



electric
gas
water
wastewater

Your Source for Energy and Water Services.

Third Quarter Financial Report FY 2019

Statement of Net Position
(unaudited)

As of March 31
(thousands)

	2019	2018
Current assets		
Cash & Equivalents	\$ 203,854	\$ 204,227
Operating Contingency Reserves	104,371	101,625
Accounts Receivable	60,393	58,108
Inventory	23,510	27,040
Other	<u>40,862</u>	<u>39,722</u>
Total Current Assets	\$ 432,990	\$ 430,722
Restricted assets		
Bond Fund	\$ 38,350	\$ 36,158
Other	<u>22</u>	<u>46</u>
Total Restricted Assets	\$ 38,372	\$ 36,204
Net Plant	\$ 1,975,173	\$ 1,864,526
Other Assets	<u>\$ 39,752</u>	<u>\$ 17,309</u>
Total Assets	\$ 2,486,287	\$ 2,348,761
Deferred Outflows of Resources	<u>\$ 26,808</u>	<u>\$ 35,209</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,513,095</u>	<u>\$ 2,383,970</u>
Current Liabilities		
Current Bonds Payable	\$ 39,450	\$ 36,190
Accounts Payable	75,404	76,133
Other	<u>73,823</u>	<u>71,440</u>
Total Current Liabilities	\$ 188,677	\$ 183,763
Other Liabilities	\$ 28,922	\$ 27,611
Long-term Debt	<u>\$ 1,149,001</u>	<u>\$ 1,110,272</u>
Total Liabilities	\$ 1,366,600	\$ 1,321,646
Deferred Inflows of Resources	<u>\$ 14,259</u>	<u>\$ 5,267</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,380,859</u>	<u>\$ 1,326,913</u>
Net position		
Net Investment in Capital Assets	\$ 813,445	\$ 749,159
Restricted for:		
Debt Service	24,078	22,105
Other	22	46
Unrestricted	<u>294,691</u>	<u>285,747</u>
Total Net Position	<u>\$ 1,132,236</u>	<u>\$ 1,057,057</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,513,095</u>	<u>\$ 2,383,970</u>



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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)	
	2019	2018	2019	2018
Operating Revenue	\$ 223,427	\$ 228,980	\$ 634,175	\$ 626,848
Less: Purchased Energy	(127,423)	(134,803)	(363,893)	(369,135)
Margin on Sales	\$ 96,004	\$ 94,177	\$ 270,282	\$ 257,713
Operating Expenses				
Operations & Maintenance	\$ 32,216	\$ 31,042	\$ 94,077	\$ 87,756
Depreciation Expense	19,196	18,886	56,700	56,089
Taxes & Equivalents	9,178	8,778	27,304	26,048
Total Operating Expenses	\$ 60,590	\$ 58,706	\$ 178,081	\$ 169,893
Operating Income	\$ 35,414	\$ 35,471	\$ 92,201	\$ 87,820
Other Revenue (Expenses)				
Interest Income	\$ 1,821	\$ 1,140	\$ 4,874	\$ 2,780
Interest Expense	(11,018)	(10,670)	(32,554)	(31,405)
Other (Net)	345	(500)	(4)	(998)
Total Other Expenses	\$ (8,852)	\$ (10,030)	\$ (27,684)	\$ (29,623)
Change in Net Position Before Capital Contributions	\$ 26,562	\$ 25,441	\$ 64,517	\$ 58,197
Capital Contributions	232	9	940	175
Change in Net Position	\$ 26,794	\$ 25,450	\$ 65,457	\$ 58,372

Statistical Highlights

	Three Months Ended March 31			Nine Months Ended March 31		
	2019	2018	% Change	2019	2018	% Change
Electric Sales (MWh)	1,317	1,414	-7%	4,329	4,340	-
Gas Sales (Dth in 000s)	5,290	5,661	-7%	10,856	11,332	-4%
Water Sales (Mg)	1,765	1,865	-5%	6,412	6,483	-1%
Wastewater Sales (Mg)	1,475	1,561	-6%	5,142	5,163	-
Heating Degree Days	1,729	1,874	-8%	3,166	3,238	-2%
Cooling Degree Days	7	22	-68%	1,299	1,069	22%
Avg Temperature	45.7	44.4	3%	57.9	56.8	2%

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

KUB Bond Ratings

	Moody's	Standard & Poor's
Electric	Aa2	AA+
Gas	Aa2	AA
Water	Aa1	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 2018.



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Third Quarter Financial Report Fiscal Year 2019

Management Financial Discussion

KUB's change in net position (net income) for the nine months ended March 31, 2019 was \$65.5 million, representing an increase of \$7.1 million from the same period last year. The change in net position by system includes \$20.6 million for electric, \$18.2 million for natural gas, \$8.9 million for water, and \$17.8 for the wastewater system.

Margin on sales increased \$12.6 million or 4.9 percent compared to last fiscal year. Electric sales margin increased \$5.8 million, the net result of a 0.2 percent decrease in sales volumes and additional revenue from the October 2018 rate increase. Gas sales margin increased \$0.6 million, the net result of a 4.2 percent decrease in sales volumes and additional revenue from the October 2018 rate increase. Water margin increased \$2.8 million, the net result of a 1.1 percent decrease in water sales volumes and additional revenue from the July 2018 rate increase. Wastewater margin increased \$3.4 million, the net result of a 0.4 percent decrease in sales volumes and additional revenue from the July 2018 rate increase.

O&M expenses fiscal year to date increased \$6.3 million, reflecting an increase in labor-related expenses for the fiscal year to date. Depreciation expense increased \$0.6 million. Taxes and tax equivalents increased \$1.3 million.

Interest expense fiscal year to date increased \$1.1 million compared to the prior year. Interest income fiscal year to date increased \$2.1 million due to an increase in market interest rates.

KUB's total debt outstanding as of March 31, 2019, was \$1.15 billion, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$43.1 million compared to the same period last year. KUB sold \$80 million in bonds in August 2018 for the purpose of funding utility system capital improvements for each utility system.