



electric
gas
water
wastewater

Your Source for Energy and Water Services.

Third Quarter Financial Report FY 2016

Statement of Net Position

(unaudited)

As of March 31
(thousands)

	2016	2015
Current assets		
Cash & Equivalents	\$ 162,294	\$ 192,332
Operating Contingency Reserves	90,489	82,621
Accounts Receivable	51,845	68,920
Inventory	10,974	9,292
Other	32,914	30,209
Total Current Assets	\$ 348,516	\$ 383,374
Restricted assets		
Bond Fund	\$ 32,589	\$ 29,802
Other	22	44
Total Restricted Assets	\$ 32,611	\$ 29,846
Net Plant	\$ 1,706,501	\$ 1,598,555
Other Assets	\$ 26,351	\$ 14,860
Total Assets	\$ 2,113,979	\$ 2,026,635
Deferred Outflows of Resources	\$ 31,624	\$ 11,700
Total Assets and Deferred Outflows of Resources	\$ 2,145,603	\$ 2,038,335
Current Liabilities		
Current Bonds Payable	\$ 31,050	\$ 27,545
Accounts Payable	70,097	80,725
Other	62,655	63,930
Total Current Liabilities	\$ 163,802	\$ 172,200
Other Liabilities	\$ 25,775	\$ 30,897
Long-term Debt	\$ 983,694	\$ 907,954
Total Liabilities	\$ 1,173,271	\$ 1,111,051
Deferred Inflows of Resources	\$ 6,378	\$ -
Total Liabilities and Deferred Inflows of Resources	\$ 1,179,649	\$ 1,111,051
Net position		
Net Investment in Capital Assets	\$ 724,511	\$ 675,483
Restricted for:		
Debt Service	19,353	16,810
Other	21	44
Unrestricted	222,069	234,947
Total Net Position	\$ 965,954	\$ 927,284
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,145,603	\$ 2,038,335



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**Statement of Revenues, Expenses, and
Changes in Net Position**

(unaudited)

	Three Months Ended March 31 (thousands)		Nine Months Ended March 31 (thousands)	
	2016	2015	2016	2015
Operating Revenue	\$ 206,195	\$ 221,306	\$ 567,360	\$ 593,166
Less: Purchased Energy	(123,506)	(139,961)	(343,067)	(375,292)
Margin on Sales	\$ 82,689	\$ 81,345	\$ 224,293	\$ 217,874
Operating Expenses				
Operations & Maintenance	\$ 30,222	\$ 30,741	\$ 85,066	\$ 87,090
Depreciation and Amortization Expense	17,317	15,123	50,276	46,466
Taxes & Equivalents	7,962	7,422	23,646	22,150
Total Operating Expenses	\$ 55,501	\$ 53,286	\$ 158,988	\$ 155,706
Operating Income	\$ 27,188	\$ 28,059	\$ 65,305	\$ 62,168
Other Revenue (Expenses)				
Interest Income	\$ 389	\$ 215	\$ 998	\$ 643
Interest Expense	(9,811)	(9,795)	(29,487)	(28,997)
Other (Net)	440	357	(498)	(145)
Total Other Expenses	\$ (8,982)	\$ (9,223)	\$ (28,987)	\$ (28,499)
Change in Net Position Before Capital Contributions	\$ 18,206	\$ 18,836	\$ 36,318	\$ 33,669
Capital Contributions	-	201	1,014	201
Change in Net Position	\$ 18,206	\$ 19,037	\$ 37,332	\$ 33,870

Statistical Highlights

	Three Months Ended March 31			Nine Months Ended March 31		
	2016	2015	% Change	2016	2015	% Change
Electric Sales (MWh)	1,401	1,473	-5%	4,274	4,424	-3%
Gas Sales (Dth in 000s)	5,164	5,657	-9%	9,496	10,921	-13%
Water Sales (Mg)	1,794	1,816	-1%	6,280	6,242	1%
Wastewater Sales (Mg)	1,546	1,559	-1%	5,202	5,161	1%
Heating Degree Days	1,846	2,189	-16%	2,739	3,679	-26%
Cooling Degree Days	15	2	-	1,089	953	14%
Avg Temperature	44.6	40.2	11%	58.7	54.6	8%

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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Third Quarter Financial Report Fiscal Year 2016

Management Financial Discussion

KUB's change in net position (net income) for the nine months ended March 31, 2016 was \$37.3 million, representing an increase of \$3.5 million from the same period last year. The change in net position by system includes \$12.5 million for electric, \$10.7 million for natural gas, \$5.4 million for water, and \$8.7 for the wastewater system.

Margin on sales increased \$6.4 million or 2.9 percent compared to last fiscal year. Electric sales margin increased \$4.4 million, reflecting additional revenue from the July 2015 rate increase coupled with a 3.4 percent decrease in sales volumes. Gas sales margin decreased \$3.9 million, due to a 13 percent decrease in sales volumes from the second mildest winter in the last 40 years combined with the October 2015 rate increase. Water margin increased \$2.5 million, the result of a 0.6 percent increase in water sales volumes and additional revenue from the July 2015 rate increase. Wastewater margin increased \$3.6 million, reflecting a 0.8 percent increase in sales volumes and additional revenue from the October 2015 rate increase.

O&M expenses fiscal year to date decreased \$2 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 \$3.8 million. Taxes and tax equivalents increased \$1.5 million.

Interest expense fiscal year to date increased \$0.5 million compared to the prior year. Interest income fiscal year to date increased \$0.4 million due to an increase in the market interest rates.

KUB's total debt outstanding as of March 31, 2016, was \$987.4 million, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$61.5 million compared to the same period last year. KUB issued \$85 million in bonds in April 2015 for the purpose of funding utility system capital improvements for the electric, water, and wastewater systems.