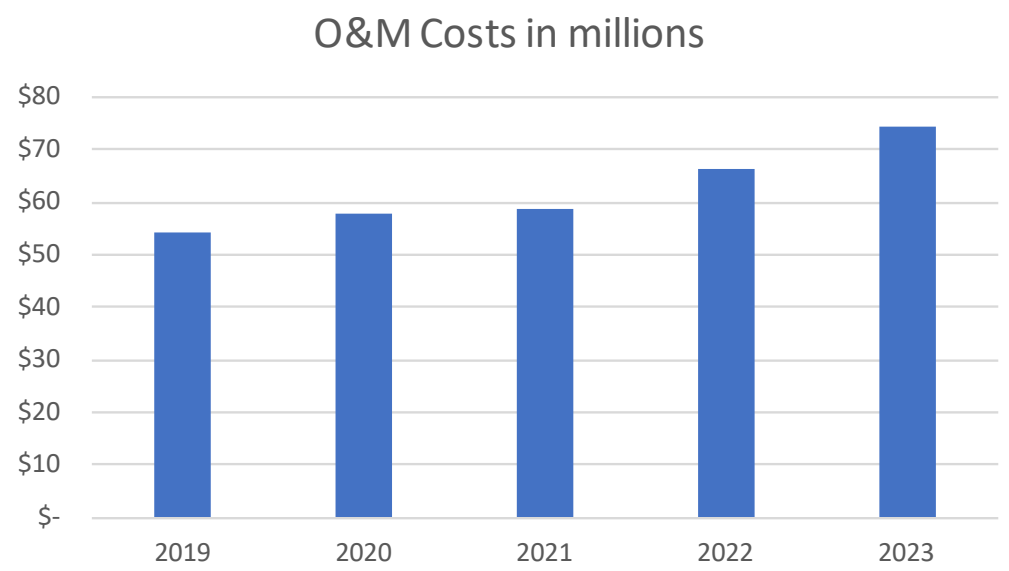
Debt service is for the repayment of long-term debt. WaterOne incurs long-term debt primarily by issuing tax-exempt bonds.

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.

