



*Your Source for Energy and Water Services.*

electric  
natural gas  
water  
wastewater

## Second Quarter Financial Report FY 2016

### Statement of Net Position

(unaudited)

As of December 31  
(thousands)

	2015	2014
<b>Current assets</b>		
Cash & Equivalents	\$ 160,144	\$ 181,602
Operating Contingency Reserves	89,948	82,328
Accounts Receivable	45,528	50,942
Inventory	10,278	9,161
Other	41,918	48,275
Total Current Assets	\$ 347,816	\$ 372,308
<b>Restricted assets</b>		
Unused Bond Proceeds	\$ -	\$ 12,664
Bond Fund	34,516	30,888
Other	34	54
Total Restricted Assets	\$ 34,550	\$ 43,606
<b>Net Plant</b>	\$ 1,690,635	\$ 1,574,104
<b>Other Assets</b>	\$ 30,334	\$ 20,869
<b>Total Assets</b>	\$ 2,103,335	\$ 2,010,887
<b>Deferred Outflows of Resources</b>	\$ 30,545	\$ 11,884
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 2,133,880	\$ 2,022,771
<b>Current Liabilities</b>		
Current Bonds Payable	\$ 30,870	\$ 27,250
Accounts Payable	67,996	76,485
Other	63,800	67,457
Total Current Liabilities	\$ 162,666	\$ 171,192
<b>Other Liabilities</b>	\$ 22,973	\$ 25,989
<b>Long-term Debt</b>	\$ 994,115	\$ 917,344
<b>Total Liabilities</b>	\$ 1,179,754	\$ 1,114,525
<b>Deferred Inflows of Resources</b>	\$ 6,378	\$ -
<b>Total Liabilities and Deferred Inflows of Resources</b>	\$ 1,186,132	\$ 1,114,525
<b>Net position</b>		
Net Investment in Capital Assets	\$ 698,882	\$ 642,260
Restricted for:		
Debt Service	21,377	18,709
Other	34	54
Unrestricted	227,455	247,223
Total Net Position	\$ 947,748	\$ 908,246
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	\$ 2,133,880	\$ 2,022,771



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**Statement of Revenues, Expenses, and  
Changes in Net Position**  
(unaudited)

	Three Months Ended December 31 (thousands)		Six Months Ended December 31 (thousands)	
	2015	2014	2015	2014
<b>Operating Revenue</b>	\$ 173,523	\$ 188,799	\$ 361,165	\$ 371,860
Less: Purchased Energy	(101,368)	(115,779)	(219,561)	(235,331)
Margin on Sales	\$ 72,155	\$ 73,020	\$ 141,604	\$ 136,529
<b>Operating Expenses</b>				
Operations & Maintenance	\$ 29,616	\$ 29,889	\$ 54,844	\$ 56,349
Depreciation Expense	16,854	16,417	32,959	31,343
Taxes & Equivalents	8,074	7,793	15,684	14,728
Total Operating Expenses	\$ 54,544	\$ 54,099	\$ 103,487	\$ 102,420
<b>Operating Income</b>	\$ 17,611	\$ 18,921	\$ 38,117	\$ 34,109
<b>Other Revenue (Expenses)</b>				
Interest Income	\$ 311	\$ 224	\$ 609	\$ 428
Interest Expense	(9,838)	(9,995)	(19,676)	(19,202)
Other (Net)	(459)	(162)	(938)	(503)
Total Other Expenses	(9,986)	(9,933)	(20,005)	(19,277)
<b>Change in Net Position Before Capital Contributions</b>	\$ 7,625	\$ 8,988	\$ 18,112	\$ 14,832
Capital Contributions	444	-	1,014	-
<b>Change in Net Position</b>	\$ 8,069	\$ 8,988	\$ 19,126	\$ 14,832

**Statistical Highlights**

	Three Months Ended December 31 (thousands)			Six Months Ended December 31 (thousands)		
	2015	2014	% Change	2015	2014	% Change
Electric Sales (MWh)	1,206	1,321	-9%	2,873	2,951	-3%
Gas Sales (Dth in 000s)	2,843	3,759	-24%	4,332	5,264	-18%
Water Sales (Mg)	1,884	1,860	1%	4,486	4,426	1%
Wastewater Sales (Mg)	1,561	1,587	-2%	3,656	3,602	1%
Heating Degree Days	883	1,489	-41%	893	1,490	-40%
Cooling Degree Days	48	36	33%	1,074	951	13%
Avg Temperature	55.6	49.0	13%	65.7	61.9	6%

Mega Watt hour (MWh)  
Dekatherm (Dth)  
Million Gallon (Mg)

**KUB Bond Ratings**

	Moody's	Standard & Poor's
Electric	Aa2	AA+
Gas	Aa2	AA
Water	Aa2	AAA
Wastewater	Aa2	AA+

*KUB operates four separate enterprise funds. This presentation represents a consolidation of statements for the enterprise funds, as provided for under Governmental Accounting Standard 34.*

*These unaudited financial statements should be read in conjunction with the Notes to Financial Statements appearing in KUB's Annual Report for fiscal year 2015.*



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## **Second Quarter Financial Report Fiscal Year 2016**

### **Management Financial Discussion**

KUB's change in net position (net income) for the six months ended December 31, 2015 was \$19.1 million, representing an increase of \$4.3 million from the same period last year. Revenue associated with rate increases for each of the four utility systems was the primary factor for the increase in KUB's net position, combined with higher water and wastewater sales and lower operations and maintenance (O&M) expenses.

Margin on sales decreased \$0.9 million or 1.2 percent as compared to last year's second quarter. Electric system margin increased \$0.3 million over the previous fiscal year, reflecting additional revenue from the July 2015 rate increase. Natural gas system margin decreased \$2.9 million. Gas sales volumes decreased 24 percent compared to last year's second quarter due to unseasonably warm weather during November and December 2015. Water system margin increased \$0.8 million, the result of a 1 percent increase in sales volume and additional revenue from the July 2015 rate increase. Wastewater system margin increased \$0.9 million, reflecting additional revenue from the October 2015 rate increase.

Year-to-date margin on sales increased \$5.1 million or 3.7 percent compared to last year. O&M expenses decreased \$1.5 million partially due to timing differences in the recognition of pension expense associated with the implementation of a new governmental accounting standard. Depreciation expense increased \$1.6 million. Taxes and Equivalents increased \$1 million.

Interest expense for the second quarter of fiscal year 2016 decreased \$0.2 million. Fiscal year to date interest expense increased \$0.5 million compared to the prior year. Interest income for the fiscal year to date increased \$0.2 million.

KUB's total bonds outstanding as of December 31, 2015, were \$997.2 million, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$62.4 million compared to the same period last year, reflecting \$85 million in bonds sold in May 2015 to fund utility system infrastructure improvements.