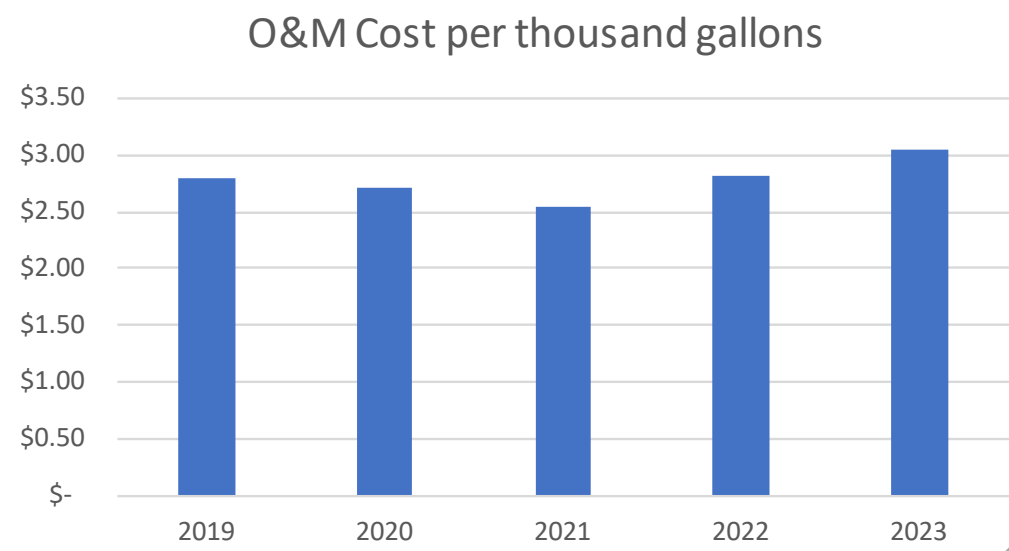


Operations & Maintenance Expenses



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	
	2023	2022	Dollars Increase (Decrease)	Percentage
Capital Assets	1,247,857	1,201,278	46,579	3.88%
Total special funds	36,536	39,008	(2,472)	-6.34%
Total current assets	164,802	151,307	13,495	8.92%
Deferred outflows of resources	28,218	18,012	10,206	56.66%
Total Assets And Deferred Outflows	1,477,413	1,409,605	67,808	4.81%
Long-term liabilities and other liabilities	230,864	232,264	(1,400)	-0.60%
Current liabilities	44,527	42,025	2,502	5.95%
Deferred inflows of resources	7,216	8,757	(1,541)	-17.60%
Total Liabilities And Deferred Inflow Of Resources	282,607	283,046	(439)	-0.16%
Net investment in capital assets	1,053,904	988,305	65,599	6.64%
Restricted	34,448	32,445	2,003	6.17%
Unrestricted	106,454	105,808	646	0.61%
Total Net Position	1,194,806	1,126,558	68,248	6.06%
Total Liabilities, Deferred Inflows Of Resources, And Net Position	1,477,413	1,409,604	67,809	4.81%

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 2023

CAMPUS IMPROVEMENTS

The 2023 Campus Improvements project included completion of a new warehouse, lay down yard, vehicle storage garage, and office space. 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.

FACILITY 1 IMPROVEMENTS

This project included a wide range of improvements to Hansen Treatment Facility 1. The project included the removal and replacement of basin equipment, the removal and replacement of two chemical feed systems and structural, electrical and instrumentation replacements. The existing equipment at this facility exceeded its anticipated useful life and condition assessments indicated the need for replacement. The project modernized the equipment and treatment process at this facility allowing operations staff to remotely monitor, control and flow pace all necessary functions of the facility from a centralized control room.



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. In 2023, significant design engineering was completed. The hydropower facility will reduce carbon emissions, reduce operating costs and increase resiliency.

WELL FIELD / COLLECTOR WELLS CAISSON

This project consists of the design and construction 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



AWARDS

The Kansas American Water Works Association (KsAWWA) awarded WaterOne with the “Best Tasting Water in Kansas” award at its annual conference. The ETC Institute honored WaterOne with the “Leading The Way” customer satisfaction award for its outstanding customer service. WaterOne was also awarded “Honoree” status by the Kansas City Business Journal for Kansas City Healthiest Employers Awards.

WaterOne was recognized with the Government Finance Officers Association’s Distinguished Budget Presentation Award for WaterOne’s 2023 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. For the fifth year in a row, WaterOne has earned the prestigious Achievement of Excellence in Procurement award from the National Procurement Institute recognizing their great work.

2023 By The Numbers

21,104

BACKFLOW
ASSEMBLIES
TRACKED

REPLACED
14.58

MILES OF AGING
INFRASTRUCTURE

796

MAIN BREAK
REPAIRS



14,000

LAB SAMPLES

40,126

LINE LOCATE
REQUESTS FILLED

26.7
BILLION

GALLONS OF
WATER
PRODUCED



4,698

COURTESY METER
CHECKS

6,100

COMPLETED
HELP DESK
TICKETS

INVESTIGATED
1,927

STUCK METERS

71,911

CUSTOMER
SERVICE
CONTACTS

4

PROCESSES
AUDITED



HELPED
399

CUSTOMERS
WITH WATER
& PRESSURE
CONCERNS

1,012,378

METER READS

RECEIVED OVER
1,885

JOB
APPLICATIONS

CELEBRATED
5,400

YEARS OF
COLLECTIVE
SERVICE

1,154

TAPS MADE

2,346

PURCHASE
ORDERS
CREATED

40,126

LINE LOCATES
COMPLETED

6
MILLION

EMAIL THREATS
BLOCKED



10,000

NEW GIS ASSETS
DOCUMENTED



97

BIDS PROCESSED

573

CUSTOMER LEAK
INVESTIGATIONS

4.8%

RATE INCREASE,
LOWEST IN THE
AREA!

100%

EMPLOYEES TOOK
MANDATORY
IT SECURITY
TRAINING

1,910

KIDS EDUCATED
ABOUT TAP



375,000

SOCIAL MEDIA
IMPRESSIONS

96%

AUDIT FINDINGS
IMPLEMENTED



FILLED
99

OPEN
POSITIONS

CONDUCTED
990

JOB INTERVIEWS



WaterOne
Water District No. 1 of Johnson County